

Schedules to ASX Operating Rules

Schedule 1 – Clearing Arrangements

General Obligations

- 1.1000 A Trading Participant must satisfy ASX that it has in place and will maintain adequate arrangements for the clearing of all Market Transactions entered into by the Trading Participant.
- 1.1001 Where a Trading Participant has Trading Permission in respect of a class of Product but is not itself a Clearing Participant entitled under the Clearing Rules to clear Market Transactions in such class of Product, then the Trading Participant must have third party clearing arrangements in place that comply with Rules 1.1010 to 1.1012 below and Clearing Agreements that comply with Rules 1.1020 to 1.1023 for the clearing and settlement of Market Transactions in that class of Product and must comply with all of its obligations under such arrangements and agreements.

Third Party Clearing Arrangements

- 1.1010 A third party clearing arrangement between a Trading Participant and a Clearing Participant will comply with this Rule in respect of a class of Product if:
- a) pursuant to the arrangement the Relevant Clearing Participant has the obligation to clear and settle (or arrange the settlement of) all the Trading Participant's Market Transactions allocated to the Relevant Clearing Participant in that class of Product, other than Market Transactions which are to be cleared through an Alternative Clearing Facility in accordance with Rule 1.1050;
 - b) ASX has no objection to that Relevant Clearing Participant clearing the Market Transactions of the Trading Participant in that class of Product;
 - c) while that arrangement continues, the Trading Participant does not have arrangements with more than the maximum number of Clearing Participants set out in the Procedures for the clearing of Market Transactions in that class of Product.

Note: Upon execution by a Trading Participant of a Market Transaction which is subject to a clearing agreement with the Relevant Clearing Participant, the Clearing Obligations of the Trading Participant in respect of the relevant Market Transaction will immediately become obligations of the Relevant Clearing Participant.

- 1.1011 Where a Trading Participant has third party clearing arrangements with more than one Clearing Participant, or is itself a Clearing Participant and has third party clearing arrangements with other Clearing Participants to clear its Market Transactions in a class of Product, the Trading Participant must maintain at least one Open Interface Device for each Clearing Participant as set out in the Procedures. The Trading Participant may only make one Clearing Participant responsible for all orders placed through an Open Interface Device.

- 1.1012 A Trading Participant must:

- (a) ensure that all orders of a client are directed through the correct Open Interface Device, such that they are directed to the Relevant Clearing Participant; and
- (b) where executing a Crossing of orders for Derivatives Market Contracts in accordance with Rule 4060, do so through one Open Interface Device as set out in the Procedures.

Clearing Agreements

- 1.1020 A Trading Participant which is not a Clearing Participant, or which is itself a Clearing Participant and has third party clearing arrangements with other Clearing Participant(s) to clear its Market Transactions in a class of Product, must enter into and maintain at all times a separate written agreement ("Clearing Agreement") with each of its Clearing Participants setting out the terms and conditions which govern their relationship. Each Clearing Agreement must be in compliance with the requirements of the Clearing Rules. The Trading Participant must promptly give ASX a copy of each of the Clearing Agreements.
- 1.1021 Other than where set out in the Procedures, a Trading Participant must notify ASX in writing of any amendments to a Clearing Agreement to which it is a party at least 10 Business Days before the amendment becomes effective.
- 1.1022 ASX may give reasonable directions to a Trading Participant requiring it to make (or refrain from making) amendments to the terms of any Clearing Agreement, and the Trading Participant must comply with those directions within the time specified by ASX.
- 1.1023 In relation to a Clearing Participant clearing Market Transactions for a Trading Participant, the Trading Participant is bound by each minimum term which the Clearing Rules require to be included in a Clearing Agreement, whether or not that term is actually incorporated in a Clearing Agreement between the Trading Participant and the Clearing Participant.

Suspension of Clearing Participant

- 1.1030 If an Approved Clearing Facility takes action against a Trading Participant's Relevant Clearing Participant under the Clearing Rules which prevents or restricts that Clearing Participant from clearing the Trading Participant's Market Transactions in a class of Product, ASX may suspend the Trading Participant's Trading Permission in whole or in part in respect of that class of Product and either remove all relevant orders of the Trading Participant from a Trading Platform or take other action ASX considers appropriate until either:
- (a) the Trading Participant becomes a Clearing Participant;
 - (b) the Trading Participant has entered into a Clearing Agreement with another Clearing Participant, which complies with Rule 1.1020, has given a copy of that agreement to ASX and ASX has not objected to that other Clearing Participant clearing the Market Transactions of the Trading Participant in the relevant class of Product; or
 - (c) ASX and the Approved Clearing Facility lift the relevant suspensions and restrictions.

Termination of Clearing Arrangements

- 1.1040 Subject to Rule 1.1041, if a Trading Participant intends to terminate its Clearing Agreement with any of its Clearing Participants, the Trading Participant must notify ASX and its Clearing Participants in writing of the time and date when this will occur.
- 1.1041 The termination of a Clearing Agreement is not effective until an Approved Clearing Facility accepts the termination in accordance with the Clearing Rules.
- 1.1042 Subject to Rule 1.1041 the Trading Permission of a Trading Participant to enter into Market Transactions in the relevant class of Product is automatically suspended in whole or in part from the time and date notified under Rule 1.1040 unless the Trading Participant:
- (a) is or has become a Clearing Participant; or
 - (b) entered into a Clearing Agreement or Agreements with another Clearing Participant or Clearing Participants which comply with Rule 1.1020, has given a copy of that agreement to ASX and ASX has not objected to those other Clearing Participants being the Trading Participant's Clearing Participant for that class of Product.

Alternative Clearing Facility

- 1.1050 A Trading Participant may, with the consent of ASX, arrange for the clearing and or settlement of transactions through an Alternative Clearing Facility.

SCHEDULE 1A CAPITAL LIQUIDITY REQUIREMENTS

This schedule sets out the Risk Based Capital Requirements for the purposes of Rule 8401. A Market Participant subject to the Risk Based Capital Requirements must comply with this schedule.

S1A.1

S1.A.1.1 Definitions and Interpretation

In Rule S1, unless the context otherwise requires:

“Approved Deposit Taking Institution” means:

- (a) an authorised deposit taking institution under section 5 of the Banking Act 1959 (Cth);
- (b) a banking institution which has its activities formally regulated in accordance with the standards of the Basel Committee on Banking Supervision; or
- (c) an institution which has been given a risk weighting by the Australian Prudential Regulation Authority equivalent to an authorised deposit taking institution referred to in paragraph (a) above.

Amended 19/08/09

“Approved Institution” means:

- (a) any of the following institutions whose net assets are greater than \$30 million at the date of its last published audited balance sheet (or other documentation approved by ASX):
 - (i) a life insurance company or general insurance company; or
 - (ii) an investment company, trust or other similar institution whose ordinary business is to buy and sell Financial Instruments;
- (b) any body corporate or partnership whose ordinary business is to buy and sell Financial Instruments and which is regulated by a:
 - (i) Recognised non-European Union Regulator specified in Table 3.1, Annexure 5;
 - (ii) Recognised European Union Regulator specified in Table 3.2, Annexure 5; or
- (c) any other body corporate or partnership approved by ASX,

provided that on request by ASX, the Market Participant makes available documentation in support of paragraphs (a), (b) or (c) and ASX is satisfied that the documentation provided is adequate for this purpose.

“Approved Subordinated Debt” means an amount owing by a Market Participant under a subordination arrangement which is approved by ASX under Rule S1A.2.4.

“Approved Subordinated Loan Deed” means, in respect of a subordination arrangement, a deed which:

- (a) is executed:
 - (i) by the lender and ASX under seal or by such equivalent method expressly recognised under the Corporations Act (or in the case of ASX, on behalf of ASX by its attorney, delegate or sub-delegate);
 - (ii) in the case of a Market Participant which is a company, by the Market Participant under seal or by such equivalent method expressly recognised under the Corporations Act; and
 - (iii) in the case of a Market Participant which is a partnership, by each of its partners;
- (b) sets out details of the terms governing any subordinated debt regulated by the subordination arrangement or identifies the document which does so;
- (c) contains those provisions required by ASX including without limitation, provisions to the effect that:
 - (i) alterations to the subordinated loan deed or the terms or details of any subordinated debt regulated by the subordination arrangement cannot be made unless the agreement of all parties is obtained and the variation is executed in the manner required under paragraph (a);
 - (ii) ASX must be satisfied that the Market Participant has made adequate arrangements to ensure that Rule S1A will be complied with and will continue to be complied with upon the maturity date of any loan for a fixed term;
 - (iii) ASX must be given full particulars of any debt to be regulated by the subordination arrangement under the subordinated loan deed prior to such debt being created; and
 - (iv) prior to the Bankruptcy of the Market Participant, repayment of any subordinated debt regulated by the subordination arrangement can only occur in accordance with Rule S1A.2.4(6) and (7); and
- (d) contains specific acknowledgment by the lender of the matters set out in Rule S1A.2.4(2)(a) and (b).

“Bankruptcy” means in respect of an entity:

- (a) the entity becomes an externally administered body-corporate within the meaning of the Corporations Act;
- (b) the entity becomes an individual who is an insolvent under administration within the meaning of the Corporations Act;

- (c) if the entity is a partnership, the entity is wound up or dissolved or a liquidator is appointed to it;
- (d) a person takes control of the entity's property for the benefit of the entity's creditors because the entity is, or is likely to become, insolvent;
- (e) the entity enters into an arrangement, composition or compromise with, or assignment for the benefit of, all of its creditors or any class of them; or
- (f) anything analogous to, or having a substantially similar effect to the events specified in paragraphs (a) to (e) happens under the laws of any applicable jurisdiction.

"Client Balance" means an individual Counterparty's net debit or credit balance with a Market Participant arising from non margined Financial Instruments.

"Core Capital" means:

- (a) in the case of a Market Participant which is a company, the sum of:
 - (i) all ordinary issued shares to the extent that those shares are paid-up;
 - (ii) all non cumulative Preference Shares;
 - (iii) all reserves, excluding revaluation reserves other than Financial Asset Revaluation Reserves; and
 - (iv) opening retained profits/losses adjusted for all current year movements; and
- (b) in the case of a Market Participant which is a partnership, the sum of the partners' current and capital accounts.

Amended 01/01/10

"Counterparty" means in respect of a transaction to which a Market Participant is a party, another party to that transaction whether that person is a counterparty or a client.

"Counterparty Risk Requirement" means the greater of:

- (a) zero; and
- (b) the absolute sum of the counterparty risk amounts calculated in accordance with Annexure 1 less any provision raised for doubtful debts.

"Debt Derivative" includes:

- (a) a convertible note (except to the extent that Annexure 3 provides for the treatment of a convertible note as an equity position);
- (b) an interest rate Swap;
- (c) a Forward Rate Agreement;
- (d) a forward contract over a Debt Instrument;

- (e) a Future over a Debt Instrument and a Future over an index or basket product based on Debt Instruments;
- (f) an index or basket product based on Debt Instruments;
- (g) an Option over a Debt Instrument and an Option over any of the products referred to in paragraphs (a) to (f); and
- (h) an instrument whose value is derived from a Debt Instrument and which is prescribed as such by ASX,

but does not include an instrument prescribed as an Equity Derivative or Foreign Exchange Derivative by ASX.

“Debt Equivalent” means the value of a position in a Debt Derivative that is equivalent to the value had it been a physical position in the underlying Debt Instrument calculated in accordance with clause 16 of Annexure 3.

“Debt Instrument” includes:

- (a) a debt security without call or put provisions;
- (b) a discount security without call or put provisions;
- (c) a non-convertible preference share;
- (d) a redeemable preference share with a fixed and certain date for redemption;
- (e) an interest in a managed investment scheme investing only in Debt Instruments, mortgages or cash; and
- (f) an instrument prescribed as such by ASX,

but does not include an instrument prescribed as an Equity by ASX.

“Debt Net Position” means an amount calculated in accordance with Annexure 3 clause 17.

“Derivative” includes:

- (a) an Equity Derivative;
- (b) a Debt Derivative;
- (c) a Foreign Exchange Derivative; and
- (d) an instrument prescribed as such by ASX,

but does not include an instrument prescribed as an Equity or Debt Instrument by ASX.

“Equity” includes:

- (a) a share other than a share referred to in paragraphs (c) and (d) of the definition of Debt Instrument;
- (b) a depository receipt;

- (c) an instalment receipt;
- (d) an interest in a managed investment scheme other than an interest referred to in paragraph (e) of the definition of Debt Instrument;
- (e) an instrument prescribed as such by ASX,

but does not include an instrument prescribed as a Debt Instrument by ASX.

“Equity Derivative” includes:

- (a) an equity Swap;
- (b) a forward contract over an Equity;
- (c) a Future over an Equity and a Future over a basket or index product based on Equities;
- (d) an index or basket product based on Equities;
- (e) a renounceable or non-renounceable right to subscribe for an equity;
- (f) an Option over an Equity (whether issued or unissued) and an Option over any of the products referred to in paragraphs (a) to (d); and
- (g) an instrument whose value is derived from an Equity and which is prescribed as such by ASX,

but does not include an instrument prescribed as Debt Derivative or a Foreign Exchange Derivative by ASX.

“Equity Equivalent” means the value of a position calculated in accordance with clause 8 of Annexure 3.

“Equity Net Position” means an amount calculated in accordance with clause 9 of Annexure 3.

“Excluded Asset” means:

- (a) a fixed asset;
- (b) an intangible asset;
- (c) a future income tax benefit;
- (d) a non current asset;
- (e) a deposit with or loan to a person other than:
 - (i) a deposit or loan with an Approved Deposit Taking Institution;
 - (ii) a deposit or loan to the extent the balance is secured by collateral which is Liquid, evidenced in writing and valued at the mark-to-market value or at another value approved by ASX; or

- (iii) a deposit of funds as a margin or deposit with a person licensed to trade Futures or Options to the extent that those funds relate to an open position;
- (f) a deposit with a third party clearing organisation, unless approved otherwise by ASX;
- (g) a Related/Associated Persons Balance to the extent the balance is not secured by collateral which is Liquid, evidenced in writing and valued at the mark-to-market value or at another value approved by ASX;
- (h) a debt which was reported or created more than 30 days previously, other than a debt:
 - (i) from another Market Participant that is not an Related/Associated Person; or
 - (ii) which is secured by collateral which is Liquid, evidenced in writing and valued at the mark-to-market value or at another value approved by ASX;
- (i) a prepayment which is not Liquid;
- (j) an asset which is not Liquid;
- (k) an asset which is Liquid but which has a charge against it (in whole or in part) where the purpose of the charge is to raise funds for use outside the ordinary course of the Market Participant's securities or derivatives business; and
- (l) an asset prescribed as such by ASX.

Amended 19/08/09

"Excluded Liability" means:

- (a) the maximum liability specified in a guarantee or indemnity under Rule S1A.2.6(1)(c); and

any other liability prescribed as such by ASX.

"Family Trust" means a trust in which:

- (a) the person or the Immediate Family of the person is the sole or majority beneficiary; or
- (b) the person has the ability to remove the trustee of the trust and replace the trustee with his or her own nominee.

"Financial Asset Revaluation Reserves" means revaluation reserves relating to available for sale financial assets as defined in accordance with accounting standards which are generally accepted in Australia or other accounting standards approved or prescribed by ASX under Rule S1A.2.7(2).

Introduced 01/01/10

“Financial Instrument” means:

- (a) an Equity;
- (b) a Debt Instrument;
- (c) a Derivative; and
- (d) any other instrument prescribed as such by ASX.

“Foreign Exchange Derivative” includes:

- (a) a forward contract over foreign currency;
- (b) a Future over foreign currency;
- (c) an Option over foreign currency; and
- (d) an instrument whose value is derived from a foreign currency and which is prescribed as such by ASX,

but does not include an instrument prescribed as an Equity Derivative or Debt Derivative by ASX.

“Foreign Exchange Equivalent” means the value of a position calculated in accordance with clause 21 of Annexure 3.

“Forward Rate Agreement” means an agreement in which two parties agree that:

- (a) one party will make payments to the other of an amount of interest based on an agreed interest rate for a specified period from a specified date applied to an agreed principal amount;
- (b) no commitment is made by either party to lend or borrow the principal amount; and
- (c) the exposure is limited to the interest difference between the agreed and actual market rates at settlement.

“Free Delivery” means a trade where delivery of the Financial Instrument is made to a Counterparty without receiving payment or where a payment is made without receiving a Financial Instrument.

“Future” means a contract which is traded on an exchange, subject to a Primary Margin Requirement and which is:

- (a) a contract to make an adjustment between the parties on an agreed future date as to the value on that date of an interest rate, a foreign currency, an Equity, basket or index, or some other agreed factor;
- (b) a deliverable bond futures contract or deliverable share futures contract; or
- (c) an instrument prescribed as such by ASX.

“Government Debt Instrument” means any form of government financial instrument including a bond, treasury note or other short term instrument, and a Debt Derivative of any of those instruments where:

- (a) it is issued by, fully guaranteed by, or fully collateralised by a Debt Instrument issued by:
 - (i) the Australian Commonwealth, State (including Territories) governments; or
 - (ii) a central government or central bank within the OECD;
- (b) it is issued by, or fully guaranteed by, a non-OECD country central government or central bank, has a residual maturity of one year or less and is denominated in local currency and funded by liabilities in the same currency.

“Group of Connected Persons” means two or more persons or entities where:

- (a) each person or entity is a Related/Associated Person of each other person or entity; or
- (b) the persons who have control of the management of each entity or have been appointed as directors of each entity are substantially the same.

“Immediate Family” in relation to a person means that person’s spouse and any non-adult children.

“In the Money” means:

- (a) in relation to call Options, that the current market price of the underlying instrument is greater than the exercise price; and
- (b) in relation to put Options, that the current market price of the underlying instrument is less than the exercise price.

“Large Exposure Risk Requirement” is the absolute sum of a Market Participant’s:

- (a) counterparty large exposure risk amount calculated in accordance with Annexure 2; and
- (b) issuer large exposure risk amount calculated in accordance with Annexure 2.

“Liquid” means realisable or otherwise convertible to cash within 30 days, or prescribed as liquid by ASX.

“Liquid Capital” means the sum of:

- (a) Core Capital;
- (b) cumulative Preference Shares;
- (c) Approved Subordinated Debt; and
- (d) revaluation reserves other than Financial Asset Revaluation Reserves;

less the sum of:

- (e) Excluded Assets;
- (f) Excluded Liabilities.

Amended 01/01/10

“Liquid Margin” means the amount calculated by deducting the Total Risk Requirement amount from the amount of Liquid Capital.

“Market Spot Exchange Rate” means the closing rate of exchange for foreign currencies against Australian dollars on each Business Day, having a settlement period of 2 days.

“Non-Standard Risk Requirement” means the amount calculated in accordance with Rule S1A.2.9 to cover unusual or non-standard exposures.

“Operational Risk Requirement” means the amount calculated in accordance with Rule S1A.2.3(1) which is required to cover exposures associated with commencing and remaining in business arising separately from exposures covered by other risk requirements.

“Option” means a contract which gives the holder the option or right, exercisable at or before a specified time to:

- (a) buy (whether by way of issue or transfer) or sell a quantity of a Financial Instrument or a foreign currency; or
- (b) be paid an amount of money calculated by reference to the value of a Financial Instrument, foreign currency or index as specified in the contract.

“OTC Derivative” means a Derivative which is not traded on an exchange.

“Position Risk Factors” are the percentages applied to principal positions as specified in Tables 1.1, 1.2, 1.3 and 1.7 of Annexure 5.

“Position Risk Requirement” is the absolute sum of the position risk amounts for a Market Participant’s:

- (a)
 - (i) Equity and Equity Derivative positions calculated in accordance with Part 1 of Annexure 3;
 - (ii) Debt Instrument and Debt Derivative positions calculated in accordance with Part 2 of Annexure 3; and
 - (iii) foreign exchange and Foreign Exchange Derivative positions calculated in accordance with Part 3 of Annexure 3; or
- (b) principal positions for all of the above plus commodity positions (if any), calculated in accordance with Part 4 of Annexure 3; or
- (c) principal positions for all of the above plus commodity positions (if any), calculated in accordance with a combination of any of Parts 1, 2, 3 and 4 of Annexure 3.

“Positive Credit Exposure” means an exposure to a Counterparty such that if the Counterparty were to default on its obligations under:

- (a) an individual transaction; or
- (b) to the extent allowed by Rule S1A, a group of transactions, contracts, arrangements or agreements,

the Market Participant may incur a financial loss.

“Preference Share” means a preference share that is redeemable solely at the request of the Market Participant.

“Primary Margin Requirement” means the amount which a Market Participant lodges or is notionally required to lodge as a deposit to cover potential daily worse case price movements in the relevant market, lodged in accordance with the rules of an exchange or clearing house against open positions registered in the name of the Market Participant on the exchange or clearing house.

“Qualifying Debt Instruments” means Debt Instruments that are:

- (a) rated investment grade by at least two of the credit rating agencies recognised by the Australian Prudential Regulation Authority and specified in Table 1.5, Annexure 5;
- (b) rated investment grade by one credit rating agency recognised by the Australian Prudential Regulation Authority and specified in Table 1.5, Annexure 5, and the issuer has its ordinary shares included in a Recognised Market Index;
- (c) unrated but the Issuer of the Debt Instrument has its ordinary shares included in a Recognised Market Index and, in accordance with a policy agreed between ASX and the Market Participant, the Debt Instruments are reasonably deemed by the Market Participant to be of comparable investment quality to one or more of the categories of Qualifying Debt Instrument as described in this definition;
- (d) issued by, or guaranteed by, Australian local governments and Australian public sector entities other than those which have corporate status or operate on a commercial basis;
- (e) issued by, or fully guaranteed by, a non-OECD country’s central government and central bank and which have a residual maturity of over one year and are denominated in local currency and funded by liabilities in the same currency;
- (f) issued by or collateralised by claims on, an international agency or regional development bank including the International Monetary Fund, the International Bank for Reconstruction and Development, the Bank for International Settlements and the Asian Development Bank;
- (g) issued, guaranteed, first endorsed or accepted by an Australian ADI or a bank incorporated within the OECD or a non OECD bank accorded the same credit risk weight as an OECD bank by the Australian Prudential Regulation Authority provided that such instruments do not qualify as capital of the issuing institution;

- (h) issued, guaranteed, endorsed or accepted by a non-OECD bank and which have a residual maturity of one year or less provided that such instruments do not qualify as capital of the issuing institution; or
- (i) issued by or guaranteed by OECD country, State and regional governments and OECD public sector entities.

“Recognised Market Index” means an index specified in Table 1.6 of Annexure 5.

“Related/Associated Person” means:

- (a) a partner, director, employee, officer or consultant of a Market Participant or of a company which is a partner of a Market Participant;
- (b) a person who is a member of the Immediate Family of a person referred to in paragraph (a);
- (c) the trustee of a Family Trust of a person referred to in paragraph (a);
- (d) an entity which is:
 - (i) controlled by a person referred to in paragraphs (a), (b) or (c) or any of those persons acting together;
 - (ii) a corporation in which a person referred to in paragraphs (a) or (b) is beneficially entitled to more than 50% of the issued capital;
- (e) an entity which is the holding company, or which is controlled by the holding company, of a Market Participant or of a company which is a partner of a Market Participant;
- (f) a person who is a Substantial holder of a Market Participant or of a company which is a partner of a Market Participant;
- (g) an associate of a Market Participant (as defined in each section of Part 1.2 Division 2 of the Corporations Act) or of a company which is a partner of a Market Participant; and
- (h) a lender who is a party to an Approved Subordinated Loan Deed or a related entity or associate of that lender.

“Related/Associated Person Balance” is an amount owing to the Market Participant by a person who is a Related/Associated Person of the Market Participant excluding an amount owing as a result of:

- (a) the deposit with, loans to or other amounts owing from an Approved Deposit Taking Institution;
- (b) the deposit of funds as a margin or deposit with a person licensed to trade Futures or Options to the extent that those funds relate to an open position; or
- (c) a transaction in a Financial Instrument under Annexure 1 which is made on terms no more favourable to the Related/Associated Person than those on which it would be reasonable to expect the Market Participant to make if it had entered into the transaction on an arms length basis, but not including sundry fees, interest or similar amounts owing on such transactions; or

- (d) brokerage or similar amounts owing that were reported or created less than 30 days previously and which arose as a result of a third party clearing arrangement entered in to with another Market Participant,

unless ASX considers that an amount owing under paragraph (a), (b), (c) or (d) is to be included as a Related/Associated Person Balance.

“Secondary Requirement” means a capital amount imposed under Rule S1A.3.3.

“Securities Lending and Borrowing” means any transaction undertaken by a Market Participant under an Equity or Debt Instrument lending or borrowing agreement, a repurchase or reverse repurchase agreement or an agreement for the sale and buyback of Equity or Debt Instruments or other similar agreement as prescribed by ASX.

“Substantial holder” means a person who has or would have a substantial holding if Part 6C of the Corporations Act applied to that corporation.

“Swap” means a transaction in which two counterparties agree to exchange streams of payments over time on a predetermined basis.

“Total Risk Requirement” means the sum of:

- (a) Operational Risk Requirement;
- (b) Counterparty Risk Requirement;
- (c) Large Exposure Risk Requirement;
- (d) Position Risk Requirement;
- (e) Underwriting Risk Requirement; and
- (f) Non-Standard Risk Requirement,

however where an asset or liability is an Excluded Asset or Excluded Liability a risk requirement otherwise applicable under paragraphs (a) to (e) is not included.

“Trading Book” means all of a Market Participant’s principal positions for which a position risk amount is calculated under the internal models approach of Part 4 of Annexure 3.

“Trading Day” means a day on which a relevant exchange traded or over the counter market has been open for trading.

“Underwriting” means a commitment to take up Equity or Debt Instruments where others do not acquire or retain them under an underwriting agreement, sub underwriting agreement, or other similar agreement calculated using:

- (a) the price stated in the Underwriting agreement; or
- (b) in the case of new float where the price is not known, the indicative price, until the price is known.

“Underwriting Risk Requirement” is the absolute sum of the risk amounts calculated in accordance with Annexure 4.

Note: Other terms in this Schedule are defined in Section 7100

Introduced 11/03/04

S1A.1.2 Interpretation

- (1) Rule S1A must be interpreted and applied:
 - (a) in accordance with its spirit, intention and purpose;
 - (b) by looking beyond form to substance;
 - (c) consistently across positions in the same Financial Instruments throughout a period covered by a return required under Rule S1A;
 - (d) consistently with any guidance notes or other interpretation issued by ASX;
and
 - (e) for the purpose of calculating capital liquidity requirements only and so as not to detract from the operation of other Rules.
- (2) A Market Participant's compliance with Rule S1A.2.1 will be assessed using the methods chosen by it and recognised under Rule S1A.
- (3) The annexures to Rule S1A form part of Rule S1A and:
 - (a) a reference to an annexure is a reference to an annexure of Rule S1A;
 - (b) a reference to a clause is a reference to a clause of an annexure;
 - (c) a clause within an annexure which refers to another clause is taken to refer to a clause within the same annexure unless expressly stated otherwise; and
 - (d) a clause within an annexure which refers to a Table is taken to refer to a Table within the same annexure unless expressly stated otherwise.
- (4) References to dollar amounts are references to Australian dollar amounts.

S1A.2 OBLIGATIONS OF MARKET PARTICIPANTS

S1A.2.1 Core Capital, Liquid Capital and Total Risk Requirement

- (1) Unless a Market Participant obtains a prior waiver from ASX under Rule 6030, it must ensure that its:
 - (a) Liquid Capital is at all times greater than its Total Risk Requirement; and
 - (b) Core Capital is at all times not less than \$100,000;

Provided that in satisfying the requirement in Rule S1A.2.1(1)(b), a Participant may satisfy the requirement in accordance with, and subject to, Rule S1A.2.4(8).

Introduced 11/03/04 Amended 01/01/10

S1A.2.2 Notifying ASX

- (1) A Market Participant must notify ASX immediately if its:
 - (a) Core Capital is at any time less than the minimum amount required by Rule S1A.2.1(1)(b); or
 - (b) Liquid Capital divided by its Total Risk Requirement is equal to or falls below 1.2.
- (2) A Market Participant must provide ASX with a return in the form prescribed by ASX disclosing the amount of its Liquid Margin:
 - (a) no later than one Business Day after notifying ASX under Rule S1A.2.2(1); and
 - (b) from then on, either:
 - (i) weekly, for so long as the amount referred to in Rule S1A.2.2(1)(b) is equal to or less than 1.2 but greater than 1.1; and
 - (ii) daily, for so long as the amount referred to in Rule S1A.2.2(1)(b) is 1.1 or less.

Introduced 11/03/04 Amended 01/01/10

S1A.2.3 Risk Requirements and Risk Amounts

- (1) A Market Participant must calculate:
 - (a) its Operational Risk Requirement; and
 - (b) an operational risk amount, as the sum of:
 - (i) the amount of \$100,000;
 - (ii) 8% of the sum of the Market Participant's:
 - A. Counterparty Risk Requirement;
 - B. Position Risk Requirement; and
 - C. Underwriting Risk Requirement; and
 - (iii) a Secondary Requirement.
- (2) A Market Participant must calculate in accordance with Annexure 1:
 - (a) its Counterparty Risk Requirement; and
 - (b) a counterparty risk amount for each of its Positive Credit Exposures to a Counterparty for:
 - (i) transactions in Financial Instruments referred in Annexure 1 except those transactions which relate to Excluded Assets; and

- (ii) other transactions in Financial Instruments as prescribed by ASX.
- (3) A Market Participant must calculate in accordance with Annexure 2:
 - (a) its Large Exposure Risk Requirement; and
 - (b) its large exposure risk amount for each:
 - (i) Counterparty;
 - (ii) Equity Net Position and Debt Net Position relative to:
 - A. Liquid Capital; and
 - B. an issue or issuer.
- (4) A Market Participant must calculate in accordance with Annexure 3:
 - (a) its Position Risk Requirement;
 - (b) a position risk amount for all positions in Financial Instruments, except those positions which are Excluded Assets; and
 - (c) a position risk amount for other assets and liabilities which are denominated in a currency other than Australian dollars except for those assets which are Excluded Assets.
- (5) A Market Participant must calculate in accordance with Annexure 4:
 - (a) its Underwriting Risk Requirement; and
 - (b) an underwriting risk amount for each Underwriting.
- (6) A Market Participant must calculate a Non-Standard Risk Requirement in accordance with Rule S1A.2.9.
Introduced 11/03/04

S1A.2.4 Approved Subordinated Debt

- (1) A Market Participant entering into a subordination arrangement may only include an amount owing under such an arrangement in its Liquid Capital if:
 - (a) the subordination arrangement has the prior approval of ASX under Rules S1A.2.4(2) and (3); and
 - (b) the amount is notified to and approved by ASX prior to being drawn down under the subordination arrangement and complies with Rule S1A.2.4(4) where relevant.
- (2) ASX will not approve a subordination arrangement unless in the opinion of ASX:
 - (a) subject to Rule S1A.2.4(6), the amount owing to the lender under the subordination arrangement will not be repaid until all other debts which the Market Participant owes to any other persons are repaid in full; and

- (b) the obligation to pay any amount owing under the subordination arrangement is suspended if Rule S1A.2.1(1) is no longer complied with.
- (3) ASX will not approve a subordination arrangement unless the Market Participant has executed an Approved Subordinated Loan Deed in respect of the subordination arrangement.
- (4) If a Market Participant is a partnership which has entered into an approved subordination arrangement under Rule S1A.2.4(2) and (3) and there is a change in the composition of the Market Participant then an amount owing under the previously approved subordination arrangement must not be included in its Liquid Capital unless ASX is of the opinion that this arrangement has been renewed or amended so as to ensure that all partners after the change in composition are bound by it.
- (5) A Market Participant must comply with the terms of the Approved Subordinated Loan Deed and any associated agreement to which it, ASX, and the lender are parties and must ensure the lender's compliance with these documents.
- (6) Prior to its Bankruptcy, a Market Participant may repay an amount owing under an approved subordination arrangement only with the prior approval of ASX.
- (7) ASX will not withhold its approval under Rule S1A.2.4(6) if in the opinion of ASX:
 - (a) the Market Participant's Liquid Capital divided by its Total Risk Requirement is capable of continuing to be greater than 1.2 on repayment; and
 - (b) the Market Participant's Core Capital is capable of continuing to be equal to or greater than the amount required under Rule S1A.2.1 when Approved Subordinated Debt is included under Rule S1A.2.4(8).
- (8) If a Market Participant does not hold sufficient Core Capital under Rule S1A.2.1(1)(b), then it may with the prior approval of ASX include amounts owing under an approved subordination arrangement in calculating Core Capital for a 6 month period commencing on the date that the Market Participant first does not hold sufficient Core Capital.

Introduced 11/03/04 Amended 01/01/10

S1A.2.5 Redeemable Preference Shares

- (1) A Market Participant must not redeem any redeemable Preference Shares issued by it in whole or in part without the prior approval of ASX.
- (2) ASX will not withhold its approval under Rule S1A.2.5(1) if in the opinion of ASX the Market Participant's Liquid Capital divided by its Total Risk Requirement is capable of continuing to be greater than 1.2 on redemption.

Introduced 11/03/04

S1A.2.6 Guarantees and Indemnities

- (1) A Market Participant may only give a guarantee or indemnity:
 - (a) for the purposes of these Rules, the ACH Clearing Rules or the ASTC Settlement Rules;

- (b) in the ordinary course of the conduct of its securities or derivatives business;
 - (c) outside the ordinary course of its securities or derivatives business if a maximum liability is specified in the guarantee or indemnity at the time it is entered into; or
 - (d) to settle legal proceedings that have been threatened or issued against it,
- and must not give a cross-guarantee.

Introduced 11/03/04 Amended 19/08/09

S1A.2.7 Records and Accounts

- (1) A Market Participant must maintain records and working papers in sufficient detail to show continuous compliance with Rule S1A.2.1 for seven years.
- (2) A Market Participant must prepare its accounts and returns in accordance with accounting standards which are generally accepted in Australia unless ASX approves or prescribes otherwise.
- (3) A Market Participant must record a transaction in its accounts on the date on which it enters into an irrevocable commitment to carry out the transaction.

Introduced 11/03/04

S1A.2.8 Valuations and Foreign Currencies

- (1) A Market Participant must mark to market each of its principal positions in Financial Instruments unless Rule S1A provides otherwise:
 - (a) at least once every Business Day; and
 - (b) in the following manner:
 - (i) subject to paragraphs (ii) to (iv), a position must be valued at its closing market price:
 - A. which is the current bid price for a long position; and
 - B. which is the current offer price for a short position;
 or in the manner prescribed by ASX;
 - (ii) an Option or rights position may be valued using a value derived from an option pricing model approved by ASX for use in the contingent loss matrix method;
 - (iii) an Option or rights position which does not have a published market price under subparagraph (i) of this Rule or which cannot be valued using an options pricing model under subparagraph (ii) of this Rule must be valued as follows:
 - A. for a purchased Option or right, the In the Money amount multiplied by the quantity underlying the Option; and

- B. for a written Option, the sum of the In the Money amount multiplied by the quantity underlying the Option and the initial premium received for the Option;
 - (iv) a Swap or a Forward Rate Agreement must be valued:
 - A. having regard to the net present value of the future cash flows of the contract; and
 - B. using current interest rates relevant to the periods in which the cash flows will arise;
- (2) If a Market Participant holds a Financial Instrument denominated in a foreign currency then it:
 - (a) must calculate a risk amount for each risk type in that foreign currency; and
 - (b) convert the risk amount in paragraph (a) to Australian dollars at the Market Spot Exchange Rate,

in all cases other than where the Market Participant is calculating risk amounts for the purposes of Part 3 of Annexure 3 or where Rule S1 expressly provides otherwise.

Introduced 11/03/04

S1A.2.9 Unusual or Non-Standard Exposures

- (1) If a Market Participant has an exposure arising from a transaction which is not:
 - (a) specifically described in Rule S1A and interpretation issued by ASX in relation to Rule S1A; or
 - (b) is not in a form which readily fits within Rule S1A,
 then it must contact ASX for guidance.
- (2) The risk requirement of a Market Participant in relation to an exposure under Rule S1A.2.9(1) is the full market value of the transaction unless ASX approves otherwise.

Introduced 11/03/04

S1A.2.10 Returns and Registers

- (1) A Market Participant must ensure that it prepares returns:
 - (a) in accordance with Rule S1A and in the manner and form prescribed by ASX; and
 - (b) which accurately reflect its accounts and its financial position.
- (2) A Market Participant must ensure that it lodges returns prepared under Rule S1A.2.10(1):
 - (a) within the times prescribed by ASX;

- (b) certified by 2 or such other number of directors or partners as prescribed by ASX, as having been prepared in accordance with Rule S1A; and
 - (c) containing any attestations required by ASX relating to its identification of key risks and including the ability of its internal systems to monitor and manage these risks effectively.
- (3) A Market Participant must maintain a register of its Underwritings which records:
- (a) the date of commencement, crystallisation and termination of each Underwriting and the parties to each Underwriting;
 - (b) the identity, number and price of the Equities or Debt Instruments the subject of each Underwriting;
 - (c) the amount underwritten by the Market Participant under each Underwriting; and
 - (d) any reduction in the amount underwritten under each Underwriting due to an amount being:
 - (i) sub-underwritten; or
 - (ii) received under a client placement,
 and the date that this reduction occurs.

Introduced 11/03/04

S1A.3 POWERS OF ASX

S1A.3.1 Returns, Annexure 5 and Other Matters

- (1) ASX may prescribe the number and form of returns to be lodged by a Market Participant including, but not limited to, self assessment forms.
- (2) ASX may prescribe the time for lodgement of returns and other documents under Rule S1A.3.1(1) and the manner of their completion.
- (3) ASX may prescribe new or amended details in respect of the Tables in Annexure 5 and a Market Participant must apply these new or amended details when using these Tables.
- (4) ASX may prescribe the various other matters described in Rule S1 provided that it does so in writing, whether by circular to Market Participants or otherwise.

Introduced 11/03/04

S1A.3.2 Requests by ASX

- (1) ASX may request any information, document or explanation from a Market Participant to enable ASX to be satisfied that the Market Participant is, has been and will continue to comply with Rule S1A.
- (2) A Market Participant receiving a request under Rule S1A.3.2(1) must respond by providing the information, document or explanation within the time specified by ASX.

Introduced 11/03/04

S1A.3.3 Secondary Requirement

ASX may impose a Secondary Requirement on a Market Participant to cover unusual levels of operational risk provided that ASX notifies the Market Participant in writing of:

- (a) the additional amount; and
- (b) the time by which the additional amount must be obtained by the Market Participant.

Introduced 11/03/04

S1A.4 TRANSITIONAL ARRANGEMENTS

S1A.4.1 General

- (1) ASX may publish transitional procedures for amendments to Rule S1A that involve systems or operational changes for Market Participants.
- (2) ASX may give Market Participants a transition period, of up to 6 months, to comply with those amendments referred to in Rule S1A.4.1(1) from the date the amended Rule comes into effect.
- (3) During the transition period under Rule S1A.4.1(2) a Market Participant will be deemed to comply with the amended Rule, if it has complied with the transitional procedures published by ASX in relation to the amended Rule.
- (4) If a Market Participant fails to comply with the transitional procedures during the transition period which apply to an amended Rule, it will be in breach of this Rule S1A.4.1 and the amended Rule.
- (5) After the transition period under Rule S1A.4.1(2) expires a Market Participant must comply with the amended Rule.

Introduced 11/03/04 Origin ASX 1A

ANNEXURE 1 COUNTERPARTY RISK REQUIREMENT

1. COUNTERPARTY RISK REQUIREMENT

1.1 Nature of counterparty risk amount

For each type of counterparty risk that gives rise to a Positive Credit Exposure, a counterparty risk amount:

- (a) must be calculated in accordance with the methods set out in this Annexure 1; and
- (b) may be reduced by a counterparty risk weighting in accordance with clause 8 of this Annexure 1.

Introduced 11/03/04

1.2 Overview

There are separate methods for measuring counterparty risk amounts for each of the following transaction types:

Transaction Type			
Non Margined Financial Instrument	Free Delivery		Securities Lending and Borrowing
Margined Financial Instrument	OTC Derivative or a Warrant held as principal	Sub-Underwritten Position	

Introduced 11/03/04

2. NON-MARGINED FINANCIAL INSTRUMENTS METHOD

- (a) For unsettled trades in Financial Instruments which are not margined and not covered by one of the other methods in this Annexure, the counterparty risk amount is 3% of the Client Balance, where this balance does not include trades which remain unsettled with the Counterparty for greater than 10 Business Days following the transaction date.

A Market Participant may reduce the Client Balance by the amount of Financial Instruments held by the Market Participant on behalf of the Counterparty if they specifically relate to the sale trades pending settlement with the market or by the amount of collateral held by the Market Participant on behalf of the specific Counterparty if the collateral is Liquid, valued at the mark to market value and the collateral arrangement is evidenced in writing between the Market Participant and the Counterparty.

- (b) For unsettled trades in Financial Instruments which are not margined and not covered by one of the other methods in this Annexure, the counterparty risk amount for trades remaining unsettled for greater than 10 Business Days following the transaction date is at the choice of the Market Participant:
- (i) either:
 - A. 3% of the contract value; or
 - B. the excess of:
 - I. the contract value over the market value of each Financial Instrument in the case of a client purchase; and
 - II. the market value of each Financial Instrument over the contract value in the case of a client sale,whichever is the greater; or
 - (ii) 100% of the contract value for a client purchase or 100% of the market value for a client sale.

A Market Participant may reduce the contract values and the excesses by the amount of collateral held by the Market Participant on behalf of the Counterparty if the collateral is Liquid, valued at the mark to market value or another value approved by ASX and the collateral arrangement is evidenced in writing between the Market Participant and Counterparty.

- (c) A Market Participant need not include credit amounts included in a Client Balance where such amounts represent an amount of cash held in the Market Participant's trust and/or segregated account.
- (d) This method does not apply to OTC Derivatives but does apply to warrants which also may be covered by the method in clause 6.

Introduced 11/03/04

3. FREE DELIVERY METHOD

For a Free Delivery in a Financial Instrument, the counterparty risk amount for the Counterparty is:

- (a) 8% of that part of the contract value subject to a Free Delivery, where payment or delivery of the Financial Instrument which is the subject of a Free Delivery remains outstanding for less than 2 Business Days following the settlement date; and
- (b) 100% of that part of the contract value subject to a Free Delivery, where payment or delivery of the Financial Instrument remains outstanding for greater than 2 Business Days following the settlement date.

A Market Participant may reduce the contract value by the amount of collateral held by the Market Participant on behalf of the Counterparty if the collateral is Liquid, valued at the mark to market value or another value approved by ASX and the collateral arrangement is evidenced in writing between the Market Participant and Counterparty.

Introduced 11/03/04

4. SECURITIES LENDING AND BORROWING METHOD

For the purposes of this clause, counterparty exposure means the amount by which the market value of Equity or Debt Instruments or cash given by the Market Participant to the Counterparty exceeds the market value of Equity or Debt Instruments or cash received by the Market Participant from the Counterparty.

Counterparty exposure may be calculated on a net basis where the relevant transactions are subject to a written agreement that supports netting across different transactions.

For a Securities Lending and Borrowing transaction, the counterparty risk amount for a Counterparty, from the transaction date is:

- (a) zero, if across all Counterparties to Securities Lending and Borrowing transactions, the sum of each counterparty exposure is less than or equal to \$10,000; or
- (b) (i) 8% of the counterparty exposure, where:
 - A. the Securities Lending and Borrowing is subject to a written agreement that supports netting across different transactions; and
 - B. the value of the counterparty exposure is less than or equal to 15% of the market value of Equity or Debt Instruments or cash received by the Market Participant from the Counterparty; or
- (ii) 8% of the amount equivalent to 15% of the market value of the Equity or Debt Instruments or cash received by the Market Participant from the Counterparty plus 100% of the amount of the difference between the counterparty exposure and 15% of the market value of Equity or Debt Instruments or cash received by the Market Participant from the Counterparty, where:
 - A. the Securities Lending and Borrowing is subject to a written agreement that supports netting across different transactions; and
 - B. the value of the counterparty exposure is greater than 15% of the market value of the Equity or Debt Instruments or cash received by the Market Participant from the Counterparty;
- (c) 100% of the counterparty exposure, if:
 - (i) clause 4(a) and clause 4(b) do not apply; or
 - (ii) if clause 4(b) does apply but the Market Participant elects to calculate the amount under clause 4(c).

Introduced 11/03/04

5. MARGINED FINANCIAL INSTRUMENTS METHOD

For trades in Financial Instruments which are margined, the counterparty risk amount for a Counterparty:

- (a) is the full value of the outstanding settlement amount, premium, deposit or margin call that the Counterparty is required to pay to the Market Participant, regardless of whether or not the Market Participant is required to pay that amount to an exchange, clearing house or other entity;
- (b) is the full value of the outstanding settlement amount, premium, deposit or margin call that is due from an entity with respect to client or house trades cleared by that entity;
- (c) commences at the time that amounts are normally scheduled for payment to the relevant exchange or clearing house.

A Market Participant may reduce the unpaid settlement amount, premium, deposit or margin call by the amount of cash paid by the Counterparty or collateral held by the Market Participant on behalf of the Counterparty if the collateral is Liquid, valued at the mark to market value or another value approved by ASX and the collateral arrangement is evidenced in writing between the Market Participant and Counterparty.

Introduced 11/03/04

6. OTC DERIVATIVES AND WARRANTS EXECUTED AS PRINCIPAL METHOD

For an OTC Derivative or warrant held as principal, the counterparty risk amount for a Counterparty is:

- (a) zero, for a written Option position where the premium due has been received;
- (b) 100% of the premium for a written Option position where the premium due has not been received; and
- (c) otherwise, 8% of the aggregate of the credit equivalent amount which is calculated as the sum of:
 - (i) a current credit exposure being the mark to market valuation of all contracts with a Positive Credit Exposure; and
 - (ii) a potential credit exposure being the product of the absolute value of a contract's nominal, notional or actual principal amount and the applicable potential credit exposure factor specified in Table 2.2, Annexure 5.

A Market Participant may reduce the premium or credit equivalent amount by the amount of collateral held by the Market Participant on behalf of the Counterparty if the collateral is Liquid, valued at the mark to market value or another value approved by ASX and the collateral arrangement is evidenced in writing between the Market Participant and Counterparty.

Introduced 11/03/04

7. SUB-UNDERWRITTEN POSITIONS METHOD

This clause and Annexure 4 will be inserted and effective on a date to be advised.

Introduced 11/03/04

8. COUNTERPARTY RISK WEIGHTING

- (a) Subject to clause 8(b), a Market Participant may choose to calculate its counterparty risk amount in relation to a Counterparty as the counterparty risk amount calculated in accordance with clauses 2 to 7 multiplied by:
 - (i) the counterparty risk weighting applicable for that Counterparty specified in Table 2.1, Annexure 5.
- (b) A Market Participant can only calculate its counterparty risk amount for a Counterparty in accordance with clause 8(a) above if it calculates the counterparty risk amount in this manner for that Counterparty consistently across all methods within Annexure 1.

Introduced 11/03/04

ANNEXURE 2 LARGE EXPOSURE RISK REQUIREMENT

1. COUNTERPARTY LARGE EXPOSURE RISK REQUIREMENT

1.1 Nature of counterparty large exposure risk amount

The counterparty large exposure risk amount is the absolute sum of the individual counterparty large exposure risk amounts calculated using the method of calculation set out in this Annexure 2.

Introduced 11/03/04

1.2 Method

- (a) The counterparty large exposure amount is:
- (i) zero, if there are no exposures to a Counterparty in respect of transactions at the times specified in Table 1;
 - (ii) zero, if there are aggregate exposures to a Counterparty in respect of transactions at the times specified in Table 1 and where these aggregate exposures are less than or equal to 10% of the Market Participant's Liquid Capital; or
 - (iii) 100% of the counterparty risk amount for the exposure calculated in accordance with Annexure 1, if there are aggregate exposures to a Counterparty in respect of transactions at the times specified in Table 1 and where these aggregate exposures are greater than 10% of the Market Participant's Liquid Capital.

Table 1

Transaction Type	Subject to counterparty large exposure	Time of Exposure	Reference in Annexure 1
Non Margined Financial Instrument	Yes	Greater than 10 Business Days after transaction date	Clause 2(b)
Free Delivery	No	N/A	N/A
Securities Lending and Borrowing	Yes	Date the transaction is due to be closed out	Clause 4
Margined Financial Instrument	Yes	24 hours after the time that amounts are normally scheduled for payment to the relevant exchange or clearing house	Clause 5
OTC Derivative or Warrant held as principal	Yes	Date any payment or delivery is due under the transaction	Clause 6
Sub – Underwritten Positions	No	N/A	N/A

- (b) The counterparty large exposure risk amount calculated in respect of a transaction cannot exceed the maximum loss for that transaction.
- (c) To calculate aggregate exposures to a Counterparty, a Market Participant must:
 - (i) aggregate exposures to persons forming part of a Group Of Connected Persons; and
 - (ii) not include exposures other than Positive Credit Exposures specified in Table 1.

Introduced 11/03/04

2. ISSUER LARGE EXPOSURE RISK REQUIREMENT

2.1 Nature of an issuer large exposure risk amount

The issuer large exposure risk amount is the absolute sum of the individual issuer large exposure risk amounts calculated from the transaction date using the method of calculation set out in this Annexure 2.

Introduced 11/03/04

2.2 Overview

- (a) The issuer large exposure risk amount for an issuer is subject to two tests, measuring the net position relative to Liquid Capital and relative to the issuer.
- (b) In calculating the issuer large exposure amounts for exposures to:
 - (i) equity positions, the method set out in clause 3 applies;
 - (ii) debt positions, the method set out in clause 4 applies; and
 - (iii) both equity positions and debt positions where no risk amount arises under clause 3 or clause 4, the method set out in clause 5 applies.
- (c) The methods referred to in clause 2.2(b) are summarised in the Tables below:

Table 2

	Equity Method				Risk amount
	Compared to Liquid Capital		Compared to Issue		
Equity Net Position from transaction date	If equity net position is ≤25%, is a risk amount required?	If equity net position is >25%, is a risk amount required? Yes (a)	If equity net position is ≤5%, is a risk amount required?	If equity net position is >5%, is a risk amount required?	Take the greater of (a) and (b)

	No		No	Yes (b)	
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Table 3

	Debt Method				Risk amount
	Compared to Liquid Capital		Compared to Issue		
Debt Net Position from transaction date	If debt net position is $\leq 25\%$, is a risk amount required? No	If debt net position is $> 25\%$, is a risk amount required? Yes (a)	If debt net position is $\leq 10\%$, is a risk amount required? No	If debt net position is $> 10\%$, is a risk amount required? Yes (b)	Take the greater of (a) and (b)

Table 4

	Equity and Debt Method		Risk amount
	Compared to Liquid Capital only		
Equity Net Position and Debt Net Position from transaction date	If equity net position and debt net position is $\leq 25\%$, is a risk amount required? No	If equity net position and debt net position is $> 25\%$, is a risk amount required? Yes (c) , but only if a zero amount has been calculated in Table 2 or Table 3	Take (c)

Introduced 11/03/04

2.3 Application

- (a) An issuer large exposure risk amount does not arise in relation to:
- (i) a Financial Instrument whose value is based on Government Debt Instrument or an interest rate;
 - (ii) a Forward Rate Agreement;
 - (iii) an interest rate or currency Swap;
 - (iv) an interest rate leg of an equity Swap; and
 - (v) a Future on an index, an equity Swap based on an index or any other index-linked Derivative where that Future, equity Swap or index-linked Derivative is not broken down into its constituent positions by a Market Participant for the purposes of calculating a position risk amount.
- (b) An issuer large exposure risk amount must be calculated in the following manner:

- (i) the Equity leg of an equity Swap the value of which is based on the change in value of an individual Equity is treated as an exposure to the issuer of the Equity for the face value of the equity leg of the equity Swap;
 - (ii) a Future or forward contract over:
 - A a Debt Instrument other than a Government Debt Instrument; or
 - B. an Equity,
 is treated as an exposure to the underlying issuer for the face value of the Future or forward contract;
 - (iii) a Future on a index, an equity Swap based on an index or any other index-linked Derivative where that Future, equity Swap or index-linked derivative is broken down into its constituent positions by a Market Participant for the purposes of calculating a position risk amount, is treated as an exposure to each underlying constituent position;
 - (iv) an Option or right over a Financial Instrument (other than a Financial Instrument referred to in clause 2.3(a) above) is treated as an exposure at:
 - A. the full value of the underlying position;
 - B. the delta weighted value of the underlying instrument generated by a model approved by ASX under the contingent loss matrix method; or
 - C. the delta weighted value of the underlying instrument where a delta is published by a relevant exchange, clearing house or an independent market information source.
- (c) A delta weighted value under clause 2.3(b)(iv) may be offset against the corresponding underlying instrument in calculating an Equity Net Position or Debt Net Position under clauses 3, 4 and 5.

Introduced 11/03/04

3. EQUITY METHOD

- (a) A Market Participant's issuer large exposure risk requirement in relation to an issuer is the greater of the following amounts:
 - (i) the risk amount calculated by comparing the Equity Net Position to Liquid Capital under clause 3(b); and
 - (ii) the risk amount/s calculated by comparing the Equity Net Position to the issue/s under clause 3(c).
- (b) If the absolute value of an Equity Net Position to an issuer is greater than 25% of the Market Participant's Liquid Capital the risk amount is:
 - (i) 12% for each single Equity in a Recognised Market Index; and

- (ii) 16 % for any other single Equity, of the amount in excess of 25% of Liquid Capital.
- (c) If the absolute value of an Equity Net Position to an individual issue/s is greater than 5% of that issue, the risk amount/s is:
 - (i) 12% for each single Equity in a Recognised Market Index; and
 - (ii) 16% for any other single Equity, of the amount in excess of 5% of the issue/s.

Introduced 11/03/04

4. DEBT METHOD

- (a) A Market Participant's issuer large exposure risk amount in relation to an issuer is the greater of the following amounts:
 - (i) the risk amount calculated by comparing the Debt Net Position to Liquid Capital under clause 4(c); and
 - (ii) the risk amount/s calculated by comparing the Debt Net Position to the issue/s under clause 4(d).
- (b) In calculating the issuer large exposure risk amount under this method:
 - (i) an individual issue refers to an individual series or tranche of an individual series issued by an individual issuer;
 - (ii) long and short positions may be offset across series for the purposes of determining large exposure to an issuer; and
 - (iii) a large exposure to an individual issuer is the sum of all series issued by that issuer.
- (c) If the absolute value of a Debt Net Position to an issuer is greater than 25% of the Market Participant's Liquid Capital, the risk amount is:
 - (i) the relevant standard method Position Risk Factor specified in Table 1.2, Annexure 5 multiplied by the amount in excess of 25%; and
 - (ii) if more than one series is held, the Position Risk Factor for the longest dated instrument should be applied to the excess over 25%.
- (d) If the absolute value of a Debt Net Position to an individual issue/s is greater than 10% of that issue, the risk amount/s is:
 - (i) the relevant standard method Position Risk Factor specified in Table 1.2, Annexure 5 multiplied by the excess over 10%; and
 - (ii) if more than one series is held, the risk amount is the aggregate of the risk amounts calculated under clause 4(d)(i) for each individual series.

Introduced 11/03/04

5. EQUITY AND DEBT METHOD

- (a) A Market Participant's issuer large exposure risk amount in relation to an issuer is based on the absolute sum of the Equity Net Positions and Debt Net Positions.
- (b) If the absolute sum of the Equity Net Positions and Debt Net Positions is greater than 25% of a Market Participant's Liquid Capital, then the risk amount is the relevant standard method Position Risk Factor specified in Table 1.1 or Table 1.2, Annexure 5 multiplied by the excess over 25% according to the following:
 - (i) if the Equity Net Positions represent the greatest proportion of the aggregate Net Position, the standard method Position Risk Factor specified in Table 1.1, Annexure 5;
 - (ii) if the Debt Net Positions represent the greatest proportion of the aggregate Net Position,
 - A. the relevant standard method Position Risk Factor specified in Table 1.2, Annexure 5; and
 - B. if more than one series is held, the Position Risk Factor for the longest dated instrument; or
 - (iii) if the Equity Net Position and Debt Net Positions are held in equal proportions, the greatest of the standard method Position Risk Factors specified in Tables 1.1 or 1.2, Annexure 5.

Introduced 11/03/04

ANNEXURE 3 POSITION RISK REQUIREMENT

PART 1: EQUITY POSITION RISK

Note: Part 1 only deals with the calculation of equity position risk amounts under the methods set out within this Part 1 (i.e. all available methods for equity positions other than the internal models approach set out in Part 4). Market Participants using a combination of Parts 1 and 4 for equity positions, as per part (c) of the definition of Position Risk Requirement, should note that the contents of Part 1 do not reflect the availability of the internal models approach of Part 4.

1. EQUITY POSITION RISK AMOUNT

1.1 Nature of equity position risk amount

The equity position risk amount in relation to a Market Participant's equity positions is the absolute sum of the individual position risk amounts for equity positions calculated for each country using the methods of calculation set out in this Annexure 3.

Introduced 11/03/04

1.2 Overview of methods

- (a) The standard method and building block method are the two main methods for measuring the equity position risk amount. They are supplemented by other methods, the use of which largely depends on the Financial Instruments in which principal positions are taken.
- (b) In calculating the equity position risk amount, the following methods must be used:

Nature of Positions	Standard Method	Building Block Method	Contingent Loss Matrix Method	Margin Method	Basic Method	Arbitrage Method
Physical (not equity derivative)	Yes.	Yes.	Yes, in conjunction with positions in options.	No.	No.	Yes, subject to certain condition
Non-option equity derivatives	Yes, if converted to equity equivalent positions.	Yes, if converted to equity equivalent positions.	Yes, in conjunction with positions in options.	Yes, if exchange traded and margined and not calculated under any other method.	No.	Yes, if arising as a result of futures arbitrage strategy.
Equity Options	Yes, if satisfy relevant criteria and not permitted to use contingent loss matrix method.	Yes, if satisfy relevant criteria and not permitted to use contingent loss matrix method.	Yes. Pricing model must be approved by ASX.	Yes, if exchange traded and margined, and not calculated under any other method.	Yes, if not permitted to use contingent loss matrix method.	No.

- (c) For the purposes of Part 1 of this Annexure 3, a right over an equity must be treated as an Option position.

Introduced 11/03/04

2. STANDARD METHOD

2.1 Application

- (a) Physical Equity positions may be included in the standard method.
- (b) Equity Derivative positions other than Options may be included in the standard method if the positions are converted to Equity Equivalents according to clause 8.
- (c) Equity Derivative positions which are Options may be included in the standard method only if they are purchased positions or if they are written positions which are exchange traded and subject to daily margin requirements and the purchased or written positions are:
- (i) In the Money by at least the relevant standard method Position Risk Factor for the underlying position specified in Table 1.1, Annexure 5; and

- (ii) converted to Equity Equivalents according to clause 8.

If the above criteria are not met, the Options must be treated under one of the option methods set out in clauses 4, 5 and 6.

Introduced 11/03/04

2.2 Method

The position risk amount for equity positions to which the standard method is applied is the absolute sum of the product of individual Equity Net Positions at the mark to market value and the applicable Position Risk Factor specified in Table 1.1, Annexure 5.

Introduced 11/03/04

3. BUILDING BLOCK METHOD

3.1 Application

- (a) Physical Equity and Equity Derivative positions may be included in the building block method if there are at least 5 long or 5 short Equity Net Positions in the one country and which are included in Recognised Market Indexes.
- (b) Equity Derivative positions other than Options may be included in the building block method if the positions are converted to Equity Equivalents according to clause 8.
- (c) Equity Derivative positions which are Options may be included in the building block method only if they are purchased positions or if they are written positions which are exchange traded and subject to daily margin requirements and the purchased or written positions are:
 - (i) In the Money by at least the relevant standard method Position Risk Factor for the underlying position specified in Table 1.1, Annexure 5; and
 - (ii) converted to Equity Equivalents according to clause 8.

If the above criteria are not met, the Options must be treated under one of the option methods set out in clauses 4, 5 and 6.

Introduced 11/03/04

3.2 Method

- (a) The position risk amount for equity positions to which the building block method is applied is the aggregate of a specific risk and a general risk amount for each Equity Net Position at the mark to market value.
- (b) The specific risk amount is calculated as the aggregate of each Equity Net Position, multiplied by the relevant specific risk Position Risk Factor specified in Table 1.1 of Annexure 5. The aggregate is calculated by reference to the absolute value of each Equity Net Position.
- (c) The general risk amount is calculated by:

- (i) multiplying each Equity Net Position by the relevant general risk Position Risk Factor specified in Table 1.1 of Annexure 5; and
- (ii) aggregating the results of these calculations. In aggregating these calculations, positive and negative signs (that is, long and short positions respectively) may be offset in determining the aggregate number.

The absolute value of this aggregate number is the general risk amount.

Introduced 11/03/04

4. CONTINGENT LOSS MATRIX METHOD

4.1 Application

- (a) Equity Derivative positions which are Options together with physical Equity and other Equity Derivative positions may be included in the contingent loss matrix method but only if used in conjunction with an option pricing model approved by ASX.
- (b) Deleted
- (c) A Market Participant applying the contingent loss matrix method may use method 2 as set out in clause 4.3 if there are 5 long or 5 short Equity Net Positions which are included in Recognised Market Indexes, otherwise it must use method 1 as set out in clause 4.2.

Introduced 11/03/04

4.2 Method 1

- (a) This method calculates the risk amount in one step for each underlying in a manner similar to the standard method.
- (b) The position risk amount for equity positions to which this method is applied is the greatest loss arising from simultaneous prescribed movements in the closing market price of the underlying position and the option implied volatility.
- (c) The prescribed movements are the Position Risk Factors for the standard method specified in Table 1.1, Annexure 5.
- (d) A separate matrix must be constructed for each option portfolio and associated hedges in each country.
- (e) Changes in the value of the option portfolio must be analysed over a fixed range of changes above and below the current market price of the underlying position and implied option volatility as follows:
 - (i) the relevant Position Risk Factor is to be divided into seven equally spaced price shift intervals (including the current market price); and
 - (ii) the relevant implied volatility Position Risk Factor is to be divided into three equally spaced volatility shift intervals (including the current market implied volatility).

- (f) Each option portfolio is to be re-priced using the adjusted underlying position and volatility price as described in clause 4.2(e). The value in each element of the contingent loss matrix will be the difference between the revalued option portfolio and the option portfolio calculated using the closing market price.
- (g) The absolute value of the aggregate of the greatest loss for each matrix is the position risk amount.

Introduced 11/03/04

4.3 Method 2

- (a) This method calculates the risk amount as the aggregate of a specific risk and a general risk amount for each underlying in a manner similar to the building block method.
- (b) The specific risk amount is calculated as the aggregate of the delta weighted value of the underlying instrument calculated by the option pricing model approved by ASX, multiplied by the relevant specific risk Position Risk Factor specified in Table 1.1 of Annexure 5.
- (c) The general risk amount is calculated in the manner described in clause 4.2 replacing clauses 4.2(c) and 4.2(g) as described below.
- (d) The prescribed movements referred to in clause 4.2(c) are replaced with the Position Risk Factors for the building block method specified in Table 1.1, Annexure 5.
- (e) The position risk amount calculated in clause 4.2(g) is replaced with the general risk amount which is the absolute value of the greatest loss in a single country matrix.
- (f) A single country matrix is constructed by superimposing each separate matrix under clause 4.2(d) so that the values in the corresponding matrix elements are netted to form a single value for each element.

Introduced 11/03/04

5. MARGIN METHOD

5.1 Application

Equity Derivative positions which are exchange traded and have a positive Primary Margin Requirement must be included in the margin method if the Market Participant:

- (a) has not been approved by ASX to use the contingent loss matrix method; and
- (b) is not permitted to use any of the other Methods set out in clause 1.2 of this Annexure 3.

Introduced 11/03/04

5.2 Method

- (a) The position risk amount for Equity Derivative positions under the margin method is 100% of the Primary Margin Requirement for those Equity

Derivative positions as determined by the relevant exchange or clearing house multiplied by 4.

- (b) Deleted

Introduced 11/03/04

6. BASIC METHOD

6.1 Application

Equity Derivative positions which are purchased (long) or written (short) Options may be included in the basic method.

Introduced 11/03/04

6.2 Method

- (a) The position risk amount for a purchased Option is the lesser of:
- (i) the mark to market value of the underlying equity position multiplied by the standard method Position Risk Factor for the underlying position specified in Table 1.1, Annexure 5; and
 - (ii) the mark to market value of the Option.
- (b) The position risk amount for a written Option is:
- (i) the mark to market value of the underlying equity position multiplied by the standard method Position Risk Factor for the underlying position specified in Table 1.1, Annexure 5 reduced by:
 - A. any excess of the exercise value over the current market value of the underlying position in the case of a call Option, but limited to nil if it would otherwise be negative; or
 - B. any excess of the current market value of the underlying position over the exercise value in the case of a put Option, but limited to nil if it would otherwise be negative.

Introduced 11/03/04

7. ARBITRAGE METHOD

7.1 Application

Equity Derivative positions arising as a result of Futures arbitrage strategies may be included in the arbitrage method if the Market Participant has a position in:

- (a) two Futures over similar indexes; or
- (b) a Future over a broadly based index and a position in a matching physical basket,

and if the requirements set out below are satisfied.

Introduced 11/03/04

7.2 Method – similar indexes

A Market Participant's position risk amount for a position in two Futures over similar indexes is 2% of the Equity Equivalent of one of the Futures over an index position at the mark to market value but only if the Market Participant:

- (a) has an opposite position in a Future over the same index at a different date or in a different market; or
- (b) has an opposite position in a Future at the same date in a different but similar index (where two indexes are similar if they contain sufficient common components that account for at least 70% of each index).

The position risk amount for the opposite Future position is nil.

Introduced 11/03/04

7.3 Method – a broadly based index and a matching basket of the stocks from that index

A Market Participant may calculate the position risk amount for a Future over an index and a position in a matching physical basket under one of two possible methodologies:

- (a) the position in the Future over an index may be disaggregated into the notional physical positions and the position risk amount for these notional positions and the physical basket may then be calculated in accordance with the standard method or building block method for equity positions; or
- (b) 2% of the mark to market value of the Future over the index if:
 - (i) the arbitrage trades have been specifically entered into and are separately monitored over the life of the arbitrage;
 - (ii) the mark to market value of the physical basket is greater than 80% and less than 120% of the mark to market value of the notional position in the Future over the index; and
 - (iii) the sum of the index weights of the individual positions in the required physical basket is greater than 70% of the Future over the index, where the required physical basket is calculated by:
 - A. ranking all mark to market positions in the physical basket in ascending dollar value;
 - B. converting each dollar value position to a percentage of the total dollar value of the physical basket; and
 - C. adding the percentages in ascending order until the total of these percentages exceeds 70%.

Introduced 11/03/04

8. CALCULATION OF EQUITY EQUIVALENT POSITIONS

8.1 Swaps

The Equity Equivalent for a Swap is two notional positions, one for each leg of the Swap under which:

- (a) there is a notional long position in an Equity or Equity Derivative on the leg of the Swap on which an amount is received; and
- (b) there is a notional short position in an Equity or Equity Derivative on the leg of the Swap on which an amount is paid.

If one of the legs of the Swap provides for payment or receipt based on some reference to a Debt Instrument or Debt Derivative, the position risk amount for that leg of the Swap should be assessed in accordance with Part 2 of this Annexure.

Introduced 11/03/04

8.2 Options

The Equity Equivalent for an Option is:

- (a) for purchased call Options and written put Options, a long position at the mark to market value of the underlying equity position, or in the case of an Option on an index or physical basket the mark to market value of either the index, basket, or the notional position in the underlying; or
- (b) for purchased put Options and written call Options, a short position at the mark to market value of the underlying equity position, or in the case of an Option on an index or physical basket, the mark to market value of either the index, basket, or the notional position in the underlying.

Introduced 11/03/04

8.3 Futures and forward contracts

The Equity Equivalent:

- (a) for a Future and forward contract over a single Equity, is the mark to market value of the underlying;
- (b) for a Future and a forward contract over an index or a physical basket, is the mark to market value of either the index, basket, or the notional position in the underlying.

Introduced 11/03/04

8.4 Convertible notes

The Equity Equivalent of a convertible note, is either:

- (a) if the Market Participant:
 - (i) does not use the contingent loss matrix method;
 - (ii) the premium is in the money by less than 10%, where premium in this context means the mark to market value of the convertible note less

the mark to market value of the underlying Equity, expressed as a percentage of the mark to market value of the underlying Equity; and

- (iii) there are less than 30 days to the conversion date; the mark to market value of the underlying Equity; or
- (b) if the Market Participant uses the contingent loss matrix method, as calculated according to that method,

but otherwise the convertible note (or, in the case of a convertible note which is evaluated in accordance with the procedure stated in clause 8.4(b) the debt component of the convertible note) must be treated as a debt position in accordance with Debt Equivalent requirements.

Introduced 11/03/04

8.5 Other positions

The Equity Equivalent of an equity position arising under any other Financial Instrument is as prescribed by ASX.

Introduced 11/03/04

9. CALCULATION OF EQUITY NET POSITIONS

The equity net positions are either the long or short positions resulting from offsetting equity positions and Equity Equivalents calculated in the following way:

- (a) a Market Participant may net a long position against a short position only where the positions are in the same actual instrument. This includes Equity Equivalent positions calculated in accordance with clause 8. For the purposes of this clause 9(a):
 - (i) depository receipts may be treated as if they are the same positions in the corresponding instrument and at the same value if:
 - A. the positions in the depository receipt and underlying have been entered into as a specific arbitrage and have the certainty of a locked-in profit (or loss);
 - B. the profit (or loss) in sub-paragraph (A) is Liquid; and
 - C. all conversion costs and foreign exchange costs are immediately provided and are separately monitored over the life of the arbitrage,but otherwise must be valued at the current exchange rate; and
 - (ii) instalment receipts may be treated as if they are positions in the corresponding instrument.
- (b) if the contingent loss matrix method is not used for Options, then an Option position can only be offset if it is In the Money by at least the standard method Position Risk Factor specified in Table 1.1 of Annexure 5 applicable to the underlying position.

Introduced 11/03/04

PART 2 – DEBT POSITION RISK

Note: Part 2 only deals with the calculation of debt position risk amounts under the methods set out within this Part 2 (i.e. all available methods for debt positions other than the internal models approach set out in Part 4). Market Participants using a combination of Parts 2 and 4 for debt positions, as per part (c) of the definition of Position Risk Requirement, should note that the contents of Part 2 do not reflect the availability of the internal models approach of Part 4.

10. DEBT POSITION RISK AMOUNT

10.1 Nature of debt position risk amount

The debt position risk amount in relation to a Market Participant's debt positions is the absolute sum of the individual position risk amounts calculated for debt positions for each currency using the methods of calculation set out in this Annexure 3.

Introduced 11/03/04

10.2 Overview of methods

- (a) The standard method and building block method are the two main methods for measuring the debt position risk amount. They are supplemented by other methods, the use of which largely depends on the Financial Instruments in which principal positions are taken.
- (b) In calculating the debt position risk amount, the following methods must be used:

Nature of Positions	Standard Method	Building Block Method	Contingent Loss Matrix Method	Margin Method	Basic Method
Physical (not debt derivatives)	Yes.	Yes.	Yes, in conjunction with positions in options.	No.	No.
Non-option debt derivative	No.	Yes, if converted to debt equivalent positions.	Yes, in conjunction with positions in options.	Yes, if exchange traded and margined and not calculated under any other method.	No.
Debt Options	No.	Yes, if satisfy relevant criteria and not permitted to use contingent loss matrix method.	Yes. Pricing model must be approved by ASX.	Yes, if exchange traded and margined and not calculated under any other method.	Yes, if not permitted to use contingent loss matrix method.

Introduced 11/03/04

11. STANDARD METHOD

11.1 Application

Only physical Debt Instrument positions may be included in the standard method.

Introduced 11/03/04

11.2 Method

The position risk amount for debt positions to which the standard method is applied is the absolute sum of the product of individual Debt Net Positions at the mark to market value and the applicable Position Risk Factor specified in Table 1.2, Annexure 5.

Introduced 11/03/04

12. BUILDING BLOCK METHOD

12.1 Application

- (a) Physical Debt Instrument positions may be included in the building block method.
- (b) Debt Derivative positions other than Options may be included in the building block method if the positions are converted to Debt Equivalents according to clause 16.

- (c) Debt Derivative positions which are Options may be included in the building block method only if they are purchased positions or if they are written positions which are exchange traded and subject to daily margin requirements and the purchased or written positions are:
 - (i) In the Money by at least the relevant standard method Position Risk Factor for the underlying position specified in Table 1.2, Annexure 5; and
 - (ii) converted to Debt Equivalents according to clause 16.

If the above criteria are not met, the Options must be treated under one of the option methods referred to in clauses 13, 14 and 15.

Introduced 11/03/04

12.2 Method

- (a) The position risk amount for debt positions to which the building block method is applied is the aggregate of a specific risk and a general risk amount for the Debt Net Position at the mark to market value.
- (b) The specific risk amount is calculated as the aggregate of each Debt Net Position, multiplied by the relevant specific risk Position Risk Factor specified in Table 1.3, Annexure 5. The aggregate is calculated by reference to the absolute value of each Debt Net Position.
- (c) The general risk amount is calculated in accordance with:
 - (i) the maturity method under clause 12.3; or
 - (ii) the duration method under clause 12.4.

The absolute value of this aggregate number is the general risk amount.

Introduced 11/03/04

12.3 General risk amount – maturity method

- (a) To calculate the general risk amount based on the maturity method:
 - (i) allocate each Debt Net Position to the appropriate time band specified in Table 1.2, Annexure 5. Fixed rate instruments should be allocated according to the residual term to maturity and floating rate instruments according to the residual term to the next repricing date;
 - (ii) aggregate the total long and total short Debt Net Positions in each time band;
 - (iii) calculate a risk weighted long and short position by multiplying the gross long and gross short position in each time band by the relevant general risk Position Risk Factor for that band as specified in Table 1.2, Annexure 5. The sum of these, taking into account the sign, is the net position amount (NPA);
 - (iv) in each time band, multiply the lesser of the risk weighted long and short positions as calculated in clause 12.3(a)(iii) by the relevant time

band matching factor (TBMF) as specified in Table 1.4, Annexure 5. The absolute sum of these is the time band amount (TBA);

- (v) net the risk weighted long and short positions within each time band so that each time band has either a net long position or a net short position. Within each zone, as defined in Table 1.2, Annexure 5, aggregate the net long time band positions and the net short time band positions. Multiply the lesser of the resulting two totals in each of the zones by the relevant zone matching factor (ZMF) as specified in Table 1.4, Annexure 5. The absolute sum of these is the zone amount (ZA);
 - (vi) net the aggregate risk weighted long and short positions in each time zone as calculated in clause 12.3(a)(v). To the extent that an offset can be made between adjacent zones, multiply the lesser of the values by the adjacent zone matching factor (AZMF) as specified in Table 1.4, Annexure 5. The absolute sum of these is the adjacent zone amount (AZA);
 - (vii) to the extent that an offset can be made between non-adjacent zones, multiply the lesser of the non-adjacent zone risk weighted Debt Net Positions by the non-adjacent zone matching factor (NAZMF) as specified in Table 1.4, Annexure 5. This is the non-adjacent zone amount (NAZA);
 - (viii) any residual position remaining following the calculation in clause 12.3(a)(vi) can be used to reduce the non-adjacent zone Debt Net Positions in clause 12.3(a)(vii).
- (b) The overall general risk amount under the maturity method is then the absolute sum of the individual steps as follows:
- (i) the net position amount (NPA);
 - (ii) the time band amount (TBA);
 - (iii) the zone amount (ZA);
 - (iv) the adjacent zone amount (AZA); and
 - (v) the non-adjacent zone amount (NAZA).

Introduced 11/03/04

12.4 General risk amount – duration method

- (a) The calculation of the general risk amount under the duration method is identical to that for the maturity method except that:
- (i) instead of calculating positions under clause 12.3(a)(iii), calculate the duration weight of each position by multiplying the market value of each position by the modified duration of the position and by the assumed yield change for the appropriate time band specified in Table 1.2, Annexure 5 (the duration method building block method general risk Position Risk Factor);

- (ii) any reference in clause 12.3(a) to Table 1.4, Annexure 5 is to the relevant timeband matching factor (TBMF) for the duration method; and
- (iii) ASX must first approve a Market Participant's use of this method.

Introduced 11/03/04

13. CONTINGENT LOSS MATRIX METHOD

13.1 Application

- (a) Debt Derivative positions which are Options together with physical Debt Instruments and other Debt Derivatives may be included in the contingent loss matrix method but only if used in conjunction with an option pricing model approved by ASX.
- (b) Deleted
- (c) A Market Participant applying the contingent loss matrix method may use method 1 or method 2 as set out in clauses 13.2 and 13.3.

Introduced 11/03/04

13.2 Method 1 – [Deleted]

13.3 Method 2 – maturity method

- (a) This method calculates the risk amount as the aggregate of a specific risk, a general risk and a volatility risk amount for each underlying in a manner similar to the building block method - maturity method.
- (b) The specific risk amount is calculated as the aggregate of each Debt Net Position or the delta weighted value of the underlying instrument calculated by the option pricing model approved by ASX, multiplied by the relevant specific risk Position Risk Factor specified in Table 1.3 of Annexure 5.
- (c) The general risk and volatility risk amounts are calculated as described below.
- (d) The prescribed movements are the Position Risk Factors for the maturity building block method specified in Table 1.2, Annexure 5.
- (e) A separate matrix must be constructed for each individual time band as specified in Table 1.2, Annexure 5.
- (f) Changes in the value of the option portfolio must be analysed over a fixed range of changes above and below the current market rate or price of the underlying position and option implied volatility as follows:
 - (i) The relevant Position Risk Factor is to be divided into seven equally spaced rate or price shift intervals (including the current market rate or price); and

- (ii) The relevant implied volatility Position Risk Factor is to be divided into three equally spaced volatility shift intervals (including the current market implied volatility).
- (g) Each option portfolio is to be re-priced using the adjusted underlying price and volatility as described in clause 13.3(f). The value in each element of the contingent loss matrix will be the difference between the revalued option portfolio and the option portfolio calculated using the closing market prices.
- (h) The general risk amount is calculated by:
 - (i) identifying from each matrix the greatest loss along the directional axis;
 - (ii) creating an equivalent notional position for each greatest loss which is:
 - A. a long position, if the greatest loss occurs for a decrease in the value of the underlying; and
 - B. a short position otherwise;
 - (iii) allocating each long and short position into the appropriate time band specified in Table 1.2, Annexure 5 to form the risk weighted values;
 - (iv) aggregating these long and short positions in each time band, taking into account the sign, to form the net position amount (NPA) referred to in clause 12.3(a)(iii); and
 - (v) applying the principles referred to in clauses 12.3(a)(iv) to (viii) and clause 12.3(b).
- (i) The volatility risk amount is calculated by:
 - (i) identifying from each matrix the greatest loss along the volatility axis; and
 - (ii) taking the absolute value of the aggregate of the greatest loss for each matrix.

Introduced 11/03/04

14. MARGIN METHOD

14.1 Application

Debt Derivative positions which are exchange traded and have a positive Primary Margin Requirement must be included in the margin method if the Market Participant:

- (a) has not been approved by ASX to use the contingent loss matrix method; and
- (b) is not permitted to use any of the other methods referred to in clause 10.2 of this Annexure 3.

Introduced 11/03/04

14.2 Method

(a) The position risk amount for Debt Derivative positions under the margin method is 100% of the Primary Margin Requirement for those Debt Derivative positions as determined by the relevant exchange or clearing house in respect of each position multiplied by 4.

(b) Deleted

Introduced 11/03/04

15. BASIC METHOD

15.1 Application

Debt Derivative positions which are purchased (long) or written (short) Options may be included in the basic method.

Introduced 11/03/04

15.2 Method

(a) The position risk amount for a purchased Option is the lesser of:

(i) the mark to market value of the underlying debt position multiplied by the standard method Position Risk Factor for the underlying position specified in Table 1.2, Annexure 5; and

(ii) the mark to market value of the Option.

(b) The position risk amount for a written Option is:

(i) the mark to market value of the underlying debt position multiplied by the standard method Position Risk Factor for the underlying position specified in Table 1.2, Annexure 5 reduced by:

A. any excess of the exercise value over the current market value of the underlying position in the case of a call Option, but limited to nil if it would otherwise be negative; or

B. any excess of the current market value of the underlying position over the exercise value in the case of a put Option, but limited to nil if it would otherwise be negative.

Introduced 11/03/04

16. CALCULATION OF DEBT EQUIVALENT POSITIONS

16.1 Swaps

The Debt Equivalent for a Swap is two notional positions, one for each leg of the Swap under which:

- (a) there is a notional long position in a Debt Instrument or Debt Derivative on the leg of the Swap on which interest is received with a maturity equal to either the next interest reset date for a floating rate payment or the maturity of the Swap for a fixed rate payment; and
- (b) there is a notional short position in a Debt Instrument or Debt Derivative on the leg of the Swap on which interest is paid with a maturity equal to either the next interest reset date for a floating rate payment or the maturity of the Swap for a fixed rate payment.

If one of the legs of the Swap provides for payment or receipt based on some reference to an Equity or Equity Derivative, the position risk amount for that leg of the Swap should be assessed in accordance with Part 1 of this Annexure.

Introduced 11/03/04

16.2 Options

The Debt Equivalent for an Option is:

- (a) for purchased call Options or written put Options, a long notional position:
 - (i) in the underlying Debt Instrument, in the case of an Option over a single Debt Instrument, and at the mark to market value of the Debt Instrument and its residual maturity; or
 - (ii) in the Debt Instrument with the longest residual maturity, in the case of an Option over Debt Instruments or interest rate index, and at the mark to market value;
- (b) for purchased put Options or written call Options, a short notional position:
 - (i) in the underlying Debt Instrument, in the case of an Option over a single Debt Instrument, and at the mark to market value of the Debt Instrument and its residual maturity; or
 - (ii) in the case of an Option over a debt or interest rate index, in the Debt Instrument with the longest residual maturity in the index, at the mark to market value of the index; and
- (c) for purchased call Options or written put Options on a Future, a long notional position calculated under clause 16.3(a) and for purchased put Options or written call Options on a Future, a short notional position calculated under clause 16.3(b).

Introduced 11/03/04

16.3 Futures, forwards and forward rate agreements and options on futures

The Debt Equivalent for a Future, forward contract or Forward Rate Agreement is:

- (a) if purchased, a combination of a long position in a notional Debt Instrument with a maturity equal to the combined term of the contract plus the term of the underlying Debt Instrument, and a short position in the notional Debt Instrument with a maturity equal to the term of the contract;

- (b) if sold, a combination of a short position in a notional Debt Instrument with a maturity equal to the combined term of the contract plus the term of the underlying Debt Instrument, and a long position in the notional Debt Instrument with a maturity equal to the term of the contract;
- (c) if over an index, a combination of a notional position in the instrument with the longest term, with a maturity equal to the combined term of the contract plus the term of that Debt Instrument, and an opposite position in that Debt Instrument with a maturity equal to the term of the contract; and
- (d) if a range of deliverable instruments can be delivered to fulfil the contract the Market Participant may elect which Debt Instrument goes into the time band, Table 1.2, Annexure 5 but should take account of any conversion factor for the purposes of calculating the position risk.

Introduced 11/03/04

16.4 Convertible Notes

The Debt Equivalent for a convertible note which is not within clause 8.4(a) or (b), is a position in a Debt Instrument.

Introduced 11/03/04

16.5 Basket or index products

The Debt Equivalent for a basket or index product, where there is a known weight for each component Debt Instrument, is a position in a portfolio of Debt Instruments with corresponding weights and if the basket or index is based on:

- (a) Government Debt Instruments, then a zero specific risk Position Risk Factor should be used; and
- (b) Qualifying Debt Instruments or other Debt Instruments, then the appropriate specific risk Position Risk Factor should be used.

Introduced 11/03/04

16.6 Other positions

The Debt Equivalent of a debt position arising under any other Financial Instrument is as prescribed by ASX.

Introduced 11/03/04

17. CALCULATION OF DEBT NET POSITIONS

The debt net position is either the long or short position resulting from offsetting positions in Debt Instruments and Debt Derivatives in the following way:

- (a) subject to clause 17(c) and (d), short Debt Instrument and Debt Equivalent positions may be directly offset against long Debt Instrument and Debt Equivalent positions provided that the issuer, coupon, maturity are identical;

- (b) if the contingent loss matrix method is not used for Options, then an Option position can only be offset if it is In the Money by at least the standard method Position Risk Factor specified in Table 1.2 of Annexure 5 applicable to the underlying position;
- (c) a matched position in a Future or forward contract and its underlying may be offset provided that:
 - (i) the term to maturity of the Future or forward contract is included in the relevant time band specified in Table 1.2 of Annexure 5;
 - (ii) where the Future or the forward contract comprises a range of deliverable instruments, offsetting of positions in the Future or forward contract and the underlying is only permissible when there is a readily identifiable underlying which is profitable for the short position holder to deliver; and
 - (iii) for a Future or forward contract where a Market Participant has a right to substitute cash settlement for physical delivery and the price at settlement is calculated with reference to a general market price indicator then no offset is allowed against the underlying; and
- (d) to qualify for offsets across product groups, the positions must relate to the same underlying instrument type, be of the same nominal value, and:
 - (i) in relation to Futures, the offsetting positions and the notional or underlying instruments to which the Futures relate must be identical products and mature within 7 days of each other;
 - (ii) in relation to Swaps and Forward Rate Agreements the reference rate (for floating rate positions) must be identical and the coupon closely matched (within 15 basis points); and
 - (iii) in relation to Swaps, Forward Rate Agreements and forward contracts, the next interest fixing date, or, for fixed coupon positions or forward contracts, the residual maturity (or, where there is a call or put option in the relevant instrument, the effective maturity of the instrument) must correspond within the following limits:
 - A. less than 1 month hence, same day;
 - B. between one month and one year hence, within 7 days; and
 - C. over one year hence, within 30 days.

Introduced 11/03/04

PART 3 – FOREIGN EXCHANGE POSITION RISK

Note: Part 3 only deals with the calculation of foreign exchange position risk amounts under the methods set out within this Part 3 (i.e. all available methods for foreign exchange positions other than the internal models approach set out in Part 4). Market Participants using a combination of Parts 3 and 4 for foreign exchange positions, as per part (c) of the definition of Position Risk Requirement, should note that the contents of Part 3 do not reflect the availability of the internal models approach of Part 4.

18. FOREIGN EXCHANGE POSITION RISK AMOUNT

18.1 Nature of foreign exchange position risk amount

The foreign exchange position risk amount in relation to a Market Participant's foreign exchange positions is the absolute sum of the individual position risk amounts for foreign exchange positions calculated using the methods of calculation set out in this Annexure 3.

Introduced 11/03/04

18.2 Overview of Methods

- (a) The standard method is the main method for measuring the foreign exchange position risk amount. The method is supplemented by other methods, the use of which largely depends on the Financial Instruments in which principal positions are taken.
- (b) In calculating foreign exchange position risk amounts, the following methods must be used:

Nature of Positions	Standard Method	Contingent Loss Matrix Method
Physical* (not foreign exchange derivatives)	Yes	Yes In conjunction with positions in options
Non-option foreign exchange derivatives	Yes, if converted to foreign exchange equivalent positions	Yes In conjunction with positions in options
Foreign Exchange Options	Yes, if satisfy relevant criteria and not permitted to use contingent loss matrix method	Yes, must be used for all written options. Pricing model must be approved by ASX

* A physical position in Part 3 of this Annexure 3 includes foreign currency assets and liabilities and Equity and Debt Instruments denominated in a foreign currency.

Introduced 11/03/04

19. STANDARD METHOD

19.1 Application

- (a) Foreign currency physical positions may be included in standard method.
- (b) Foreign Exchange Derivative positions other than Options may be included in the standard method if the positions are converted to Foreign Exchange Equivalents according to clause 21.
- (c) Foreign Exchange Derivative positions which are Options may be included in the standard method only if they are purchased positions and the purchased positions are converted to a Foreign Exchange Equivalent according to clause 21.

If the above criteria are not met, the Options must be treated under the contingent loss matrix method set out in clause 20.

Introduced 11/03/04

19.2 Method

- (a) The position risk amount for foreign exchange positions to which the standard method is applied is the greater of the absolute value of the aggregate of the converted:
 - (i) net open long position in foreign currencies; and
 - (ii) net open short position in foreign currencies,multiplied by the Position Risk Factor specified in Table 1.7, Annexure 5.
- (b) Foreign Exchange Derivative positions which are purchased Options and are In the Money by at least the standard method Position Risk Factor specified in Table 1.7, Annexure 5, are to be converted to a Foreign Exchange Equivalent in accordance with clause 21 and included in the net open position in accordance with clause 22.
- (c) Foreign Exchange Derivative positions which are purchased Options and are not In the Money by at least the standard method Position Risk Factor specified in Table 1.7, Annexure 5, are to be converted to a Foreign Exchange Equivalent in accordance with clause 21 and:
 - (i) where the resulting currency positions from the option increases the net open position in the currency if included, the position must be included in the net open position; and
 - (ii) where the resulting currency positions from the option decreases the net open position in the currency if included, the position must be excluded in the net open position.

Introduced 11/03/04

20. CONTINGENT LOSS MATRIX METHOD

20.1 Application

- (a) Foreign Exchange Derivative positions which are Options together with physical foreign exchange and other Foreign Exchange Derivative positions may be included in the contingent loss matrix method but only if used in conjunction with an option pricing model approved by ASX.
- (b) Foreign Exchange Derivative positions which are written Options must be included in the contingent loss matrix method.

Introduced 11/03/04

20.2 Method

- (a) The position risk amount for foreign exchange positions to which the contingent loss matrix method is applied is the greatest loss arising from simultaneous prescribed movements in the closing market rate of the underlying currency pairing and the option implied volatility.
- (b) The prescribed movements are the Position Risk Factors for the standard method that are specified in Table 1.7, Annexure 5.
- (c) A separate matrix must be constructed for each option portfolio and associated hedges in an individual currency pairing.
- (d) Changes in the value of the option portfolio must be analysed over a fixed range of changes above and below the current market exchange rate and option implied volatility as follows:
 - (i) the relevant Position Risk Factor is to be divided into seven equally spaced rate shift intervals (including the current market rate); and
 - (ii) the implied volatility Position Risk Factor is to be divided into three equally spaced volatility shift intervals (including the current market implied volatility).
- (e) Each option portfolio is to be re-priced using the adjusted underlying and volatility price as described in clause 20.2(d). The value in each element of the contingent loss matrix will be the difference between the revalued option portfolio and the option portfolio measured using the closing market rates.

Introduced 11/03/04

21. CALCULATION OF FOREIGN EXCHANGE EQUIVALENT POSITIONS

21.1 Options

The Foreign Exchange Equivalent for an Option is:

- (a) for purchased call Options and written put Options, a long position at the notional face value of the underlying contract; and
- (b) for purchased put Options and written call Options, a short position at the notional face value of the underlying contract.

Introduced 11/03/04

21.2 Futures

The Foreign Exchange Equivalent for a currency Future is the notional face value of the underlying contract.

Introduced 11/03/04

21.3 Forward contracts

The Foreign Exchange Equivalent for a forward contract including a future exchange associated with a cross currency Swap is at the discretion of the Market Participant either the:

- (a) face value of the contract; or
- (b) net present value of the contract.

Introduced 11/03/04

21.4 Other positions

The Foreign Exchange Equivalent of a foreign exchange position arising under any other Financial Instrument is as prescribed by ASX.

Introduced 11/03/04

22. CALCULATION OF A CONVERTED NET OPEN POSITION

- (a) To calculate a net open position in a foreign currency, a Market Participant must aggregate in each currency all:
 - (i) Financial Instruments; and
 - (ii) other assets and liabilities,other than Excluded Assets and foreign exchange contracts hedging Excluded Assets.
- (b) To convert a net open position to an equivalent Australian dollar amount a Market Participant must use:
 - (i) the Market Spot Exchange Rate; or
 - (ii) in the case where a foreign currency asset or liability is specifically matched or hedged by a forward currency contract, the rate of exchange stated in the forward currency contract.

Introduced 11/03/04

PART 4 – THE INTERNAL MODELS APPROACH

23. INTRODUCTION

- (a) Subject to the prior written approval of ASX, a Market Participant may calculate its Position Risk Requirement using its own internal risk measurement system instead of, or in conjunction with, the prescribed methods set out in Parts 1 to 3 of Annexure 3.
- (b) ASX may require independent verification, at the Market Participant's expense, of the Market Participant's compliance with the criteria set out in this Part 4 of Annexure 3.

Introduced 11/03/04

24. GENERAL CRITERIA

- (a) The use of an internal model will be conditional upon the prior written approval of ASX. ASX will only give its approval if at a minimum it is satisfied that:
 - (i) the Market Participant's risk management system is conceptually sound and is implemented with integrity;
 - (ii) the Market Participant has sufficient numbers of staff skilled in the use of sophisticated models not only in the trading area but also in the risk control, audit and back-office areas;
 - (iii) the Market Participant's models have a proven track record of reasonable accuracy in measuring risk; and
 - (iv) the Market Participant will regularly conduct stress tests as discussed in clause 28.
- (b) ASX may require a period of initial monitoring and live testing of a Market Participant's internal model before it is used for supervisory capital purposes. Market Participants that wish to use their internal model must be able to participate in testing exercises to provide ASX with any additional information required to satisfy ASX of the adequacy of the model.
- (c) In addition to these general criteria, Market Participants using internal models for capital purposes will be subject to the requirements detailed in clauses 25 to 32.

Introduced 11/03/04

25. QUALITATIVE STANDARDS

- (a) There are a number of qualitative criteria that a Market Participant has to meet before it will be permitted to use an internal model. The extent to which a Market Participant satisfies the qualitative criteria may influence the level at which ASX sets the multiplication factor referred to in clause 27(j).
- (b) The qualitative criteria are:

- (i) The Market Participant must have an independent risk control unit that is responsible for the design and implementation of the Market Participant's risk management system. The unit must produce and analyse daily reports on the output of the Market Participant's risk measurement model, including an evaluation of limit utilisation. This unit must be independent from business trading and other risk taking units and should report directly to senior management of the Market Participant.
- (ii) The unit must conduct a regular (at least monthly) back testing program. More detailed discussion of back testing is provided in clause 32.
- (iii) The Market Participant's board of directors and senior management must be actively involved in the risk control process and must regard risk control as an essential aspect of the business to which significant resources need to be devoted. In this regard, the daily reports prepared by the independent risk control unit must be reviewed by a level of management with sufficient seniority and authority to enforce both reductions of positions taken by individual traders and reductions in the Market Participant's overall risk exposure.
- (iv) The internal risk measurement model must be closely integrated into the day-to-day risk management process of the Market Participant. Accordingly, the output of the model must be an integral part of the process of planning, monitoring and controlling the Market Participant's market risk profile.
- (v) The risk measurement system must be used in conjunction with internal trading and exposure limits. While individual dealers' trading limits need not necessarily be expressed in terms of value-at-risk, trading limits should be related to the Market Participant's risk measurement model in a manner that is consistent over time and that is well understood by both traders and senior management.
- (vi) A routine and rigorous program of stress testing must be in place as a supplement to the risk analysis based on the day-to-day output of the Market Participant's risk measurement model. The results of stress testing exercises must be reflected in the policies and limits set by management and the board. The results of stress testing must be routinely communicated to senior management and, periodically, to the Market Participant's board.
- (vii) The Market Participant must have a routine in place for ensuring compliance with a documented set of internal policies, controls and procedures concerning the operation of the risk measurement system. The Market Participant's risk measurement system must also be well documented.
- (viii) An independent review of the risk measurement system must be carried out regularly as part of the Market Participant's own internal audit process. This review must include both the activities of the business trading units and of the independent risk control unit.

A review of the overall risk management process must take place at regular intervals and at least annually and a copy of the review report must be provided to ASX annually. The review must specifically address, at a minimum:

- A. the scope of market risks captured by the risk measurement model;
 - B. the integrity of the management information system;
 - C. the accuracy and completeness of position data;
 - D. the verification of the consistency, timeliness and reliability of data sources used to run internal models, including the independence of such data sources;
 - E. the accuracy and appropriateness of volatility and correlation assumptions;
 - F. the accuracy of valuation and risk transformation calculations;
 - G. the verification of the model's accuracy through frequent back testing as described in clause 25(b)(ii) and in clause 32;
 - H. the approval process for risk pricing models and valuation systems used by front- and back-office personnel;
 - I. the validation of any significant change in the risk measurement process;
 - J. the adequacy of the documentation of the risk management system and process;
 - K. the organisation of the risk control unit; and
 - L. the integration of market risk measures into daily risk management.
- (ix) If the Market Participant wishes to use its risk measurement model to cover trading activities outside Australia, it must provide to ASX, on an annual basis, an audit report(s) confirming that the risk management systems and controls in each overseas location are operating effectively. The report(s) must specifically address:
- A. whether all positions feeding into the model are monitored via a comprehensive limit structure, and adherence to the limits is monitored by a unit independent of the front office on a daily basis and in a timely manner;
 - B. whether senior management both abroad and in Australia are aware and understand the scale of the risks being run, and are promptly informed of any limit breaches;
 - C. whether limits are reviewed regularly and risks run are reported to the Market Participant's Risk Management Committee (or equivalent);
 - D. whether controls are in place to ensure that all genuine trades (and only genuine trades) are recorded within the model in a timely manner, by a unit independent of the front office;
 - E. whether the mathematics (software) of the model for deriving both revaluations and market risk are independent of front office

revision. Any development of these models and the inclusion of new products in existing models should follow the same process as laid down for products in Australia;

- F. whether repricing inputs are obtained independently of the front office and whether this is done on a daily basis. In instances where these are particularly difficult to obtain (eg some option volatilities), a minimum standard would be to obtain independent inputs at least monthly (eg from screens, brokers, etc);
- G. whether the output from the models is reported back to Australia by a unit independent of the front office to a similar unit in Australia on a daily basis; and
- H. whether there are adequate disaster recovery plans in place so that the Market Participant is able to manage its exposures despite any disruption to the primary modeling system in any location.

Introduced 11/03/04

26. SPECIFICATION OF MARKET RISK FACTORS

A Market Participant's internal market risk measurement system must specify an appropriate set of market risk factors. The risk factors contained in a market risk measurement system must be sufficient to capture the risks inherent in the Market Participant's portfolio of on- and off-balance sheet trading positions.

Introduced 11/03/04

26.1 Interest Rates

- (a) There must be a set of risk factors corresponding to interest rates in each currency in which the Market Participant has interest rate sensitive on- or off-balance sheet positions.
- (b) The risk measurement system should model the yield curve using one of a number of generally accepted approaches. The yield curve should be divided into various maturity segments and there will typically be one risk factor corresponding to each maturity segment. For material exposures to interest rate movements in the major currencies and markets, Market Participants must model the yield curve using a minimum of six risk factors.
- (c) The risk measurement system should incorporate separate risk factors to capture basis risk.

Introduced 11/03/04

26.2 Equity Prices

There must be risk factors corresponding to each of the equity markets to which the Market Participant is exposed.

Introduced 11/03/04

26.3 Exchange Rates (Including Gold)

There must be risk factors corresponding to the exchange rate between the domestic currency and each foreign currency to which the Market Participant is exposed.

Introduced 11/03/04

26.4 Commodity Prices

There must be risk factors corresponding to each of the commodity markets in which the Market Participant holds positions.

Introduced 11/03/04

27. QUANTITATIVE STANDARDS

Market Participants will have flexibility in devising the precise nature of their models, but the following minimum standards will apply for the purpose of calculating their capital charge. Individual Market Participants will have discretion to apply stricter standards.

- (a) "Value-at-risk" must be computed on a daily basis.
- (b) In calculating value-at-risk, a 99th percentile, one-tailed confidence interval is to be used.
- (c) In calculating value-at-risk, an instantaneous price shock equivalent to a movement in prices over 10 Trading Days is to be used, ie the minimum "holding period" must be 10 Trading Days. Market Participants may use value-at-risk numbers calculated according to shorter holding periods scaled up to 10 days by multiplying by the square root of the value obtained by dividing 10 by the number of days used (for the treatment of options, also see clause 27(h)).
- (d) The choice of historical observation period for calculating value-at-risk will be constrained to a minimum length of one year. For Market Participants that use a weighting scheme or other method for the historical observation period, the weighted average time lag of the individual observations cannot be less than 6 months. ASX may also require a Market Participant to calculate its value-at-risk using a shorter observation period if, in ASX's judgement, this is justified by a significant upsurge in price volatility.
- (e) Market Participants must update their data sets no less frequently than once every 3 months and should also reassess them whenever market prices are subject to material changes.
- (f) No particular type of model is prescribed.
- (g) Market Participants will have discretion to recognise empirical correlations within and across broad risk categories provided that ASX is satisfied that the Market Participant's system for measuring correlations is sound and implemented with integrity.
- (h) Market Participants' models must accurately capture the unique risks associated with options within each of the broad risk categories. The following criteria apply to the measurement of options risk:

- (i) Market Participants' models must capture the non-linear price characteristics of option positions;
 - (ii) Market Participants are expected to ultimately move towards the application of a full 10 day price shock, as described in clause 27(c) above, to options positions or positions that display option-like characteristics. In the interim, ASX may require Market Participants to adjust their capital measure for options risk through other methods, eg periodic simulations or stress testing; and
 - (iii) each Market Participant's risk measurement system must have a set of risk factors that captures the volatilities of the rates and prices underlying the option positions, ie vega risk. Market Participants with relatively large and/or complex options portfolios should have detailed specifications of the relevant volatilities. This means that Market Participants should measure the volatilities of options positions broken down by different maturities.
- (i) Each Market Participant must, on a daily basis, calculate its position risk requirement as the higher of:
 - (i) an average of the daily value-at-risk measures on each of the preceding 60 days, multiplied by a scaling factor (the total of a multiplication factor and a plus factor); and
 - (ii) its previous day's value-at-risk number.
 - (j) The multiplication factor will be set by ASX on the basis of its assessment of the quality of each Market Participant's risk management system, subject to an absolute minimum of 3. Only those Market Participants deemed by ASX to satisfy adequately the qualitative and quantitative standards will be eligible for application of the minimum multiplication factor of 3. Market Participants will be required to add to this factor a "plus" directly related to the ex post performance of the model. The plus factor will range from 0 to 1 based on the outcome of back testing. Clause 32 presents in detail the approach to be applied for back testing and the plus factor.
 - (k) Market Participants using models will also be subject to a capital charge to cover the specific risk of interest rate related instruments and equity securities. The manner in which the specific risk capital charge is to be calculated is set out in clause 31.

Introduced 11/03/04

28. STRESS TESTING

- (a) Market Participants that use the internal models approach for calculating position risk requirements must have in place a comprehensive stress testing program. Stress testing to identify events or influences that could greatly impact on the value of trading portfolios is a key component of a Market Participant's assessment of its capital position.
- (b) Each Market Participant must combine the use of supervisory stress scenarios with an internally developed stress testing program that reflects the risk characteristics of the Market Participant's portfolio. Specifically, ASX will ask Market Participants to provide information on stress testing in three broad areas, which are discussed in turn below.

Introduced 11/03/04

28.1 Supervisory Scenarios Requiring No Simulations By The Market Participant

Market Participants must report to ASX information on the five largest daily losses experienced for the total Trading Book during the reporting period.

Introduced 11/03/04

28.2 Supervisory Scenarios Requiring A Simulation By The Market Participant

- (a) Market Participants must subject their portfolios to a series of standard stress scenarios stipulated by ASX and provide ASX with the results monthly.
- (b) A Market Participant may be required to evaluate the sensitivity of portfolio value to changes in the internal model's assumptions about correlations.

Introduced 11/03/04

28.3 Scenarios Developed By The Market Participant To Capture The Specific Characteristics Of Its Portfolio

- (a) In addition to the scenarios prescribed by ASX, a Market Participant must develop its own stress tests which it identifies as most adverse based on the characteristics of its portfolio. Market Participants must provide ASX with a description of the methodology used to identify scenarios and to carry out the stress tests.
- (b) The results of the stress tests must be reviewed periodically by senior management and must be reflected in the policies and limits set by management and the Board. Moreover, if the testing reveals particular vulnerability to a given set of circumstances, ASX would expect the Market Participant to take prompt steps to manage those risks appropriately.

Introduced 11/03/04

29. MODEL REVIEW

In reviewing a Market Participant's internal models ASX will, at a minimum, require assurance that:

- (a) the internal validation processes described in clause 25(b)(viii) are operating in a satisfactory manner;
- (b) the formulae used in the calculation process as well as for the pricing of options and other complex instruments are validated by a qualified unit, which in all cases should be independent from the trading area;
- (c) the structure of the internal models is adequate with respect to the Market Participant's activities and geographical coverage;
- (d) the results of the Market Participant's back testing of its internal measurement system (ie comparing value-at-risk estimates with profit and loss outcomes) ensure that the model provides a reliable measure of potential losses over time; and

- (e) data flows and processes associated with the risk measurement system are transparent and accessible. In particular, it is necessary that auditors or ASX are in a position to have easy access, whenever they judge it necessary and under appropriate procedures, to the model's specifications and parameters.

Introduced 11/03/04

30. COMBINATION OF THE INTERNAL MODELS APPROACH AND THE PRESCRIBED METHODS SET OUT IN PARTS 1 TO 3 OF ANNEXURE 3

- (a) Unless a Market Participant's exposure to a particular risk factor is insignificant, the internal models approach will, in principle, require Market Participants to have an integrated risk measurement system that captures the broad risk factor categories (ie interest rates, exchange rates (which may include gold), equity prices and commodity prices, with related options volatilities being included in each risk factor category). Thus, a Market Participant that starts to use an internal model for one or more risk factor categories will be expected, over time, to extend the model to all its significant market risks. A Market Participant which has developed a model will not be able to revert to measuring risk using a prescribed method, except with ASX's prior approval.
- (b) The following conditions will apply to Market Participants using such combinations:
 - (i) each broad risk factor category must be assessed using a single approach (either internal model or prescribed method), ie no combination of the two methods will in principle be permitted within a risk category. However, Market Participants may incur risks in positions which are not captured by their models, for example, in minor currencies or in negligible business areas. Such risks should be measured according to the prescribed methods described in Parts 1 to 3 of this Annexure 3;
 - (ii) all of the criteria laid down in this Part 4 of Annexure 3 will apply to the model being used;
 - (iii) Market Participants may not modify the combination of the two approaches they use without justifying to ASX that they have a good reason for doing so;
 - (iv) no element of market risk may escape measurement, ie exposures to all risk factors, whether calculated according to a prescribed method or an internal model, must be captured; and
 - (v) the capital charges assessed under the prescribed methods and the internal model approach must be summed.

Introduced 11/03/04

31. TREATMENT OF SPECIFIC RISK

- (a) Market Participants using internal models will be permitted to base their specific risk capital charge on modelled estimates if the models meet all of the qualitative and quantitative requirements for general market risk models as well as the additional criteria set out below.

Market Participants which are unable to meet these additional criteria will be required to calculate the specific risk capital charge using the equity building block method and the debt building block method.

- (b) Specific risk is decomposed into two components: idiosyncratic risk, and event and default risk. Market Participants are required to hold capital against both types of specific risk.
- (c) In order to be used as a means of calculating the capital charge for the idiosyncratic risk component of specific risk, a Market Participant's specific risk model must:
 - (i) explain the historical price variation in the portfolio;
 - (ii) demonstrably capture concentration;
 - (iii) be robust to an adverse environment; and
 - (iv) be validated through back testing aimed at assessing whether idiosyncratic risk is being accurately captured.
- (d) In addition, the Market Participant must be able to demonstrate that it has methodologies in place which allow it to adequately capture event and default risk for its Trading Book debt and equity positions.
- (e) If a Market Participant meets the criteria set out above for idiosyncratic risk but does not adequately model event and default risk, the Market Participant will be required to add a surcharge to the internal model capital charge. An additional factor of one would be added to the scaling factor and applied to the estimate of specific risk until such time as a Market Participant can demonstrate that the methodologies it uses adequately capture event and default risk. Once a Market Participant is able to demonstrate this, the additional factor would be reduced to zero. The surcharge does not replace the requirement for a plus factor based on back testing results.
- (f) For Market Participants applying the surcharge, the total capital requirement will equal the scaling factor multiplied by the internal model's general and specific risk measure plus a surcharge in the amount of either:
 - (i) the specific risk portion of the value-at-risk measure which should be separated from the model's estimate of general market risk; or
 - (ii) the value-at-risk measures of sub-portfolios of debt and equity positions that contain specific risk. (This would apply to sub-portfolios containing positions that would be subject to specific risk under the equity building block method and the debt building block method.)
- (g) Market Participants using internal models of specific risk are required to conduct back testing aimed at assessing whether specific risk is being accurately captured. To validate its specific risk estimates a Market Participant should perform separate back tests using daily data on sub-portfolios subject to specific risk.
- (h) Market Participants are required to have in place a process to analyse exceptions identified through the back testing of specific risk.

This process is intended to serve as the fundamental way in which Market Participants correct their models of specific risk in the event that they become inaccurate.

- (i) There will be a presumption that models that incorporate specific risk are unacceptable if the results at the sub-portfolio level produce a number of exceptions commensurate with the red zone defined in clause 32. A Market Participant with an unacceptable specific risk model is expected to take immediate action to improve the model and to ensure that there is a sufficient capital buffer to absorb the risk that the back test showed had not been adequately captured.

Introduced 11/03/04

32. FRAMEWORK FOR THE USE OF BACK TESTING

- (a) This section presents the framework for incorporating back testing into the internal models approach to position risk requirements. It represents an elaboration of clause 27(j).
- (b) The Market Participant must calculate the number of times that the trading losses were larger than the value-at-risk measures (termed “exceptions”) using the most recent 12 months of data. This must be done no less frequently than monthly.
- (c) The value-at-risk measure to be used for back testing purposes must be based on a 99 per cent level of confidence and a one day holding period.
- (d) The Market Participant must agree with ASX the profit and loss approach to be used for regulatory back testing purposes.
- (e) Market Participants must document all of the exceptions generated from their ongoing back testing program, including an explanation for the exception.
- (f) The first formal accounting of exceptions under the back testing program will occur one year after model recognition is granted.
- (g) Using the most recent 12 months of data yields approximately 250 daily observations. ASX will use the number of exceptions (out of 250) generated by the Market Participant’s model as the basis for determining the plus factor to be applied. The supervisory response is based on a three-zone approach described below and the applicable plus factors are set out in Table 1.8 of Schedule 5.
 - (i) The green zone is where there are 4 or fewer exceptions in a sample of 250 outcomes.
 - (ii) The yellow zone is where there are 5 to 9 exceptions in a sample of 250 outcomes. Where a Market Participant’s back testing results are in the yellow zone, ASX may request additional information (eg disaggregated back testing results, explanations for the exceptions) to assist in determining the supervisory response. The plus factors for the yellow zone as set out in Table 1.8 of Schedule 5 are not meant to be purely automatic. However, to keep the incentives aligned properly, back testing results in the yellow zone should generally be presumed to imply an increase in the scaling factor

unless the Market Participant can demonstrate that such an increase is not warranted.

ASX will decide whether or not to apply increases in the Market Participant's capital requirement by imposing the plus factor, or possibly to disallow the use of an internal model.

- (iii) The red zone is where there are 10 or more exceptions in a sample of 250 outcomes. Where a Market Participant's back testing results are in the red zone, the plus factor of one will automatically apply. ASX will also investigate the reasons why the Market Participant's model produced such a large number of exceptions, and will require the Market Participant to begin work on improving its model immediately. Finally, in the case of severe problems with the basic integrity of the model, ASX may disallow the use of the model for capital purposes altogether.

Introduced 11/03/04

ANNEXURE 4 UNDERWRITING RISK REQUIREMENT

Annexure 4 and clause 7 of Annexure 1 will be inserted and effective on a date to be advised.

Introduced 11/03/04

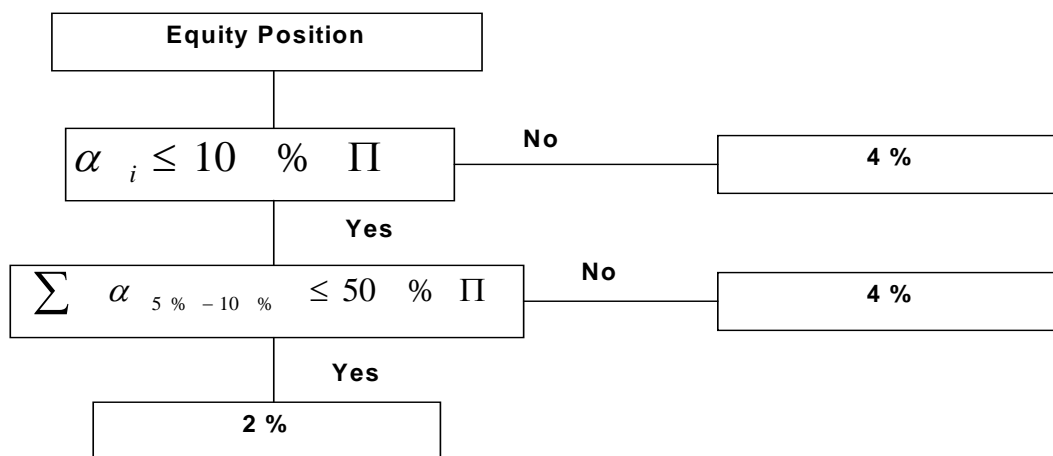
ANNEXURE 5 TABLES

1. POSITION RISK

Table 1.1

Equity Position Risk Factors							
Position In:	Underlying						Option
Single Equity	Recognised Market Index (see Table 1.6)			Non Recognised Market Index			Implied Volatility
	Standard Method	Building Block Method		Standard Method	Building Block Method		
		General Risk	Specific Risk		General Risk	Specific Risk	
	12%	8%	4% ¹	16%	8%	8%	25%
Index	8% ²	8%	0% ²	16% ²	8%	8%	25%

Notes:¹ The specific risk Position Risk Factor for a single Equity may be reduced to 2% if:



Π = gross value of each country portfolio

α_i = Net Position in equity i

$\alpha_{5\%-10\%}$ = Positions in individual equities that represent more than 5% and up to 10% of the gross value of the portfolio

Both of the “tests” noted above must be satisfied in order for the Position Risk Factors to be reduced to 2% for any equity position held. Hence if any one net position is greater than 10% of the gross value of each country portfolio then NO net position can have a position risk factor of 2%.

² For positions not broken down into constituent Equities, otherwise the single Equity percentages apply.

Table 1.2

Debt Position Risk Factors (see also Table 1.3 below)							
Time Band		Position Risk Factors - %					
		Standard Method			Building Block Method (General Risk)		
≥ 3%	< 3% (or Duration Method)	Gov't	Qualifying	Other	Zone	Maturity Method	Duration Method (assumed yield change)
0 – 1 mth	0 - 1 mth	0.00	0.25	8.00	1	0.00	1.00
> 1 - 3 mths	> 1 - 3 mths	0.20	0.45	8.20		0.20	1.00
> 3 - 6 mths	> 3 - 6 mths	0.40	0.65	8.40		0.40	1.00
> 6 - 12 mths	> 6 - 12 mths	0.70	1.70	8.70		0.70	1.00
> 1 - 2 yrs	> 1 - 1.9 yrs	1.25	2.25	9.25	2	1.25	0.90
> 2 - 3 yrs	> 1.9 - 2.8 yrs	1.75	3.35	9.75		1.75	0.80
> 3 - 4 yrs	> 2.8 - 3.6 yrs	2.25	3.85	10.25		2.25	0.75
> 4 - 5 yrs	> 3.6 - 4.3 yrs	2.75	4.35	10.75	3	2.75	0.75
> 5 - 7 yrs	> 4.3 - 5.7 yrs	3.25	4.85	11.25		3.25	0.70
> 7 - 10 yrs	> 5.7 - 7.3 yrs	3.75	5.35	11.75		3.75	0.65
> 10 - 15 years	> 7.3 - 9.3 yrs	4.50	6.10	12.50		4.50	0.60
> 15 - 20 years	> 9.3 - 10.6 yrs	5.25	6.85	13.25		5.25	0.60
20+ years	> 10.6 - 12 yrs	6.00	7.60	14.00		6.00	0.60
	> 12 - 20 yrs	8.00	9.60	16.00		8.00	0.60
	20+ yrs	12.50	14.10	20.50	12.50	0.60	
Option Implied Volatility – All Debt Positions		25%					

In using Table 1.2 for any Debt Derivative, a Market Participant must use the Position Risk Factors specified in the 'government' column unless the value of the Debt Derivative is derived from:

- (a) a Qualifying Debt Instrument, in which case the Market Participant must use the Position Risk Factors specified in the 'qualifying' column; or
- (b) a non -Government Debt Instrument, in which case the Market Participant must use the Position Risk Factors specified in 'other' column.

Table 1.3

Debt Building Block Method – Specific Risk Position Risk Factors					
Government	Government	Qualifying			Other
0-12 mths	over 12 mths	0-6 mths	6-24 mths	over 24 mths	
0.00%	0.00%	0.25%	1.00%	1.60%	8.00%

Table 1.4

Debt Building Block Method - General Risk Time Band Matching Factors (TBMF)			
		Matching Factor	
		Maturity Method	Duration Method
Same time band	(TBMF)	10%	5%
Zone 1	(ZMF)	40%	40%
Zone 2	(ZMF)	30%	30%
Zone 3	(ZMF)	30%	30%
Positions in adjacent zones	(AZMF)	40%	40%
Positions spanning Zone 1 and Zone 3	(NAZMF)	100%	100%

Table 1.5

Rated Investment Grades		
	Minimum Ratings	
	Securities	Money Market Obligations
For all issuers		
Moody's Investor Services	Baa3	P3
Standard & Poors Corporation	BBB-	A3
Fitch IBCA Ltd	BBB-	F-3
For all banks, building societies and subsidiaries of banks (not otherwise eligible as Qualifying Debt Instruments)		
Thomson Financial Bank Watch	BBB-	TBW-3

For Canadian Issuers		
Canadian Bond Rating Service	B++low	A-3
Dominion Bond Rating Service	BBB low	R-2
For Japanese Issuers		
Japan Credit Rating Agency Ltd	BBB-	J-2
Nippon Investor Services Inc	BBB-	a-3
The Japan Bond Research Institute	BBB-	A-2
Mikuni & Co	BBB	M-3
Fitch Investors Services Inc	BBB-	F-3
For United States Issuers		
Duff & Phelps Inc	BBB-	3
Fitch Investors Services Inc	BBB-	F-3

Table 1.6

Recognised Market Indexes			
Country	Index	Country	Index
Australia	S&P/ASX 200	Netherlands	EOE 25
Austria	ATX	Spain	IBEX 35
Belgium	BEL 20	Sweden	OMX
Canada	TSE 35	Switzerland	SMI
France	CAC 40	UK	FTSE 100
Germany	DAX	UK	FTSE mid-250
Hong Kong	Hang Seng	USA	S&P 500
Italy	MIB 30		
Japan	Nikkei 225		

Table 1.7

Foreign Exchange Position Risk Factors	
	Standard Method
Foreign Exchange Spot and Forward – All Currencies	8%
Options Implied Volatility – all Currencies	25%

Table 1.8

Internal Models Approach – Back Testing Plus Factors		
	Number of Exceptions	Plus Factor
Green Zone	4 or fewer	0.00
Yellow Zone	5	0.40
	6	0.50
	7	0.65
	8	0.75
	9	0.85
Red Zone	10 or more	1.00

2. COUNTERPARTY RISK

Table 2.1

Risk Weightings	
	Counterparty
Central Bank	0%
Central and State Government	10%
Banks Local Governments Approved Deposit Taking Institutions (other than Banks) Risk Based Capital Requirements – ASX Market Participants – ACH Clearing Participants	20%
Approved Institutions NTA Requirements – ASX Market Participants – ACH Clearing Participants	50%
Other	100%

In Table 2.1, references to Central Banks and Governments are references to OECD Central Banks and Governments. Non-OECD Central Banks and Governments are within the 'other' category of risk weighting.

Table 2.2

Potential Credit Exposure Factors			
Remaining Time to Maturity	Equity	Debt	Foreign Exchange
One year or less	6.0%	0.0%	1.0%
Over one year to 5 years	8.0%	0.5%	5.0%
Over 5 years	10.0%	1.5%	7.5%

3. OTHER

Table 3.1

Recognised Non European Regulator	
Country	Regulator
Australia	Sydney Futures Exchange
Canada	Alberta Stock Exchange Montreal Exchange Toronto Stock Exchange Vancouver Stock Exchange Investment Dealers Association of Canada
Hong Kong	Hong Kong Monetary Authority Hong Kong Securities and Futures Commission
Japan	Financial Services Agency
Singapore	Monetary Authority of Singapore Stock Exchange of Singapore
South Africa	Bond Exchange of South Africa Johannesburg Stock Exchange South African Futures Exchange
United States	Securities and Exchange Commission Commodity and Futures Trading Commission

Table 3.2

Recognised European Regulator	
Country	Regulator
Austria	Bundesministerium für Finanzen (Federal Ministry of Finance, Banking, Stock Exchange and Capital Market Supervision) Bundes-Wertpapieraufsicht (Austrian Securities Authority)
Belgium	Commission Bancaire et Financière
Finland	Financial Supervision Authority
France	Comité des établissements de crédit et des entreprises d'investissements
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
Greece	The Bank of Greece The Capital Market Commission
Iceland	Central Bank of Iceland
Ireland	Central Bank of Ireland
Italy	Banca d'Italia
Liechtenstein	Dienststelle für Bankenaufsicht
Luxembourg	Institute Monétaire Luxembourgeois
Netherlands	Securities Board of the Netherlands
Norway	Kredittilsynet (the Banking, Insurance and Securities Commission of Norway)
Portugal	Banco de Portugal (Central Bank)
Spain	Banco de Espana (for Banks and Credit Institutions) Comision Nacional del Mercado de Valores
United Kingdom	Financial Services Authority

SCHEDULE 1B – NTA REQUIREMENTS

This schedule sets out the NTA Requirements for the purposes of Rule 8410. A Market Participant subject to the NTA Requirements must comply with this schedule. Under Rule 8410, the NTA Requirements are only applicable to Market Participants whose Trading Permission is limited to Futures and who have elected under Rule 8410 to comply with the NTA Requirements.

S1B.1 INTERPRETATION

In this Schedule, unless the context otherwise requires:

“Approved Subordinated Debt” means an amount owing by a Market Participant under a subordination arrangement which is approved by ASX under Rule S1B.8.

“Approved Subordinated Loan Deed” means, in respect of a subordination arrangement, a deed which:

- (a) is executed by the lender, the Market Participant and ASX under seal or by such equivalent method expressly recognised under the Corporations Act (or in the case of ASX, on behalf of ASX by its attorney, delegate or sub-delegate);
- (b) sets out details of the terms governing any subordinated debt regulated by the subordination arrangement or identifies the document which does so;
- (c) contains those provisions required by ASX including without limitation, provisions to the effect that:
 - (i) alterations to the subordinated loan deed or the terms or details of any subordinated debt regulated by the subordination arrangement cannot be made unless the agreement of all parties is obtained and the variation is executed in the manner required under paragraph (a);
 - (ii) ASX must be satisfied that the Market Participant has made adequate arrangements to ensure that the NTA Requirements will be complied with and will continue to be complied with upon the maturity date of any loan for a fixed term;
 - (iii) ASX must be given full particulars of any debt to be regulated by the subordination arrangement under the subordinated loan deed prior to such debt being created; and
 - (iv) prior to the Bankruptcy of the Market Participant, repayment of any subordinated debt regulated by the subordination arrangement can only occur in accordance with Rules S1B.8.5 and S1B.8.6; and
- (d) contains specific acknowledgment by the lender of the matters set out in Rule S1B.8.2(a) and S1B.8.2(b).

“Bankruptcy” means in respect of an entity:

- (a) the entity becomes an externally administered body-corporate within the meaning of the Corporations Act;
- (b) the entity becomes an individual who is an insolvent under administration within the meaning of the Corporations Act;
- (c) a person takes control of the entity's property for the benefit of the entity's creditors because the entity is, or is likely to become, insolvent;
- (d) the entity enters into an arrangement, composition or compromise with, or assignment for the benefit of, all of its creditors or any class of them; or
- (e) anything analogous to, or having a substantially similar effect to the events specified in paragraphs (a) to (d) happens under the laws of any applicable jurisdiction.

S1B.2 MEANING AND CALCULATION OF NET TANGIBLE ASSETS (NTA)

S1B.2.1 Calculating a Market Participant's NTA

In this Schedule, the "NTA" of a Market Participant is calculated as the sum of the values of the assets (both non-current and current) owned by the Market Participant less the sum of any liabilities (secured and unsecured) attaching to those assets or to the Market Participant.

S1B.2.2 Excluding items from calculation

In calculating the values of the assets for the purposes of Rule S1B.2.1 any value attributable to the following must be excluded:

- (a) any future tax benefit, goodwill, patent, trademark, participation rights granted by ASX or a Related Body Corporate, and any preliminary expense;
- (b) any other similar item which, in the opinion of ASX, should be excluded or is regarded in current accounting practice as intangible;
- (c) any debt owed to the Market Participant which is disputed or may otherwise be regarded as doubtful; and
- (d) any asset which is not capable of being realised within 12 months on a going concern basis.

S1B.2.3 Calculating liabilities

In calculating the sum of the liabilities for the purposes of Rule S1B.2.1:

- (a) the sum must include a provision for the Market Participant's estimated liability for income tax, long service leave and any other contingency for which, in the opinion of ASX, provision must be properly made in accordance with current accounting practice; and
- (b) the sum must exclude Approved Subordinated Debt.

S1B.2.4 ASX may prescribe alternative bases for calculating NTA

ASX may prescribe alternative bases for calculating the NTA for the purposes of this Schedule.

S1B.3 MINIMUM NTA REQUIREMENT

A Market Participant must have at all times an NTA of at least \$1,000,000.

S1B.4 ASX MAY IMPOSE A HIGHER MINIMUM NTA REQUIREMENT

ASX may require a Market Participant to have a minimum NTA which is greater than the minimum amount which it is required to have under Rule S1B.3 if ASX considers that action appropriate having regard to Rule 6120.

S1B.5 OBLIGATION TO NOTIFY ASX IN CERTAIN CIRCUMSTANCES

S1B.5.1 NTA below minimum amount

A Market Participant must immediately notify ASX if its NTA falls below the minimum amount which applies to that Market Participant under Rules S1B.3 or S1B.4 above.

S1B.5.2 NTA Changes

A Market Participant must immediately notify ASX in each of the following circumstances:

- (a) if the Market Participant's NTA is less than 150 per cent of the minimum amount required under Rules S1B.3 or S1B.4 above; and
- (b) having notified ASX under paragraph (a), the Market Participant's NTA has then decreased by more than 20% since the amount last notified to ASX under this Rule S1B.5.

Amended 19/08/09

S1B.6 RECORDS, ACCOUNTS AND RETURNS

S1B.6.1 Market Participant must maintain records

Without limiting the Market Participant's obligations under Rule 8500 to 8530, a Market Participant must maintain records and working papers in sufficient detail to show continuous compliance with this Schedule for at least 7 years.

S1B.6.2 Market Participant must prepare and lodge returns

A Market Participant must prepare and lodge returns by the time and in the manner and form prescribed by ASX. Those returns must accurately reflect the Market Participant's accounts and financial position.

S1B.6.3 ASX may require additional returns

ASX may require a Market Participant who has given a notice under Rule S1B.5 to prepare and lodge additional returns by the time and in the manner and form determined by ASX. The Market Participant concerned must comply with those additional requirements.

S1B.6.4 Returns to be certified

All returns lodged by the Market Participant under this Rule S1B.6 must be certified by the number of directors of the Market Participant prescribed by ASX as having been prepared in accordance with the Rules.

S1B.7 REQUEST FOR INFORMATION

S1B.7.1 ASX may require information

ASX may require the Market Participant to provide any document or other information, or an explanation, which ASX considers it requires to satisfy itself that the Market Participant is complying, has been complying and will comply with this Schedule.

S1B.7.2 Market Participant to provide information

A Market Participant which receives a request from ASX under Rule S1B.7 must provide the document, information or explanation requested by the time and in the form and manner specified by ASX.

S1B.8 APPROVED SUBORDINATED DEBT

S1B.8.1 Circumstances in which amounts owing under a subordination arrangement may be excluded from a Market Participant's liabilities

A Market Participant entering into a subordination arrangement may only exclude an amount owing under such an arrangement from the sum of its liabilities for the purposes of calculating its NTA if:

- (a) the subordination arrangement has the prior approval of ASX under Rule S1B.8.2; and
- (b) the amount is notified to and approved by ASX prior to being drawn down under the subordination arrangement. ASX will not approve an amount under paragraph 8.1(b) if the Market Participant does not have at least \$250,000 in paid-up capital. Further, the maximum amount that ASX will approve is two times the amount of shareholders equity excluding Approved Subordinated Debt.

Amended 19/08/09

S1B.8.2 Circumstances in which ASX will not approve a subordination arrangement

ASX will not approve a subordination arrangement unless in the opinion of ASX:

- (a) subject to Rule S1B.8.5, the amount owing to the lender under the subordination arrangement will not be repaid until all other debts which the Market Participant owes to any other persons are repaid in full; and

- (b) the obligation to pay any amount owing under the subordination arrangement is suspended if Rules S1B.3 and S1B.4 are no longer complied with.

Amended 19/08/09

S1B.8.3 Execution of approved Subordination Loan Deed

ASX will not approve a subordination arrangement unless the Market Participant has executed an Approved Subordinated Loan Deed in respect of the subordination arrangement.

Amended 19/08/09

S1B.8.4 Market Participant obligations

A Market Participant must comply with the terms of the Approved Subordinated Loan Deed and any associated agreement and must ensure the lender's compliance with these documents.

Amended 19/08/09

S1B.8.5 Repayment of Amounts owing under an approved subordination arrangement

Prior to its Bankruptcy, a Market Participant may repay an amount owing under an approved subordination arrangement only with the prior approval of ASX.

Amended 19/08/09

S1B.8.6 Circumstances in which ASX will not withhold its approval for repayment

ASX will not withhold approval under Rule S1B.8.5 if in the opinion of ASX the Market Participant's NTA is capable of continuing, on repayment, to be greater than 150 per cent of the minimum required under Rule S1B.3 or S1B.4 above.

Amended 19/08/09

SCHEDULE 2 – FUTURES MARKET CONTRACTS

PART 1 FUTURES MARKET CONTRACTS OVER AN UNDERLYING INDEX

This part sets out the terms of a Futures Market Contract over an Underlying Index.

1. INTERPRETATION

In this part of the Schedule, the following words and expressions have the following meanings:

"Contract Multiplier" means, in relation to a Futures Market Contract, \$10 per point of the Underlying Index unless:

- (a) ASX notifies Market Participants that a different multiplier will apply to a Futures Market Contract before ASX opens that Futures Market Contract for trading under Rule 2220 to 2222; or
- (b) that multiplier is adjusted under paragraph 2.2.

Amended 28/11/05, 23/10/09

"Contract Value" is defined in paragraph 7.3.

"Maturity Date" means, in relation to a Futures Market Contract, the date determined by ASX as the date on which the Futures Market Contract matures. Unless ASX notifies Market Participants that a different date will apply to a Futures Market Contract before ASX opens that Futures Market Contract for trading under Rule 2220 to 2222, the Maturity Date will be:

- (a) the third Friday of the month in which the Futures Market Contract is expressed to mature; or
- (b) if the Underlying Market for the component stocks in an Underlying Index does not open for trading on the day referred to in paragraph (a), the immediately preceding trading day of that Underlying Market.

Amended 28/11/05, 23/10/09

"Opening Price Index Calculation" or **"OPIC"** is defined in paragraph 5.2.

"Opening Traded Price" means that price of the first recorded trade on a given day for a component security in an Underlying Index that occurs on the Underlying Market.

"Settlement Amount" is the amount of the difference referred to in paragraph 7.1 or 7.2 (as applicable).

"Settlement Value" is defined in paragraph 5.3.

2. SPECIFICATIONS DETERMINED BY ASX

2.1 When ASX opens a Futures Series for trading under Rule 2220 to 2222, ASX will determine:

- (a) the Underlying Index;
- (b) the Maturity Date; and
- (c) the Contract Multiplier.

Amended 28/11/05, 23/10/09

2.2 ASX may, under Rule 2230 to 2232, adjust any of the terms referred to in paragraph 2.1, except that ASX will only make an adjustment where the Underlying Index ceases to exist or the method of calculating the Underlying Index changes materially and a successor index is established that uses a method of calculation that is the same or substantially similar to the method used to calculate the underlying index prior to the event.

Amended 28/11/05, 23/10/09

3. BIDS AND OFFERS

Bids and offers for Futures Market Contracts over an Underlying Index must be expressed in terms of the number of points of the relevant Underlying Index. Unless ASX prescribes otherwise, the minimum tick size is 1 point of the Underlying Index.

Amended 28/11/05

4. LAST TRADING DAY

The last Trading Day for a Futures Market Contract is the Trading Day prior to the Maturity Date.

Amended 28/11/05

5. OPENING PRICE INDEX CALCULATION AND SETTLEMENT VALUE

5.1 ASX will determine, or procure that a third party determines, the Opening Price Index Calculation ("OPIC") of the Underlying Index, rounded to the nearest one decimal place and will notify the Approved Clearing Facility and Market Participants of the OPIC.

Amended 28/11/05

5.2 Where the Underlying Index comprises Cash Market Products, the OPIC for a Futures Market Contract will be determined by reference to the Opening Traded Price for each component Cash Market Product of the Underlying Index on the Maturity Date. Where a component Cash Market Product of an Underlying Index does not have an Opening Traded Price on the Maturity Date, the last traded price will be used for the purposes of the OPIC.

Amended 28/11/05

- 5.3 The settlement value ("**Settlement Value**") of a Futures Market Contract will be determined by multiplying the OPIC by the Contract Multiplier.

Amended 28/11/05

- 5.4 Where the OPIC is calculated by a third party (as identified in Schedule 3), unless ASX determines otherwise, the OPIC first reported to ASX by that person is conclusive for the purpose of the calculation of the Settlement Value, even if the OPIC is later revised by that person or ASX later determines that the OPIC reported was inaccurate.

Amended 28/11/05

6. **UNAVAILABILITY OF OPENING PRICE INDEX CALCULATION**

If ASX determines that the OPIC of an Underlying Index is unreported or unavailable, ASX may:

- (a) suspend the settlement of rights and obligations of Buyers and Sellers of Futures Market Contracts over that Underlying Index until ASX has access to the OPIC and is able to calculate the Settlement Value and has notified the market that the suspension is lifted; or
- (b) specify an OPIC and calculate the Settlement Value accordingly.

Amended 28/11/05

7. **PAYMENT AND RECEIPT OF SETTLEMENT AMOUNT ON MATURITY**

- 7.1 Subject to paragraph 11, these Rules and the Clearing Rules, on the next Business Day (as that term is defined in the Clearing Rules) following the Maturity Date of a Futures Market Contract:

- (a) if the Settlement Value of the Futures Market Contract is greater than the Contract Value of that Futures Market Contract, the Seller must pay the difference;
- (b) if the Settlement Value of the Futures Market Contract is less than the Contract Value of that Futures Market Contract, the Buyer must pay the difference.

Amended 28/11/05

- 7.2 Subject to paragraph 11, these Rules and the Clearing Rules, on the next Business Day (as that term is defined in the Clearing Rules) following the Maturity Date of a Futures Market Contract:

- (a) if the Settlement Value of the Futures Market Contract is greater than the Contract Value of that Futures Market Contract, the Buyer is entitled to receive payment of the difference;

- (b) if the Settlement Value of the Futures Market Contract is less than the Contract Value of that Futures Market Contract, the Seller is entitled to receive payment of the difference.

Amended 28/11/05

7.3 For the purposes of paragraphs 7.2 and 7.3, the Contract Value of a Futures Market Contract which is an Open Contract is:

- (a) where the Open Contract arose from the registration of a Futures Market Contract – the price or level of the Underlying Index at which the Market Futures Contract was registered with the Approved Clearing Facility; and
- (b) where the Open Contract arose through the daily settlement of another Open Contract under the Clearing Rules - the price at which the second Open Contract is registered in accordance with the Clearing Rules,

in each case, multiplied by the Contract Multiplier.

Amended 28/11/05

7.4 Subject to paragraph 11, payment of the Settlement Amount must be made in accordance with the Clearing Rules.

8. ADJUSTMENT TO OPENING PRICE INDEX CALCULATION

8.1 When notifying Market Participants under paragraph 5.2 of the OPIC, ASX may indicate that the OPIC has been calculated on a preliminary basis and is subject to adjustment on the following Trading Day. To the extent that an adjustment is made to the OPIC on that next Trading Day:

- (a) where the Settlement Value of a Futures Market Contract increases as a result of the adjustment, the Seller must pay, and the Buyer is entitled to receive, the difference; and
- (b) where the Settlement Value of a Futures Market Contract falls as a result of the adjustment, the Buyer must pay, and the Seller is entitled to receive, the difference.

Amended 28/11/05

8.2 Subject to paragraph 11, payment of any amount following any adjustment under paragraph 8.1 must be made on the next Business Day (as that term is defined in the Clearing Rules) following the adjustment.

9. LIMITATION OF STANDARD & POOR'S LIABILITY

In connection with trading of Futures Market Contracts over the Underlying Index, neither Standard & Poor's nor its agents/subcontractors involved in the compilation or calculation of the Underlying Index(es) will have any liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the Underlying Index.

Amended 28/11/05

10. STANDARD & POOR'S DISCLAIMER

In connection with trading of Futures Market Contracts over the Underlying Index, neither Standard & Poor's ("**S&P**") nor any other party involved in the compilation and calculation of the Underlying Index(es) guarantees the accuracy and/or completeness of the Underlying Index(es) or any data included therein. S&P makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Underlying Index(es) or any data included therein. S&P makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Underlying Index(es) or any data included therein. Without limiting any of the foregoing, in no event will S&P have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility thereof.

Amended 28/11/05

11. ALTERNATIVE CLEARING FACILITY

Where a Futures Market Contract is cleared by an Alternative Clearing Facility under Rule S1.1050, the determination of the Contract Value and the payment of any Settlement Amount and amounts following the adjustment of the OPIC in respect of that contract will be governed by the operating rules of that facility.

Amended 28/11/05

PART 2 FUTURES MARKET CONTRACTS OVER AN UNDERLYING COMMODITY

A. ELECTRICITY – [DELETED]

Deleted 30/12/09

B. GRAIN

This part sets out the terms of the deliverable Futures Market Contract over the relevant Underlying Commodity as set out in Part 2.B of Schedule 3.

1. INTERPRETATION

"**Applicable Standards**" means:

- (a) the relevant deliverable grade requirements as specified in Part 2B of Schedule 3; and
- (b) the relevant sampling methodology as specified in Part 2B of Schedule 3.

"**Bulk Handler**" means a company which operates Delivery Depots and with whom the Approved Clearing Facility has entered into an arrangement for the storage and handling of the Underlying Commodity.

Amended 19/08/09

"**Bulk Handler Agreement**" in respect of a commodity means a bulk handler agreement with the relevant Bulk Handler governing the storage and handling of an Underlying Commodity.

"**Contract Multiplier**" means, in relation to a Futures Market Contract, the number of tonnes in each contract unit as determined by ASX in accordance with paragraph 2 unless:

- (a) ASX notifies Market Participants that a different multiplier will apply to a Futures Market Contract before ASX opens that Futures Market Contract for trading under Rule 2220 to 2222; or
- (b) that multiplier is adjusted under paragraph 2.2.

Amended 28/11/05, 23/10/09

"**Current Season**" means:

- (a) in relation to an Underlying Commodity (other than Sorghum, Feed Wheat and Feed Barley):

- (i) the commodity has been harvested in the same industry accepted crop season within which the Delivery Month falls; or
 - (ii) the commodity has been upgraded by the Bulk Handler as if it had been harvested in the same industry accepted crop season within which the Delivery Month falls;
- (b) in relation to Sorghum, Feed Wheat and Feed Barley the commodity may be harvested in any industry accepted crop season so long as there is no regulatory control over that particular crop year.

Amended 03/01/06

"Deliverable Stock" means stock that has met the Applicable Standards and which has been transferred in accordance with the Tender Process into the Approved Clearing Facility account with the relevant Bulk Handler.

"Delivery Depot" means a facility for the storage and handling of the Underlying Commodity in a location approved by ASX, in consultation with the Approved Clearing Facility.

Amended 28/11/05

"Delivery Month" means the month in which the Futures Market Contract is expressed to mature.

Amended 28/11/05

"Delivery Period" means the period commencing on the second Trading Day of the Delivery Month and ending on the Maturity Date.

"Invoice Price" means the amount determined in accordance with paragraph 9.

"Maturity Date" means, in relation to a Futures Market Contract, the date determined by ASX as the date on which the Futures Market Contract matures. Unless ASX notifies Market Participants that a different date will apply to a Futures Market Contract before ASX opens that Futures Market Contract for trading under Rule 2220 to 2222, the Maturity Date will be:

- (a) the third Thursday of the month in which the Futures Market Contract is expressed to mature; or
- (b) if the day referred to in paragraph (a) is not a Trading Day, the immediately preceding Trading Day.

Amended 28/11/05, 23/10/09

"Notice Day" means any Trading Day during the Delivery Period where Tender Documentation is accepted by the Approved Clearing Facility in accordance with times prescribed by the Approved Clearing Facility.

"Settlement Amount" has the meaning given in paragraph 10.

"Settlement Day" means the Trading Day immediately following a Notice Day.

"Settlement Value" means the amount determined in accordance with paragraph 9.

"**Shrinkage**" means the amount that is deducted from the weight of the Underlying Commodity, expressed as a percentage, that is allowable by the relevant Bulk Handler as published by the Approved Clearing Facility.

"**Specified Quantity**" means the number of contract units multiplied by the Contract Multiplier.

"**Tender Documentation**" means the documentation required by the Approved Clearing Facility to affect tenders of the Underlying Commodity.

"**Tender Process**" means the process described in paragraph 6.

"**Underlying Commodity**" has the meaning given in Part 2.B of Schedule 3.

2. SPECIFICATIONS DETERMINED BY ASX

2.1 When ASX opens a Futures Market Contract for trading under Rule 2220 to 2222, ASX will determine:

- (a) The Underlying Commodity; and
- (b) The Maturity Date; and
- (c) The Contract Multiplier.

ASX may, under Rule 2230 to 2232, adjust any of the terms referred to in paragraph 2.1.

Amended 28/11/05, 23/10/09

3. BIDS AND OFFERS

Bids and offers for Futures Market Contracts over an Underlying Commodity must be expressed in terms of the price per tonne of the Underlying Commodity. Unless ASX prescribes otherwise, the minimum tick size is \$0.10 per metric tonne of Underlying Commodity.

Amended 28/11/05

4. LAST TRADING DAY

The last trading day for a Futures Market Contract over an Underlying Commodity will be the Maturity Date. Trading on the Last Trading Day will cease at the time prescribed by ASX.

Amended 28/11/05

5. DELIVERABLE STOCK

5.1 An Underlying Commodity cannot be admitted as Deliverable Stock unless it is stored in a Delivery Depot and is Current Season.

- 5.2 An Underlying Commodity will automatically be excluded from Deliverable Stock where:
- (a) it is transferred from the Approved Clearing Facility account with the relevant Bulk Handler;
 - (b) it no longer meets the Applicable Standards;
 - (c) it is no longer Current Season; or
 - (d) ASX or the Approved Clearing Facility notifies Market Participants they have reason to believe the Underlying Commodity was sampled and graded in a manner inconsistent with these Rules.

Amended 28/11/05

- 5.3 Admission of an Underlying Commodity as Deliverable Stock is conclusive evidence binding the Seller that the Underlying Commodity meets the Applicable Standards.

6. TENDER PROCESS

Subject to paragraph 13, the tender process will be administered in accordance with the Clearing Rules.

7. BUYER AND SELLER OBLIGATIONS FOR DELIVERY

Upon the Notice Day and subject to paragraph 13, these Rules and the Clearing Rules:

- (a) the Seller is obligated to make delivery of the Specified Quantity of the Underlying Commodity which has been admitted to Deliverable Stock; and
- (b) the Buyer is obligated to pay the Settlement Amount in accordance with paragraph 10 which value is calculated in accordance with paragraph 9 and to take delivery of the Specified Quantity of the Underlying Commodity,

in the time and manner prescribed by the Clearing Rules.

8. VALUE OF UNDERLYING COMMODITY

8.1 Storage and Handling Fees

At the time of admission as Deliverable Stock, the Underlying Commodity will be valued ex Bulk Handler fees and charges, government and industry levies and government taxes.

Subject to paragraph 13, Deliverable Stock held in the Approved Clearing Facility account with the Bulk Handler will be subject to storage and handling costs, any other amounts owing to the Bulk Handler in accordance with the terms of the relevant Bulk Handler Agreement, and any amounts as may be prescribed by the Approved Clearing Facility. The Seller and Buyer are liable to pay such costs.

8.2 Differentials and Adjustments

Subject to paragraph 13, Deliverable Stock will be subject to differentials, premium allowances and adjustments as may be prescribed by the Approved Clearing Facility.

ASX will post the applicable differentials and adjustments on its website and advise Market Participants of any amendments to differentials and adjustments by Notice.

Amended 28/11/05

8.3 Excess

Subject to paragraph 13, in the event that the Seller transfers to the Approved Clearing Facility account with the Bulk Handler an excess above the Contract Multiplier per contract unit per Delivery Depot the Seller will forego all rights to such excess and the weight will be deemed to be the Contract Multiplier.

Amended 28/11/05

9. INVOICE PRICE AND SETTLEMENT VALUE

9.1 Subject to paragraph 13, the daily settlement price will be determined by the Approved Clearing Facility in accordance with the Clearing Rules.

Amended 28/11/05

9.2 Subject to paragraph 13, the Invoice Price will be the daily settlement price per metric tonne for that day on which the Approved Clearing Facility accepts Tender Documentation, less any applicable fees, differentials and adjustments pursuant to paragraph 8 above.

Amended 28/11/05

9.3 Subject to paragraphs 9.4 and 13, the Settlement Value of a Futures Market Contract will be calculated by the Approved Clearing Facility by multiplying the Invoice Price by the Contract Multiplier.

Amended 28/11/05

9.4 The Settlement Value will be adjusted for tax and rounded to the nearest cent as follows:

- (a) multiplying the Settlement Value by the current Goods and Services Tax rate to calculate the "GST Amount"; and
- (b) adding the GST Amount to the Settlement Value.

10. PAYMENT AND RECEIPT OF SETTLEMENT AMOUNT

For the purpose of payment and receipt, the Settlement Value will be known as the Settlement Amount. The Approved Clearing Facility will issue an invoice to the Buyer by the time prescribed by the Clearing Rules stating the Settlement Amount. Subject to paragraph 13, payment of the Settlement Amount in respect of an Open Contract must be made by the time and in the manner determined by the Approved Clearing Facility.

11. DEFAULT

Subject to paragraph 13, if a Seller or Buyer is in default for the purposes of the Clearing Rules, the default provisions in the Clearing Rules will take effect.

12. EXCLUSION OF LIABILITY AND WARRANTY

12.1 ASX does not make any representation or warranty concerning:

- (a) the quality or suitability for any purpose of any Underlying Commodity; or
- (b) the correspondence of any Underlying Commodity with any description or sample.

Amended 28/11/05

12.2 ASX will not have any liability for the performance by any Bulk Handler in relation to these Rules. Neither the Buyer nor the Seller will have any claim against ASX or its respective officers, employees and agents, for any loss or damage suffered as a result of, or in connection with, any delivery of or failure to deliver, any Underlying Commodity however such loss or damage may be caused.

Amended 28/11/05, 19/08/09

13. ALTERNATIVE CLEARING FACILITY

Where a Futures Market Contract is cleared by an Alternative Clearing Facility under Rule S1.1050, the administration of the tender process, the Seller's obligations to make delivery of the Specified Quantity of the Underlying Commodity, the valuation of the Underlying Commodity, the determination of the Invoice Price and the Settlement Value, the rules relating to default by the parties and the payment of any Settlement Amount in respect of that contract will be governed by the operating rules of that facility.

Amended 28/11/05

C. WOOL

This part sets out the terms of the deliverable Futures Market Contract over the relevant Underlying Commodity as set out in Part 2.C of Schedule 3.

1. INTERPRETATION

"Admission Documents" means the documents required the Approved Clearing Facility to effect tenders of the Underlying Commodity.

"Applicable Standards" means the relevant deliverable grade requirements as specified in Part 2C of Schedule 3.

"AWEX" means Australian Wool Exchange Limited.

"AWTA" means Australian Wool Testing Authority.

"Contract Multiplier" means, in relation to a Futures Market Contract, the number of net clean kilograms in each contract unit as determined by ASX in accordance with paragraph 2 unless:

- (a) ASX notifies Market Participants that a different multiplier will apply to a Futures Market Contract before ASX opens that Futures Market Contract for trading under Rule 2220 to 2222; or
- (b) that multiplier is adjusted under paragraph 2.2.

Amended 28/11/05, 23/10/09

"Deliverable Life" means the period of 24 months from the date which the Underlying Commodity was originally tested or appraised (whichever is earlier) exclusive of the month the testing or appraisal occurs. In the event that there is more than 1 testing or appraisal date, the last testing or appraisal date is to be used for the purposes of determining the commencement of the period.

"Deliverable Stock" means stock that has met the requirements in paragraph 5 and which has been admitted in accordance with the Clearing Rules.

"Delivery Month" means the month in which the Futures Market Contract is expressed to mature.

Amended 28/11/05

"Delivery Period" means the period commencing on the second Thursday of the Delivery Month, or if that day is not a Trading Day, the immediately preceding Trading Day, and ending on the Maturity Date.

Amended 19/08/09

"IWTO" means International Wool Textile Organisation.

"Invoice Price" means the amount determined in accordance with paragraph 9.

"Maturity Date" means, in relation to a Futures Market Contract, the date determined by ASX as the date on which the Futures Market Contract matures. Unless ASX notifies Market Participants that a different date will apply to a Futures Market Contract before ASX opens that Futures Market Contract for trading under Rule 2220 to 2222, the Maturity Date will be:

- (a) the fourth Thursday of the month in which the Futures Market Contract is expressed to mature; or
- (b) if the day referred to in paragraph (a) is not a Trading Day, the immediately preceding Trading Day.

Amended 28/11/05, 23/10/09

"Notice Day" means any Trading Day during the Delivery Period where Tender Documentation is accepted by the Approved Clearing Facility.

"POB" means position-of-break.

"Settlement Amount" is defined in paragraph 10.

"Settlement Day" means the Trading Day immediately following a Notice Day.

"Settlement Value" means the amount determined in accordance with paragraph 9.

"Tender Documentation" means the documentation required by the Approved Clearing Facility to affect tenders of the Underlying Commodity.

Amended 19/08/09

"VM" means vegetable matter.

"VM Increment" means, in relation to Deliverable Stock, an amount equal to 0.1% of the total volume of Deliverable Stock.

"Wool Warehouse" means a facility for the storage and handling of the Underlying Commodity in a location approved by ASX, in consultation with the Approved Clearing Facility.

Amended 28/11/05

"Underlying Commodity" has the meaning given in Part 2C of Schedule 3.

2. SPECIFICATIONS DETERMINED BY ASX

2.1 When ASX opens a Futures Market Contract for trading under Rule 2220 to 2222, ASX will determine:

- (a) The Underlying Commodity; and
- (b) The Maturity Date; and

(c) The Contract Multiplier.

Amended 28/11/05, 23/10/09

- 2.2 ASX may, under Rule 2230 to 2232, adjust any of the terms referred to in paragraph 2.1, except that ASX will only make an adjustment where the Underlying Commodity ceases to exist.

Amended 28/11/05, 23/10/09

3. BIDS AND OFFERS

Bids and offers for Futures Markets Contracts over the relevant Underlying Commodity must be expressed in terms of the price per net clean kilogram of the Underlying Commodity. Unless ASX prescribes otherwise, the minimum tick size is \$0.01 per net clean kilogram of Underlying Commodity.

Amended 28/11/05

4. LAST TRADING DAY

The last trading day for a Futures Market Contract over an Underlying Commodity will be the Maturity Date. Trading on the Last Trading Day will cease at the time prescribed by ASX.

Amended 28/11/05

5. DELIVERABLE STOCK

- 5.1 An Underlying Commodity cannot be admitted as Deliverable Stock unless at the time of admission it:

- (a) meets the Applicable Standards;
- (b) is, subject to paragraph 8.3, an amount or combined amount equal to the Contract Multiplier;
- (c) comprises of a lot or sub-lots that each consist of a single line of Underlying Commodity prepared in accordance with relevant industry practice;
- (d) is grouped together in a single Australian State in no more than 4 Wool Warehouses;
- (e) is delivered in whole bales in industry standard packs for the Underlying Commodity with each bale having a minimum and maximum gross greasy weight as prescribed by the IWTO unless ASX, the Approved Clearing Facility permits the delivery in an alternative manner;
- (f) has been tested by the AWTA or other body approved by ASX in accordance with the IWTO approved testing procedures within the last 12 calendar months; and
- (g) has been appraised by AWEX or other body approved by ASX within the last 12 calendar months;

- (h) is free of any taxes or encumbrances;
- (i) is stored in a Wool Warehouse; and
- (j) it is accompanied by the Admission Documents required by the Procedures.

Amended 28/11/05

5.2 For the purposes of paragraph 5.1, an Underlying Commodity which is comprised of sub-lots may have any or all of the following deliverable tolerances for 1 or more sub-lots if, and only if, the weighted average of all the sub-lots meets the Applicable Standards:

- (a) a Micron range as allowed by the AWTA Objective Matched Lot (OML) testing protocol;
- (b) a range of VM as directed by AWTA OML testing protocol;
- (c) a range of staple length of:
 - (i) 75 mm to 100 mm (inclusive) for 19.5 Micron wool;
 - (ii) 75 mm to 105 mm (inclusive) for 21.0 Micron wool; and
 - (iii) 75 mm to 105 mm (inclusive) for 22.6 Micron wool;
- (d) a minimum strength of 25 n/ktx; and
- (e) a IWTO Schlumberger Dry Top and Noil Yield in a range as allowed by the AWTA OML protocol.

5.3 An Underlying Commodity will automatically be excluded from Deliverable Stock where any or all of the following applies:

- (a) it does not meet the requirements of paragraph 5.1, and if applicable paragraph 5.2;
- (b) it has the characteristics of Carbonised wool;
- (c) it has the characteristics of Cotted wool;
- (d) it has the characteristics of Discoloured wool;
- (e) it has the characteristics of Scoured wool;
- (f) it has the characteristics of Slipe wool;
- (g) it is appraised and requires prefixes, suffixes or qualifiers (except M);
- (h) it contains Noogoora Burr; or
- (i) ASX, the Approved Clearing Facility notifies Market Participants they have reason to believe the Underlying Commodity was sampled and graded in a manner inconsistent with these Rules.

Amended 28/11/05

5.4 Subject to paragraph 14, an Underlying Commodity will be admitted to Deliverable Stock in accordance with the Clearing Rules.

5.5 Admission of an Underlying Commodity as Deliverable Stock is conclusive evidence binding the Seller that the Underlying Commodity meets the Applicable Standards.

6. TENDER PROCESS

6.1 Deliverable Stock must not be tendered for delivery unless the Maturity Date for the Open Contract falls within its Deliverable Life.

6.2 Subject to paragraph 14, the tender process will be administered in accordance with the Clearing Rules.

7. BUYER AND SELLER OBLIGATIONS FOR DELIVERY

Upon the Notice Day and subject to paragraph 14, these Rules and the Clearing Rules:

- (a) the Seller is obligated to make delivery of the Underlying Commodity which has been admitted to Deliverable Stock; and
- (b) the Buyer is obligated to pay the Settlement Amount in accordance with paragraph 10 which value is calculated in accordance with paragraph 9 and to take delivery of the Underlying Commodity;

in the time and manner prescribed by the Clearing Rules.

8. VALUE OF UNDERLYING COMMODITY

8.1 Fees and Taxes

At the time of admission as Deliverable Stock, the Underlying Commodity will be valued ex Wool Warehouse fees and ex wool and all other government taxes.

8.2 Differentials and Adjustments

Subject to paragraph 14, Deliverable Stock may be subject to applicable differentials and/or adjustments as may be prescribed by the Clearing Rules.

ASX will post differentials and other adjustments on its website and advise Market Participants of any amendments to differentials or adjustments by Notice.

Amended 28/11/05

8.3 Weight Tolerance Levels

Subject to paragraph 5, a Seller may tender for delivery an equivalent net clean amount of Underlying Commodity within the weight tolerance levels determined by ASX. In the event of excess above the upper tolerance level the Seller will forego all rights to such excess and the weight will be deemed to be equivalent to the upper tolerance level.

Amended 28/11/05

8.4 Excess VM Discount

The Invoice Price will be discounted by 3 cents per full VM Increment by which the VM content of the Deliverable Stock, as specified in the Admission Documents, exceeds 1%.

9. INVOICE PRICE AND SETTLEMENT VALUE

9.1 Subject to paragraph 14, the daily settlement price will be determined by the Approved Clearing Facility in accordance with the Clearing Rules.

Amended 28/11/05

9.2 Subject to paragraph 14, the Invoice Price will be the daily settlement price per net clean kilogram for the Underlying Commodity for that day on which the Approved Clearing Facility accepts the Tender Documentation, less any applicable fees, differential discounts and adjustments pursuant to paragraph 8.

Amended 28/11/05

9.3 Subject to paragraphs 9.4 and 14, the Settlement Value of a Futures Market Contract will be calculated by the Approved Clearing Facility by multiplying the Invoice Price by the net clean weight of Underlying Commodity accepted for tender by the Approved Clearing Facility.

Amended 28/11/05

9.4 The Settlement Value will be adjusted for tax and rounded to the nearest cent as follows:

- (a) multiplying the Settlement Value by the current Goods and Services Tax rate to calculate the "GST Amount"; and
- (b) adding the GST Amount to the Settlement Value.

10. PAYMENT AND RECEIPT OF SETTLEMENT AMOUNT

For the purposes of payment and receipt, the Settlement Value will be known as the Settlement Amount. The Approved Clearing Facility will issue an invoice to the Buyer by the time prescribed by the Clearing Rules stating the Settlement Amount. Subject to paragraph 14, payment of the Settlement Amount in respect of an Open Contract must be made by the time and in the manner determined by the Approved Clearing Facility.

11. DEFAULT

11.1 Subject to paragraph 14, if a Seller or Buyer is in default for the purposes of the Clearing Rules, the default provisions in the Clearing Rules will take effect.

12. DISPUTES

12.1 All documents required by paragraph 5 relating to testing and appraisal of the Underlying Commodity will be regarded as final and binding evidence of the test and

the appraisal results and that the procedures and/or protocols for the conduct of the test or appraisal were conducted in the manner specified by ASX.

Amended 28/11/05

- 12.3 Where a Market Participant disputes a test result, appraisal or procedure undertaken by a testing or appraisal body, the Market Participant agrees that the testing or appraisal body is responsible and not ASX.

Amended 28/11/05

13. EXCLUSION OF LIABILITY AND WARRANTY

- 13.1 ASX does not make any representation or warranty concerning:

- (a) the quality or suitability for any purpose of any Underlying Commodity; or
- (b) the correspondence of any Underlying Commodity with any description or sample.

Amended 28/11/05

- 13.2 ASX will not have any liability for the performance by any Wool Warehouse or any testing or appraisal authority or organisation in relation to these Rules. Neither the Buyer nor the Seller will have any claim against ASX or its respective officers, employees and agents, for any loss or damage as a result of, or in connection with, any delivery of or failure to deliver, any Underlying Commodity suffered however such loss or damage may be caused.

Amended 28/11/05

14. ALTERNATIVE CLEARING FACILITY

Where a Futures Market Contract is cleared by an Alternative Clearing Facility under Rule S1.1050, the admittance of the Underlying Commodity to Deliverable Stock, administration of the tender process, the Seller's obligations to make delivery of the Underlying Commodity, the valuation of the Underlying Commodity, the determination of the Invoice Price and the Settlement Value, the rules relating to default by the parties and the payment of any Settlement Amount in respect of that contract will be governed by the operating rules of that facility.

Amended 28/11/05

SCHEDULE 3 – UNDERLYING INSTRUMENTS, COMMODITIES, SECURITIES AND INDICES FOR FUTURES MARKET CONTRACTS

PART 1 UNDERLYING INDICES

S&P/ASX 50 Share Price Index (calculated by Standard & Poor's)

S&P/ASX 200 Share Price Index (calculated by Standard & Poor's)

S&P/ASX 200 Property Trusts (GIC) Sector Index (calculated by Standard & Poor's)

S&P/ASX Small Ordinaries (calculated by Standard & Poor's)

S&P/ASX Small Cap Industrials (calculated by Standard & Poor's)

S&P/ASX 200 Fin (including Property Trusts) (calculated by Standard & Poor's)

S&P/ASX 300 Fin (including Property Trusts) (calculated by Standard & Poor's)

S&P/ASX 300 Fin x Prop (calculated by Standard & Poor's)

S&P/ASX Mid Cap 50 (calculated by Standard & Poor's)

S&P/ASX Mid Cap Industrials (calculated by Standard & Poor's)

S&P/ASX 200 Resources (calculated by Standard & Poor's)

S&P/ASX 300 Resources (calculated by Standard & Poor's)

PART 2 UNDERLYING COMMODITIES

A. ELECTRICITY – [DELETED]

Deleted 30/12/09

B. GRAINS

MILLING WHEAT

The deliverable grade is Australian origin and is a minimum of GTA Wheat Standard APW2, Standard Reference number CSG-104, as specified by the Grain Trade Australia (GTA) 'Wheat Standards' and tested in accordance with the GTA Receival Standard Procedures.

Amended 11/06/09

WESTERN AUSTRALIA WHEAT

The deliverable grade is Australian origin and is a minimum of GTA Wheat Standard APW2, Standard Reference number CSG-104, as specified by the Grain Trade Australia (GTA) 'Wheat Standards' and tested in accordance with the GTA Receival Standard Procedures.

Introduced 11/06/09

FEED WHEAT – [DELETED]

Deleted 11/06/09

FEED BARLEY

The deliverable grade is Australian origin and is a minimum of GTA Feed Barley (F1) or equivalent as specified by the Grain Trade Australia (GTA) 'Feed Barley Standards' and tested in accordance with the GTA Receival Standards of the specified Bulk Handling Company. The deliverable grade must be free of any regulatory control that is applied on either a State basis or determined by crop year.

Amended 03/01/06, 11/06/09

SORGHUM

The deliverable grade is Australian origin and is a minimum of GTA Sorghum (SOR) or equivalent as specified by the Grain Trade Australia (GTA) 'Sorghum Standards' and tested in accordance with the GTA Receival Standards of the specified Bulk Handling Company. The deliverable grade must be free of any regulatory control that is applied on either a State basis or determined by a crop year.

Amended 03/01/06, 11/06/09

CANOLA

The deliverable grade is Australian origin and is a minimum of the Australian Oilseed Federation 'Trading Standard' for Canola (CSO1) or equivalent and tested in accordance with the 'Oilseeds Receival Standards' of the specified Bulk Handling Company. The deliverable grade must be free of any regulatory control that is applied on either a State basis or determined by a crop year.

Amended 03/01/06, 11/06/09

C. WOOL

19.5 MICRON WOOL

The deliverable grade for 19.5 Micron Wool is:

- (a) a maximum of 19.5 microns of Merino Fleece shorn from living sheep located in Australia;
- (b) Style 5 or better of good colour with no qualifiers except M;
- (c) a minimum average of 30 n/ktx;
- (d) a minimum average staple length of 78 mm;
- (e) a VM content of 1.8% of total volume or less;
- (f) an IWTO Schlumberger Dry Top and Noil Yield of greater than or equal to 63.0%; and
- (g) a maximum average POB in the middle of less than or equal to 70% and a greater than or equal to 30% POB at the tip and base combined.

21.0 MICRON WOOL

The deliverable grade for 21 Micron Wool is:

- (a) a maximum of 21 microns of Merino Fleece shorn from living sheep located in Australia;
- (b) Style 5 or better of good colour with no qualifiers except M;
- (c) a minimum average of 30 n/ktx;
- (d) a minimum average staple length of 80 mm;
- (e) a VM content of 1.8% of total volume or less;
- (f) an IWTO Schlumberger Dry Top and Noil Yield of greater than or equal to 63.0%; and
- (g) a maximum average POB in the middle of less than or equal to 70% and a greater than or equal to 30% POB at the tip and base combined.

22.6 MICRON WOOL

The deliverable grade for 22.6 Micron Wool is:

- (a) a maximum of 22.6 microns of Merino Fleece shorn from living sheep located in Australia;
- (b) appraised as Style 5 or better of good colour with no qualifiers except M;
- (c) a minimum average of 30 n/ktx;
- (d) a minimum average staple length of 80 mm;

- (e) a VM content of 1.8% of total volume or less;
- (f) an IWTO Schlumberger Dry Top and Noil Yield of greater than or equal to 63.0%; and
- (g) a maximum average POB in the middle of less than or equal to 70% and a greater than or equal to 30% POB at the tip and base combined.

Note- "n/ktx" means newtons per kilo text

SCHEDULE 4 – OPTIONS MARKET CONTRACTS

PART 1 OPTIONS MARKET CONTRACTS OVER AN UNDERLYING INDEX

This part sets out the terms of an Options Market Contract over an Underlying Index.

1. INTERPRETATION

In this part of the Schedule, the following words and expressions have the following meanings:

"Call Option" means, in the case of an Options Market Contract over an Underlying Index, a contract which gives the Buyer the right to receive from the Seller a Settlement Amount if the OPIC is greater than the Exercise Level.

Amended 28/11/05

"Exercise Level" means the level of the Underlying Index specified by ASX as the Exercise Level of that Options Market Contract.

Amended 28/11/05

"Index Multiplier" means, in relation to an Option, \$10 per point of the Underlying Index unless:

- (a) ASX notifies Market Participants that a different multiplier will apply to an Options Market Contract before ASX opens that Options Market Contract for trading under Rule 2220 to 2222; or
- (b) that multiplier is adjusted under paragraph 2.2.

Amended 28/11/05, 23/10/09

"Opening Price Index Calculation" or **"OPIC"** is defined in paragraph 7.1.

Amended 23/10/09

"Opening Traded Price" means that price of the first recorded trade on a given day for a component security in an Underlying Index that occurs on the Underlying Market.

"Put Option" means, in the case of an Options Market Contract over an Underlying Index, a contract which gives the Buyer the right to receive from the Seller a Settlement Amount if the OPIC is less than the Exercise Level.

Amended 28/11/05

"Settlement Amount" means the amount determined in accordance with paragraph 9.2.

"Settlement Value" is defined in paragraph 7.3.

Amended 23/10/09

2. SPECIFICATIONS DETERMINED BY ASX

2.1 When ASX opens an Options Market Contract for trading under Rule 2220 to 2222, ASX will determine:

- (a) the Underlying Index;
- (b) the Expiry Date;
- (c) the Exercise Level;
- (d) the Exercise Style (being either American-Style or European-Style);
- (e) the Exercise Price; and
- (f) the Index Multiplier.

Amended 28/11/05, 23/10/09

2.2 ASX may, under Rule 2230 to 2232, adjust any of the terms referred to in paragraph 2.1, except that ASX will only make an adjustment where the Underlying Index ceases to exist or the method of calculating the Underlying Index changes materially and a successor index is established that uses a method of calculation that is the same or substantially similar to the method used to calculate the underlying index prior to the event.

Amended 28/11/05, 23/10/09

3. BIDS AND OFFERS

Bids and offers for Options Market Contracts over an Underlying Index must be expressed in terms of the number of points of the relevant Underlying Index. Unless ASX prescribes otherwise, the minimum tick size is 1 point of the Underlying Index.

Amended 28/11/05

4. LAST TRADING DAY

The last Trading Day for an Options Market Contract is the Expiry Date. Trading in Options Market Contracts may continue until midday on the last Trading Day.

Amended 15/09/04, 28/11/05

5. PAYMENT OF PREMIUM

The Buyer of an Options Market Contract must pay the Premium to the Seller. Subject to paragraph 13, payment of the Premium must be made in accordance with the Clearing Rules.

Amended 28/11/05

6. EXERCISE OF OPTIONS

Subject to paragraph 13, the Buyer of an Options Market Contract may exercise the Options Market Contract by giving an Exercise Notice in accordance with the Clearing Rules.

Amended 28/11/05

7. OPENING PRICE INDEX CALCULATION AND SETTLEMENT VALUE

7.1 ASX will determine, or procure that a third party determines, the OPIC of the Underlying Index, rounded to the nearest one decimal place and will notify the Approved Clearing Facility and Market Participants of the OPIC.

Amended 28/11/05

7.2 Where the Underlying Index comprises Cash Market Products, the Opening Price Index Calculation ("**OPIC**") for an Options Market Contract will be determined by reference to the Opening Traded Price for each component Cash Market Product of the Underlying Index on the Expiry Date. Where a component Cash Market Product of an Underlying Index does not have an Opening Traded Price on the Expiry Date, the last traded price will be used for the purposes of the OPIC.

Amended 28/11/05

7.3 The settlement value ("**Settlement Value**") of an Options Market Contract will be determined by multiplying the OPIC by the Index Multiplier.

Amended 28/11/05

7.4 Where the OPIC is calculated by a third party, unless ASX determines otherwise, the OPIC first reported to ASX by that person is conclusive for the purpose of the calculation of the Settlement Value, even if the OPIC is later revised by that person or ASX later determines that the OPIC reported was inaccurate.

Amended 28/11/05

8. UNAVAILABILITY OF OPENING PRICE INDEX CALCULATION

If ASX determines that the OPIC of an Underlying Index is unreported or unavailable, ASX may:

- (a) suspend the settlement of rights and obligations of Buyers and Sellers of Options Market Contracts over that Underlying Index until ASX has access to the OPIC and is able to calculate the Settlement Value and has notified the market that the suspension is lifted; or
- (b) specify an OPIC and calculate the Settlement Value accordingly.

Amended 28/11/05, 19/08/09

9. PAYMENT AND RECEIPT OF SETTLEMENT AMOUNT ON EXERCISE

9.1 Subject to paragraph 13, these Rules and the Clearing Rules, after an Exercise Notice is given by the Buyer of an Options Market Contract to the Approved Clearing Facility,

the Seller must pay to the Approved Clearing Facility in accordance with the Clearing Rules (and the Buyer will receive from the Approved Clearing Facility in accordance with the Clearing Rules) the Settlement Amount if:

- (a) in the case of a Call Option, the Exercise Level is less than the OPIC; and
- (b) in the case of a Put Option, the Exercise Level is greater than the OPIC.

Amended 28/11/05

9.2 Subject to paragraph 13, the amount of the Settlement Amount will be determined in accordance with the Clearing Rules.

10. ADJUSTMENT TO OPENING PRICE INDEX CALCULATION

When notifying Market Participants under paragraph 7.1 of the OPIC, ASX may indicate that the OPIC has been calculated on a preliminary basis and is subject to adjustment on the following Trading Day. To the extent that an adjustment is made to the OPIC on that next Trading Day, subject to paragraph 13, the Approved Clearing Facility will adjust the Settlement Value and payment of any amount following any adjustment must be made on the next Business Day (as that term is defined in the Clearing Rules) following the adjustment.

Amended 28/11/05

11. LIMITATION OF STANDARD & POOR'S LIABILITY

In connection with trading of the Options Market Contracts over the Underlying Index, neither Standard & Poor's nor its agents/subcontractors involved in the compilation or calculation of the Underlying Index(es) will have any liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the Underlying Index.

Amended 28/11/05

12. STANDARD & POOR'S DISCLAIMER

In connection with trading of the Options Market Contracts over the Underlying Index, neither Standard & Poor's ("**S&P**") nor any other party involved in the compilation and calculation of the Underlying Index(es) guarantees the accuracy and/or completeness of the Underlying Index(es) or any data included therein. S&P makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Underlying Index(es) or any data included therein. S&P makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Underlying Index(es) or any data included therein. Without limiting any of the foregoing, in no event will S&P have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility thereof.

Amended 28/11/05

13. ALTERNATIVE CLEARING FACILITY

Where an Options Market Contract is cleared by an Alternative Clearing Facility under Rule S1.1050, the payment and receipt of the Premium, the manner of exercise of the Options Market Contract, any adjustment to the OPIC and the determination, payment and receipt of any Settlement Amount in respect of that Options Market Contract will be governed by the operating rules of that facility.

Amended 28/11/05

PART 2 OPTIONS MARKET CONTRACTS OVER AN UNDERLYING FINANCIAL PRODUCT

This part sets out the terms of an Options Market Contract over an Underlying Financial Product.

1. INTERPRETATION

In this part of the Schedule, the following words and expressions have the following meanings:

"Call Option" means, in the case of an Options Market Contract over Underlying Financial Products, a contract which gives the Buyer the right to purchase from the Seller the Contract Size of the Underlying Financial Products at the Exercise Price.

Amended 28/11/05

"Contract Size" means the number of Underlying Financial Products the subject of the Options Market Contract determined by ASX.

Amended 28/11/05

"Exercise Value" means the Exercise Price of the Options Market Contract multiplied by the Contract Size.

Amended 28/11/05

"Put Option" means, in the case of an Options Market Contract over Underlying Financial Products, a contract which gives the Buyer the right to sell to the Seller the Contract Size of the Underlying Financial Products at the Exercise Price.

Amended 28/11/05

2. SPECIFICATIONS DETERMINED BY ASX

2.1 When ASX opens an Options Market Contract for trading under Rule 2220 to 2222, ASX will determine:

- (a) the Underlying Financial Product;
- (b) the Expiry Date;
- (c) the Exercise Price
- (d) the Contract Size; and
- (e) the Exercise Style (being either American style or European style).

Amended 28/11/05, 23/10/09

2.2 ASX may, under Rule 2230 to 2232, adjust any of the terms referred to in paragraph 2.1.

Amended 28/11/05, 23/10/09

3. BIDS AND OFFERS

Bids and offers for Options Market Contracts over an Underlying Financial Product must be expressed in terms of Australian Dollars.

Amended 28/11/05

4. LAST TRADING DAY

The Last Trading Day for an Options Market Contract is the Trading Day that falls on the Expiry Date of that Options Market Contract. Trading in an Options Market Contract ceases upon the Last Trading Day of that Options Market Contract.

Amended 28/11/05, 19/08/09

5. PAYMENT OF PREMIUM

The Buyer of an Options Market Contract must pay the Premium to the Seller. Subject to paragraph 8, payment of the Premium must be made in accordance with the Clearing Rules.

Amended 28/11/05

6. EXERCISE OF OPTIONS

Subject to paragraph 8, the Buyer of an Options Market Contract may exercise the Options Market Contract by giving an Exercise Notice in accordance with the Clearing Rules.

Amended 28/11/05

7. AGREEMENT TO BUY AND SELL UNDERLYING FINANCIAL PRODUCTS ON EXERCISE

7.1 Subject to paragraph 8, these Rules and the Clearing Rules, after an Exercise Notice is given by the Buyer of an Options Market Contract to the Approved Clearing Facility, an agreement arises between the Buyer and the Seller of the Options Market Contract to buy and sell the relevant Underlying Financial Products, pursuant to which:

- (a) in the case of a Call Option, the Seller agrees to transfer the number of the Underlying Financial Products representing the Contract Size to the Buyer and the Buyer agrees to pay the Exercise Value to the Seller; and
- (b) in the case of a Put Option, the Buyer agrees to transfer the number of the Underlying Financial Products representing the Contract Size to the Seller and the Seller agrees to pay the Exercise Value to the Buyer.

Amended 28/11/05

7.2 Subject to paragraph 8, the purchase and sale of Underlying Financial Products under this paragraph 7 will be made in accordance with the Clearing Rules.

8. ALTERNATIVE CLEARING FACILITY

Where an Options Market Contract is cleared by an Alternative Clearing Facility under Rule S1.1050, the payment and receipt of the Premium, the manner of exercise of the Options Market Contract and the purchase and sale of any Underlying Financial Products in respect of that Options Market Contract will be governed by the operating rules of that facility.

Amended 28/11/05

SCHEDULE 5 – UNDERLYING INDICES AND FINANCIAL PRODUCTS FOR OPTIONS MARKET CONTRACTS

PART 1 UNDERLYING INDICES

S&P/ASX 50 Share Price Index (calculated by Standard & Poor's)

S&P/ASX 200 Share Price Index (calculated by Standard & Poor's)

S&P/ASX 200 Property Trusts (GIC) Sector Index (calculated by Standard & Poor's)

S&P/ASX Small Ordinaries (calculated by Standard & Poor's)

S&P/ASX Small Cap Industrials (calculated by Standard & Poor's)

S&P/ASX 200 Fin (including Property Trusts) (calculated by Standard & Poor's)

S&P/ASX 300 Fin (including Property Trusts) (calculated by Standard & Poor's)

S&P/ASX 300 Fin x Prop (calculated by Standard & Poor's)

S&P/ASX Mid Cap 50 (calculated by Standard & Poor's)

S&P/ASX Mid Cap Industrials (calculated by Standard & Poor's)

S&P/ASX 200 Resources (calculated by Standard & Poor's)

S&P/ASX 300 Resources (calculated by Standard & Poor's)

SCHEDULE 6 – SHORT SELLING MARGIN REQUIREMENTS

DELETED

SCHEDULE 7 – FORWARD DELIVERY LEGAL TITLE AND DEPOSIT REQUIREMENTS

DELETED

SCHEDULE 8 DELIVERY AND SETTLEMENT OF NON-CS APPROVED PRODUCTS

1 DEFINITIONS

For the purposes of this Schedule 8:

“Broker” means a Clearing Participant that has Settlement Obligations in respect of a Market Transaction in a Non-CS Approved Product which is not eligible for settlement by electronic transfer and registration.

“Benefit”, in clause 4, means a benefit accruing to the holders of Non-CS Approved Products on the relevant Record Date, such as, without limitation, a dividend, interest payment, capital return or other payment or the issue of a security.

“Cash Benefit” means a Benefit which is a dividend, interest payment or capital return.

“Cash Adjustments” for the purpose of clause 4, has the meaning given in clause 4.3.

“Buying Broker” means, in relation to a Market Transaction in respect of Non-CS Approved Products, the Broker which is entitled to delivery of Non-CS Approved Products and is obliged to pay for those Non-CS Approved Products.

“Delivery Obligation” means the obligation of a Broker to deliver a specified quantity of units of a Non-CS Approved Product to another Broker or Brokers on a Settlement Day by means of a paper based transfer and any other documents necessary to effect registration of ownership of the Non-CS Approved Product.

“ED” means:

- (a) the day on or by which a right in respect of a Benefit (such as a right to acquire securities) must be exercised or the date by which an election or nomination must be made in respect of a Cash Benefit (such as an election as to whether to take such Cash Benefit in specie or by way of an issue of securities);
- (b) the date, in respect of a priority Benefit, on which the priority lapses;
- (c) the date, in respect of an issue of renounceable rights, by which renunciation forms must be received by the Issuer to be valid; or
- (d) the date, in respect of a specific entitlement of non-renounceable rights, by which acceptance of the rights offer must be lodged with the Issuer to be valid.

“ED-N” means the day which is N Business Days before ED (and terms such as ED-1, ED-2 etc have corresponding meanings).

“Mark” in respect of a transfer of Non-CS Approved Products means the certification of transfers by a Marking Body or the Issuer of the Non-CS Approved Products as to the number of units of the Non-CS Approved Product represented by each transfer.

“Marking Body” means:

- (a) a Broker;
- (b) The New Zealand Stock Exchange;
- (c) The London Stock Exchange;
- (d) an organisation which enters into a written agreement with ASX confirming it will comply with the appropriate requirements relating to the Marking of transfers.

“RD-N” means the day which is N Business Days before the Record Date (and terms such as RD-1, RD-2 etc have corresponding meanings).

“Record Date” or **“RD”** means the date determined by an Issuer as the date by which Transfers must be received for the purpose of identifying the persons entitled to the benefit of a Corporate Action.

“Selling Broker” means the Broker which is obliged to deliver Non-CS Approved Products and is entitled to receive payment for those Non-CS Approved Products.

2. APPLICATION OF THIS SCHEDULE

This Schedule applies only to transactions in Non-CS Approved Products.

Note: This Schedule only applies to settlement of transactions on ASX markets which are not eligible to be settled using electronic transfer and registration facilities.

3. VALID DELIVERY DOCUMENTS

3.1 Document validity – Selling Broker

The Selling Broker will be responsible for the validity of all documents of title delivered to the Buying Broker.

3.2 Incomplete transfer documents

A Buying Broker may refuse delivery of a transfer of Non-CS Approved Products where the details specified in the Procedures have not been inserted by the Selling Broker.

3.3 Partial delivery by consent

Deliveries of Non-CS Approved Products (which may constitute one or more documents) must represent the exact quantity sold in each case unless the Buying Broker consents, in which case there may be partial delivery.

3.4 Rejected transfers

If a Buying Broker wishes to reject back to a Selling Broker a transfer of Non-CS Approved Products which has been completed with transferee detail or validated in Part 2, or both, then prior to return of the transfer the transferee detail and validation section

of Part 2 of the transfer must be cancelled by the affixing of a cancellation stamp through Part 2 of the transfer.

3.5 Receipts for deliveries

Upon delivery of Non-CS Approved Products direct to a Buying Broker's office a Selling Broker is entitled to receive an acknowledgement from the Broker bearing the initials of the receiving clerk and the Broker's stamp.

Amended 30/12/09

4 SETTLEMENT OF NON-CS APPROVED PRODUCTS QUOTED "EX" OR "CUM" A BENEFIT

4.1 Sale "cum"

When a transfer of Non-CS Approved Products in relation to a sale on a "cum" basis in respect of a Benefit is delivered:

- (a) on or after RD-2:
 - (i) The Selling Broker:
 - A. must (or, in the case of a specific entitlement of non-renounceable rights or a right to participate in a bonus issue not subject to ratification, may) allow a Cash Adjustment to the Buying Broker at settlement (unless otherwise agreed or, in the case of a specific entitlement of non-renounceable rights, the Buying Broker advises the Selling Broker before the final date of closing of acceptances that it does not wish to participate in the issue) in lieu of the Benefit; and
 - B. must endorse the Security description on the transfer "ex".
 - (ii) The Buying Broker:
 - A. must not lodge the transfer for registration until after RD. If the Buying Broker lodges the transfer for registration in breach of this provision it must refund to the Selling Broker the Cash Adjustment under paragraph (a)(i)(A) on the Business Day following the payment Date (notwithstanding any breach by the Selling Broker of its obligations under paragraph (a)(i)(B); and
 - B. except in the case of a Cash Benefit, repay the Cash Adjustment to the Selling Broker upon delivery to the Buying Broker by the Selling Broker of the Benefits (or, in the case of a specific entitlement of non-renounceable rights, the Buying Broker does not wish to participate).
- (b) on or before RD-3:
 - (i) the Selling Broker will not be responsible to the Buying Broker for the Benefit in the event that the transfer is not registered before RD; and

- (ii) the Buying Broker will have no claim against the Selling Broker for the Benefit but may lodge a claim with the Selling Broker against the seller. Claims will be made and dealt with in accordance with the Procedures.

4.2 Sale “ex”

When a transfer of Non-CS Approved Products in relation to a sale on an “ex” basis in respect of a Benefit is delivered on or prior to RD:

- (a) the Selling Broker must:
 - (i) endorse the Security description on the transfer “ex”; and
 - (ii) if the Buying Broker breaches its obligations under paragraph (b)(ii) below, give written notice to the Buying Broker of particulars of the relevant loss in accordance with the Procedures;
- (b) the Buying Broker must:
 - (i) not lodge the transfer with the Issuer for registration on or prior to RD; and
 - (ii) if the Buying Broker lodges the transfer for registration in breach of paragraph (b)(i), be responsible to the Selling Broker for any loss caused (notwithstanding any breach by the Selling Broker of paragraph (a) and must compensate the Selling Broker for that loss in the manner set out in the Procedures.

4.3 Cash Adjustment

A Cash Adjustment, for the purposes of this clause 4:

- (a) where the Benefit is a Cash Market Product:
 - (i) is a value determined by ASX when a Selling Broker has not delivered Non-CS Approved Products sold “cum Bonus”, “cum Entitlement” or “cum Rights” by RD-3 to determine shareholders to participate in an issue of Benefit;
 - (ii) will represent an amount in lieu of the accruing Benefit; and
 - (iii) will be made for all accruing Benefits notwithstanding that some or all of the accruing Benefits may be issued for no cash consideration; or
- (b) where the Benefit is a Cash Benefit, is an amount equal to the relevant Cash Benefit.

Amended 28/11/05

4.4 Special provisions for particular types of Benefit

4.4.1 Bonus Issues subject to ratification

In respect of sales of Non-CS Approved Products “cum bonus” where the bonus issue is subject to ratification, unless otherwise arranged with the Buying Broker, the Selling

Broker must not deliver Non-CS Approved Products during the period from RD-2 to the day on which a Bonus issue subject to ratification is ratified by members (both days inclusive).

4.4.2 Renounceable rights

In respect of sales of Non-CS Approved Products which are renounceable rights, the rights must not, other than as determined by ASX or by arrangement with the Buying Broker, be delivered on or after ED-2. If delivery is made on or after that date, paragraph 4.6 applies.

4.4.3 Rights Issues subject to ratification

In respect of a sale of Non-CS Approved Products “cum rights” where the relevant right issue is subject to ratification by a meeting of holders of relevant securities, the Non-CS Approved Products rights shall not, other than as determined by ASX or by arrangement with the Buying Broker, be delivered on or after the later of RD-5 and the first Business Day after ratification by members.

4.4.4 Specific Entitlements of non-renounceable rights

In respect of a sale on Non-CS Approved Products “cum” a specific entitlement of non-renounceable rights, the Buying Broker shall have the right to request the Selling Broker to pay to the Issuer where appropriate application money in excess of the minimum; such excess amount shall be provided by the Buying Broker on or before ED-5. The Buying Broker may require acknowledgement from the Selling Broker of the receipt of such excess amount.

4.4.5 “Cum” priority

- (a) Non-CS Approved Products sold “cum priority” may be delivered by a Selling Broker on a continuing basis but when not delivered by RD-3, the Buying Broker on or before ED-5, must advise the Selling Broker in writing of the amount of the new issue securities for which application is desired and must place the seller in funds to the extent of the required application money. The Buying Broker may require acknowledgement from the Selling Broker for such payment. Where the priority is to a fixed entitlement not being a pro rata entitlement then the provisions of Listing Rule 7.12 must apply.
- (b) When Non-CS Approved Products are sold “cum priority” and are delivered by the Selling Broker on or before RD-3 but are not transferred to the buyer's name on a “cum priority” basis and the buyer decides to participate in the issue, the Buying Broker on or before the ED-5, must claim on the original Selling Broker in writing for the number of new issue securities for which application is desired, and must place the seller in funds to the extent of the required application money. The Buying Broker may require acknowledgement from the original

Selling Broker for such payment. The request for protection must also include details of:

- (i) the original Selling Broker's code and Transfer Identification Number;
- (ii) the name of the transferor;
- (iii) the actual date of purchase by the claimant.

4.5 Elections in respect of Cash Benefits and Sale of Rights, Option Securities or Convertible Securities

If:

(a)

- (i) Non-CS Approved Products (which are renounceable rights, option Securities or convertible Securities) the subject of a Market Transaction are not delivered to the Buying Broker by ED-3 (or ED-2 in the case of renounceable rights), and the buyer of the Non-CS Approved Products wishes to exercise, to convert or to make an election in respect of the Non-CS Approved Products, or (in the case of renounceable rights) to apply for the relevant securities, or
- (ii) Non-CS Approved Products the subject of a sale "cum" a Cash Benefit in respect of which an election or nomination may be made, the Buyer wishes to make such election or nomination and the ED in respect of that election or nomination is on or after RD in respect of the Cash Benefit:
 - A. in the reasonable opinion of the Buying Broker may remain undelivered to the Buying Broker as at RD-3; or
 - B. are returned to the Selling Broker as unregistrable on or after RD-3, then:

(b) the Buying Broker shall on or before ED-2 (if paragraph (a)(i) applies), ED-5 (if paragraph (a)(ii)(A) applies) or the day upon which the Non-CS Approved Products or transfer is returned to the Selling Broker (if paragraph (a)(ii)(B) applies) advise the Selling Broker in writing of the buyer's exercise or conversion instructions and (if necessary place the Selling Broker in funds necessary to effect the instructions).

In the case of renounceable rights, however, the Buying Broker will be taken to have instructed the Selling Broker to apply to the Issuer for the Securities to be issued pursuant to such right such that the amount of application money payable by the seller shall not exceed the minimum required by the Issuer if it has not instructed the Selling Broker by no later than 3.00pm on the last day of delivery of rights that:

- (i) protection is not required; or
- (ii) that protection is required and payment of application money in excess of the minimum is to be made, in which case such excess shall be provided by the Buying Broker at that time) and the Selling

Broker shall protect the buyer by applying to the Issuer for such Securities; and

- (c) the Selling Broker must:
 - (i) take immediate action to effect the instructions;
 - (ii) send to the Buying Broker, on request, a written notice acknowledging exercise or conversion;
 - (iii) effect delivery of the products issued to it in respect of the exercise or conversion within five Business Days of issue or dispatch of list of allotments.

Amended 30/12/09

4.6 Acceptance of Securities as delivered – Special Markets

4.6.1 General

- (a) Subject to paragraph 4.6.2 and notwithstanding anything to the contrary in any other provision of this Schedule, when in a market established in accordance with Rule 2111, a transaction in a Non-CS Approved Product is executed on a 'cum' benefit basis during a period when normal trading in the Security is on the basis of 'ex' the Benefit, then, on demand by the seller:
 - (i) delivery of the Non-CS Approved Product must be made on the basis of 'cum' the Benefit on any Business Day following the date of the transaction up to but not including the Record Date; and
 - (ii) the Buying Broker must not refuse delivery and shall also ensure that the settlement documents are lodged with the Issuer for registration prior to the Record Date; or
- (b) If the Non-CS Approved Products are not registered prior to the Record Date, any subsequent claim by the buyer for the Benefit may be satisfied by provision of the Benefit actually distributed to the transferor.

4.6.2 Specific entitlements of renounceable rights

Notwithstanding anything to the contrary in any other provision of this Schedule 8, when in a market established in accordance with Rule 2111, a transaction in a Non-CS Approved Product is executed on a "cum entitlement" basis with respect to a specific entitlement or non-renounceable rights, during a period when normal trading for the Non-CS Approved Product the subject of the transaction is "ex entitlement" and the Buying Broker requires protection in respect of the entitlement:

- (a) Where the transaction is effected before the ED-5, the Buying Broker must, on or before ED-5, advise the Selling Broker in writing of the number of Securities for which protection is required and attach to the advice sufficient application money for that number of Securities;
- (b) Where the transaction is effected on or after ED-5 the Buying Broker must, no later than the close of business on the Business Day following the date of the transaction, advise the Selling Broker in writing of the number of Securities for

which protection is required and attach to the advice sufficient application money for that number of Securities;

- (c) The Selling Broker must acknowledge in writing receipt of the notice referred to in paragraphs (a) or (b) and protect the Buying Broker by lodgement with the Issuer of the relevant entitlement form and application money prior to or on ED;
- (d) Where the transaction is effected on ED, the Selling Broker must in respect of all of the entitlements attaching to the Non-CS Approved Products, protect the Buying Broker by immediate lodgement with the Issuer of the relevant entitlement form and sufficient application money and the Buying Broker must on the following Business Day, provide to the Selling Broker the applicable application money; and
- (e) The Selling Broker must deliver to the Buying Broker the Securities the result of the protection within seven Business Days of the date of despatch of certificates or list of allotments to the security holder's uncertificated account.

4.7 Dividend Withholding Tax

4.7.1 Withholding Tax Commonwealth of Australia

When Non-CS Approved Products owned by a non-resident are sold “cum dividend” or “cum interest” and delivered with an adjustment for dividend or interest the Selling Broker must be responsible to the Buying Broker for the full amount of the dividend or interest. It will be the Selling Broker's responsibility to lodge an application for the refund of withholding tax with the Deputy Commissioner of Taxation.

When Non-CS Approved Products sold cum dividend are delivered by the Selling Broker in the name of a non-resident, on or before the third Business Day prior to and inclusive of the Record Date and a claim for dividend is received, the non-resident seller will be responsible for the amount of the dividend less withholding tax. The Selling Broker must supply the name and address of the seller to the claiming Broker who will be responsible for the lodgement of an application for the refund of withholding tax with the Deputy Commissioner of Taxation.

4.7.2 Withholding Tax – Overseas

When a transfer of Non-CS Approved Products of an Issuer subject to other than Australian income tax or Australian withholding tax is sold “cum dividend” and is delivered during the last two Business Days prior to and inclusive of the Record Date or on any date thereafter, the Selling Broker must allow the Australian currency equivalent of the dividend less the minimum overseas tax payable by an Australian resident.

4.7.3 United Kingdom withholding tax

A Buying Broker must not settle a dividend with its buying client for shares in a United Kingdom company or body corporate, purchased “cum dividend” but not registered before the Record Date until:

- (a) the client has completed the appropriate form of declaration to enable him to qualify for the lower rate of United Kingdom withholding tax and lodged such form with the company or body corporate when the transfer is lodged for registration. When the company or body corporate has approved the form of

declaration the Broker must then settle the dividend with its client, after deducting the lower rate of United Kingdom withholding tax, or

- (b) the client has notified the Broker that, having read the conditions contained in the declaration form he is not eligible to complete the declaration or alternatively, the company or body corporate does not approve a form completed by him, the Broker must then settle the dividend with its client less the full rate of United Kingdom withholding tax. The Broker must pay the difference between the full rate and the lower rate of United Kingdom withholding tax to the company or body corporate when the transfer is lodged for registration.

Amended 19/08/09

4.7.4 Claims

When Non-CS Approved Products are purchased “cum dividend” and delivered by the seller before the last two Business Days prior to and inclusive of the Record Date but are not transferred to the buyer's name on a “cum” basis, the original seller is only responsible to the buyer for the tax paid amount received by him from the Issuer.

5 MANNER OF SETTLING BONDS AND STOCK

- 5.1 Settlement between Brokers of transactions in Commonwealth and Semi-Government loans will be by way of transfer and acceptance of Inscribed Stock.
- 5.2 Unless otherwise agreed, all deliveries of Commonwealth Inscribed Stock in settlement of a transaction will be on the register maintained in the State of that transaction.
- 5.3 In respect of “cum interest” transactions in Commonwealth Government or Semi-Government loans, where settlement takes place after the closing date of the Inscribed Stock Register, the settlement price will be adjusted by the amount of the interest payment.
- 5.4 Irrespective of whatever denominations of Inscribed Stock are delivered, the amount of interest is to be calculated on the total face value of the Securities involved in the transaction. Where the amount of interest thus determined results in a fraction of a cent, that fraction will be disregarded.

6 BROKERS' STAMPS

- 6.1 Brokers must stamp documents in accordance with the Procedures.
- 6.2 A reference in this schedule or the procedures to a Buying or Selling Broker's certification stamp or “Correction Guaranteed” stamp includes a certification stamp or “Correction Guaranteed” Stamp of a settlement agent acting on behalf of a Broker.

7 DOCUMENTS – MARKED TRANSFERS

- 7.1 A transfer of Non-CS Approved Products for which Official Quotation has been granted or Securities quoted on a Recognised Stock Exchange is valid delivery without the relevant certificate attached provided that such transfer has been Marked by the Issuer or a Marking Body.

7.2 Transfer of Commonwealth Government inscribed stock or of inscribed stock of any constituted authority shall be valid delivery when they bear thereon a certification by the appropriate registry that stock to cover the transfer is inscribed in the name of the transferor.

7.3 A Marked transfer shall not be good delivery during the last five Business Days currency of the Marking. The currency of a Marked transfer shall not be extended. Any extension of a Marking shall invalidate the transfer for delivery purposes.

8 FACSIMILE TRANSMISSION OF NON-CS APPROVED PRODUCTS

For the purpose of this paragraph 8:

8.1 **“Delivering Broker”** means the Broker which transmits by facsimile transmission details of Non-CS Approved Products in fulfilment of a selling obligation.

“Receiving Broker” means the Broker which receives by facsimile transmission details of Securities in fulfilment of a purchase obligation.

8.2 Where details of Non-CS Approved Products are transmitted by facsimile transmission in accordance with paragraph 8.3 the Delivering Broker warrants that it holds a split transfer or renunciation and split transfer referred to in paragraph 8.3 duly completed by the Delivering Broker and to which the Delivering Broker's stamp in ink has been affixed in accordance with Regulation 7.11.05(1) of the Corporations Regulations.

8.3 Delivery details of Non-CS Approved Products may be transmitted by facsimile, by the Selling Broker transmitting to the Buying Broker:

(a) an interbroker faxing advice duly completed; and

(b) a true copy of the split transfer or renunciation and split transfer referred to in paragraph 8.2 which must include:

(i) A Marking Stamp with certificate details and unique identifier as inserted by the Marking Body;

(ii) Validation by the Delivering Broker in Part 1 of the split transfer or renunciation and split transfer;

(iii) Cancellation by the Delivering Broker by the affixing of a cancellation stamp through Part 2 of the split transfer or renunciation and split transfer.

8.4 Transmission of delivery details may only be made between Brokers prior to 12.15 pm Eastern Standard/Summer Time as applying in NSW and Victoria.

8.5 The Receiving Broker is obliged to accept a facsimile transmission transmitted in accordance with paragraph 8.3 and must transpose the relevant details contained in the split transfer or renunciation and split transfer referred to in paragraph 8.2 to a new split transfer or renunciation and split transfer and validate in Part 1 prior to on delivery, or registration as the case may be.

8.6 Brokers must ensure the availability of a duly designated facsimile machine for the receipt of transmitted delivery details, which should be operational during normal business hours for the receipt of transmitted deliveries.

9 DOCUMENTS - REGISTRATION

9.1 Transfers – Renunciations

9.1.1 For the purposes of this clause 9:

“**transfers**” or “**renunciations**” are in relation to Non-CS Approved Products and shall include “**split transfers**” and “**split renunciations**”.

9.1.2 Except where transfers or renunciations require the transferee's signature:

- (a) The Buying Broker must forward Security or Brokers Transfers to the Issuer for registration within three Business Days of receipt of documents from the Selling Broker, provided that when the books of an Issuer close for any purpose all transfers in its possession must be lodged with the Issuer before the registers close, unless the transfers are in respect of a transaction settled on an “ex entitlement” basis.
- (b) When the Buying Broker is not able to complete the transfers with the buyer's full name and address pursuant to paragraph 9.1.2(a), it shall nominee the Non-CS Approved Products.
- (c) Except where a Broker purchases Securities pursuant to paragraph 9.1.2(d), it must obtain the buyer's details from its principal to enable it to comply with paragraph 9.1.2(a) and must not forward transfers or renunciations to any person who is not an Affiliate or Market Participant unless:
 - (i) authorised to do so by ASX and subject to the conditions laid down by ASX; or
 - (ii) the person is the settlement agent of the Broker;
 - (iii) pursuant to the provisions of paragraph 9.1.2(c)(i) ASX has authorised the release of transfers or renunciations to a party which is any one of the following:
 - (A) an ADI;
 - (B) a member of the Trustee Companies Association; or
 - (C) a person acting in a fiduciary capacity who requests transfers or renunciations to be delivered to him,and the party has entered into a transfer lodgement performance agreement with ASX, provided that the Buying Broker completes part 2 of such transfers or renunciations with respect to the transferee's details, and attaches the advice of lodgement for registration required by paragraph 9.2;
- (d) When a Broker purchases Securities for or on behalf of a member of The London Stock Exchange for settlement through the TALISMAN system, the Broker may forward the Transfer(s) and/or Renunciation(s) to the local office/agency of The London Stock Exchange, without completion of the buyer's details.

9.1.3 Unless permitted by an Issuer's constitution, a Broker must not in respect of a purchase of Non-CS Approved Products, lodge a transfer of Non-CS Approved Products which, if registered, would result in a buying client holding less than a Marketable Parcel of those Non-CS Approved Products.

9.2 Advice of Lodgements – Issuer

All transfers and renunciations in relation to Non-CS Approved Products forwarded to Issuers for registration must be accompanied by an Advice of Lodgement for Registration. The Advice must be dated and include:

- (a) number of units;
- (b) the names of the transferor;
- (c) the names of the transferee;
- (d) the register in which the Securities are to be registered;
- (e) the certificate or reference number relative to each transfer,

provided that where all transfers and renunciations are micro-filmed before lodgement and are suitably referenced, the advice of lodgement need not contain the details set out in paragraphs (a) to (e) above.

9.3 Advice of Lodgement – Client

The Buying Broker may on the day transfers or renunciations are forwarded to the Issuer in relation to Non-CS Approved Products, advise its clients that Securities have been forwarded to the Issuer for registration. The advice shall be in writing and be dated and shall include:

- (a) the name of the Issuer;
- (b) the number and class of Security;
- (c) the full name and address of the transferee.

A client must be advised if Non-CS Approved Products are not forwarded to the Issuer for registration within six weeks of the date of purchase.

10 DOCUMENTS – RENUNCIATIONS

- 10.1 A security renunciation and transfer or a Broker's renunciation and transfer will be good delivery of Non-CS Approved Products if Marked by the Issuer or a Marking Body.
- 10.2 An unmarked security renunciation and transfer for the exact number of rights sold in a transaction, and to which is attached the relevant letter of entitlement duly cancelled by the Selling Broker will be good delivery.

11 QUOTED SECURITIES – VALID

In the case of an Issuer admitted to the official list only such Securities as have been granted official quotation by ASX will constitute valid delivery.

12 FAILURE TO DELIVER – FAIL FEES

If a Broker fails to deliver Non-CS Approved Products on the required date for settlement (under Rule 3600), ASX may at its discretion charge the Broker which failed to deliver the Non-CS Approved Products a fee in respect of the failure to deliver.

13 CONTINUED ABILITY TO MARK

- 13.1 In relation to Non-CS Approved Products, Marking Bodies must at all times perform Markings in an efficient and accurate manner and in accordance with the Procedures.
- 13.2 Where ASX has reason to believe that a Marking Body is not performing Markings in an efficient or accurate manner, ASX may at its discretion, advise Brokers that, as from a date specified in the advice and until further notice to the contrary, transfers Marked by the Marking Body will not be valid delivery in terms of this Schedule.

SCHEDULE 9 RULES OF DIVISION 3 COMPENSATION ARRANGEMENT

1. INTRODUCTORY

These are the Compensation Rules of the ASX Compensation Arrangement established pursuant to Division 3 of Part 7.5 of the Corporations Act. These Compensation Rules have effect as a contract under seal between ASX and each Market Participant.

2. ESTABLISHMENT, INVESTMENT AND HOLDING OF THE FUND

- (a) The initial amount of the Fund is \$2,000,000.
- (b) The Authority must, until the Fund is applied for the Purposes of the Fund or disbursed in accordance with these Compensation Rules, invest the Fund in accordance with section 892C of the Corporations Act or kept in accordance with section 892B of the Corporations Act.

3. PURPOSES OF THE FUND

The Purposes of the Fund are:

- (a) to meet Permitted Claims on the Fund in accordance with these Compensation Rules;
- (b) to meet Disbursements of the Fund;
- (c) to make Permitted Returns of the Fund;
- (d) to invest the Fund as provided for under section 892C of the Corporations Act;
- (e) such other purposes as the Authority considers necessary with regard to the other Purposes of the Fund.

Amended 30/12/09

4. DISBURSEMENTS OUT OF THE FUND

The Authority may pay out of the Fund in such order as it deems proper:

- (a) all legal and other expenses incurred in investigating or defending claims made under the Compensation Rules or incurred in relation to the Fund or in the exercise by the Authority or its delegates or officers of any rights, powers, authorities or duties vested in or imposed on it under these Compensation Rules or otherwise in relation to the Fund or the Purposes of the Fund;
- (b) all premiums payable in respect of contract of insurance or indemnity entered into by or on behalf of the Authority;

- (c) the expenses incurred in the administration of the Fund, including the salaries and wages of persons employed by or seconded to the Authority, its board or the Claims Review Panel in relation to the fund;
- (d) all other money payable out of the Fund in accordance with these Compensation Rules or law.

Amended 30/12/09

5. CLAIMS ON THE FUND

- (a) The Claims Review Panel must consider claims on the Fund by claimants for the compensation of Relevant Entrusted Property Losses, if the claimants:
 - (i) claim to have suffered a Relevant Entrusted Property Loss;
 - (ii) have notified the Claims Review Panel in the Required Form (by delivery to the Authority addressed to “the Secretary, Claims Review Panel”) setting out sufficient details of the claim within 6 months of the claimant becoming aware of the Relevant Entrusted Property Loss or, if a notice has been published under clause 10, by no later than the date specified in that notice; and
 - (iii) if the claim is in respect of a Relevant ASXF Entrusted Property Loss, the claimant has provided the Authority with a deed of release in a form acceptable to the Authority and ASXF, releasing ASXF from any liability in respect of the claim.
- (b) The Claims Review Panel must consider claims notified in accordance with paragraph (a) in a reasonable time having regard to the information provided in support of the claim and the circumstances of the claim.

Amended 19/08/09

6. THE CLAIMS REVIEW PANEL

- (a) The Board must, by resolution, appoint a Claims Review Panel comprising not fewer than 3 and not more than 5 persons, at least one of whom is also a member of the Board.
- (b) The Claims Review Panel may be paid such remuneration as the Authority considers appropriate.
- (c) Decisions of the Claims Review Panel must be determined by a majority vote of the Claims Review Panel.
- (d) The Claims Review Panel must notify the relevant claimant and the Market Participant in relation to a claim of the outcome of the Claims Review Panel’s deliberations in respect of that claim in writing.
- (e) The Board must only appoint such persons to the Claims Review Panel who it believes have appropriate experience in the fields of financial markets, law, accounting or such other field of activity as the Board considers relevant.

7. PAYMENT OF CLAIMS

- (a) If the Claims Review Panel decides, in accordance with clause 6 that a Claim is established, it must determine, subject to this clause 7 and clause 8, what compensation will be paid out of the Fund to meet the claim.
- (b) Subject to these Compensation Rules and the limitations set out in Part 7.5 of the Corporations Act, the amount of compensation to be paid in respect of a Relevant Entrusted Property Loss must be not less than the sum of:
 - (i) The actual pecuniary loss suffered by the claimant, calculated by reference to the market value of any relevant assets or liabilities as at the date on which the loss is suffered; and
 - (ii) The claimant's reasonable costs of, and disbursements incidental to, the making of the claim.
- (c) The amount of compensation payable in respect of a claim may be reduced by reference to:
 - (i) a right of set-off available to the claimant;
 - (ii) the extent to which the claimant was responsible for causing the loss.
- (d) In addition to any compensation that is payable under these Compensation Rules, interest is payable out of the Fund on the amount of the compensation, less any amount attributable to costs and disbursements, at the prescribed rate calculated from and including the day on which the pecuniary loss was suffered until the day on which the claim is satisfied.
- (e) In other provisions of this Division a reference to "Relevant Entrusted Property Loss" includes (unless the contrary intention appears) a reference to interest payable in accordance with section 885E(5).
- (f) The Authority must, subject to the limitations set out in these Compensation Rules, satisfy claims established in accordance with these Compensation Rules, by making a lump sum payment to the successful claimants.

8. MONETARY LIMITATIONS ON CLAIMS

- (a) The Compensation Payment to any Claimant in respect of any Claim or series of Claims arising out of the same circumstances will not exceed \$100,000. In this regard a Claim will be considered to arise out of the same circumstances if it arises out of property having been given or entrusted to a single Market Participant.
- (b) If:
 - (i) a person makes or has made another claim against the Fund or against any Division 3 or Division 4 arrangements or under any law or contract, in respect of a loss suffered by the person and that claim has been allowed by the relevant court or body; and
 - (ii) the person or another person makes a Claim against the Fund for compensation in respect of the same loss,

the Claim against the Fund must not be allowed unless the Claimant satisfies the Tribunal that the Claimant has not been paid and will not be paid such compensation as has been ordered to the Claimant by the court or body referred to in paragraph (f).

- (c) The amount or the sum of amounts paid from the Fund in respect of Claims referable to Relevant Circumstances in respect of a particular Market Participant must not exceed \$1,000,000.
- (d) The amount or the sum of amounts paid from the Fund in respect of Claims in respect of a single set of circumstances must not exceed \$1,000,000.
- (e) For the purposes of calculating the sum of amounts paid from the Fund for the purposes of this clause 8, an amount paid from the Fund is to be disregarded to the extent to which that amount is repaid to the Fund.
- (f) If the Authority or the Claims Review Panel considers, having regard to the ascertained or contingent liabilities **in respect** of the Fund, that the assets of the fund so permit, it may apply out of the Fund such sums in excess of the amount limited by this clause 9 as it, in its discretion, thinks fit in or towards the compensation of Claimants in respect of a Permitted Claim.
- (g) If the Fund is, at any time, insufficient to meet current Permitted Claims, or if the amount of claims which have been made out but not paid in respect of a particular Market Participant or a single set of circumstances exceeds the limitations set out paragraphs (c) or (d) respectively, the Authority may apportion the available funds amongst claimants on such basis as it considers, on reasonable grounds, to be equitable.
- (h) Notwithstanding paragraphs (a) to (g) above, claims in respect of Relevant ASXF Entrusted Property Losses will not be subject to the limitations set out in those paragraphs.
- (i) Claims in respect of Relevant ASXF Entrusted Property Losses will be subject to the limitations that would have applied had they been brought under Part 8.6 of the Corporations Act as in effect on 15 July 2001 (construed as if references therein to “the fidelity fund” were references to the Fund).

Amended 19/08/09, 30/12/09

9. TIME LIMITS ON CLAIMS

- (a) The Authority may cause to be published in a daily newspaper circulating generally in each State and Territory, a notice specifying a date, not being earlier than 3 months after the publication of the notice, on or before which claims for compensation from the Fund, in relation to a person, firm, circumstance or set of circumstances described in the notice, may be made.
- (b) A Claim for compensation from the Fund must be made within 6 months after the claimant became aware of the relevant loss (or, if a notice has been published in accordance with paragraph (f), before the date specified in that notice. Claims not made within those time limits are barred unless the Authority or the Claims Review Panel otherwise determines.

10. CERTAIN CLAIMS PERMITTED

A claim relating to an alleged loss caused by defalcation or fraudulent misuse is not disallowed solely because:

- (a) the person against whom the defalcation or misuse is alleged has not been convicted or prosecuted; and
- (b) the evidence on which the claim is allowed would not be sufficient to establish the guilt of that person on a criminal trial in respect of the defalcation or fraudulent misuse.

11. PERMITTED RETURNS OF THE FUND

If, at any time, the amount in the Fund is greater than the Prescribed Amount, the Authority may return so much of the Fund as is in excess of the Prescribed Amount to Contributors on such basis as the Authority considers appropriate.

12. CONTRIBUTIONS TO THE FUND

- (a) If the amount in the Fund is less than the Prescribed Amount, the Authority may determine in writing that a levy is payable by Relevant Market Participants in an amount which, when added to the amount of the Fund at the time of such determination is not less than the Prescribed Amount.
- (b) The provisions of Section 883D of the Corporations Act apply to a levy raised under this paragraph 12.
- (c) If the Authority determines that a levy is payable in accordance with paragraph (a) above, the amount of levy payable by each Relevant Market Participant will be the total amount of the levy divided by the number of Relevant Market Participants at the time the Authority determines that the levy is payable.
 - (i) all Relevant Market Participants must pay on an equal basis; or
 - (ii) all Relevant Market Participants must pay on a basis related to the amount of claims that have been made in relation to such Market Participant; or
 - (iii) all Relevant Market Participant must pay on a basis related to the size or turnover of the Relevant Market Participants' Relevant Business.; or
 - (iv) on another basis determined by the Authority.
- (d) Relevant Market Participants must pay levies raised under this clause 12 within the period, and in the manner and amounts, specified in writing by the Authority either generally or in relation to particular Relevant Market Participants or particular classes of Relevant Market Participants.

13. INDEMNITY

Each Relevant Market Participant indemnifies and must keep indemnified the Authority against any costs, losses, expenses or payments it pays or incurs pursuant to these Compensation Rules arising out of Relevant Entrusted Property Losses in connection with that Relevant Market Participant.

14. RUN-OFF

- (a) Subject to paragraph (b), if ASX ceases to be required by the Corporations Act to maintain the compensation arrangements provided for in these Compensation Rules, the Authority must:
- (i) publish an advertisement in a newspaper or newspapers circulating in Canberra and the capital city of each state of Australia notifying that it has so ceased and calling for any claims under these Rules which have arisen on or before the date on which the Authority ceases to be bound by the Corporations Act to be notified to the Authority in accordance with paragraph 5 within 3 months of that date;
 - (ii) continue to comply with these Rules to the extent necessary to ensure that any Claims which have arisen on or before the date on which the Authority ceases to be bound by the Corporations Act to maintain the compensation arrangements provided for in these Compensation Rules been notified in accordance with paragraph 5 on or before the date which is 3 months after the date on which the Authority ceases to be bound by the Corporations Act Relevant Date are considered and, if successful, compensated in accordance with these Rules.
- (b) The Authority will not be required to comply with clause 14(a) if another compensation arrangement is put in place that, in the opinion of the Australian Securities and Investments Commission, provides adequately for the consideration and compensation of claims of the type described in paragraph (a).

15. DEFINITIONS

In these Compensation Rules, the following terms have the meanings set out below.

“**ASX**” and “**Authority**” mean ASX Futures Exchange Pty Limited.

“**Board**” means the Board of directors of ASX.

“**Claims**” means a claim on the fund made in accordance with clause 4.

“**Claims Review Panel**” means a panel appointed in accordance with clause 6.

“**Compensation Rules**” means the rules set out in this Annexure to the Operating Rules.

“**Contributors**” means ASX or any related body corporate of ASX and Contributing Market Participants.

“Contributing Market Participants” means Market Participants who have paid levies to the Fund pursuant to clause 12.

“Disbursements” means a payment in accordance with clause 4.

“Effective Date” means 11 March 2004.

“Fund” means the fund established pursuant to this document, which will be known as the ASX Supplemental Compensation Fund.

“Insolvency Event” means circumstances which include where:

- (a) the company becomes subject to the appointment of an administrator;
- (b) steps are taken by any person towards making the company externally administrated;
- (c) a controller as defined under the Corporations Act is appointed of any of the property of the defaulting party or any steps are taken in relation to this;
- (d) the company has failed to comply with a statutory demand within the meaning of the Corporations Act; or
- (e) a compromise, arrangement, winding-up, dissolution, deregistration, assignment for the benefit of creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or any similar procedure occurs.

“Operating Rules” means the Operating Rules (formerly known as the Market Rules), forming part of the operating rules, of ASX Limited.

Amended 20/07/07

“Market Participant” has the meaning given that term in the Operating Rules.

“Non-NGF Products” means financial products which are not:

- (a) “securities” as defined in Corporations Regulation 7.5.09;
- (b) warrant products as referred to in Schedule A of ASIC Class Order 02/312 (warrants admitted to trading status under the operating rules of the financial market operated by ASX); or
- (c) option contracts within the meaning of paragraph 92(1)(e) of the old Corporations Act.

“Permitted Claim” means a Claim, which has been permitted by the Claims Review Panel in accordance with these Compensation Rules.

“Permitted Return” means a return of part of the Fund pursuant to paragraph 11.

“Prescribed Amount” means \$2,000,000.

“Prescribed Rate” means 10% per annum.

“Purposes of the Fund” means the purposes described in clause 2.

Related Body Corporate has the same meaning as is set out in section 50 of the Corporations Act.

“Relevant Circumstances”, in relation to a claim, means an Insolvency Event having occurred to the Market Participant to which the claim relates since the time that the property giving rise to the claim was given or entrusted to the Market Participant.

“Relevant Date” means the date on which ASX ceases to be bound by the Corporations Act to maintain the compensation arrangements provided for in these Compensation Rules.

“Relevant Entrusted Property Losses” means Relevant ASX Entrusted Property Losses and Relevant ASXF Entrusted Property Losses.

“Relevant ASX Entrusted Property Losses” means losses of a kind described in Section 885C of the Corporations Act, construed subject to section 885D.

“Relevant ASXF Entrusted Property Losses” means, provided that the relevant claim is notified to the Authority by 10 September 2004, losses of a kind described in Section 1239(1) of the Corporations Act as in effect on 15 July 2001, construed as if references in that sub-section to “a futures organisation” were references to ASXF.

“Relevant Market Participant” means a Market Participant with Trading Permission to deal in Non-NGF Products.

“Required Form” means such form as the Authority has determined from time to time and made available by a link on the web-site of ASX Limited.

Amended 20/07/07

16. INTERPRETATION

16.1. General

In these Rules, unless the context otherwise requires:

- (a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or any legislative provision substituted for, and any statutory instruments issued under, that legislation or legislative provision;
- (b) the singular includes the plural and vice-versa;
- (c) a reference to an individual or person includes a corporation, partnership, trust, firm, authority, government and governmental agency and vice-versa;
- (d) a word denoting any gender includes all genders;
- (e) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (f) where there is a reference to the power of the Authority to make, demand or impose a requirement on a person there is a corresponding obligation of that person to comply with that demand or requirement in all respects;

- (g) a reference to writing includes typing, printing, lithography, photography, telex, facsimile or any other mode of representing or reproducing words in a visible form;
- (h) a reference to time is to the time in Sydney, Australia; and
- (i) a reference to currency is a reference to Australian currency.

Amended 30/12/09

16.2. Headings

Headings are for convenience of reference only and do not affect the interpretation of the Rules.

16.3. Corporations Act interpretation

Unless the contrary intention appears, words that are not specifically defined in the Rules but are given a particular meaning in the Corporations Act, or the Acts Interpretation Act, have the same meaning in these Rules. If there is any inconsistency between the Corporations Act and the Acts Interpretation Act, the meaning in the Corporations Act prevails.

Amended 19/08/09

16.4. Purpose and object of Rule

In the interpretation of a Rule, a construction that would promote the purpose or object underlying the Rules (whether that purpose or object is expressly stated in the Rules or not) is to be preferred to a construction which would not promote that purpose or object.

16.5. Effect of amendment to Rule

Unless expressly stated otherwise, where a Rule is:

- (a) amended;
- (b) deleted; or
- (c) lapses or otherwise ceases to have effect,

that circumstance does not:

- (d) revive anything not in force or existing at the time at which that circumstance takes effect;
- (e) affect the previous operations of that Rule or Procedure or anything done under that Rule;
- (f) affect any right, privilege, obligation or liability acquired, accrued or incurred under that Rule;
- (g) affect any penalty, forfeiture, suspension, expulsion or disciplinary action taken or incurred in respect of any breach of that Rule; or

- (h) affect any investigation, disciplinary proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, suspension, expulsion or disciplinary action,

and any such investigation, disciplinary proceeding or remedy may be instituted, continued or enforced, and any such penalty, forfeiture, suspension, expulsion or disciplinary action may be imposed as if the circumstance had not taken effect.

SCHEDULE 10 WARRANTS

Schedule 10 describes, and sets out specifications in respect of, Warrants traded on ASX's market.

10.1 WARRANT RULES

10.1.1 Warrant Rules

This schedule 10 applies to Warrants.

10.1.2 No Guarantee of Viability

The approval of a Warrant-Issuer or admission to Trading Status of a Warrant Series does not imply any guarantee or warranty by ASX as to the viability of the Warrant-Issuer.

Introduced 04/09/06

10.1.3 Obligations of Warrant-Issuers

- (a) The obligations of Warrant-Issuers who have agreed to be bound by these Rules under this Schedule 10 are owed to ASX.
- (b) If a Warrant-Issuer is a Market Participant it will in addition, in that capacity, be bound by these Rules in accordance with Rule 6001.

Introduced 04/09/06

10.2 WARRANT-ISSUERS

10.2.1 Approval of Warrant-Issuers

In order to be approved as a Warrant-Issuer, an applicant for approval as a Warrant-Issuer must:

- (1) hold all relevant licence authorisations under Chapter 7 of the Corporations Act for the purpose of the conduct of their business as a Warrant-Issuer under this Schedule 10 of the Rules (but only to the extent that such licence authorisation is required by that Act);
- (2) confirm to ASX that it has facilities, expertise, procedures, personnel and financial resources which are adequate for the performance by the applicant of its obligations as a Warrant-Issuer;
- (3) agree in writing to be bound by the Rules, and conditions imposed pursuant to the Rules; and
- (4) A Warrant-Issuer must be one of the following:

- (a) an entity, which is subject to the Banking Act 1959 (as amended);
- (b) an entity with a Guarantor which is subject to the Banking Act 1959;
- (c) a government;
- (d) an entity with a Guarantor which is a government; or
- (e) an entity which:
 - (i) holds an Australian Financial Services Licence or a licence in another jurisdiction which makes it subject to adequate supervision of capital standards;
 - (ii) has a long term debt rating of investment grade or its equivalent by a rating agency acceptable to ASX;
 - (iii) has net tangible assets which in the opinion of ASX are sufficient to support the proposed issue; and
 - (iv) is acceptable to ASX;
- (f) an entity with a Guarantor which Guarantor:
 - (i) holds an Australian Financial Services Licence or a licence in another jurisdiction which makes it subject to adequate supervision of capital standards;
 - (ii) has a long term debt rating of investment grade or its equivalent by a rating agency acceptable to ASX;
 - (iii) has net tangible assets which in the opinion of ASX are sufficient to support the proposed issue; and
 - (iv) is acceptable to ASX;
- (g) an entity which proposes to issue a Warrant Series of Fully Covered Warrants and is acceptable to ASX; or
- (h) any other person or entity accepted by ASX and not objected to by the Commission, whose decision will be final.

Upon approval as a Warrant-Issuer, a Warrant-Issuer must continue to satisfy the above requirements while its approval as a Warrant-Issuer remains in force. The suspension or cessation of a Warrant-Issuer's approval for any reason does not affect any obligations of a Warrant-Issuer arising while that approval was in force.

Introduced 11/03/04 Origin ASX 8.6.1 Amended 04/09/06, 19/08/09

10.2.2 Guarantors

All guarantees provided by a Guarantor pursuant to Rule 10.2.1 must be unconditional and irrevocable and in favour of the Warrant-Holder. Government guarantees will be acknowledged to ASX in writing by the Treasurer of that government.

Introduced 11/03/04 Origin ASX 8.6.2 Amended 20/10/05

10.2.3 ASX has discretion regarding approval of Warrant-Issuers

The following requirements apply to the approval of Warrant-Issuers:

- (a) ASX has absolute discretion as to whether to approve a Warrant-Issuer;
- (b) approval may be granted on such conditions as ASX thinks appropriate and Warrant-Issuers must comply with such conditions at all times;
- (c) ASX may suspend or revoke any such approval if in the absolute discretion of ASX, ASX is of the opinion or reasonably suspects that a Warrant-Issuer may become unable or unwilling, or in any respect fails, to comply with this Schedule 10; and
- (d) ASX may grant, suspend or revoke approval without giving any reason including, without limiting the generality of the foregoing and subject to no less than one months notice being given, where a Warrant-Issuer has no current Warrant Series listed on ASX and has had no Warrant Series admitted to Trading Status within the previous twelve months.

Introduced 11/03/04 Origin ASX 8.6.3 Amended 04/09/06

10.2.4 Admission to Trading Status no guarantee of viability – [Deleted]

Introduced 11/03/04 Origin ASX 8.6.14 Deleted 04/09/06

10.3 ADMISSION TO TRADING STATUS

10.3.1 ASX's discretion regarding admission to Trading Status

The following provisions apply to the admission of Warrant Series to Trading Status:

- (a) a Warrant shall not be available for trading on ASX unless and until the relevant Warrant Series has been admitted to Trading Status by ASX;
- (b) without affecting the generality of sub-paragraph (c) an approved Warrant-Issuer seeking the admission of a Warrant Series to Trading Status must satisfy ASX that it continues to satisfy the requirements of Rule 10.2;
- (c) admission to Trading Status for Warrants is in ASX's absolute discretion. ASX may admit Warrants to Trading Status on any conditions it considers appropriate and the Warrant-Issuer must comply with such conditions. ASX may grant or refuse admission to Trading Status without giving any reasons; and
- (d) ASX may suspend or revoke any such admission if, in the absolute discretion of ASX, ASX is of the opinion or reasonably suspects that the Warrant-Issuer may become unable or unwilling, or in any respect fails, to comply with this Schedule 10.

Introduced 11/03/04 Origin ASX 8.5AA.1 Amended 20/10/05, 04/09/06

10.3.2 Requirement for specific Warrant Series

Admission to Trading Status will be for a specific Warrant Series with a title and description sufficient to be distinguishable from other Warrant Series already admitted to Trading Status.

Introduced 11/03/04 Origin ASX 8.5AA.2

10.3.3 Requirements for admission to Trading Status

Admission to Trading Status will only be granted to Warrants if all the following requirements are satisfied:

- (a) the Warrant-Issuer has completed and given to ASX a form of application for admission set out in the Procedures;
- (b) ASX has no objection to the Terms of Issue;
- (c) the Warrant-Issuer is approved by ASX under Rule 10.2; and
- (d) the Warrant-Issuer has prepared and given to ASX a draft or final Product Disclosure Statement or prospectus.

Where a draft Product Disclosure Statement or prospectus is given under paragraph (d) trading must not commence until the final Product Disclosure Statement or prospectus has been given to ASX.

Introduced 11/03/04 Origin ASX 8.5AA.3-6 Amended 04/09/06

10.3.4 Amendment of expiry date, prohibition on amendment to Terms of Issue, ASX's consent

- (a) If provided for in the Terms of Issue, the expiry date of a Warrant can be amended in the case of an extraordinary event as defined in the Terms of Issue, but cannot be amended in any other circumstances.
- (b) No other Terms of Issue can be amended except as permitted by Rules 10.3.5 or 10.3.6.
- (c) Where Terms of Issue entitle a Warrant-Issuer to act or refrain from acting with the consent of ASX, ASX may grant or refuse to grant consent in its absolute discretion.

Introduced 11/03/04 Origin ASX 8.5AA.7 Amended 20/10/05, 22/05/06

10.3.5 Amendment of Terms of Issue by approval

If provided for in the Terms of Issue, the Terms of Issue can be amended with the approval of 75% of votes cast by those Warrant-Holders who vote on a proposed resolution. Votes cast by the Warrant-Issuer or its associates must be disregarded. Voting must be in accordance with the following:

- (a) voting rights in respect of Warrants will be on a one for one basis;
- (b) a Warrant-Holder will be entitled to vote on any proposed resolution ; and

- (c) in circumstances where a Warrant-Issuer proposes to hold a meeting, it must provide each Warrant-Holder, by the time set out in the Procedures:
 - (i) written notice of the meeting; and
 - (ii) proxy forms by which a Warrant-Holder can appoint a person to attend the meeting and vote on its behalf. Such proxy forms must be blank so far as the person primarily to be appointed as proxy is concerned.

Introduced 11/03/04 Origin ASX 8.5AA.8 Amended 20/10/05

10.3.6 Amendment of Terms of Issue with ASX's consent

If provided for in the Terms of Issue, the Terms of Issue can be amended, with the consent of ASX:

- (a) if the amendment is necessary in the opinion of the Warrant-Issuer to comply with any statutory or other requirements of law or any requirement of ASX;
- (b) to rectify any defect, manifest error or ambiguity in the Terms of Issue where the amendment does not materially prejudice the interests of Warrant-Holders;
- (c) to permit transfers by a method other than as set out in the Terms of Issue;
- (d) in the case of an adjustment or an extraordinary event, as defined in the Terms of Issue; or
- (e) where, in the reasonable opinion of the Warrant-Issuer, the amendment does not materially prejudice the interests of Warrant-Holders.

Introduced 11/03/04 Origin ASX 8.5AA.8A Amended 20/10/05

10.3.7 Authorisation to use index

In the case of Warrants for which the Underlying Instrument is an index which is subject to ownership held by a party other than the Warrant-Issuer, the Warrant-Issuer must submit with its application, written authorisation from the owner to use that Underlying Instrument for the purposes of that issue of Warrants.

Introduced 11/03/04 Origin ASX 8.5AA.9 Amended 20/10/05

10.3.8 Contents of Terms of Issue

Terms of Issue must include appropriate provisions for the adjustment of the exercise rights of the Warrants in appropriate circumstances, including, without limitation:

- (a) where the Warrants are linked to Cash Market Products of a Listed Entity, adjustments for reductions in capital, bonus issues, rights issues and capital restructurings; and
- (b) where the Warrants are linked to an index, the modification and discontinuance of the index.

Introduced 11/03/04 Origin ASX 8.5AA.12 Amended 20/10/05, 28/11/05

10.3.9 Issue limits

A proposed issue of Deliverable Warrants over Cash Market Products of a Listed Entity will not be admitted to Trading Status, where, at the time of the proposed issue of the Warrant, either or both of the following apply:

- (a) the number of Equity Securities which may be acquired or be required to be acquired pursuant to the exercise of Deliverable Warrants at any time prior to and inclusive of the expiry date of the proposed issue of Warrants, whether under the proposed issue or any existing issue of Warrants, would exceed 50% of the class of Cash Market Product, or such lesser percentage set by ASX; and
- (b) the number of Equity Securities which may be acquired or be required to be acquired pursuant to the exercise of Deliverable Warrants that expire during the 14 day period immediately before or after the expiry date of the proposed issue of Warrants, would exceed 20% of the class of Cash Market Product or such lesser percentage set by ASX.

These tests will be applied separately to put Warrants and call Warrants.

Introduced 11/03/04 Origin ASX 8.4.1(1)&(2) Amended 28/11/05

10.3.10 Exemption from Rule 10.3.9

Rule 10.3.9 does not apply to Deliverable Warrants in respect of which the Warrant-Issuer has arranged for a number of the Underlying Instrument sufficient to meet the exercise of all outstanding Warrants to be held in a trust, custodial or other similar arrangement acceptable to ASX.

Introduced 11/03/04 Origin ASX 8.4.1(3)

10.3.11 Spread of Warrant-Holders and Reasonable Bid

A Warrant-Issuer must with respect to each Warrant Series admitted to Trading Status either:

- (a) ensure each Warrant Series has an initial spread of Warrant-Holders which, in the opinion of ASX, is adequate and reasonable; or
- (b) on an ongoing basis ensure a reasonable Bid and volume is maintained in the market for each Warrant Series for the period set out in the Procedures except in Permitted Circumstances.

In this Rule **Permitted Circumstances** means where:

- (a) the Underlying Instrument or the underlying hedge instrument of a Warrant Series is placed in Pre-Open Session State or is subject to a suspension or trading halt or is otherwise unavailable for trading;
- (b) the Warrant Series is subject to a suspension or trading halt or is placed in Pre-Open Session State or is otherwise unavailable for trading;
- (c) the theoretical value of the Warrant Series is below the relevant minimum price step of the Trading Platform (e.g. \$0.001);
- (d) the Warrant-Issuer has advised the market that it (or its Warrant Market Making Agent) would breach laws, regulatory rules or similar constraints either in Australia or a relevant foreign jurisdiction by fulfilling its market making obligations, provided that;

- (i) where appropriate, it will endeavour to obtain any necessary regulatory relief that will enable it to continue to make a market in that Warrant Series; and
 - (ii) it will advise the market upon being able to continue to make a market in that Warrant Series;
- (e) the Warrant-Issuer has advised the market by such time as set out in the Procedures that it (or its appointed Warrant Market Making Agent) continues to experience an interruption to its normal operating environment that substantially prevents the timely and accurate entry of market making orders into the Trading Platform;
- (f) any other circumstances set out in the Procedures and notified to the Commission.

Introduced 11/03/04 Origin ASX 8.4.2 Amended 20/10/05, 04/09/06

10.3.12 Issue of Warrants

Subject to Rule 10.3.13 where the Underlying Instrument is a security, the Warrant-Issuer may issue, in addition to any other lawful circumstances, Warrants if one of the following paragraphs applies:

- (a) the Terms of Issue of the Warrants have been examined by ASX and are Terms of Issue to which ASX has no objection, and the Warrants have been admitted to Trading Status; or
- (b) the Terms of Issue of the Warrants have been examined by ASX and are Terms of Issue to which ASX has no objection, and the Warrant-Issuer undertakes to comply with Rule 10.3.13(b).

Introduced 11/03/04 Origin ASX 8.4.2-8.4.5 Amended 20/10/05

10.3.13 Application of Rule 10.3.12

- (a) Where the Underlying Instrument the subject of the issue is a security which is an Approved Short Sale Product and the issue is not fully covered, a sale of the Underlying Instrument is deemed to be a sale within the meaning of subparagraph 1020B(4)(e)(ii) of the Corporations Act.
- (b) Where a Warrant-Issuer issues Warrants in reliance on paragraph (b) of Rule 10.3.12, Rule 10.3.12 only applies if the Warrant-Issuer uses its best endeavours to complete all action on its part necessary to secure the admission of the Warrants to Trading Status as soon as practicable including, without limitation, the submission to ASX of Terms of Issue and an Offering Circular, Product Disclosure Statement or prospectus (as the case may be).

Introduced 11/03/04 Origin ASX 8.4.2-8.4.5 Amended 20/10/05

10.3.14 Fees

The Warrant Issuer must pay to ASX fees in connection with the admission to Trading Status as determined by ASX from time to time.

Introduced 11/03/04 Origin ASX 8.21

10.4 FULLY COVERED WARRANTS

10.4.1 Fully Covered Warrants

The Warrant-Issuer of a Fully Covered Warrant must ensure that:

- (a) the Underlying Instruments held in the Cover Arrangement are only dealt with in accordance with the terms of the Cover Arrangement;
- (b) an audit of compliance with paragraph (a) is undertaken annually by a registered company auditor; and
- (c) all audit reports pursuant to paragraph (b) are lodged with ASX at the time of lodging the Warrant-Issuer's next annual report.

Introduced 11/03/04 Origin ASX 8.5A Amended 20/10/05

10.5 OFFERING CIRCULARS

10.5.1 Application

This Rule 10.5 applies to a Warrant if:

- (a) the Warrant-Issuer prepared an Offering Circular in accordance with old Rule 8.7 which was in force on 10 March 2004; and
- (b) the Warrant Series the subject of the Offering Circular was admitted to Trading Status prior to 11 March 2004.

Introduced 11/03/04 Origin ASX 8.4A.4

10.5.2 Supplementary Offering Circular required

Where:

- (a) an Offering Circular has been lodged with ASX; and
- (b) at any time while Warrants are available for subscription or issued on the basis of the Offering Circular; and
 - (i) there is a significant change affecting any matter contained in the Offering Circular; or
 - (ii) a significant new matter arises, the inclusion of information in respect of which would have been required if the matter had arisen when the Offering Circular was prepared,

the Warrant-Issuer who lodged the Offering Circular must lodge with ASX a supplementary Offering Circular containing particulars of the change or new matter. In this Rule, “**significant**” means significant for the purpose of making an informed assessment of the matters mentioned in old Rule 8.7.5 which was in force on 10 March 2004.

Introduced 11/03/04 Origin ASX 8.8.1, 8.8.2 Amended 20/10/05, 19/08/09

10.5.3 Requirements of supplementary Offering Circulars

A Warrant-Issuer must lodge with ASX the number of copies of the supplementary Offering Circular prescribed by ASX, in a form or forms acceptable to ASX. If not objected to by ASX, the supplementary Offering Circular must be despatched with the Offering Circular provided by the Warrant-Issuer and must be made available by the Warrant-Issuer to any other Warrant-Holder on request. A copy of the supplementary Offering Circular will be made available for inspection at ASX.

Introduced 11/03/04 Origin ASX 8.8.3 Amended 20/10/05

10.5.4 Liability for supplementary Offering Circulars

ASX excludes all liability to the extent permitted by law for the contents of this supplementary Offering Circular, including any expert's report which it may contain.

Introduced 11/03/04 Origin ASX 8.8.4 Amended 19/08/09

10.5.5 Indemnity for claims arising from supplementary Offering Circulars

The Warrant-Issuer indemnifies ASX against any claim arising from or in relation to any supplementary Offering Circular.

Introduced 11/03/04 Origin ASX 8.8.5

10.5.6 Availability of Offering Circulars

A Warrant-Issuer must provide an Offering Circular to all persons offered or invited to subscribe to the initial issue of a Warrant Series.

Introduced 11/03/04 Origin ASX 8.7.2 Amended 20/10/05

10.6 WARRANT-ISSUER REPORTS

10.6.1 Information concerning Warrant-Issuers and Guarantors

A Warrant-Issuer and any Guarantor must upon request by ASX provide forthwith to ASX any explanations and/or information concerning itself or any of its subsidiaries or of any proposed action or omission to act the lack of disclosure of which may lead to the establishment of a false market in Warrants issued by that Warrant-Issuer or which would be likely to materially affect the price of those Warrants.

Introduced 11/03/04 Origin ASX 8.9.1 Amended 20/10/05

10.6.2 Information in relation to Warrants in a specified Warrant Series

If requested by ASX, a Warrant-Issuer must provide, within the time set out in the Procedures, any information in relation to Warrants in a specified Warrant Series. This information must be provided in a form acceptable to ASX.

Introduced 11/03/04 Origin ASX 8.9.2 Amended 20/10/05

10.6.3 False market in Warrants

A Warrant-Issuer and any Guarantor must notify ASX immediately of any information concerning itself or of any of its subsidiaries or any proposed action or omission to act the non-disclosure of which may lead to the establishment of a false market in Warrants issued by that Warrant-Issuer or which would be likely to materially affect the price of those Warrants.

Introduced 11/03/04 Origin ASX 8.9.3 Amended 20/10/05

10.6.4 Quarterly Warrant information – [Deleted]

Introduced 11/03/04 Origin ASX 8.9.4 Deleted 20/10/05

10.6.5 Annual report

Subject to Rule 10.6.10, a Warrant-Issuer and Guarantor (if applicable) must lodge its annual report with ASX by the time set out in the Procedures.

Introduced 11/03/04 Origin ASX 8.9.5 Amended 20/10/05

10.6.6 Statement of assets, liabilities and equity

- (a) Subject to Rule 10.6.10, a Warrant-Issuer without a Guarantor must lodge with ASX by the time set out in the Procedures a statement of assets, liabilities and shareholders' equity of the Warrant-Issuer, together with such notes as a person would reasonably require to make an informed assessment of the ability of the Warrant-Issuer to meet its obligations under the Terms of Issue of the Warrant. This is not required in respect of Fully Covered Warrants.
- (b) Subject to Rule 10.6.10, a Warrant-Issuer with a Guarantor that:
- (i) is a Related Body Corporate of the Warrant Issuer, must lodge with ASX by the time set out in the Procedures, a statement of assets, liabilities and shareholders' equity of the Guarantor, together with such notes as a person would reasonably require to make an informed assessment of the ability of the Guarantor to meet its obligations under the Terms of Issue of the Warrant or guarantee in favour of the Warrant-Holder (as applicable);
 - (ii) is not a Related Body Corporate of the Warrant Issuer, must lodge with ASX by the time set out in the Procedures, a statement of assets, liabilities and shareholders' equity of the Warrant-Issuer and a statement of assets, liabilities and shareholders' equity of the Guarantor, together with such notes as a person would reasonably require to make an informed assessment of the ability of the Warrant-Issuer and the Guarantor to meet their obligations under the Terms of Issue of the Warrant or guarantee in favour of the Warrant-Holder (as applicable).

This is not required in respect of Fully Covered Warrants.

Introduced 11/03/04 Origin ASX 8.9.6 Amended 20/10/05, 23/10/09

10.6.7 Current annual report

Warrant-Issuers must, on request, make available to Warrant-Holders a copy of the current annual report of the Warrant-Issuer.

Introduced 11/03/04 Origin ASX 8.9.8

10.6.8 Documentation forwarded to ASX

All documentation forwarded to ASX by or on behalf of a Warrant-Issuer and Guarantor (if applicable), whether provided in support of an application or in compliance with the Rules for the time being or otherwise, will become and remain the property of ASX which may, in its absolute discretion, copy any or all of such documentation and forward such copies to the public, the media, or any other interested party. Private correspondence, including draft documents lodged with ASX for approval, and marked "not for public release" will only be released to the public, the media, or any other interested party where ASX has formed the opinion that the information should be released and has given notice to the company to that effect.

Introduced 11/03/04 Origin ASX 8.9.9 Amended 20/10/05

10.6.9 Amended, supplementary and replacement Product Disclosure Statements and prospectuses

Where a Warrant Issuer has given to ASX a Product Disclosure Statement or prospectus in respect of a Warrant under Rule 10.3.3(d), the Warrant Issuer must promptly give to ASX any amended, supplementary or replacement Product Disclosure Statement or prospectus which it prepares and proposes to issue in respect of those Warrants.

Introduced 11/03/04 Amended 20/10/05

10.6.10 Exemption from Warrant-Issuer reports

Warrant-Issuers and Guarantors (if applicable) are not required to comply with Rules 10.6.5 and 10.6.6 if, in ASX's opinion, equivalent information has been provided to ASX in accordance with the Listing Rules.

Introduced 20/10/05

10.7 TRANSFERS AND REGISTERS

10.7.1 Transfer of Warrants

The transfer of a Warrant must comply with Part 7.11 of the Corporations Act and, if the Warrant is a CS Approved Product, be effected in accordance with the Clearing Rules and the Settlement Rules.

Introduced 11/03/04 Origin ASX 8.18.1 Amended 20/10/05

10.7.2 Comply with Clearing Rules and Settlement Rules

If Warrants are CS Approved Products, the Warrant Issuer must, in respect of the Warrants, comply with the Clearing Rules and the Settlement Rules to the extent they apply to Warrants.

Introduced 11/03/04 Origin ASX 8.18.1D Amended 20/10/05

10.7.3 Issuer Sponsored Subregister

If the Warrant-Issuer establishes an "Issuer Sponsored Subregister" (as that term is defined in the Settlement Rules) in respect of a Warrant Series, the Warrant Issuer must comply with the relevant Listing Rules in relation to "Issuer Sponsored Subregisters", as if the Warrant-Issuer were a company referred to in those Listing Rules.

Introduced 11/03/04 Origin ASX 8.18.1E Amended 20/10/05

10.7.4 Register of Warrant-Holders

The Warrant-Issuer must arrange for the establishment and maintenance of a Register of Warrant-Holders which complies with the Corporations Act as if the Warrants were shares in a company.

Introduced 11/03/04 Origin ASX 8.18.2 Amended 20/10/05

10.7.5 Comply with the Listing Rules

The Warrant-Issuer must comply with the Listing Rules in relation to the issue and despatch of holding statements or certificates, the transfer and transmission of Warrants, and the establishment and maintenance of a Register of Warrant-Holders as if the Warrants were shares in a company.

Introduced 11/03/04 Origin ASX 8.18.3 Amended 20/10/05

10.7.6 Transfer between Australian Registers

A Warrant-Issuer must permit Warrants to be transferred from one Australian Register of Warrant-Holders to another without restriction or payment of fee.

Introduced 11/03/04 Origin ASX 8.18.17 Amended 20/10/05

10.7.7 Transfer between Australian Register and Register maintained outside Australia

Where Warrants are transferred from:

- (a) an Australian Register of Warrant-Holders to a Register of Warrant-Holders maintained outside Australia; or
- (b) a Register of Warrant-Holders maintained outside Australia to an Australian Register of Warrant-Holders,

the Warrant-Issuer registry or its agent with which the transfers are lodged by the lodging agent must forward to the lodging agent within the time set out in the Procedures, a serially numbered transmission receipt which must include:

- (c) date of issue;
- (d) name and address of Warrant-Holder;
- (e) number of Warrants;
- (f) description of Warrants;
- (g) location of Register of Warrant-Holders to which Warrants have been transferred;
- (h) date of transfer;
- (j) inter-register reference number (if any);
- (k) name of lodging agent; and
- (l) date and/or reference number of lodging agent's registration and/or transfer instruction.

Introduced 11/03/04 Origin ASX 8.18.8 Amended 20/10/05

10.7.8 Notings

A Warrant-Issuer must accept notings carried out by ASX.

Introduced 11/03/04 Origin ASX 8.18.9 Amended 20/10/05

10.7.9 Endorse transfer forms

A Warrant-Issuer must endorse (where necessary) transfer forms with the notation "power of attorney exhibited" or "probate exhibited" on production of the proper documents and to do so without charge.

Introduced 11/03/04 Origin ASX 8.18.10 Amended 20/10/05

10.7.10 Audit of Register of Warrant-Holders

A Warrant-Issuer must have its Register of Warrant-Holders audited at intervals of not more than 12 months by or as approved by a registered company auditor.

Introduced 11/03/04 Origin ASX 8.18.12 Amended 20/10/05

10.7.11 Independent auditor's certificate

A Warrant-Issuer must provide ASX upon request with an independent auditor's certificate to the effect that the processing of transfers is in accordance with this Rule 10.7.

Introduced 11/03/04 Origin ASX 8.18.13 Amended 20/10/05

10.7.12 Offices open on week days

A Warrant-Issuer must ensure that offices at which transfers of Warrants are to be lodged for registration are open on all week days other than gazetted bank holidays or public holidays in the State or Territory in which the office is located and any other day which ASX will declare and publish as not a Business Day.

Introduced 11/03/04 Origin ASX 8.18.14 Amended 20/10/05

10.7.13 Deliverable Warrants

For Deliverable Warrants which are exercised the Warrant-Issuer must not despatch the Underlying Instrument until such time as the relevant notice of exercise has been received.

Introduced 11/03/04 Origin ASX 8.18.16 Amended 20/10/05

10.7.14 Cash Settled Warrants

For Cash Settled Warrants which are exercised the Warrant-Issuer must not despatch that cash amount until such time as the relevant notice of exercise has been received.

Introduced 11/03/04 Origin ASX 8.18.17 Amended 20/10/05

10.8 WARRANT EXPIRY NOTIFICATION

10.8.1 Cash Settled Warrants – [Deleted]

Introduced 11/03/04 Origin ASX 8.11.1 Deleted 20/10/04

10.8.2 Deliverable Warrants – [Deleted]

Introduced 11/03/04 Origin ASX 8.11.2 Deleted 20/10/05

10.9 SUSPENSION OF TRADING BY ASX

10.9.1 Suspension of trading by ASX

ASX reserves the right to halt or suspend trading of any Warrant on ASX whenever ASX deems such action appropriate having regard to Rule 6120 to protect investors or if the Warrant-Issuer or Guarantor has failed to comply with their obligations under this Schedule 10 or the Terms of Issue.

Introduced 11/03/04 Origin ASX 8.12 Amended 20/10/05

10.10 EXPIRY OF UNEXERCISED CASH SETTLED WARRANTS

10.10.1 Intrinsic value paid

At the expiry of a Cash Settled Warrant the Warrant-Issuer must pay to the Warrant-Holder an amount equivalent to the intrinsic value of the Warrant holding at the expiry date.

Introduced 11/03/04 Origin ASX 8.16.1(a) Amended 20/10/05

10.10.2 Calculation of intrinsic value

For the purposes of Rule 10.10.1 calculation of intrinsic value must be in accordance with the Terms of Issue.

Introduced 11/03/04 Origin ASX 8.16.1(b) Amended 20/10/05

10.10.3 Dispute regarding intrinsic value

Pursuant to Rule 10.10.1 any dispute in relation to the calculation of intrinsic value must be referred to ASX for resolution, whose resolution will be binding.

Introduced 11/03/04 Origin ASX 8.16.1(c) Amended 20/10/05, 19/08/09

10.10.4 Despatch of intrinsic value payment

Pursuant to Rule 10.10.1 the intrinsic value payment must be despatched within the time set out in the Procedures.

Introduced 20/10/05

10.11 EXPIRY OF UNEXERCISED DELIVERABLE WARRANTS

10.11.1 Lapse of Deliverable Warrant – [Deleted]

Introduced 11/03/04 Origin ASX 8.17A.1 Deleted 20/10/05

10.11.2 Settlement by assessed value payment

In the case of a Deliverable Warrant for which the Warrant-Holder fails to give notice of exercise within the time prescribed in the Terms of Issue, that Warrant must be settled by an assessed value payment calculated in accordance with Rule 10.11.4.

Introduced 11/03/04 Origin ASX 8.17A.2 Amended 20/10/05

10.11.3 Intrinsic value – [Deleted]

Introduced 11/03/04 Origin ASX 8.17A.3 Deleted 20/10/05

10.11.4 Assessed value payment

For the purposes of Rule 10.11.2 the amount of any assessed value payment must at least be equal to the intrinsic value of the Warrant less reasonable costs.

Introduced 11/03/04 Origin ASX 8.17A.4 Amended 20/10/05

10.11.5 Calculation of intrinsic value

For the purposes of Rule 10.11.4 calculation of intrinsic value must be in accordance with the Terms of Issue.

Introduced 20/10/05

10.11.6 Calculation of reasonable costs

For the purposes of Rule 10.11.4, calculation of reasonable costs must be in accordance with the Terms of Issue.

Introduced 20/10/05

10.11.7 Calculation of assessed value payment where not prescribed in the Terms of Issue

In the case of a Deliverable Warrant where:

- (a) the Warrant-Holder fails to give notice of exercise within the time prescribed in the Terms of Issue;
- (b) the Warrant has an intrinsic value equal to or greater than 5% of the exercise price of the Warrant; and
- (c) the Terms of Issue refer to these Rules for the calculation of the assessed value payment;

the amount of any settlement by an assessed value payment must be calculated in accordance with the Procedures. For the purposes of paragraph (b) above, intrinsic value must be calculated in accordance with the Procedures.

Introduced 20/10/05

10.11.8 Despatch of assessed value payment

Pursuant to Rule 10.11.2 and Rule 10.11.7, the assessed value payment must be despatched within the time set out in the Procedures.

Introduced 20/10/05

10.12 NON-DELIVERY OF EXERCISED DELIVERABLE WARRANTS

10.12.1 Deliverable Warrant exercised

If a Warrant-Holder exercises a Deliverable Warrant and the Warrant-Issuer fails to fulfil its obligations under the Terms of Issue within 20 Business Days of the date upon which the Warrant-Holder exercises the Warrant (“the exercise date”), the following will apply:

- (a) the Warrant-Holder may, by giving notice in writing to the Warrant-Issuer, request the Warrant-Issuer to pay to the Warrant-Holder an amount of liquidated damages calculated in accordance with paragraph (c) (“the liquidated damages amount”);
- (b) the Warrant Issuer must within 10 Business Days of the receipt of a request pursuant to paragraph (a) pay the liquidated damages amount to the Warrant-Holder; and
- (c) the liquidated damages amount in respect of a Warrant will be calculated in accordance with the following formulae:

For call Warrants:

$$L = 1.1 \times S$$

For put Warrants:

$$L = 1.1 \times E$$

Where:

L is the liquidated damages amount;

S is the arithmetic average of the daily volume weighted average prices of the Underlying Instrument on the 5 Trading Days following the expiry date excluding special, late and overseas sales; and

E is the exercise price of the Warrant.

Introduced 11/03/04 Origin ASX 8.17B.1 Amended 20/10/05

10.12.2 Other legal rights available

If a Warrant-Holder does not make a request for liquidated damages in accordance with Rule 10.12.1(a), nothing in this Rule derogates from a Warrant-Holder's rights to pursue whatever legal rights he may have.

Introduced 11/03/04 Origin ASX 8.17B.2

10.13 INDEMNITY

10.13.1 Indemnity

A Warrant-Issuer indemnifies ASX against any claim arising from, or in relation to, a Warrant issued by that Warrant-Issuer.

10.14 COMPLIANCE WITH MARKET MAKING REQUIREMENTS

10.14.1 Definitions

Warrants Committee means a Warrants Committee established under this Rule 10.14.

Warrants Panel means a Warrants Panel constituted under this Rule 10.14.

Warrants Market Maker means a Warrant-Issuer performing a Warrant Market Making function under Schedule 10 of the Rules.

Warrant Market Maker Bid means a Bid and/or volume made for the purposes of Rule 10.3.11(b).

Warrant Market Making means the provisions of market making in accordance with Rule 10.3.11(b).

Warrant Market Making Agent means a Trading Participant appointed by a Warrant-Issuer to perform Warrant Market Making as agent of the Warrant-Issuer and registered for that purpose with ASX.

Introduced 04/09/06 Amended 31/03/08

10.14.2 Warrants Panel

The following provisions apply to the constitution of a Warrants Panel:

- (a) ASX may appoint persons to a Warrants Panel for the purpose of allowing the constitution by selected members of the Warrants Panel of a Warrants Committee as required from time to time.
- (b) Subject to this Rule 10.14 more than one Warrants Committee may be constituted from the Warrants Panel at any one time whether or not constituted by some or all of the same members of another Warrants Committee.
- (c) Persons appointed to the Warrants Panel may include directors or employees of ASX, or a Related Body Corporate of ASX, directors or employees or Warrant-Issuers or Market Participants and such other persons as ASX thinks fit.

Introduced 04/09/06 Amended 31/03/08

10.14.3 Maintenance of Reasonable Bid and Volume and Warrants Committee

The following provisions apply in relation to the obligation of Warrant-Issuers to maintain a Bid and volume under Rule 10.3.11(b) (where applicable):

- (a) When requested by ASX, a Warrant-Issuer must within the time set out in the Procedures or such further period as ASX may allow, provide details of how it determined the Bid value and volume for the purpose of Rule 10.3.11(b).

- (b) Where ASX receives the details referred to in paragraph (a) or had not received such details within the required time it may (or may not) in its absolute discretion:
 - (i) form a view that a Warrant Market Maker Bid is contrary to Rule 10.3.11; or
 - (ii) refer a Warrant Market Maker Bid to a Warrants Committee if ASX considers that the Warrant Market Maker Bid may be contrary to Rule 10.3.11(b).
- (c) For the purposes of paragraph (b) ASX may constitute a Warrants Committee for the purposes of advising ASX on the reasonableness of a Warrant Market Maker Bid for the purposes of Rule 10.3.11(b).
- (d) In considering a Warrant Market Maker Bid, the Warrants Committee may:
 - (i) make any enquiries which it considers relevant to the Warrant Market Maker Bid;
 - (ii) seek information (orally or in writing) from the Warrant-Issuer;
 - (iii) determine the manner in which the Warrant Market Maker Bid will be considered.
- (e) The Warrants Committee may make any recommendation to ASX it considers appropriate in relation to the reasonableness of the Warrant Market Maker Bid.
- (f) The Warrants Committee must use reasonable endeavours to make its recommendations under the Rules as quickly as possible and, if practicable, on the Trading Day on which the Warrant Market Maker Bid was referred to it under the Rules.
- (g) In relation to a Warrant Market Maker Bid, after the Warrants Committee gives ASX its advice, or where ASX forms its own view that a Warrant Market Maker Bid is contrary to Rule 10.3.11, ASX may or may not, in its discretion, take any action (or refrain from taking action) and give any directions it considers appropriate having regard to Rule 6120 including, without limitation, doing any or all of the following:
 - (i) release an announcement to the market to the effect that the Warrant-Issuer failed to maintain a Warrant Market Maker Bid in accordance with Rule 10.3.11(b);
 - (ii) issue a warning letter to the Warrant-Issuer;
 - (iii) notify the Warrant-Issuer that ASX will take the Warrant-Issuer's failure to maintain a Warrant-Market Making Bid in accordance with Rule 10.3.11(b) into account when considering future applications for admission of new Warrant Series to Trading Status;
 - (iv) suspend trading in the Warrants Series; or

- (v) determine that future Warrant Series issued by that Warrant-Issuer may not be admitted to Trading Status for a specified period of time not exceeding 12 months.
- (h) Subject to paragraph (k) before making a decision under 10.14.3(g) ASX must give a Warrant-Issuer an opportunity to make submissions to ASX orally or in writing with respect to any proposed action by ASX.
- (i) Subject to the right of appeal to an Appeal Tribunal in accordance with the provisions of the ASX Enforcement and Appeals Rulebook the exercise by ASX of its powers under this Rule is final and binding on the Warrant-Issuer involved.
- (j) Subject to paragraph (k) ASX must not take any action to implement any decision under Rule 10.14.3(g) until the period for making an appeal has expired, or where there is an appeal, the appeal has been determined.
- (k) ASX may implement and announce a decision to suspend trading in a Warrant Series pursuant to Rule 10.14.3(g) before giving the Warrant-Issuer an opportunity to make submissions, before the expiry of the period for making an appeal, or before an appeal is determined, if ASX considers it appropriate having regard to Rule 6120 to do so.
- (l) Nothing in this Rule 10.14 affects, or derogates from, the exercise by ASX of any other power in these Rules.

Introduced 04/09/06 Amended 31/03/08

10.14.4 Appeals

The following provisions apply in respect of appeals;

- (a) A Warrant-Issuer may appeal to an Appeal Tribunal in accordance with the provisions of the ASX Enforcement and Appeals Rulebook a decision by ASX under Rule 10.14.3(g).

Introduced 04/09/06 Amended 31/03/08

10.14.5 General provisions relating to Warrants Committees

Warrants Committees (referred to in this Rule 10.14.5 as a committee) are to be constituted as set out below:

- (a) ASX may constitute such committees by appointing at least 3 members (or such higher odd number as it sees fit) of the Warrants Panel to such committee.
- (b) At least one member of any such committee must be an agent or employee of ASX or a Related Body Corporate of ASX.
- (c) No person who has an interest in the matter being considered by a committee may be appointed to, or take part in the deliberations of a committee. The fact a member or proposed member of a committee is an employee or agent of ASX, or a Related Body Corporate of ASX, will not be regarded as an interest.

- (d) Committee members may be appointed on such terms as ASX considers appropriate.
- (e) A committee may at any meeting appoint a chairperson for the purposes of the meeting.
- (f) A committee may hold meetings in such a manner as it sees fit.
- (g) The decision of a committee will be determined by simple majority vote of the committee members. Each member has and must exercise a deliberative vote. The chairperson has a deliberative but not a casting vote.
- (h) A committee may conduct proceedings without all members of the committee involved in the proceedings being in the physical presence of each other, provided that all members involved in the proceedings are able to participate in discussion.

Introduced 04/09/06 Amended 31/03/08

10.14.6 Limitation of liability and indemnity

ASX indemnifies each member of a Warrants Committee and each officer of ASX and each person acting for or on behalf of ASX against any liability arising in or in connection with the determination of a Warrants Committee, other than any liability that by law would attach to the member, officer or person in respect of any negligence, default, breach of duty or breach of trust of which the member, officer or person may be guilty in relation to ASX.

Introduced 04/09/06 Amended 31/03/08

10.14.7 Indemnity for certain legal proceedings

Notwithstanding anything contained in Rule 10.14.6 ASX indemnifies each member of a Warrants Committee and each officer of ASX and each person acting for or on behalf of ASX against any liability incurred by the member, officer or person in defending any proceedings whether civil or criminal, in which judgement is given in favour of the member, officer or person or in which the member, officer or person is acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Act to the member, officer or person by any court of competent jurisdiction.

Introduced 04/09/06 Amended 31/03/08

10.14.8 Appointment of Warrant Market Making Agents

The following provisions apply in relation to a Warrant-Issuer that has appointed a Trading Participant to perform Warrant Market Making functions.

- (a) Where a Warrant-Issuer is not a Trading Participant or does not wish to directly make a market in all or some Warrant Series it must appoint a Trading Participant or Trading Participants as its Warrant Market Making Agent.
- (b) A Trading Participant appointed by a Warrant-Issuer as its Warrant Market Making Agent must be registered with ASX as the Market Making Agent of the Warrant-Issuer in accordance with the Procedures.

- (c) Notwithstanding the appointment of a Trading Participant as its Warrant Market Making Agent a Warrant-Issuer is at all times responsible for the performance of its Warrant Market Making obligations for the relevant Warrant Series.

Introduced 04/09/06

SCHEDULE 10A AQUA PRODUCTS AND THE AQUA TRADING MARKET

Schedule 10A describes, and sets out specifications in respect of, AQUA Products and the trading of those products on ASX's market. AQUA Products are Managed Fund Products, ETF Securities or Structured Products as defined in Rule 7100.

10A.1 AQUA PRODUCT RULES

10A.1.1 AQUA Product Rules

This schedule 10A applies to AQUA Products and the trading of AQUA Products. Rules 4600 to 4621 apply to the AQUA Quote Display Board.

Introduced 15/09/08

10A.1.2 No Guarantee of Viability

The approval of an AQUA Product Issuer or admission of an AQUA Product Series to Trading Status or to the AQUA Quote Display Board does not imply any guarantee or warranty by ASX as to the viability of the AQUA Product Issuer.

Introduced 15/09/08

10A.1.3 Obligations of AQUA Product Issuer

- (a) The obligations of AQUA Product Issuers who have agreed to be bound by these Rules under Schedule 10A and Rules 4600 to 4621 are owed to ASX.
- (b) If an AQUA Product Issuer is a Market Participant it will in addition, in that capacity, be bound by these Rules in accordance with Rule 6001.

Introduced 15/09/08

10A.2 AQUA PRODUCT ISSUERS

10A.2.1 Approval of AQUA Product Issuer

In order to be approved as an AQUA Product Issuer, an applicant for approval as an AQUA Product Issuer must:

- (1) hold all relevant licence authorisations under Chapter 7 of the Corporations Act for the purpose of the conduct of their business as an AQUA Product Issuer under Schedule 10A and Rules 4600 to 4621, as applicable (but only to the extent that such licence authorisation is required by that Act);
- (2) confirm to ASX that it has facilities, expertise, procedures, personnel and financial resources which are adequate for the performance by the applicant of its obligations as an AQUA Product Issuer;

- (3) agree in writing to be bound by the Rules, and conditions imposed pursuant to the Rules; and
- (4) an AQUA Product Issuer which issues Issuer Market Risk Products must be one of the following:
 - (a) an entity, which is prudentially regulated as specified in the Procedures;
 - (b) a government;
 - (c) an entity which:
 - (i) holds an Australian Financial Services Licence or a licence in another jurisdiction which makes it subject to adequate supervision of capital standards;
 - (ii) has a long term debt rating of investment grade or its equivalent by a rating agency acceptable to ASX;
 - (iii) has net tangible assets which in the opinion of ASX are sufficient to support the proposed issue; and
 - (iv) is acceptable to ASX;
 - (d) an entity which has a Guarantor which meets the criteria in paragraph (4)(a), (4)(b) or 4(c); or
 - (e) any other person or entity accepted by ASX, whose decision will be final.
- (5) an AQUA Product Issuer which issues AQUA Products other than Issuer Market Risk Products must be one of the following:
 - (a) an entity which meets one of the criteria in paragraph (4) above;
 - (b) an entity which is a responsible entity of a managed investment scheme registered under the Corporations Act;
 - (c) an entity which is admitted to the Official List of ASX; or
 - (d) any other person or entity accepted by ASX, whose decision will be final.

Upon approval as an AQUA Product Issuer, an AQUA Product Issuer must continue to satisfy the above requirements while its approval as an AQUA Product Issuer remains in force. The suspension or cessation of an AQUA Product Issuer's approval for any reason does not affect any obligations of an AQUA Product Issuer arising while that approval was in force.

Introduced 15/09/08

10A.2.2 Guarantors

All guarantees provided by a Guarantor pursuant to Rule 10A.2.1 must be unconditional and irrevocable and in favour of the AQUA Product Holder. Government

guarantees will be acknowledged to ASX in writing by the Treasurer of that government.

Introduced 15/09/08

10A.2.3 ASX has discretion regarding approval of AQUA Product Issuers

The following requirements apply to the approval of AQUA Product Issuers:

- (a) ASX has absolute discretion as to whether to approve an AQUA Product Issuer;
- (b) approval may be granted on such conditions as ASX thinks appropriate and AQUA Product Issuers must comply with such conditions at all times;
- (c) ASX may suspend or revoke any such approval if in the absolute discretion of ASX, ASX is of the opinion or reasonably suspects that an AQUA Product Issuer may become unable or unwilling, or in any respect fails, to comply with Schedule 10A or Rules 4600 to 4621; and
- (d) ASX may grant, suspend or revoke approval without giving any reason including, without limiting the generality of the foregoing and subject to no less than one months notice being given, where an AQUA Product Issuer has no AQUA Product Series admitted to Trading Status or admitted to the AQUA Quote Display Board either currently or within the previous twelve months.

Introduced 15/09/08

10A.3 ADMISSION OF AQUA PRODUCTS

10A.3.1 ASX's discretion regarding admission of AQUA Products

The following provisions apply to the admission of AQUA Product Series to Trading Status or to the AQUA Quote Display Board:

- (a) an AQUA Product Issuer must indicate whether they seek admission of an AQUA Product to Trading Status or to the AQUA Quote Display Board;
- (b) an AQUA Product shall not be available for trading on ASX unless and until the relevant AQUA Product Series has been admitted to Trading Status by ASX;
- (c) an AQUA Product may not be advertised on the AQUA Quote Display Board unless and until the relevant AQUA Product Series has been admitted to the AQUA Quote Display Board by ASX;
- (d) without affecting the generality of sub-paragraph (e) an approved AQUA Product Issuer seeking the admission of an AQUA Product Series must satisfy ASX that it continues to satisfy the requirements of Rule 10A.2;
- (e) admission of AQUA Products is in ASX's absolute discretion. ASX may admit AQUA Products to Trading Status or to the AQUA Quote Display Board on any conditions it considers appropriate and the AQUA Product Issuer must comply with such conditions. ASX may grant or refuse admission to Trading Status or to the AQUA Quote Display Board without giving any reasons; and

- (f) ASX may suspend or revoke any such admission if, in the absolute discretion of ASX, ASX is of the opinion or reasonably suspects that the AQUA Product Issuer may become unable or unwilling, or in any respect fails, to comply with this Schedule 10A or Rules 4600 to 4621.

Introduced 15/09/08

10A.3.2 Requirement for specific AQUA Product Series

Admission to Trading Status or to the AQUA Quote Display Board will be for a specific AQUA Product Series with a title and description sufficient to be distinguishable from other AQUA Product Series already admitted to Trading Status or to the AQUA Quote Display Board.

Introduced 15/09/08

10A.3.3 Requirements for admission

Admission to Trading Status or to the Quote Display Board will only be granted to AQUA Products if all the following requirements are satisfied:

- (a) the AQUA Product Issuer has completed and given to ASX a form of application for admission set out in the Procedures;
- (b) ASX has no objection to the Financial Product including the investment mandate or other constituent documents (in the case of Managed Fund Products and ETF Securities) or the Terms of Issue (in the case of Structured Products);
- (c) the capital value or distributions of the Financial Product must be linked to liquid Underlying Instruments which have a robust and transparent pricing mechanism being:
- (i) securities traded on an exchange which is a member of the World Federation of Exchanges;
 - (ii) commodities and currencies traded on a recognised market with post trade transparency or for which there is a regulated derivatives market which controls price discovery; and
 - (iii) indices over the above Underlying Instruments.
- (d) the Financial Product is not:
- (i) a security in a listed investment company;
 - (ii) a unit in a real estate investment trust (REIT) or similar fund;
 - (iii) a unit in an infrastructure trust or fund;
 - (iv) a unit in a non-portfolio strategic investment vehicle (such as a private equity fund);
 - (v) a Financial Product where the issuer has a significant influence over the price or value of the Underlying Instrument(s);

- (vi) a Financial Product for which, in ASX's opinion, there is insufficient information available to the market on an ongoing basis regarding the price or value of the Underlying Instrument(s);
 - (vii) a Financial Product where the Underlying Instruments are shares in an unlisted company, artworks or other collectibles, wine or other assets where the price or value of the Underlying Instruments is not set by a transparent mechanism;
 - (viii) units in a Managed Fund Product for which the net asset value are not disclosed daily (in the case of admission Trading Status) or at least quarterly (in the case of admission to the AQUA Quote Display Board);
 - (ix) a Financial Product priced by reference to an index where the level of that index is not publicly available or reported on a regular basis;
 - (x) any other the Financial Products to which ASX considers the listing mechanism and continuous disclosure regime in the ASX Listing Rules should apply;
- (e) the AQUA Product Issuer is approved by ASX under Rule 10A.2;
 - (f) the AQUA Product Issuer has prepared and given to ASX a disclosure document that complies with the Corporations Act or evidence of an exemption from the disclosure requirements under the Corporations Act;
 - (g) in relation to Structured Products, the AQUA Product Series is within the issue limits set out in Rule 10A.5.1;
 - (h) the AQUA Product Issuer has satisfied any other conditions that ASX may impose in relation to disclosure.

Where a draft disclosure document is given under paragraph (f) trading of AQUA Products or advertising of prices on the AQUA Quote Display Board must not commence until the final disclosure document has been given to ASX.

Introduced 15/09/08

10A.3.4 Additional requirements for admission to Trading Status

In the case of Managed Fund Products, Trading Status will only be granted if:

- (a) the Managed Fund is an open ended scheme, being a scheme which continuously issues and redeems Financial Products based on the net asset value of the Managed Fund; and
- (b) the constitution of the Managed Fund provides that off market redemption facilities will operate daily.

This rule does not apply to products admitted only to the AQUA Quote Display Board.

Introduced 15/09/08

10A.3.5 Authorisation to use index

Unless otherwise determined by ASX, in the case of AQUA Products for which the underlying investment is an index which is subject to ownership held by a party other than the AQUA Product Issuer, the AQUA Product Issuer must submit with its application, written authorisation from the owner to use that index for the purposes of that issue of AQUA Products.

Introduced 15/09/08

10A.3.6 Market making requirement

There are no initial spread or market making requirements for AQUA Products admitted only to the AQUA Quote Display Board.

An AQUA Product Issuer must with respect to each AQUA Product or AQUA Product Series admitted to Trading Status either:

- (a) on an ongoing basis ensure a reasonable Bid and volume is maintained in the market for each AQUA Product Series for the period set out in the Procedures except in Permitted Circumstances; or
- (b) have in place other arrangements which meet the requirements set out in the Procedures and, in the opinion of ASX, provide a mechanism for sufficient liquidity in the AQUA Product Series.

However, the requirements above will cease to apply if the AQUA Product has, and continues to have, a spread of at least 1000 AQUA Product Holders and a net asset value of at least the amount specified in the Procedures.

In this Rule **Permitted Circumstances** means where:

- (c) the Underlying Instrument or the underlying hedge instrument of an AQUA Product Series (where relevant) is placed in Pre-Open Session State or is subject to a suspension or trading halt or is otherwise unavailable for trading;
- (d) the AQUA Product Series is subject to a suspension or trading halt or is placed in Pre-Open Session State or is otherwise unavailable for trading;
- (e) the theoretical value of the AQUA Product Series is below the relevant minimum price step of the Trading Platform (e.g. \$0.001);
- (f) the AQUA Product Issuer has advised the market that it (or its AQUA Product Market Making Agent) would breach laws, regulatory rules or similar constraints either in Australia or a relevant foreign jurisdiction by fulfilling its market making obligations, provided that:
 - (i) where appropriate, it will endeavour to obtain any necessary regulatory relief that will enable it to continue to make a market in that AQUA Product Series; and
 - (ii) it will advise the market upon being able to continue to make a market in that AQUA Product Series;
- (g) the AQUA Product Issuer has advised the market by such time as set out in the Procedures that it (or its appointed AQUA Product Market Making Agent)

continues to experience an interruption to its normal operating environment that substantially prevents the timely and accurate entry of market making orders into the Trading Platform;

- (h) any other circumstances set out in the Procedures and notified to the Commission.

Introduced 15/09/08

10A.3.7 Fees

The AQUA Product Issuer must pay to ASX fees in connection with the admission to Trading Status or Quote Display Board as determined by ASX from time to time.

Introduced 15/09/08

10A.4 MANAGED FUND PRODUCTS AND ETF SECURITIES

10A.4.1 Investment mandate

Managed Funds and ETFs are required to have an investment mandate or similar document in relation to each AQUA Product Series which sets out the investment approach of the AQUA Product Issuer. The investment mandate or similar document must meet the requirements of ASX as set out in the Procedures.

Introduced 15/09/08

10A.4.2 Disclosure requirements for Managed Fund Products

An AQUA Product Issuer that issues Managed Fund Products must disclose:

- (a) information about the net asset value of the Underlying Instruments for the Managed Fund daily (in the case of Managed Fund Products admitted to Trading Status) or at least quarterly (in the case of Managed Fund Products admitted to the AQUA Quote Display Board);
- (b) information about redemptions from the Managed Fund;
- (c) information about dividends or distributions paid in relation to the Managed Fund;
- (d) any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act; and
- (e) any other information that would be required to be disclosed to ASX under section 323DA of the Corporations Act if the Managed Fund Product were admitted under the ASX Listing Rules;

in the time and manner specified in the Procedures.

Introduced 15/09/08

10A.4.3 Additional disclosure requirements for actively managed Managed Fund Products

If a Managed Fund Product is actively managed and the AQUA Product Issuer's management activities cause the last reported net asset value to move by more than ten percent, the AQUA Product Issuer must immediately disclose its net asset value to ASX.

Introduced 15/09/08

10A.4.4 Disclosure requirements for ETFs

An AQUA Product Issuer that issues ETFs must disclose:

- (a) information about the net asset value of the Underlying Instruments for the ETF;
- (b) information about dividends or distributions paid in relation to the ETF;
- (c) any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act; and
- (d) any other information that would be required to be disclosed to ASX under section 323DA of the Corporations Act if the ETF were admitted under the ASX Listing Rules;

in the time and manner specified in the Procedures.

Introduced 15/09/08

10A.5 STRUCTURED PRODUCTS

10A.5.1 Issue limits

This Rule 10A.5.1 relates to AQUA Products which are Structured Products and in relation to which the settlement obligations under the Terms of Issue are in the first instance completed by the transfer of Cash Market Products of an ASX Listed Entity to the AQUA Product Holders. A proposed issue of such AQUA Products will not be admitted to Trading Status or to the AQUA Quote Display Board, where, at the time of the proposed issue of the AQUA Products, either or both of the following apply:

- (a) the number of Equity Securities which may be acquired or be required to be acquired pursuant to the exercise of AQUA Products at any time prior to and inclusive of the expiry date of the proposed issue of AQUA Products, whether under the proposed issue or any existing issue of AQUA Products or Warrants, would exceed 50% of the class of Cash Market Product, or such lesser percentage set by ASX; and
- (b) the number of Equity Securities which may be acquired or be required to be acquired pursuant to the exercise of AQUA Products or Warrants that expire during the 14 day period immediately before or after the expiry date of the proposed issue of AQUA Products, would exceed 20% of the class of Cash Market Product or such lesser percentage set by ASX.

These tests will be applied separately to put AQUA Products and Warrants and call AQUA Products and Warrants.

Introduced 15/09/08

10A.5.2 Terms of Issue

AQUA Products which are Structured Products are required to have Terms of Issue unless ASX specifies otherwise. The Terms of Issue must:

- (a) include appropriate provisions for the adjustment of the exercise rights of the Structured Products in appropriate circumstances, including, without limitation:
 - (i) where the Structured Products are linked to Cash Market Products of a Listed Entity, adjustments for reductions in capital, bonus issues, rights issues and capital restructurings; and
 - (ii) where the Structured Products are linked to an index, the modification and discontinuance of the index; and
- (b) meet any other requirements specified in the Procedures or otherwise specified by ASX.

Introduced 15/09/08

10A.5.3 Amendment of expiry date, prohibition on amendment to Terms of Issue, ASX's consent

- (a) The expiry date of a Structured Product can be amended:
 - (i) if the Terms of Issue state that the expiry date can be amended in the event of an extraordinary event, and such an event occurs; or
 - (ii) if the expiry date is extended with the consent of ASX and this does not materially prejudice the interests of AQUA Product Holders;but cannot be amended in any other circumstances.
- (b) No other Terms of Issue can be amended except as permitted by Rules 10A.5.4 or 10A.5.5.
- (c) Where Terms of Issue entitle an AQUA Product Issuer to act or refrain from acting with the consent of ASX, ASX may grant or refuse to grant consent in its absolute discretion.

Introduced 15/09/08

10A.5.4 Amendment of Terms of Issue by approval

If provided for in the Terms of Issue, the Terms of Issue can be amended with the approval of 75% of votes cast by those AQUA Product Holders who vote on a proposed resolution. Votes cast by the AQUA Product Issuer or its associates must be disregarded. Voting must be in accordance with the following:

- (a) voting rights in respect of Structured Products will be on a one for one basis;

- (b) an AQUA Product Holder will be entitled to vote on any proposed resolution; and
- (c) in circumstances where an AQUA Product Issuer proposes to hold a meeting, it must provide each AQUA Product Holder, by the time set out in the Procedures:
 - (i) written notice of the meeting; and
 - (ii) proxy forms by which an AQUA Product Holder can appoint a person to attend the meeting and vote on its behalf. Such proxy forms must be blank so far as the person primarily to be appointed as proxy is concerned.

Introduced 15/09/08

10A.5.5 Amendment of Terms of Issue with ASX's consent

If provided for in the Terms of Issue, the Terms of Issue can be amended, with the consent of ASX:

- (a) if the amendment is necessary in the opinion of the AQUA Product Issuer to comply with any statutory or other requirements of law or any requirement of ASX;
- (b) to rectify any defect, manifest error or ambiguity in the Terms of Issue where the amendment does not materially prejudice the interests of AQUA Product Holders;
- (c) to permit transfers by a method other than as set out in the Terms of Issue;
- (d) in the case of an adjustment or an extraordinary event, as defined in the Terms of Issue; or
- (e) where, in the reasonable opinion of the AQUA Product Issuer, the amendment does not materially prejudice the interests of AQUA Product Holders.

Introduced 15/09/08

10A.5.6 Underlying Instrument is Approved Short Sale Product

Where the Underlying Instrument the subject of the issue is a security which is an Approved Short Sale Product and the issue is not fully covered, a sale of the Underlying Instrument is deemed to be a sale within the meaning of sub-paragraph 1020B(4)(e)(ii) of the Corporations Act.

Introduced 15/09/08

10A.6 AQUA PRODUCT ISSUER REPORTS

10A.6.1 Information concerning AQUA Product Issuers and Guarantors

An AQUA Product Issuer and any Guarantor must upon request by ASX provide forthwith to ASX any explanations and/or information concerning itself or any of its subsidiaries or of any proposed action or omission to act the lack of disclosure of which may lead to the establishment of a false market in AQUA Products issued by the

relevant AQUA Product Issuer or which would be likely to materially affect the price of those AQUA Products.

Introduced 15/09/08

10A.6.2 Information in relation to AQUA Products in a specified AQUA Product Series

If requested by ASX, an AQUA Product Issuer must provide any information in relation to AQUA Products in a specified AQUA Product Series as required by ASX. This information must be provided in a form acceptable to ASX and must be provided within the time set out in the Procedures.

Introduced 15/09/08

10A.6.3 False market in AQUA Products

An AQUA Product Issuer and any Guarantor must notify ASX immediately of any information concerning itself or of any of its subsidiaries or any proposed action or omission to act, the non-disclosure of which may lead to the establishment of a false market in AQUA Products issued by the relevant AQUA Product Issuer or which would be likely to materially affect the price of those AQUA Products.

Introduced 15/09/08

10A.6.4 Documentation forwarded to ASX

All documentation forwarded to ASX by or on behalf of an AQUA Product Issuer, and Guarantor (if applicable), whether provided in support of an application or in compliance with the Rules for the time being or otherwise, will become and remain the property of ASX which may, in its absolute discretion, copy any or all of such documentation and forward such copies to the public, the media, or any other interested party. Private correspondence, including draft documents lodged with ASX for approval, and marked "not for public release" will only be released to the public, the media, or any other interested party where ASX has formed the opinion that the information should be released and has given notice to the AQUA Product Issuer to that effect.

Introduced 15/09/08

10A.6.5 Amended, supplementary and replacement disclosure documents

Where an AQUA Product Issuer has given to ASX a disclosure document in respect of an AQUA Product under Rule 10A.3.3(f), the AQUA Product Issuer must promptly give to ASX any amended, supplementary or replacement disclosure document which it prepares and proposes to issue in respect of those AQUA Products.

Introduced 15/09/08

10A.7 TRANSFERS AND REGISTERS

10A.7.1 Transfer of AQUA Products

The transfer of an AQUA Product must comply with Part 7.11 of the Corporations Act and, if the AQUA Product is a CS Approved Product, be effected in accordance with the Clearing Rules and the Settlement Rules.

Introduced 15/09/08

10A.7.2 Comply with Clearing Rules and Settlement Rules

If AQUA Products are CS Approved Products, the AQUA Product Issuer must, in respect of the AQUA Products, comply with the Clearing Rules and the Settlement Rules to the extent they apply to AQUA Products

Introduced 15/09/08

10A.7.3 Issuer Sponsored Subregister

If the AQUA Product Issuer establishes an “Issuer Sponsored Subregister” (as that term is defined in the Settlement Rules) in respect of an AQUA Product Series, the AQUA Product Issuer must comply with the relevant Listing Rules (Chapter 8) in relation to “Issuer Sponsored Subregisters”, as if the AQUA Product Issuer were a company referred to in those Listing Rules.

Introduced 15/09/08

10A.7.4 Register of AQUA Product Holders

The AQUA Product Issuer must arrange for the establishment and maintenance of a Register of AQUA Product Holders which complies with the Corporations Act requirements for shares or units in a registered scheme.

Introduced 15/09/08

10A.7.5 Comply with the Listing Rules

The AQUA Product Issuer must comply with the Listing Rules in relation to the issue and despatch of holding statements, the transfer and transmission of AQUA Products, and the establishment and maintenance of a Register of AQUA Product Holders as if the AQUA Products were shares in a listed entity.

Introduced 15/09/08

10A.7.6 Transfer between Australian Registers

An AQUA Product Issuer must permit AQUA Products to be transferred from one Australian Register of AQUA Product Holders to another without restriction or payment of fee.

Introduced 15/09/08

10A.7.7 Transfer between Australian Register and Register maintained outside Australia

Where AQUA Products are transferred from:

- (a) an Australian Register of AQUA Product Holders to a Register of AQUA Product Holders maintained outside Australia; or
- (b) a Register of AQUA Product Holders maintained outside Australia to an Australian Register of AQUA Product Holders;

the AQUA Product Issuer registry or its agent with which the transfers are lodged by the lodging agent must forward to the lodging agent within the time set out in the Procedures, a serially numbered transmission receipt which must include:

- (c) date of issue;
- (d) name and address of AQUA Product Holder;
- (e) number of AQUA Products;
- (f) description of AQUA Products;
- (g) location of Register of AQUA Product Holders to which AQUA Products have been transferred;
- (h) date of transfer;
- (j) inter-register reference number (if any);
- (k) name of lodging agent; and
- (l) date and/or reference number of lodging agent's registration and/or transfer instruction.

Introduced 15/09/08

10A.7.8 Offices open on week days

An AQUA Product Issuer must ensure that offices at which transfers of AQUA Products are to be lodged for registration are open on all week days other than gazetted bank holidays or public holidays in the State or Territory in which the office is located and any other day which ASX will declare and publish as not a Business Day.

Introduced 15/09/08

10A.8 SUSPENSION OF TRADING BY ASX

10A.8.1 Suspension of trading by ASX

ASX reserves the right to halt or suspend trading of any AQUA Product whenever ASX deems such action appropriate having regard to Rule 6120 or if the AQUA Product Issuer or Guarantor has failed to comply with their obligations under Schedule 10A or 10B or the constituent documents (in the case of Managed Fund Products or ETFs) or Terms of Issue (in the case of Structured Products).

Introduced 15/09/08

10A.9 INDEMNITY

10A.9.1 Indemnity

An AQUA Product Issuer and Guarantor indemnifies ASX against any claim arising from, or in relation to, an AQUA Product issued by that AQUA Product Issuer.

Introduced 15/09/08

10A.10 COMPLIANCE WITH MARKET MAKING REQUIREMENTS

10A.10.1 Definitions

“AQUA Products Committee” means an AQUA Products Committee established under this Rule 10A.10.

“AQUA Products Panel” means an AQUA Products Panel constituted under this Rule 10A.10.

“AQUA Products Market Maker” means an AQUA Product Issuer performing an AQUA Product Market Making function under Schedule 10A of the Rules.

“AQUA Product Market Maker Bid” means a Bid and/or volume made for the purposes of Rule 10A.3.6.

“AQUA Product Market Making” means the provisions of market making in accordance with Rule 10A.3.6.

“AQUA Product Market Making Agent” means a Trading Participant appointed by an AQUA Product Issuer to perform AQUA Product Market Making as agent of the AQUA Product Issuer and registered for that purpose with ASX.

Introduced 15/09/08

10A.10.2 AQUA Products Panel

The following provisions apply to the constitution of an AQUA Products Panel:

- (a) ASX may appoint persons to an AQUA Products Panel for the purpose of allowing the constitution by selected members of the AQUA Products Panel of an AQUA Products Committee as required from time to time.
- (b) Subject to this Rule 10A.10 more than one AQUA Products Committee may be constituted from the AQUA Products Panel at any one time whether or not constituted by some or all of the same members of another AQUA Products Committee.
- (c) Persons appointed to the AQUA Products Panel may include directors or employees of ASX, or a Related Body Corporate of ASX, directors or employees of AQUA Product Issuers or Market Participants and such other persons as ASX thinks fit.

Introduced 15/09/08

10A.10.3 Maintenance of Reasonable Bid and Volume and AQUA Products Committee

The following provisions apply in relation to the obligation of AQUA Product Issuers to maintain a Bid and volume under Rule 10A.3.6 (where applicable):

- (a) When requested by ASX, an AQUA Product Issuer must within the time set out in the Procedures or such further period as ASX may allow, provide details of how it determined the Bid value and volume for the purpose of Rule 10A.3.6.

- (b) Where ASX receives the details referred to in paragraph (a) or had not received such details within the required time it may (or may not) in its absolute discretion:
- (i) form a view that an AQUA Product Market Maker Bid is contrary to Rule 10A.3.6; or
 - (ii) refer an AQUA Product Market Maker Bid to an AQUA Products Committee if ASX considers that the AQUA Product Market Maker Bid may be contrary to Rule 10A.3.6.
- (c) For the purposes of paragraph (b) ASX may constitute an AQUA Product Committee for the purposes of advising ASX on the reasonableness of a AQUA Product Market Maker Bid for the purposes of Rule 10A.3.6.
- (d) In considering an AQUA Product Market Maker Bid, the AQUA Products Committee may:
- (i) make any enquiries which it considers relevant to the AQUA Product Market Maker Bid;
 - (ii) seek information (orally or in writing) from the AQUA Product Issuer;
 - (iii) determine the manner in which the AQUA Product Market Maker Bid will be considered.
- (e) The AQUA Products Committee may make any recommendation to ASX it considers appropriate in relation to the reasonableness of the AQUA Product Market Maker Bid.
- (f) The AQUA Products Committee must use reasonable endeavours to make its recommendations under the Rules as quickly as possible and, if practicable, on the Trading Day on which the AQUA Product Market Maker Bid was referred to it under the Rules.
- (g) In relation to an AQUA Product Market Maker Bid, after the AQUA Products Committee gives ASX its advice, or where ASX forms its own view that an AQUA Product Market Maker Bid is contrary to Rule 10A.3.6, ASX may or may not, in its discretion, take any action (or refrain from taking action) and give any directions it considers appropriate having regard to Rule 6120 including, without limitation, doing any or all of the following:
- (i) release an announcement to the market to the effect that the AQUA Product Issuer failed to maintain an AQUA Product Market Maker Bid in accordance with Rule 10A.3.6;
 - (ii) issue a warning letter to the AQUA Product Issuer;
 - (iii) notify the AQUA Product Issuer that ASX will take the AQUA Product Issuer's failure to maintain an AQUA Product Market Making Bid in accordance with Rule 10A.3.6 into account when considering future applications for admission of new AQUA Product Series to Trading Status;
 - (iv) suspend trading in the AQUA Product Series; or

- (v) determine that future AQUA Product Series issued by that AQUA Product Issuer may not be admitted to Trading Status for a specified period of time not exceeding 12 months.
- (h) Subject to paragraph (k) before making a decision under 10A.10.3(g) ASX must give an AQUA Product Issuer an opportunity to make submissions to ASX orally or in writing with respect to any proposed action by ASX.
- (i) Subject to the right of appeal to an Appeal Tribunal in accordance with the provisions of the ASX Enforcement and Appeals Rulebook the exercise by ASX of its powers under this Rule is final and binding on the AQUA Product Issuer involved.
- (j) Subject to paragraph (k) ASX must not take any action to implement any decision under Rule 10A.10.3(g) until the period for making an appeal has expired, or where there is an appeal, the appeal has been determined.
- (k) ASX may implement and announce a decision to suspend trading in an AQUA Product Series pursuant to Rule 10A.10.3(g) before giving the AQUA Product Issuer an opportunity to make submissions, before the expiry of the period for making an appeal, or before an appeal is determined, if ASX considers it appropriate having regard to Rule 6120 to do so.
- (l) Nothing in this Rule 10A.10 affects, or derogates from, the exercise by ASX of any other power in these Rules.

Introduced 15/09/08

10A.10.4 Appeals

An AQUA Product Issuer may appeal to an Appeal Tribunal in accordance with the provisions of the ASX Enforcement and Appeals Rulebook a decision by ASX under Rule 10A.10.3(g).

Introduced 15/09/08

10A.10.5 General provisions relating to AQUA Products Committees

AQUA Products Committees (referred to in this Rule 10A.10.5 as a committee) are to be constituted as set out below:

- (a) ASX may constitute such committees by appointing at least 3 members (or such higher odd number as it sees fit) of the AQUA Products Panel to such committee.
- (b) At least one member of any such committee must be an agent or employee of ASX or a Related Body Corporate of ASX.
- (c) No person who has an interest in the matter being considered by a committee may be appointed to, or take part in the deliberations of a committee. The fact a member or proposed member of a committee is an employee or agent of ASX, or a Related Body Corporate of ASX, will not be regarded as an interest.
- (d) Committee members may be appointed on such terms as ASX considers appropriate.

- (e) A committee may at any meeting appoint a chairperson for the purposes of the meeting.
- (f) A committee may hold meetings in such a manner as it sees fit.
- (g) The decision of a committee will be determined by simple majority vote of the committee members. Each member has and must exercise a deliberative vote. The chairperson has a deliberative but not a casting vote.
- (h) A committee may conduct proceedings without all members of the committee involved in the proceedings being in the physical presence of each other, provided that all members involved in the proceedings are able to participate in discussion.

Introduced 15/09/08

10A.10.6 Limitation of liability and indemnity

ASX indemnifies each member of an AQUA Products Committee and each officer of ASX and each person acting for or on behalf of ASX against any liability arising in or in connection with the determination of an AQUA Products Committee or AQUA Products Appeal Committee, other than any liability that by law would attach to the member, officer or person in respect of any negligence, default, breach of duty or breach of trust of which the member, officer or person may be guilty in relation to ASX.

Introduced 15/09/08

10A.10.7 Indemnity for certain legal proceedings

Notwithstanding anything contained in Rule 10A.10.6 ASX indemnifies each member of an AQUA Products Committee and each officer of ASX and each person acting for or on behalf of ASX against any liability incurred by the member, officer or person in defending any proceedings whether civil or criminal, in which judgement is given in favour of the member, officer or person or in which the member, officer or person is acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Act to the member, officer or person by any court of competent jurisdiction.

Introduced 15/09/08

10A.10.8 Appointment of AQUA Product Market Making Agents

The following provisions apply in relation to an AQUA Product Issuer that has appointed a Trading Participant to perform AQUA Product Market Making functions.

- (a) Where an AQUA Product Issuer is not a Trading Participant or does not wish to directly make a market in all or some AQUA Product Series it must appoint a Trading Participant or Trading Participants as its AQUA Product Market Making Agent(s).
- (b) A Trading Participant appointed by an AQUA Product Issuer as its AQUA Product Market Making Agent must be registered with ASX as the Market Making Agent of the AQUA Product Issuer in accordance with the Procedures.
- (c) Notwithstanding the appointment of a Trading Participant as its AQUA Product Market Making Agent an AQUA Product Issuer is at all times responsible for

the performance of its AQUA Product Market Making obligations for the relevant AQUA Product Series.

Introduced 15/09/08