

**CIRCULAR TO: CLEARING MEMBERS**    **NO: 61/00**  
(amended version)

**APPROVED SECURITIES AND COVER FOR INITIAL MARGIN**  
**ADDITIONS TO THE CLEARING BY-LAWS**

The purpose of this circular is:

- \*to record the securities and cover which the Board has prescribed as being acceptable for initial margin, instead of cash; and
- to notify Members of additions to the By-Laws which have recently been approved.

**Approved Securities And Cover**

The Board has, for the purposes of Clearing By-Law 43.1, prescribed the items in the first column below as being acceptable by the Clearing House for payment of initial margin instead of cash, subject to the valuation margin set out in the second column. These prescriptions will be set out in Schedule 5 to the Clearing By-Laws

<b><u>Approved Security Instrument or Cover</u></b>	<b><u>Valuation Margin</u></b>
<ul style="list-style-type: none"> <li>▪ EUR Cash</li> <li>▪ HKD Cash</li> <li>▪ JPY Cash</li> <li>▪ USD Cash</li> <li>▪ AUD Cash (for NZFOE)</li> <li>▪ NZD Cash (for SFE)</li> </ul>	( 3% if lodged against ( margin for SFE products ( 4% if lodged against ( margin for NZFOE ( products
<ul style="list-style-type: none"> <li>▪ US Treasury Bills with minimum of two weeks to maturity. (Minimum holding and minimum transaction size: US\$100,000)</li> </ul>	10%
<ul style="list-style-type: none"> <li>▪ AUD Treasury Notes with maturity greater than 2 weeks</li> <li>▪ AUD Treasury Bonds with maturity greater than 6 months. (Minimum holding: AUD\$500,000)</li> </ul>	5% for CGS with a maturity of less than one year. 10% for CGS with a maturity of greater than one year.
<ul style="list-style-type: none"> <li>▪ Top 20 Australian stocks (by market capitalisation).</li> <li>▪ Equities traded as ISFs/DSFs on SFE</li> <li>▪ Equities included in the AUD/AP/ELs basket (Minimum holding and minimum transaction size is the underlying currency equivalent of \$10,000). (Maximum total SFECH holding of \$200 million)</li> </ul>	30%
<ul style="list-style-type: none"> <li>▪ Top 10 New Zealand stocks (by market capitalisation).</li> <li>▪ Equity Options on NZFOE (Minimum holding and minimum transaction size is the underlying currency equivalent of \$10,000). (Maximum total SFECH holding of \$10 million.)</li> </ul>	30%
*Letters of credit issued by an Authorised Deposit Taking Institution within the meaning of Section 5 of the Banking Act 1959 (Cwth) which is in a class of Australian-owned banks, foreign subsidiary banks or branches of foreign banks as published from time to time by the Australian Prudential Regulation Authority pursuant to Section 9C of the Banking Act 1959 (Cwth).	

\*Please see current version of Schedule 5 for up-to-date prescriptions.  
(The Schedules, which are included in the Business Rules of SFE Clearing are available on SFE's website)

## **New Clearing By-Law 39A**

As SFE Members were advised in SFE Circulars 105 and 123 of 2000, SFE has developed a Voluntary Conversion Scheme (VCS) to assist migration of outstanding open interest from the Share Price Index Contract (formerly the All Ordinaries Share Price Index Contract) to the new SPI-200 contract. The SFE Board may decide to implement the mechanism, on a one-off basis, after CFTC approval has been obtained for the new SPI 200 contract.

The mechanism requires a new SFECH By-Law (By-Law 39A) as well as additions to the relevant SFE Market By-Laws.

The new SFECH By-Law 39A reads as follows:

### **39A TRANSITIONAL PROVISION – SPI-200 INDEX CONTRACT CONVERSION**

*39A.1 Where the Exchange By-Laws provide for the voluntary conversion of an Open Position in the Share Price Index Contract to an Open Position in the SPI-200 Index Contract, the holder of one existing Open Position in the Share Price Index Contract will, if the Open Position is nominated and accepted for conversion (Relevant Open Position) be deemed to be the holder of one SPI-200 Index Contract Open Position.*

*39A.2 Where the Exchange By-Laws provide for each Share Price Index Contract to be voluntarily converted to an SPI-200 Index Contract then the provisions of By-Law 39A.3 shall apply to the Relevant Open Position held by the Member at the time prescribed by the Board of the Exchange (the Relevant Time).*

*39A.3 At the Relevant Time:*

- (a) each Relevant Open Position of the Share Price Index Contract held upon the previous Daily Settlement or at such other time as is prescribed by the Board shall be deemed to be a SPI-200 Index Contract Open Position.*
- (b) with respect to such Relevant Open Position there shall be one Open SPI-200 Index Contract registered for each Share Price Index Contract previously held.*
- (c) immediately upon conversion of a Relevant Open Position in the manner referred to in By-Law 39A.1, the By-Laws with respect to the SPI-200 Index Contract shall apply.*

*39A.4 A subsequent Open Position created in the SPI-200 Index contract shall be subject to the Clearing By-Laws and Exchange By-Laws as they relate to the SPI-200 Index Contract as amended from time to time.*

**New Clearing By-Law 106**

A new By-Law 106, entitled “Goods and Services Tax” has been approved, the purpose of which is to create a contract between the Clearing House and Clearing Members which will avoid the need to have each Clearing Member enter into an agreement with the Clearing House that the latter may issue tax invoices to Clearing Members. Tax invoices may be issued by a receiver (in this case the Clearing House) to a supplier (in this case a Clearing Member) to certify the value of the supply and the amount of GST which has been paid.

The new By-Law reads as follows:

**106 GOODS AND SERVICES TAX**

*For the purposes of the Goods and Services Tax (GST), the Clearing House is authorised to issue Recipient Created Tax Invoices (RCTIs) in any situation which satisfies the requirements of the GST legislation, GST Regulations or Tax Office Rulings. These requirements include the creation of a written agreement between the Clearing House, as an entity issuing the RCTI and the supplier on whose behalf it is issued. This By-Law puts in place the required agreement between the Clearing House and each Clearing Member:*

- *the Clearing House is authorised to issue RCTIs to Clearing Members;*
- *a Clearing Member will not issue a tax invoice in circumstances where the Clearing House issues an RCTI on behalf of that Clearing Member;*
- *a Clearing Member on whose behalf an RCTI is issued acknowledges that it is registered for GST purposes and will notify the Clearing House if it ceases to be registered;*
- *the Clearing House acknowledges that it is registered for GST purposes and will notify the Clearing Member if it ceases to be registered;*
- *the Clearing House indemnifies the Clearing Member for any liability for GST and penalty arising from an understatement of the GST payable on any supply for which the Clearing House issues an RCTI.*

**BARBARA JONES**  
**COMPANY SECRETARY**

**10 JULY 2000**