Explanatory Memorandum

Amendments to Operating Rules

Effective Date: 11 March 2004

Rule	Amendment
Format	Formatting has been amended to ensure consistency across the operating rules, in particular that all defined terms are *italicised*.

Definitions	Amendment
Definition	The definitions section of the Rules has been updated to reflect changes to the Corporations Act, and in particular new concepts introduced by the new Chapter 7 of the Corporations Act. <u>The more substantive changes are:</u> The term prospectus has been replaced with *disclosure document* to recognise that some products may now be promoted using a product disclosure statement regulated under Part 7.9 of the Corporations Act or an unregulated information memorandum for an exempt offer. In the case of an information memorandum, the document must be approved by the Exchange to ensure that is makes sufficient disclosure The definitions of equity securities and loan securities have been amended to more appropriately reflect current terminology. Renaming of SCH Rules to ASTC rules to reflect the new name structure for settlements. The Exchange no longer requires any announcements to be published in newspapers as it has moved to an electronic system, therefore this definition is removed. The new concept of a *responsible officer* has been defined to conform with the new regulatory regime. *Authorised representative* definition to align to new

Definitions	Amendment
	corporations Act. Definition for *controlling interest* added as was left out of original rules. Definition of *target* amended to reflect new corporations Act terminology. Definition of Participating Organisation changed to participant and mended to include participant's that ceased to be participants. Required, amongst other things, in case a claim is made on the fidelity fund against a participant that is no longer a recognised participant.

Listing Rules – Major Rule Changes

LR Section 1 R2.10 to 2.17 inclusive.	We have removed these rules as they were too prescriptive, and did not take account of different ways that an issuer may issue securities, such as by way of a scheme of arrangement or a takeover offer. The criteria for listing is that there is a shareholder spread and that there is adequate disclosure. These concepts are addressed in sections 2A, 2B and 2C of the Listing Rules. Some of the description shave now been included as definitions.
LR Sec 1 R2.23	A new rule has been inserted here which allows the Exchange to fine an issuer for failure to comply with the Listing Rules in a manner which the Exchange considers is material. The maximum fine possible is $25,000.
LR Sec 2A R3.6	Changes made to allow the operating track record for previous company structures to be included as part of the determination of an adequate track record. Before changing to a corporate structure limited by shares many small to medium enterprises and mutual organisations utilise different corporate structures. The trading record of these structures should be included in the determination of adequate financial track record so that the Exchange can make an informed assessment about the suitability of the entity seeking listing.
LR Sec 2A R3.9	Added in the condition that a security holder only counts as a security holder if they possess $2,000 worth of securities or more. Rule follows common practice of the NSX in determining security holder numbers and restricts the ability of issuers to artificially achieve security holder spread.
LR Sec 2A R4.5	We have inserted further documents that are required to be provided to the Exchange prior to listing, to strengthen the disclosure requirements imposed by the Exchange. The new requirements are listed in Items (12) to (17).
LR Sec 2A 4.4(2)(iii)	Added rule to allow a listing if in the case of an unlisted issuer, in respect of an issue of equity securities, no disclosure document is required to be lodged with the ASIC pursuant to the corporations Act in relation to an offer or invitation to the issue of securities.
LR Sec 2A R4.8	The exchange no longer requires lodgment of documents in hardcopy but rather electronic copy lodgment. This

Listing Rules – Major Rule Changes

	improves the speed and distribution of information to the market.
LR Sec 2A R5.9	This rule has been updated to comply with the current proxy requirements in the Corporations Act.
LR Sec 2A R6.2	Information may now be published on a participant's website rather than in the newspaper.
LR Sec 2A R6.5A	We have inserted new rules 6.5A to strengthen the disclosure requirements for issuers. These rules ensure that issuers are required to deliver information to the Exchange in a false market situation. In addition, an issuer cannot assert confidentiality as a reason for non-disclosure in certain circumstances, such as where the information has already appeared in the public domain and the Exchange feels that it is appropriate for the information to be disclosed in order that investors not be mislead.
LR Sec 2A R6.9	As part of the annual accounting process, the Exchange will now also require a list of the top 10 shareholders, so that it may be fully informed of the ownership of issuers, and any controlling interests.
LR Sec 2A R6.13(1a)	Rule inserted to require mining companies to follow JORC reporting standards.
LR Sec 2A R6.18	Amendment made to reflect that securities are generally allotted electronically, and as such there may not be any document of title.
LR Sec 2A R6.24	Amended rule to revise when annual reports are to be sent to security holders to reflect section 315(1) of the Act. This change will also make it easier for issuers to comply.
LR Sec 2A R6.25	Increased the percentage allowed from 10% to 15% after which directors must seek security holder approval. This rule change aligns with industry practice and the current percentage allowed under ASX rules.
LR Sec 2A R6.35	We have removed the rule relating to foreign shareholders as there are no actual special trading rules that apply to this class of holders.

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LR Sec 2A R6.43	This amendment ensures that a person or entity cannot get around this rule by holding shares indirectly.
LR Sec 2A App 3	We have updated this appendix to make it easier for issuers to comply. The Appendix now specifies the information that the issuer must provide, but does not enforce the format of the information.
LR Sec 2B	All the relevant changes from section 2A have also been made to section 2B of the Listing Rules. Please refer to the explanations above to explain these changes.
LR Sec 2C	All the relevant changes from section 2A have also been made to section 2C of the Listing Rules. Please refer to the explanations above to explain these changes.
LR Sec 2C	This section now refers to Managed Investment schemes rather than collective investment schemes, to match the current terminology in the Corporations Act. We have updated the terms and concepts in this section to accord with the Corporations Act.
LR Sec 2C Rule 3.4	This rule has been inserted to bring this section inline with section 601KA(3) of the Corporations Act.
LR Sec 2C Rule 3.5	This rule has been updated to ensure that it is clear that it is the responsibly entity of a managed investment scheme which is the relevant "issuer" of the securities (units). This change is carried on through out this section.
LR Sec 2C rule 3.10	this rule makes it clear that both the RE and the MIS's constitution must be consistent with the Corporations Act.
LR Sec 2C Rule 4.5 (1)	This rule requires the RE to also provide the compliance plan of the MIS to the Exchange.
LR Sec 2C Rule 5.12	New rule inserted to comply with provisions of the Corporations Act.
LR Sec 2C Rule 6.6A	This new rule has been inserted to ensure that registered managed investment schemes are monitoring their NTA and inform the Exchange should there be a breach, which may affect their license.
LR Sec 2C Rule 6.13 (1A)	This rule has been added to take account of MIS's with mining interests.

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LR Sec 2C Rule 6.18A	New Rule to ensure that any winding up of an MIS is done in accordance with the Corporations Act.
LR Sec 2C Rule 6.46	New Rule to ensure that any removal of an RE is done in accordance with the Corporations Act.
LR Sec 2C Rule 6.48A	Addition to rules for meetings to comply with requirements set out in corporations Act.
LR Sec 2C appendices	These have been updated to make them consistent with the MIS provisions in the Corporations Act.