

References Version 2, Operative 12/12/2002

 BSX Business Rules, Chapter 7,

 Corporations Act, s792G and Part 7.11

Introduction

This guidance note has been issued to assist BSX brokers comply with their clearing and settlement obligations under the BSX Business Rules.

Regulatory Objectives

The key objectives of the BSX market clearing and settlement arrangements are to:

- complete transactions entered into on the BSX market as efficiently as possible;
- minimise the risk of transactions not being settled in a timely way;
- resolve outstanding issues in relation to clearing and settlement of transactions efficiently; and
- achieve the above aims as cost effectively as possible.

BSX regards achieving the above objectives as an important way of meeting several of the key principles upon which the BSX Business Rules are based.

Primary Obligations of BSX Brokers

Chapter 7 of the BSX Business Rules sets out the requirements of BSX brokers in relation to clearing and settlement.

The primary obligations of BSX brokers under Chapter 7 are to :

- settle trades on a broker to broker basis (Rule 7.1); and
- settle on a T + 5 basis (Rule 7.2).

Chapter 7 contains detailed provisions about how BSX brokers are to deal with corporate actions and taxation adjustments (Rules 7.5 to 7.42) and requirements in relation to documents (Rules 7.43 to 7.52). A number of these provisions have been included to accommodate the requirements of Part 7.11 of the Corporations Act.

BSX brokers should ensure they are well aware of their obligations in relation to clearing and settlement and corporate actions.

In particular, they should ensure they have relevant procedures in place so they can comply with their obligations efficiently and effectively.

Settlement Agents

Under BSX Business Rule 7.7, a BSX broker may appoint a settlement agent approved by BSX to carry out their delivery and settlement obligations under Chapter 7.

To be approved by BSX to act as a settlement agent an organisation must satisfy BSX Business Rule 7.5.

Under BSX Business Rule 7.7 a BSX broker may, upon giving prior written notice to BSX, appoint an organisation approved by BSX to act as their settlement agent.

If a BSX broker appoints a settlement agent they must ensure the settlement agent complies with the BSX Business Rules in relation to settlement of the BSX broker's transactions (Rule 7.9).

The BSX broker also remains responsible for the actions of their settlement agent (Rule 7.10).

As at the time of issue of this Guidance Note BSX had approved the organisations in the attached Table to act as settlement agents for BSX Brokers.

Clearing and Settlement Administrator

Under BSX Business Rule 7.11, BSX may appoint a clearing and settlement administrator on such terms as BSX believes are appropriate to monitor and report to BSX on the settlement of transactions that take place on the BSX market.

BSX has appointed Sandhurst Trustees Limited as clearing and settlement administrator.

A BSX broker, or their settlement agent, is required under BSX Business Rule 7.13 to notify the clearing & settlement administrator of all of their settled and unsettled transactions by 4.30 pm on the day the transactions were due to settle.

BSX Powers in Relation to Clearing and Settlement Obligations

BSX reviews the reports from the clearing and settlement administrator to ensure that transactions on the BSX

market are being settled in an orderly way.

If BSX believes a BSX broker is not complying with their settlement obligations, BSX has a range of actions it can potentially take against the BSX broker under the BSX Business Rules.

In particular, BSX can:

- suspend a BSX broker's dealing rights under Rule 6.19;
- impose fees for late settlement under Rule 7.4;
- take disciplinary action against the BSX broker under Chapter 8 of the BSX Business Rules;
- suspend or cancel a BSX broker's recognition under Chapter 8;
- declare a BSX broker a defaulter under chapter 8; or

a combination of the above.

Scope of Guidance Note

This guidance note is intended to assist BSX brokers comply with their obligations under the BSX Business Rules. It is not exhaustive, does not in any way act as a substitute for any BSX Business Rules and is not binding on BSX in its application of the Rules in any particular case.

This guidance note does not constitute legal advice by BSX. Where appropriate, BSX brokers should obtain their own professional advice about compliance with their obligations under the BSX Business Rules.

Queries

If you have queries about this guidance note please contact the BSX Brokers office on:

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TABLE

Approved Clearing & Settlement Agents

Sandhurst Trustees Limited