

Corporations Amendment Regulations 1999 (No. 4) 1999 No. 212

EXPLANATORY STATEMENT

Statutory Rules 1999 No. 212

Issued by the authority of the Minister for Financial Services and Regulation

Corporations Act 1989

Corporations Amendment Regulations 1999 (No. 4)

Section 22 of the *Corporations Act 1989* (the Act) empowers the Governor-General to make regulations not inconsistent with the Act or the Corporations Law (the Law), prescribing matters which are required or permitted by the Law to be prescribed by regulations, or are necessary or convenient to be prescribed by regulations for carrying out or giving effect to the Law.

The purpose of the regulations is to amend Corporations Regulations 7.1.03 and 8.1.02.

Regulation 7.1.03 prescribes indexes for subparagraph (b)(ii) of the definition of an *option contract* in section 9 of the Law. Regulation 8.1.02 prescribes indexes for the purposes of paragraph (b) of the definition of an *eligible exchange-traded option* in section 9 of the Law.

The prescription of additional indexes in Regulation 7.1.03, will enable the Australian Stock Exchange (ASX) to trade options over the indexes, and third parties to write warrants over the indexes and list them on a securities exchange. At present, options can be listed on a securities exchange over a number of ASX indices, which include the Fifty Leaders, Twenty Leaders, All Industrials, All Resources and Gold share price indices. Regulation 7.1.03 also prescribes a number of overseas indices on which option contracts can be listed, including the Nikkei and Ft-SE 100 indices, as well as the S&P 500 Composite Stock Price Index.

The amendment to Regulation 8.1.02 to prescribe additional indexes, will allow the Sydney Futures Exchange (SFE) to also offer index linked exchange-traded option products. At present, the only prescribed index that an exchange traded option is permitted to be traded on, is the ASX Twenty Leaders Share Price Index (SPI).

The following indexes are to be prescribed in Regulations 7.1.03 and 8.1.02:

- * Dow Jones Asia-Pacific Extra Liquid Series - Australia Equity Index;
- * Dow Jones Asia-Pacific Extra Liquid Series - Hong Kong Equity Index;
- * Dow Jones Asia-Pacific Extra Liquid Series - Japan Equity Index; and
- * Dow Jones Asia-Pacific Extra Liquid Series - Pan Pacific Equity Index.

Details of the regulations are set out in the Attachment.

The regulations commence on gazettal.

ATTACHMENT

Details of the Proposed Regulations

The Australian Pacific Extra Liquid Series (AP/ELS) indexes are a subset of the Dow Jones Global Index, specially designed to meet the needs of index investors. Stocks chosen for an index in the series will be confined to the most liquid in the underlying market, and will represent approximately 60 percent of the underlying market's capitalisation.

Options traded over the AP/ELS indexes will provide greater depth and liquidity to the Australian financial markets, by enticing offshore investors to trade through an Australian market, rather than another exchange in the region. This should increase Australia's attractiveness as a Centre for Global Financial Services.

These regulations are known as the *Corporations Amendment Regulations 1999* and are to amend the *Corporations (Regulations)*. They are to commence on gazettal.

Item 1

Prescribes the following indexes in Regulation 7.1.03, in addition to those already prescribed, for the purposes of an option contract:

- * Dow Jones Asia-Pacific Extra Liquid Series - Australia Equity Index;
- * Dow Jones Asia-Pacific Extra Liquid Series - Hong Kong Equity Index;
- * Dow Jones Asia-Pacific Extra Liquid Series - Japan Equity Index; and
- * Dow Jones Asia-Pacific Extra Liquid Series - Pan Pacific Equity Index.

An option contract is one that is entered into on a securities exchange. As they are traded on a securities exchange, they fall under the definition of a security, and as such are subject to Chapter 7 of the Law. The provisions relating to the trading of securities contracts, therefore, apply to the trading of option contracts.

Item 2

Prescribes the following indexes in Regulation 8.1.02, in addition to the ASX Twenty Leaders Share Price Index, for the purposes of an eligible exchange-traded option:

- * Dow Jones Asia-Pacific Extra Liquid Series - Australia Equity Index;
- * Dow Jones Asia-Pacific Extra Liquid Series - Hong Kong Equity Index;
- * Dow Jones Asia-Pacific Extra Liquid Series - Japan Equity Index; and
- * Dow Jones Asia-Pacific Extra Liquid Series - Pan Pacific Index.

Eligible exchange traded options refer to commodity options and options on a index, that are entered into on a futures exchange. Because they are entered into on a futures exchanges, these options fall under the definition of a futures contract (for the purposes section 72 of the Law), and as such are subject to Chapter 8 of the Law. The provisions relating to the trading of futures contracts, therefore, apply to the trading of eligible exchange traded options.