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PRUDENT RISK MANAGEMENT

The Business Conduct Committee (the Committee) recently considered a matter concerning the Maximum Price Change (MPC) Limits in place on a SYCOM® Interface provided by a Participant to a Client.

Operating Rule 2.2.13(a)(ii) requires a Full Participant to demonstrate prudent risk management procedures, as determined by the Exchange, including but not limited to setting and documenting MPC limits.

Following notification by Business Operations and further investigation by Compliance and Surveillance staff, it was determined that the MPC limits in the SYCOM® Interface provided by the Participant to a Client were set to the maximum (9,999). This allowed orders to be entered during the Pre-Opening period 100 basis points below the prior settlement price. It appears that the order entered led to other market Participants entering orders 100 basis points below the prior settlement price. The Committee was concerned that if the above order had remained in the market during the opening it may have adversely affected the operation of a fair, orderly and transparent market and could have caused a significant market disruption regarding price and the possible cancellation of orders or trades.

The Committee imposed a monetary penalty upon the Participant for its failure to comply with Operating Rule 2.2.13(a)(ii).

The Committee wishes to remind all Participants of their obligation have in place Prudent Risk Management procedures with regard to all limits on both SYCOM® Workstations and SYCOM® Interfaces.

Participants should note that MPC limits placed on SYCOM® Interfaces are a 'hard' limit.

Should you have any queries please contact either Andrew Couper on 9256-0589 or acouper@sfe.com.au or myself on 9256 0580 or mwagner@sfe.com.au.

A handwritten signature in black ink, appearing to read 'Michelle Wagner', with a long, sweeping underline.

MICHELLE WAGNER
MANAGER, COMPLIANCE AND SURVEILLANCE