



SFE NOTICE NO.

012/08

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Greasy Wool Futures Contract Expiry – Market Information Update

As market users will be aware, the February 2008 expiry of the SFE Greasy Wool Futures contract takes place on Thursday, 21 February 2008 at 12:00 noon. Deliveries for this contract will commence on Friday, 15 February.

In light of current futures holdings, discussions with traders and likely strategies surrounding expiry, SFE wishes to ensure market awareness of the following factors.

As part of its market operator licence which imposes front-line market supervisory authority and obligations to ensure that its markets are fair, orderly and transparent, Exchange Surveillance personnel monitor trading activity and futures holdings approaching expiry, and initiate contact with relevant parties to gain adequate assurance as to traders' intentions and understanding of their obligation to trade in a manner consistent with the fair, orderly and transparent operation of SFE's markets. As a result of a number of such discussions in recent days, the Exchange has gained necessary assurances regarding traders' intentions and strategies in meeting these obligations.

SFE recognises, however, that circumstances prior to and surrounding the expiry of the February contract have led to futures positions being accumulated that may intend to take advantage of the physical delivery opportunities at settlement, in levels that are potentially greater than those typically seen at the expiry of this commodity. Traders have advised the Exchange that they may seek to permit futures positions to expire and make or take delivery of physical wool during the delivery period. As a result, SFE wishes to advise traders that the aforementioned market operations have the potential to limit traders' ability to exit positions taken at a price traders see as desirable in the final weeks of the contract. This could lead to unexpected levels of price volatility – traders who are unwilling to accept this price risk may look to exit positions in this expiry at an earlier time rather than later. SFE also wishes to encourage Participants to ensure that their clients are able to make and take delivery on open positions or to ensure that these positions are exited.

SFE wishes to remind futures traders who are also active in AWEX physical wool markets that they should comply with all rules and relevant guidance regarding trading on those markets, especially through the expiry process.

Should you have any queries in relation to the above, please contact Nick Gaut, Senior Market Analyst, Futures Compliance & Surveillance, on (02) 9227-0226 or at nick.gaut@asx.com.au

A handwritten signature in black ink, appearing to read 'Eric Mayne', is positioned above the printed name and title.

Eric Mayne
Chief Supervision Officer

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