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Update: Arrium Limited (ARI) Accelerated Renounceable Entitlement Offer - Adjustment Implications For ETOs

Please be advised that new contract size was adjusted to 86.

ASX Participants and ASX Clear (ASXCL) Participants were advised in ASX Notice 1024.14.09 dated 15 September 2014 of the rights-style adjustment method that ASX will apply to the Arrium Limited (ASX Code: ARI) accelerated renounceable entitlement offer. The terms of the entitlement issue are 1 for 1 at \$0.48. The new shares will not be eligible for the FY14 final dividend of \$0.03 but will rank equally with existing ordinary shares on issue from the date of issue.

For ease of reference, the adjustment method is set out again below:

New contract size is calculated as follows:

$$NC = OC + n*r/S$$

Where:

NC = new contract size

OC = old contract size (currently 100)

n = the number of entitlements ("rights") attributed to each OC determined by the issue ratio applied to the old contract size OC (1/1*100)

r = the market value (whether positive or negative) of the each entitlement ("rights") as determined by ASX, calculated as $S - d - C$

where

S = VWAP ex-entitlement of existing securities on the first day of ex-entitlement trading when the underlying securities resumed trading using the volume-weighted average price on ASX market

d = ordinary dividend or distribution that the new securities are not entitled to (d=\$0)

C = consideration paid to exercise the implied rights (C=\$0.48)

The new strikes are calculated as follows:

$$\text{New Strike} = \text{Old Strike} * OC/NC$$

$$NS = OS * OC/NC$$

For the strike calculations, the new contract size used by ASX is rounded to 4 decimal places, and the strike factor (OC/NC) is rounded to 6 decimal places. The strike factor for all contract sizes will be based on the result calculated for the standard 100 contract size.

The ex-entitlement VWAP on ARI for ETO purposes on 18 September was \$0.4237 The market value of each entitlement as determined by ASX is $r = S - d - C$

$$r = 0.4237 - 0 - 0.48 = - 0.0563$$

This is used in the calculation of new contract size (NC) and new strike (NS) using

$$NC = OC + n*r/S \text{ and } NS = OS * OC/NC$$

Thus, for an existing contract size of 100, the new contract size was adjusted to 86 and the strike factor is $100/86.7123 = 1.153239$ (rounded to 6 decimal places), using TMC threshold truncation.

OTC series (where any)

Clearing Participants are advised that any OTC series cleared by ASXCL under the ASX Equity OTC Clear service will be adjusted using the same formula to the ETOs as shown in the Derivatives Notice.

Due to anonymity, the adjusted OTC series details will not be published in the Derivatives Notice. The OTC series will be adjusted along with ETOs adjustments on the night, and will be available to CP the following morning via their own clearing systems.

What do I need to do and by when?**ETO Cash Equalisation Adjustment Payments for Contract Size Roundings**

Participants are reminded that ETO cash equalisation adjustments for contract size roundings are effective.

The cash adjustment payments will be posted by ASXCL as close as practicable to the effective adjustment date. For clarity, ETOs are LEPOs and non-LEPOs (ordinary options, American or European). Takers will be credited and writers debited a cash equalization payment for any contract size rounding calculations. (For share consolidations, it is possible for a LEPO taker to be debited if the LEPO strike is standardized back to 1 cent after initial rounding).

Where the old contract size of a series before an adjustment is 100, ASX will apply a standardizing "TMC threshold" so that if the calculated new contract size falls between 100 and to up to but not including 102, the new contract size will be truncated to the standard 100, and a cash equalisation adjustment payment made.

For the purpose of the cash equalisation adjustment payment, the percentage of the calculated contract size that was truncated was determined by ASX to be:

$(TC-NC)/TC = (86.7123-86)/86.7123 = 0.821452\%$ to six decimal places in the percentage figure.

This was applied to the old daily settlement price.

Exercises Restrictions Lifted after ETO Adjustment

Exercise restrictions are lifted on the day trading resumes on an ex-entitlement (or ex-rights) basis. This applies also to OTCs.

Autoexercise

Following the resumption of trading of the underlying securities after period of trading halt, the DCS reference price will be the last closing ex-entitlement (or ex-rights) price.

Specific Cover

Participants are reminded that, as the contract size is changing arrangements may need to be made for additional lodgement of underlying securities to account for any collateral denoted as specific cover.

Adjustment Effective on 18 September 2014 under "UA" Trading Basis

Participants are reminded that the adjustment was effective on 18 September 2014 when the ETO class resumed trading on an under adjustment basis ("UA" flag). All trades were on an adjusted basis, notwithstanding that the extent of the adjustment was officially published by ASX only after the end of the day. This is similar to any rights-style adjustment to ETOs

Table of adjusted series available "here"**Need more information?**Issued by

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