

**NZX DERIVATIVES MARKET CONTRACT NO. 1
GLOBAL WHOLE MILK POWDER (WMP) FUTURES**

CONTRACT TERMS AND ADMINISTRATIVE PROCEDURES

Issue Date: 27 October 2010

Contract Months: November 2010 onwards



1. Interpretation

1.1 Terms defined in the NZX Derivatives Market Rules (the “**Rules**”) and the NZX Derivatives Market Procedures (the “**Procedures**”) have the same meanings when used in these contract terms for NZX Derivatives Market Contract No. 1 Global Whole Milk Powder (WMP) Futures (the “**Contract Terms**”) unless given a different meaning in these Contract Terms.

1.2 In these Contract Terms:

“**Administrative Procedures**” means the NZX Derivatives Market Contract No. 1 Global Whole Milk Powder (WMP) Futures Administrative Procedures as may be amended, varied, supplemented, consolidated or replaced from time to time.

“**C&S Procedures**” means the Clearing and Settlement Procedures of CHO as may be amended, varied, supplemented, consolidated or replaced from time to time.

“**Contract**” means a contract that:

- (a) is made expressly or impliedly on these Contract Terms and the Individual Contract Specification for NZX Derivatives Market Contract No.1 Global Whole Milk Powder (WMP) Futures; and
- (b) has as its underlying asset the price for one Lot as set by reference to the mean of the GDT Prices for the GDT Auctions held during the GDT Period for the relevant Contract Month.

“**Contract Month**” means the relevant contract month in respect of a Contract as specified in the Expiry Calendar.

“**Daily Settlement Price**” means the price calculated by NZX for one Lot that underlies a Contract for a particular Contract Month in accordance with Contract Term 7.

“**Expiry Calendar**” means the Expiry Calendar (NZST/NZDT) in Appendix One to these Contract Terms.

“**Final GDT Auction**” means in respect of a Contract Month, the GDT Auction scheduled to occur on the day before the Settlement Date for that Contract Month.

“**Final Settlement Amount**” has the meaning given to that term in the C&S Rules.

“**Fonterra**” means Fonterra Co-operative Group Limited and its subsidiaries and associated companies.

“**GDT Auction**” means a trading session on the electronic trading platform known as GlobalDairyTrade.

“**GDT Auction Manager**” means the person appointed from time to time to perform the function of trading manager in relation to GDT Auctions.

“**GDT Period**” means in respect of a Contract Month, the period that begins on the Settlement Date for the previous Contract Month and ends on the day before the Settlement Date for that Contract Month. (For example, the GDT Period for the November 2010 Contract Month would begin on 4 November 2010 (the Settlement Date for the October 2010 Contract Month) and end on 2 December 2010, (the day before the Settlement Date for the November 2010 Contract Month), provided that the GDT Period for the October 2010 Contract Month shall commence on 8 October 2010.

“**GDT Price**” means the price published on the Information Website following the close of a GDT Auction or otherwise advised to NZX as being the winning price for one metric tonne of Whole Milk Powder Regular – NZ, Contract 2 in respect of a GDT Auction.

“**Governing Documents**” means the Rules, the C&S Rules, the Depository Rules and any procedures made pursuant to any of those rules from time to time, including the Procedures and C&S Procedures.

“**Information Website**” means the website with the address www.globaldairytrade.info.

“**Initial Trading Day**” means the Trading Day on which a Contract is bought and/or sold.

“**Last Trading Day**” means, in respect of a Contract, the last Trading Day specified in the Expiry Calendar for a Contract with that Contract Month or the Trading Day specified by NZX under Contract Terms 11 or 13.

“**Lot**” means one notional metric tonne of NZMP™ Whole Milk Powder – Regular NZ.

“**Minimum Price Movement**” is USD 5 per Lot.

“**Payment Amounts**” means the amounts payable under Contract Term 9.

“**Payment Obligation**” bears the meaning contained in the C&S Rules.

“**Payment Right**” bears the meaning contained in the C&S Rules.

“**Settlement Date**” means:

- (a) for the purposes of Contract Term 9.1, where NZX has chosen an alternative Trading Day as the Last Trading Day under Contract Term 11.4, 13.1, or 13.2(a), the second Business Day after that alternative Trading Date; and
- (b) in any other case, the settlement date for the relevant Contract Month, as specified in the Expiry Calendar.

“**Settlement Price**” is the price calculated by NZX for a Lot that underlies Contracts for a particular Contract Month in accordance with Contract Term 8.

“**Trade Price**” means the actual price (expressed in USD on a per Lot basis) at which a Contract is Traded in the Trading System.

“**Variation Margin**” has the meaning given to that term in the C&S Rules.

- 1.3 The principles of construction contained in Rule 1.2 of the Rules shall apply to these Contract Terms, with all such necessary modifications to assist such application, including a reference to a “Rule” or “these Rules” being replaced with a reference to a “Contract Term” or “Contract Terms”, *mutatis mutandis*.

2. Approval and Application of Contract Terms

- 2.1 Each Contract is an Approved Product for the purposes of the C&S Rules.
- 2.2 These Contract Terms and the Individual Contract Specification for NZX Derivatives Market Contract No.1 Global Whole Milk Powder (WMP) Futures shall apply to all Contracts.
- 2.3 These Contract Terms and the Individual Contract Specification for NZX Derivatives Market Contract No.1 Global Whole Milk Powder (WMP) Futures are an Underlying Contract for the purposes of the

Rules being the Underlying Contract for NZX Derivatives Market -Contract No.1 Global Whole Milk Powder (WMP) Futures.

3. Underlying asset

3.1 The underlying asset of a Contract shall be the price for one Lot as set by reference to the mean of the GDT Prices for the GDT Auctions during the GDT Period.

4. Price

4.1 The Contract price shall be in USD per Lot with minimum fluctuations of USD 5 per Lot, also known as the Minimum Price Movement.

4.2 During a Trading Day, the price for a Contract shall be within the Price Limits specified by NZX in accordance with the Procedures.

5. Identification

5.1 A Contract is identified by its Contract Month, as specified in the Expiry Calendar.

6. Last Trading Day

6.1 Trading in a Contract will cease at the time specified in the Administrative Procedures on the Last Trading Day for the Contract Month for that Contract.

7. Daily Settlement Price

7.1 NZX shall, in respect of each unexpired Contract Month, calculate and notify to the Market, in the manner described in the Procedures the Daily Settlement Price for each Lot that underlies Contracts for that Contract Month.

7.2 The Daily Settlement Price may be amended by NZX and notified to the Market, in the manner described in the Procedures.

8. Final Settlement Price

8.1 Subject to Contract Terms 8.2, 11 and 12, the Settlement Price for a Lot underlying a Contract for a particular Contract Month shall be the mean of the GDT Prices from the GDT Auctions occurring during the GDT Period. The Settlement Price will be rounded to the nearest USD0.05 and where the Settlement Price is an exact uneven multiple of USD0.025 to the nearest higher USD0.05. NZX shall publish a provisional Settlement Price and the final Settlement Price at or by such times as may be specified in the Administrative Procedures. The Settlement Price published by NZX as the final Settlement Price shall be final and binding for all purposes.

8.2 NZX may from time to time amend the method for and timing of the calculation of the Settlement Price for any reason determined by NZX and any such changes shall have effect with regard to existing and/or new Contracts as NZX may determine.

9. Payment Obligations

9.1 The Settlement Price for a Lot to which a Contract relates shall be payable on the Settlement Date for that Contract. Settlement of the Settlement Price will be calculated, attributed, netted and effected in accordance with the C&S Rules and:

- (a) an amount equal to the difference between the Daily Settlement Price of a Lot at the Close of the Initial Trading Day and the Trade Price at which the relevant Contract was Traded on the Initial Trading Day shall be calculated, attributed, netted and settled in accordance with the C&S Rules¹; and
- (b) an amount equal to the difference between the Daily Settlement Price of a Lot at the Close of a Trading Day other than the Initial Trading Day and the Daily Settlement Price of that Lot at the Close of the Trading Day immediately prior to that Trading Day shall be calculated, attributed, netted and settled in accordance with the C&S Rules¹; and
- (c) an amount equal to the difference between the Settlement Price of a Lot and the Daily Settlement Price of that Lot at the Close of the Last Trading Day shall be calculated, attributed, netted and settled in accordance with the C&S Rules¹.

9.2 The obligations under a Contract may be met by set-off under the C&S Rules, at the time and in the manner specified in the C&S Rules.

10. Settlement

10.1 A Contract may not be settled by physical delivery.

10.2 The Payment Amounts referred to in Contract Terms 9.1(a) and 9.1(b) shall be treated as Variation Margin for the purposes of the C&S Rules and treated as a Payment Obligation or Payment Right in accordance with the C&S Rules.

10.3 The Settlement Price referred to in Contract Term 9.1(c) shall be treated as a Final Settlement Amount for the purposes of the C&S Rules and treated as a Payment Obligation or Payment Right in accordance with the C&S Rules.

11. Errors in GDT Auction

11.1 If, by the time specified in the Administrative Procedures, NZX becomes aware of, an alleged or apparent error in any relevant GDT Price due to any alleged or apparent error in the GDT Auction process (including an error of the GDT Auction Manager in respect of the GDT Auction process), NZX may investigate such alleged or apparent error in accordance with Rule 8.11.

11.2 If NZX determines in its sole discretion, after considering any report or advice received from the GDT Auction Manager, that there is an error in any relevant GDT Price in respect of a Contract, then the Settlement Price in respect of that Contract will be determined by a method specified by NZX that has been notified to the Market.

11.3 Save as allowed by Contract Term 11.2, no correction to the Settlement Price shall be made in respect of any error in any relevant GDT Price coming to NZX's attention after the time specified in the Administrative Procedures.

11.4 If NZX determines at its sole discretion, after considering any report or advice received from the GDT Auction Manager, that there is an error in any relevant GDT Price in respect of a Contract, then NZX may, in accordance with Rule 8.11, notify the Market that an alternative Trading Day is to be the Last Trading Day in respect of the relevant Contract and that later Trading Day chosen by NZX in its absolute discretion shall be the Last Trading Day.

¹ The relevant C&S Rules are Rule 3.8, Rule 3.9 and Section 4.

12. Other errors in provisional Settlement Price

- 12.1 If, not later than thirty minutes after the provisional Settlement Price for a particular Contract or class of Contracts is notified by NZX to Participants and the Market, any Participant notifies NZX of, or it otherwise comes to the attention of NZX that there is, an alleged or apparent error in the provisional Settlement Price due to any cause whatsoever (other than an error in a GDT Price which is governed by Contract Term 11), then NZX may investigate such alleged or apparent error in accordance with Rule 8.11. If in NZX's opinion an error has been made, NZX may in its sole discretion correct the provisional Settlement Price, in accordance with Rule 8.11. NZX is not required to correct the provisional Settlement Price in respect of any error notified to NZX or coming to the attention of NZX after the expiry of such period.

13. Emergency Provisions

- 13.1 If, at any time after the Close of the Trading Day on the second Business Day before the day which would have been the Last Trading Day for a Contract, it becomes known to NZX that the Market and/or NZX will not be open for business or the Final GDT Auction will not occur or will be delayed or the GDT Auction Manager for any reason will not publish or otherwise advise a GDT Price in respect of the Final GDT Auction, then NZX at its sole discretion may, in accordance with Rule 8.11, notify the Market that an alternative Trading Day is to be the Last Trading Day in respect of that Contract and that later Trading Day chosen by NZX in its absolute discretion shall be the Last Trading Day.
- 13.2 If, after the commencement of trading on the Last Trading Day for a Contract, either or both of the Market and/or NZX closes for business, or the GDT Auction Manager for any reason does not publish or otherwise advise a GDT Price in respect of the Final GDT Auction or the Final GDT Auction does not occur or is delayed, and in the opinion of NZX, trading in Contracts for that Contract Month is as a consequence substantially prevented or hindered or there is no GDT Price from which the Settlement Price can be calculated under Contract Term 8.1, then NZX may do either or both of the following:
- (a) in accordance with Rule 8.11, notify the Market that a later Trading Day is to be the Last Trading Day in respect of that Contract and that later Trading Day chosen by NZX in its absolute discretion shall be the Last Trading Day; and/or
 - (b) determine the Settlement Price in accordance with Contract Term 8 or such method determined by NZX in accordance with Rule 8.11. The provisional and final Settlement Prices will be notified to the Market at such times as NZX shall in its discretion determine, always allowing for a 30 minute period between the publication of the provisional Settlement Price and the final Settlement Price.

14. Liability

- 14.1 Neither NZX, CHO, CDO, the GDT Auction Manager, Fonterra nor their respective directors, officers, employees, agents or advisers shall have any liability whatsoever in respect of any decision as to whether or not to correct or re-determine the final Settlement Price, or the provisional Settlement Price, or to designate an alternative Trading Day as the Last Trading Day.

15. Variation

- 15.1 NZX shall have the power to amend the terms of a Contract in any way it deems necessary or desirable in accordance with Rule 8.11.
- 15.2 Such variation may be made notwithstanding that it may affect the performance or value of a Contract. Without limitation of its powers hereunder, NZX will use its best endeavours to keep any

variation to the minimum considered reasonably necessary to achieve the purpose of the relevant Contract, the Rules and the Procedures.

15.3 NZX's powers under this Contract Term shall be exercised by Notice in accordance with the Rules. A variation of Contract Terms made hereunder shall take effect at such time and for such period as NZX shall declare but shall not take effect earlier than the date of the delivery of Notice in accordance with the Rules.

15.4 A Contract amended under this Contract Term shall remain in full force and effect subject to such variation and shall not be treated as frustrated or repudiated except in so far as expressly permitted by NZX.

15.5 A variation made by NZX under this Contract Term may be modified or revoked by a subsequent variation made hereunder.

16. Contract subject to Governing Documents

16.1 A Contract shall be subject to the Governing Documents insofar as applicable, notwithstanding that either or both of the parties may not be Participants or Clearing Participants.

16.2 In case of any conflict between the Administrative Procedures and the Governing Documents or the Contract Terms, the provisions of the Contract Terms or the Governing Documents shall prevail and, in the case of any conflict between the Governing Documents and the Contract Terms, the Governing Documents shall prevail.

17. Notice

17.1 Any notice that is required to be given under these Contract Terms shall be given in accordance with the provisions of the Rules.

18. Law and Jurisdiction

18.1 A Contract made under or pursuant to the Rules shall be governed by and construed in accordance with the laws of New Zealand. The parties to a Contract irrevocably submit to the exclusive jurisdiction of the New Zealand courts. Each party irrevocably waives:

- (a) any objection arising at any time to the undertaking of proceedings in New Zealand;
- (b) any claim that such proceedings have been brought in an inconvenient forum; and
- (c) the right to object to such proceedings on the grounds that the courts of New Zealand do not have jurisdiction over it.

DERIVATIVES MARKET CONTRACT NO. 1
ADMINISTRATIVE PROCEDURES

Issue Date: 27 September 2010

Contract Months: October 2010 onwards



1. General

- 1.1 These Administrative Procedures are made pursuant to the Rules and govern the operation of the Contract Terms for NZX Derivatives Market Contract No.1 Global Whole Milk Powder (WMP) Futures (“Contract Terms”).
- 1.2 In these Administrative Procedures, any terms defined in the Rules the Procedures or the Contract Terms, shall bear the meanings contained in those documents. In the event of any conflict, any definition contained in the Rules will prevail over the Procedures or Contract Terms, and any definition contained in the Procedures will prevail over any definition contained in the Contract Terms.

2. Last Trading Day

- 2.1 The following timetable shall apply to a Contract’s Last Trading Day:

On the Close of the Last Trading Day.	Trading in Contracts for the relevant Contract Month shall cease.
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3. Final GDT Auction

- 3.1 The following timetable shall apply after the Final GDT Auction:

Contract Term 8.1	NZX will publish the provisional Settlement Price.	As soon as reasonably practicable after the determination of the provisional Settlement Price on the day of the Final GDT Auction.
Contract Terms 11.1 and 11.3	The last time by which NZX must have advice of an error in any relevant GDT Price before correcting the provisional Settlement Price.	30 minutes after the publication of the provisional Settlement Price.
Contract Term 12.1	The last time for notification to NZX of an error or an alleged error in the provisional Settlement Price.	30 minutes after the publication of the provisional Settlement Price.
Contract Term 8.1	NZX will notify the Market of the final Settlement Price.	As soon as reasonably practicable after the publication of the provisional Settlement Price.
Contract Term 9.1	The Settlement Price is payable under the C&S Rules.	Settlement Date.