



PROCEDURES

DETERMINATIONS

AND

PRACTICE NOTES

RELATING TO THE

ASX CLEAR (FUTURES) OPERATING RULES

(ABN 91 050 615 864)

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Rule 4.2(a) Becoming a Clearing Participant

Application Form – Please contact the Exchange for a copy of the Clearing Participant Application Form.

Rule 4.14 Becoming a Clearing Participant

Each Clearing Participant must provide to ASX Clear (Futures) an annual audit certificate, in the form determined by ASX Clear (Futures), within 3 months of its financial year end.

Each Clearing Participant is to submit Form 1 and 2 and where a Clearing Participant is an AFSL licensee a copy of the FS 71 audit report. Clearing Participants which are foreign ADIs and who are exempted by ASIC Class Order CO 03/823 from the requirement to prepare FS71 audit reports, may lodge the equivalent audit report that they lodge with ASIC. Exceptions to the above require the approval of ASX Clear (Futures).

Forms 1 and 2 should be submitted via email to sfereturns@asx.com.au. FS71 or an equivalent audit report should be forwarded to Compliance@asx.com.au.

Foreign Participants can choose to have their internal controls and return audited according to Australian auditing standards and code of ethics or auditing standards and code of ethics of their home jurisdiction. The appropriate selection should be made in the Form 1 and Form 2. Notwithstanding this selection, ASX Clear (Futures) reserves the right to require an auditor to provide a report based on the Australian auditing standards and/or code of ethics.

Form 1 – Independent Auditor’s Report on Net Tangible Assets Rules

Independent Auditor’s Report to the Directors of [Participant name]

We have audited the internal control policies and procedures (“internal controls”) of [Participant Name] (the “Participant”) designed to ensure compliance with the requirements of:

ASX Clear (Futures) Pty Limited’s (“ASX Clear (Futures)”) Operating Rule 8.1 in relation to the maintenance of net tangible assets (the “Net Tangible Assets Rules”)

in order to express an opinion about their effectiveness for the [period/year] ended [date].

The Responsibility of the Directors for Internal Controls

The directors of the Participant are responsible for maintaining an effective internal control structure, including establishing and maintaining accounting records and effective internal controls designed to ensure compliance with the requirements of the Net Tangible Assets Rules. We have conducted an independent audit of the internal controls designed to ensure compliance with the requirements of the Net Tangible Assets Rules in order to express an opinion on them to the directors of the Participant for the [period/year] ended [date].

Auditor’s Responsibility

Our audit has been conducted in accordance with **Australian Auditing Standard AUS810 “Special Purpose Reports on the Effectiveness of Control Procedures”/[insert auditing standards applicable to Participant’s home jurisdiction]** and accordingly included such tests and procedures as we considered necessary in the circumstances. These procedures have been undertaken to form an opinion whether in all material aspects, the Participant maintained suitably designed and effective internal controls to ensure compliance with the requirements of the Net Tangible Assets Rules for the [period/year] ended [date].

INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure it is possible that fraud, errors or non-compliance with laws and regulations may occur and not be detected. Further, the overall internal control structure, within which the internal controls designed to ensure compliance with the requirements of the Net Tangible Assets Rules operate, has not been audited, and no opinion is expressed as to its effectiveness.

An audit is not designed to detect all weaknesses in internal controls or all instances of non-compliance with the requirements of the Net Tangible Assets Rules as it is not performed continuously throughout the period/year and the tests performed over the internal controls are on a sample basis having regard to the nature and size of the Participant.

Any projection of the evaluation of internal controls to future periods is subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

BASIS FOR QUALIFIED OPINION (IF APPLICABLE)

[QUALIFIED] AUDITOR’S OPINION

In our opinion, [except for the matters referred to in the qualification below,] [Participant Name]:

maintained, in all material respects, during the [period] ended [date] suitably designed and effective internal controls to comply with the requirements of ASX Clear (Futures) Pty Limited’s Operating Rule 8.1 in relation to the maintenance of net tangible assets.

RESTRICTION ON DISTRIBUTION AND USE

This report has been prepared for the Participant in order to meet its obligations to lodge this report with ASX Clear (Futures) Pty Limited. We disclaim any assumption of responsibility for reliance on this report to any person other than the Participant and ASX Clear (Futures) Pty Limited or for any purpose other than that for which it was prepared.

Audit Firm Signature

Name of Audit Firm

Partner’s Signature

Name of Partner

Address of Audit Firm

.....

Date

Amended 24/12/10, 01/12/11

Form 2 – Auditor's Report on Audited NTA Return

Independent Auditor's Report to the Directors of [Participant_name]

We have audited the financial information set out in the attached Audited NTA Return, excluding the:

- Directors Statement Relating to Net Tangible Assets and
- Financial information set out in the "Prior Period", "Movement \$" and "Movement %" columns, (the "Return") of [Participant_name] ("the Participant") for the [period] ended [date].

The Responsibility of the Directors for the Return

The **directors** of the Participant are responsible for the preparation and fair presentation of the financial information set out in the Return in accordance with the requirements of the **ASX Clear (Futures) Pty Limited ("ASX Clear (Futures)") Operating Rules**. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial information set out in the Return to ensure that the Return is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial information set out in the Return based on our audit. We conducted our audit in accordance with **Australian Auditing Standards/[insert auditing standards applicable to Participant's home jurisdiction]**. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance, whether the financial information set out in the attached Return, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial information set out in the Return. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial information set out in the Return whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Participant's preparation and fair presentation of the financial information set out in the Return in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Participant's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Participant, as well as evaluating the overall presentation of the financial information set out in the Return.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of **APES 110: Code of Ethics for Professional Accountants/[code of conduct legislation applicable to Participant's home jurisdiction]**.

BASIS FOR QUALIFIED OPINION (IF APPLICABLE)

[QUALIFIED] AUDITOR'S OPINION

In our opinion, **[except for the matters referred to in the qualification below]**, the Return of **[Participant_name]** for the **[period]** ended **[date]** presents fairly, in all material respects, the financial information of the Participant for the **[period]** ended **[date]** as required by **ASX Clear (Futures) in accordance with the ASX Clear (Futures) Operating Rules** that are relevant to the preparation and presentation of the Return.

BASIS OF PREPARATION AND RESTRICTION ON DISTRIBUTION AND USE

Without modifying our opinion, we draw attention to the basis of preparation of the Return. The Return has been **prepared in accordance with ASX Clear (Futures) Pty Limited Operating Rule 8.5(b)**.

This report has been prepared for the Participant in order to meet its obligations to lodge this report with ASX Clear (Futures) Pty Limited. We disclaim any assumption of responsibility for reliance on this report to any person other than the Participant and ASX Clear (Futures) Pty Limited or for any purpose other than that for which it was prepared.

Dated this day of

Audit Firm “Signature”

Name of Audit Firm

Address of Audit Firm

Partner’s Signature

Name of Partner

If an auditor is not satisfied as to any matter a qualified audit opinion should be expressed.

Introduced 24/12/10, 01/12/11

Appendix
Director's Declaration

As directors of [Entity Name] (“the Participant”), we are responsible for maintaining an effective internal control structure, including establishing and maintaining effective internal controls designed to ensure compliance with the requirements of:

- ASX Clear (Futures) Pty Limited’s (“ASX Clear (Futures)”) Operating Rule 8.1 in relation to the maintenance of net tangible assets.

In carrying out this responsibility, we have had regard to the interests of the clients and owners of the Participant, and to the general effectiveness and efficiency of the operations of the Participant.

In the opinion of the directors of [Participant Name], [Entity Name]:

- (a) maintained, in all material respects, during the [period] ended [date] suitably designed and effective internal controls to comply with the requirements of ASX Clear (Futures) Pty Limited’s Operating Rule 8.1 in relation to the maintenance of net tangible assets.

Signed in Accordance with a Resolution of the Board of directors

Date

Name

Date of Board Resolution (if applicable)

Amended 24/12/10, 01/12/11

Rule 16 Use of Exchange Systems

Rule 16 and the comparable Exchange Rule do not have any application, in respect of the OM SECUR and SYCOM systems respectively, to Clearing Participants who entered into individual agreements with ASX Clear (Futures) before 4 January 2005 (the commencement date of this Rule) for the use of those systems. Those individual agreements are in substantially the same terms as the Rule. Rule 16 and the comparable Exchange Rule do not supersede these individual agreements.

The Rule however applies, in respect of the OM SECUR, to all Clearing Participants who became participants after 4 January 2005 or to Clearing Participants who had not for some reason executed an agreement for the use of that system prior to 4 January 2005.

It will also apply to all Clearing Participants, irrespective of when they became Clearing Participants, in relation to all other systems of ASX Clear (Futures) provided those systems have been approved by ASX Clear (Futures) pursuant to the Rule.

The Rule only applies if the particular Clearing Software or Clearing Equipment has been approved by ASX Clear (Futures) pursuant to the Rule. The only approval given to date is in respect of:

- OM SECUR software and OM SECUR equipment for use by entities which become Clearing Participants on or after 4 January 2005, being the date of commencement of Rule 16 (a similar approval has been given under the Exchange Operating Rules in respect of SYCOM Software and Equipment).

Where, in future, new systems are developed necessitating the granting of software licences and supply of equipment to Clearing Participants, this software and equipment will be approved by ASX Clear (Futures) pursuant to this Rule for application to all Clearing Participants. Details will be set out here and by means of a Bulletin.

Rule 19.1 Notice, Notification and Service of Documents

Notice and Notification

For the purposes of Rule 19.1(b), unless otherwise specified in correspondence with a Clearing Participant, documents addressed to the Exchange should be addressed to the person holding the following position:

General Manager – Clearing and Settlement Operations
 ASX Limited
 Level 4, Exchange Centre
 20 Bridge Street
 SYDNEY NSW 2000
 Telephone: 1800 814 051
 Facsimile: 02 9235 1857

Notice to the Exchange

Notice to the Exchange may be given by:

1. Delivering it personally to the person specified above or otherwise specified in correspondence with the Clearing Participant;
2. Leaving it at or by sending it by courier or post to the address specified above or otherwise specified in correspondence with the Clearing Participant;
3. Sending it by facsimile to the facsimile number specified above or otherwise specified in correspondence with the Clearing Participant;
4. Updating the Clearing Participant's corporate details on asxonline where applicable, unless otherwise directed by the Exchange;
5. Submitting it via the web-based system interface known as ASX Compliance Monitor ("ACM") where applicable, unless otherwise directed by the Exchange; or
6. Specific email by any method which identifies an Exchange department or an Exchange employee's name or title as addressee and no notice of non-delivery has been received.

Notice by the Exchange

The Exchange may give notice to any person, firm or corporation by any of the following methods:

1. Delivering it to the recipient personally;
2. Leaving it at or by sending it by courier or post to the address of the recipient last notified to the Exchange;
3. Sending it by facsimile to the recipient's facsimile number last notified to the Exchange;
4. A circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this Procedure;
5. Specific email by any method which identifies a person or person's title as addressee and no notice of non-delivery has been received;
6. Broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purposes for which the information was communicated; or
7. Sending it via the web-based system known as ACM.

Service of Documents

For the purposes of any Rule that requires or permits a document to be given to a person, whether the expression 'serve', 'give' or 'send' or any other expression is used, the document may be given, and will be taken to have been received, at the time and in the manner set out in the Procedures.

Nothing in Rule 19.1(c) or the Procedures prevents documents being sent or given to, or served on, a person in any other manner required or permitted by law.

For the purpose of Rule 19.1(c) the time and manner in which a notice may be given is as follows:

Notice by:

1. Post is taken to be given on the second Business Day after the document is put in the post, in a stamped envelope or other covering addressed to the recipient;
2. Courier is taken to be given at the time of delivery to the address referred to in this Procedure Rule 19.1;
3. Facsimile is taken to be given when the sender's facsimile machine indicates a successful transmission to the facsimile number referred to in this Procedure Rule 19.1;
4. Email, under this Procedure Rule 19.1 is taken to be given 2 hours after the time the email enters the recipient's information system, unless a response to the contrary is received (e.g. an out of office notification); and
5. The web-based system known as ACM is taken to be given at the time which that system records the transmission.

For the purposes of the Rules, a notice given in accordance with this Procedure Rule 19.1 to a person is received by that person at the time it is taken to be given to that person under this Procedure Rule 19.1.

Introduced 01/01/12

Rule 46.1 Daily Close-Out of Matched Positions

An Open Position in a CFD contract cannot be closed out under Rule 46.1 unless the Open Position are for the same beneficial client for the same CFD Contract. The definition of client for the reporting of Open Positions for the Open Interest Charge calculation means;

“Any person, firm or corporation (including a Related Body Corporate) on behalf of whom a Participant or a client of a Participant provides instructions to enter, acquire or dispose of a CFD”.

Rule 46.5 Daily Close-Out of Matched Positions (including Back-to-Back Open Positions)

In accordance with Rule 46.5, ASX Clear (Futures) directs Clearing Participants as to the correct treatment of Back-to-Back Open Positions in this Direction. Where a Clearing Participant fails to comply with this Direction, such a failure will constitute a breach of the Rules and the Clearing Participant will be subject to the disciplinary process associated with such a breach.

Specifically, ASX Clear (Futures) directs Clearing Participants as follows:

- Clearing Participants must Close Out Back-to-Back Open Positions within each Individual Account no later than the time prescribed for the purposes of Rule 46.1 on the Business Day following the creation of those Back-to-Back Open Positions;
- Except as specified below in so far as it relates to Open Positions across multiple Individual Accounts of a single legal entity, Open Positions held within an Individual Account, whether or not it is a sub-account of an Affiliated Account, must not at any time be settled or offset against Open Positions held within another Individual Account or sub-account, unless these positions are formally transferred on market into the same Individual Account; and
- If a Clearing Participant wishes to Close Out Open Positions across multiple Individual Accounts of a single legal entity, the Clearing Participant must ensure legal advice is obtained that such activity does not constitute a breach of the Rules or the law.

Amended 01/07/10

Introduction

Open Interest (OI) is one of a number of indicators of a market’s depth of liquidity. Exchange’s OI is derived from the summing of Open Positions held by all Clearing Participants in their House Clearing Accounts and Client Clearing Accounts (collectively referred to as “Clearing Accounts”) at the end of each trading day. These figures are submitted daily by the relevant Clearing Participant into ASX Clear (Futures)’s OM SECUR clearing system in accordance with Rule 46.1.¹

A Clearing Participant would derive the figures to be submitted into OM SECUR from the summing in its back office of Open Positions held in Individual House Accounts² and Individual Client Accounts³ (collectively referred to as “Individual Accounts”).⁴ Accordingly, the fundamental level at which market liquidity is held is at the level of the Individual Account.

It has come to ASX Clear (Futures)’s attention that not all Clearing Participants have been netting Individual Accounts in their back offices in a manner which enables the most accurate OI to be derived. In particular, ASX Clear (Futures)

¹ Rule 46.1 requires a Clearing Participant to advise SFE Clearing on a daily basis of the number of Open Positions which it wishes to remain open. This advice is effected through the Clearing Participant submitting that information into OM SECUR.

² An ‘Individual House Account’ is an individual account established by an Exchange Participant on its own behalf for the purposes of Trading on the Exchange.

³ An ‘Individual Client Account’ is an individual account established by an Exchange Participant for a Client for the purposes of Trading on the Exchange.

⁴ The total Open Positions held in a particular Clearing Participant’s House Clearing Account should be derived in that Clearing Participant’s back office from summing the number of Open Positions held in each of its Individual House Accounts. The total Open Positions held in a particular Clearing Participant’s Client Clearing Account should be derived in that Clearing Participant’s back office from summing the number of Open Positions held in each of its Individual Client Accounts.

is concerned with the failure of certain Clearing Participants to consistently Close Out in their back offices Back-to-Back Open Positions⁵ within Individual Accounts. If submitted into OM SECUR, such Back-to-Back Open Positions may inflate the OI figure without actually indicating an increase in the true liquidity of the market.

To enhance the integrity of OI, ASX Clear (Futures) now requires that, in fulfilling their obligations under Rule 46.1, Clearing Participants must (as outlined in this Direction) Close Out Back-to-Back Open Positions within each Individual Account no later than the time prescribed for the purposes of Rule 46.1 on the Business Day following the creation of those Back-to-Back Open Positions in their back offices in order that such positions do not form part of the total number of Open Positions submitted into OM SECUR towards the relevant Clearing Account.⁶

The Tables below illustrate how Clearing Participants must comply with this Direction.

Amended 01/07/10

Application of this Direction

In Table 1 below, assume that a Client Clearing Account of a Clearing Participant contains Individual Client Accounts which hold the following Open Positions in a particular futures contract⁷:

Table 1 - Example of a Client Clearing Account

<u>Client Clearing Account</u>	<u>Short</u>	<u>Long</u>	<u>Net (to be submitted into OM SECUR)</u>
Individual Client Account 1	-400	+50	-350
Individual Client Account 2	0	+500	+500
Individual Client Account 3	-300	+500	+200
<i>Total</i>	<i>-700</i>	<i>+1050</i>	<i>-350, +700</i>

Closing Out Back-to-Back Open Positions in Individual Accounts

In the above table, Individual Client Account 1 holds Back-to-Back Open Positions of 50 lots and Individual Client Account 3 holds Back-to-Back Open Positions of 300 lots. Individual Client Account 2 does not contain any Back-to-Back Open Positions. Before determining each Individual Client Account's contribution to the Client Clearing Account, Back-to-Back Open Positions are to be eliminated from each Individual Client Account in the Clearing Participant's back office. As shown in the 'Net' column of the above table, the resulting net positions to form part of the total to be submitted into OM SECUR would be -350 short in Individual Client Account 1 and +200 long in Individual Client Account 3. As no Back-to-Back Open Positions are held in Individual Client Account 2, the entire +500 long positions held would form part of the total to be submitted into OM SECUR as part of the Client Clearing Account total.

Therefore, for the purposes of submitting the most accurate representation of the Open Positions within the above Client Clearing Account into OM SECUR, the Clearing Participant must submit the gross sum of the individual net positions of each Individual Client Account, -350/+700.

Affiliated Accounts

Individual Accounts may be grouped together as an "Affiliated Account."⁸ Within an Affiliated Account, there may be a mix of long and short positions in a given contract in separate Individual Accounts (sub-accounts). In order to provide an accurate representation of the holdings within an Affiliated Account, Clearing Participants are required to submit the

⁵ 'Back-to-Back Open Positions' are Open Positions within an Individual Account which can be matched and settled against each other.

⁶ Such a practice would also reduce the risk of incorrect settlements being made in error.

⁷ The same principle would apply to a House Clearing Account and Individual House Accounts.

⁸ An Affiliated Account is defined in the Sydney Futures Exchange Limited Business Rules and is also known as an "omnibus account" (but is distinct from a Clearing Account). Affiliated Accounts are often held on behalf of fund management entities and trading desks which run a number of books for different purposes. In addition, SFE Clearing is aware that some Clients mandate use of a single account to trade multiple strategies (for example, long trades for funding, short trades for hedging). SFE Clearing considers that such an account is in fact a number of Individual Accounts comprising an Affiliated Account and should be treated by Clearing Participants as such for the purposes of submitting Open Positions into OM SECUR.

gross sum of the net holdings of each sub-account into OM SECUR. That is, each sub-account within the Affiliated Account, as opposed to the Affiliated Account as a whole, is considered to be an Individual Account for the purposes of calculating and Closing Out Back-to-Back Open Positions.

By way of illustration in the table below, assume that an Affiliated Account of a Clearing Participant contains sub-accounts which hold the following Open Positions in a particular futures contract:

Table 2 - Example of a Client Clearing Account

<u>Client Clearing Account</u>	<u>Short</u>	<u>Long</u>	<u>Net (to be submitted into OM SECUR)</u>
Affiliated Account			
Sub-account 1	0	+100	+100
Sub-account 2	-600	+150	-450
Sub-account 3	-500	+700	+200
<i>Total</i>	<i>-1100</i>	<i>+950</i>	<i>-450, +300</i>

Closing Out Back-to-Back Positions in Affiliated Accounts

For the example in the above table, it would not be appropriate for a Clearing Participant to Close Out positions within the Affiliated Account as though the Affiliated Account were one Individual Account (i.e. by netting -1100 short against +950 long, resulting in a net position of -150 short). Rather, each separate sub-account would be netted individually and the resulting net positions form part of the total to be submitted into OM SECUR. In the above table, Sub-account 2 in the Affiliated Account holds Back-to-Back Open Positions of 150 lots and Sub-account 3 holds Back-to-Back Open Positions of 500 lots. Sub-account 1 does not contain any Back-to-Back Open Positions. Before determining each sub-account's contribution to the Client Clearing Account, these Back-to-Back Open Positions must be eliminated from calculation in the Clearing Participant's back office.

As shown in the 'Net' column of the above table, the resulting net positions to form part of the total to be submitted into OM SECUR would be -450 short in Sub-account 2 and +200 long in Sub-account 3. As no Back-to-Back Open Positions are held in Sub-account 1, the entire +100 long positions held would form part of the total to be submitted into OM SECUR as part of the Client Clearing Account total.

Thus for the above Affiliated Account, a -450/+300 holding (which has been derived from a sum of the individual net position figures in each sub-account within the Affiliated Account) would be submitted to OM SECUR as the most accurate representation of the holdings in that Client Clearing Account.

In order that an account can be treated as an Affiliated Account (and be entitled to hold Back-to-Back Open Positions), Participants must request explicit instructions in this regard (as well as the rationale for it) from their clients (which may include entities related to the Participant) and must retain these instructions on file. Further, Participants must instruct their clients to provide them with daily instructions as to the number of Back-to-Back Positions required to be left open in order to report their Affiliated Account in accordance with this Direction.

If a Participant does not receive instructions from its client that an account is being operated as an Affiliate Account, this Direction must be followed and Back-to-Back Open Positions must be closed out of the account. If the Client wishes to operate an account as an Affiliated Account, they must commit to informing the Participant daily of how many open positions are to be maintained (or how many back-to-back positions are to be closed out) in line with this Direction.

Amended 01/07/10

Exception to this Direction

Differentiated Deliverable Commodities

This Direction to Close Out Back-to-Back Open Positions outlined above applies to cash-settled contracts (e.g. SPI 200™ futures contracts, Commonwealth Treasury Bond futures contracts etc) and deliverable contracts where all deliverable commodities are functionally identical (e.g. Individual Share Future contracts, currency future contracts etc), as Back-to-Back Open Positions in such contracts do not contribute to market liquidity.

However, Back-to-Back Open Positions which are held in deliverable contracts where the deliverable commodities may vary in quality, nature or some other means (e.g. Greasy Wool) may represent a contribution to market liquidity, where there is intent or likelihood to both take and make a delivery at a single expiry. Accordingly, such Back-to-Back Open Positions may be maintained and included as part of the number of Open Positions submitted into OM SECUR.

Amended 01/07/10

Inappropriate Practices

Except as specified below in so far as it relates to Open Positions across multiple Individual Accounts of a single legal entity, Open Positions held within an Individual Account, whether or not it is a sub-account of an Affiliated Account, must not at any time be settled or offset against Open Positions held within another Individual Account or sub-account, unless these positions are formally transferred on market into the same Individual Account.

Any such activity may represent inappropriate off-market trading and may constitute a breach of the Rules or the law.

If a Clearing Participant wishes to Close Out Open Positions across multiple Individual Accounts of a single legal entity, the Clearing Participant must ensure legal advice is obtained that such activity does not constitute a breach of the Rules or the law.

For example, in Table 1 above, if the Open Positions within Individual Client Account 1 are inappropriately offset against the Open Positions within Individual Client Account 3 the resulting net position would be -150 short. However, the correct number of Open Positions to be included in the total to be submitted to OM SECUR are -350 short for Individual Client Account 1 and +200 long for Individual Client Account 3.

Amended 01/07/10

Implementation

Clearing Participants are required to follow this Direction in their treatment of Back-to-Back Open Positions.

Where a Clearing Participant fails to comply with this Direction, such a failure will constitute a breach of the Rules and the Clearing Participant will be subject to the disciplinary process associated with such a breach.

Clearing Participants are also reminded of the importance of maintaining appropriate Close Out procedures and audit trails. Documentation held in this regard may be reviewed as part of a Clearing Participant compliance inspection or operational review and must be made available to ASX Clear (Futures) on request.

Amended 01/07/10

Rule 63A.6 BRC Delivery Procedures (Compensation Policy)

Under Rule 63A.6(*to take effect 11 March 2004*), in the event of a failure to settle a BRC transaction by the due time, ASX Clear (Futures) may direct that compensation be payable in accordance with a calculation methodology determined by ASX Clear (Futures).

Determination

ASX Clear (Futures) has determined the calculation methodology for the purpose of Rule 63A.6 is the Standard Inter-Organisation Compensation Rules published by Australian Payments Clearing Association Limited (APCA) from time to time, subject to the following modifications:

APCA Rule	ASX Clear (Futures) modification
Makes provision for non-failing party to be reimbursed for administration fee.	ASX Clear (Futures) may, in its absolute discretion, determine that the administration fee will be waived.
Claims must be in writing and received within 90 days.	ASX Clear (Futures) will determine at its absolute discretion whether compensation is payable without formal claim.
Compensation events.	The only compensation event will be Delayed Payment under Rule 6.
None	BRC Participants responsible for a settlement failure will be informed of a claim against them within 7 days.
None	BRC Participants receiving a claim against them must pay the calculated compensation within 14 days of demand.
None	BRC Participants validly requiring compensation will be paid at the month end 21 days after the incident.

Schedule 3 Prescribed Times

Rule	Description	Time
43.1 and 44.4	Time for payment of Initial margins and Daily Settlement Amounts	<p>SFE AUD denominated contracts – 10:30 am (Sydney time), to be pending RTGS.</p> <p>SFE AUD denominated contracts – 11:00 am (Sydney Time), funds to be cleared.</p> <p>SFE NZD denominated Contracts – 10:30 am (Sydney Time), to be pending RTGS.</p> <p>SFE NZD denominated Contracts – 11:00 am (Sydney Time), funds to be cleared.</p> <p>SFE US denominated contracts – 12:00 pm (Sydney time), payment to be confirmed via authenticated SWIFT message to Exchange USD Bank.</p> <p>SFE US denominated contracts – 5:00 pm (New York time), funds to be received by Exchange US Correspondent Bank.</p> <p>EUR denominated contracts – 12pm (Sydney time), Payment to be confirmed via authenticated SWIFT message to Exchange EUR Bank.</p> <p>EUR denominated contracts – Funds to be received by Exchange EUR Correspondent Bank by local cutoff for same day value.</p> <p>GBP denominated contracts – 12pm (Sydney time), Payment to be confirmed via authenticated SWIFT message to Exchange GBP Bank.</p> <p>GBP denominated contracts – Funds to be received by Exchange GBP Correspondent Bank by local cutoff for same day value.</p> <p>JPY denominated contracts – 10am (Sydney time), Payment to be confirmed via authenticated SWIFT message to Exchange JPY Bank.</p> <p>JPY denominated contracts – Funds to be received by Exchange JPY Correspondent Bank by local cutoff for same day value.</p>
43A.1	Time for payment of Initial Margins	<p>SFE – 10:30 am (Sydney Time), to be pending RTGS</p> <p>SFE – 11:00 am (Sydney Time), Funds to be cleared</p>

Schedule 14 Grains Contracts

Note: Tender Documentation in relation to this Schedule 14 can be obtained from the Exchange by contacting Clearing and Settlement Operations via email at: ClearingandSettlementOperations@asx.com.au.

SETTLEMENT OF DELIVERABLE DERIVATIVE CONTRACTS OVER A COMMODITY WHICH IS GRAIN.

Bulk Handlers

For the purpose of this schedule, the following companies have entered into arrangements with ASX Clear (Futures) to act as Bulk Handlers for the storage and handling of the Underlying Commodity:

- Australian Bulk Alliance Pty Ltd
- AWB Grainflow Pty Ltd
- Co-operative Bulk Handling Limited
- GrainCorp Operations Limited
- Viterrra Operations Ltd

14.2.1 ELECTION TO TENDER BY SELLER

When a Seller elects to effect delivery during the Delivery Period, the Participant is required to lodge the following tender documentation with ASX Clear (Futures):

- (a) Grain Futures Tender/Redemption Notice.

The Tender Notice is submitted to ASX Clear (Futures) in the following manner:

- (a) The Participant completes the Tender Notice section of the Grain Futures Tender/Redemption Notice and lodges with ASX Clear (Futures). A Tender Notice may only be lodged with ASX Clear (Futures) where the Confirmed Lodgement Status relating to the specified quantity of Underlying Commodity that is the subject of the tender, is aged two days; and
- (b) The Tender Notice must be submitted to ASX Clear (Futures) by 12:00 noon on any Notice Day other than the last Notice Day (the Maturity Date). On the Last Notice Day, the Tender Notice must be lodged by 3:00 pm, unless otherwise notified by ASX Clear (Futures).

Note: The Seller may elect to settle a Deliverable Contract which is Grain by either closing out the position in the market or by effecting delivery against the contract. A Participant is required to submit a Tender Notice to ASX Clear (Futures) to indicate their intention to deliver against an open sold position in the Delivery Period.

14.2.2 ACCEPTANCE OF TENDER DOCUMENTATION

Rejection of Tender Documentation

If ASX Clear (Futures) rejects a Tender Notice, the Participant will be informed of the rejection and the reasons for the rejection, before the commencement of the end-of-day processing on the day the Tender Notice is received.

14.2.5 PROCEDURES FOR ALLOCATION

The allocation of tenders in the Delivery Month is done by random selection against the gross bought position.

14.2.6 ASX CLEAR (FUTURES) TO CONFIRM ACCEPTANCE OF TENDER DOCUMENTATION AND ALLOCATION

Seller's Delivery Advice

If ASX Clear (Futures) accepts the Tender Documentation, the Participant will receive a Seller's Advice prior to 6:30pm on the Business Day the Tender Documentation is lodged.

On the day the Tender Documentation is received, the Seller's Advice, incorporating the current Business Day's settlement price, is sent to the Seller. This will be sent prior to the commencement of end-of-day processing. The Seller's Advice details the Settlement Amount to be received by the Seller on the following Business Day.

Buyer's Delivery Advice

ASX Clear (Futures) will notify a Buyer they have been allocated a tender by issuing a Buyers Advice prior to 6:30pm on the Business Day the buyer is allocated the tender.

Prior to the commencement of end-of-day processing on the day the Buyer is allocated a tender, the Buyer's Advice, incorporating the current Business Day's settlement price, is sent to the Buyer. The Buyer's Advice details the Settlement Amount to be paid by the Buyer on the following Business Day.

14.4.2 HOLDING OF INTEREST FOR BUYER FOLLOWING SETTLEMENT OF FUTURES CCP CONTRACT

ASX Clear (Futures) will continue to hold the interest in the Underlying Commodity for the benefit of a Participant unless the Participant instructs ASX Clear (Futures) to transfer the interest to their account or a nominated account at the Bulk Handler. The procedure for doing this is:

- (a) the Participant must complete the Redemption section of the Grain Futures Tender/Redemption Notice and send to ASX Clear (Futures). A Redemption Notice must be received by the ASX Clear (Futures) before 3:00pm (Sydney time). Redemption Notices received after this time will be processed the following Business Day.
- (b) ASX Clear (Futures) will initiate and send a signed TTF Form to the Participant. The Participant will sign and send to the Bulk Handler for processing or alternatively ASX Clear (Futures) will process an Electronic Title Transfer to a nominated account as specified by the Participant;
- (c) the Bulk Handler will confirm the details on the Title Transfer and, if they accord with the Bulk Handler's records, transfer the specified quantity in the Underlying Commodity from the account of ASX Clear (Futures) to the nominated account;
- (d) the Bulk Handler will confirm to both ASX Clear (Futures) and the Bulk Handler's client advising the transfer has been completed by the Bulk Handler; and
- (e) ASX Clear (Futures) will adjust its records accordingly and this will confirm the following:
 - (i) the transfer of the specified quantity of the Underlying Commodity has been successful;
 - (ii) the specified quantity in the Underlying Commodity is no longer held in ASX Clear (Futures) account and thus is no longer deliverable stock; and
 - (iii) the specified quantity in the Underlying Commodity has been transferred by the Bulk Handler to the nominated account.

Introduced 24/10/11

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