

## **SCREEN DEALING BULLETIN NO. 25/00**



### **SCHEDULE D - STRIP TRADE AND OPTION STRATEGY**

The level of enquiry from users regarding strip trading and option strategy SYCOM® trading procedures has increased in recent weeks.

To avoid any confusion, these procedures are contained within Schedule D of the trading rules which is attached for users' information.

**Members are advised that the Exchange will only consider interest from parties if notified by the appropriate message as outlined in Schedule D to the SYCOM® Control Centre via the message function.**

**GEORGE MAGANAS**  
**SCREEN DEALING MANAGER**

**12 JULY 2000**

## SCHEDULE D

### STRIP TRADE AND OPTION STRATEGY SYCOM® TRADING PROCEDURES (Amended 3/12/99)

Strip Trades, consisting of five (5) or more consecutive traded months of a Futures Contract which are bought or sold simultaneously with the same volume for each of those traded months, which cannot otherwise be executed pursuant to Schedule DA, and Option Strategies consisting of 5 or more legs of a combination of any Futures or Options Contracts may be executed in accordance with the procedures outlined below:

- 1 A SYCOM® Trader wishing to transmit an order to SYCOM® must state the following:
  - (a) the average price of the Strip Trade and the volume to be traded for each contract month; or
  - (b) the Net Premium of an Option Strategy, and the volume to be traded for each Option Contract.

This should be sent to SFE SYCOM® Control Centre via the message function.

- 2 The terminology used on the quote facility for a Strip Trade should be as follows:

*“Sell /Buy CCMY – CCMY x lots @ average price”*

Option Strategy:

*“Sell/Buy CCMYXXXXXP/C, Sell/Buy CCMYXXXXXP/C, Sell/Buy CCMYXXXXXP/C, Sell/Buy CCMYXXXXXP/C, Sell/Buy CCMYXXXXXP/C @ a/b/c/d/e ratio for x lots @ net premium”*

**Exchange officials will then “broadcast to the market” the Strip Trade or Option Strategy order. The order will be allocated a number for that SYCOM® Trading Date.**

Example of Strip Trade order message sent by SYCOM®:

*“MNM Sell/Buy CCMY – CCMY x lots @ average price (Strip/Option #1)”*

SYCOM® Traders interested in taking the other side of the Strip Trade or Option Strategy shall notify the SFE SYCOM® Control Centre via the “message” function.

Example of Strip Trade order message sent by SYCOM® Trader:

*“Buy/Sell x lots of Strip/Option #(order No.)”*

- 3 After the 5 minute period has elapsed per TR.15.6 an Exchange Official shall allocate any volume on a First In First Out (FIFO) basis, however the originating Member is guaranteed of crossing 50% of the original order volume. Messages are time stamped at the trading engine and this time will determine the FIFO allocation. Partial trades will also be allocated. Therefore SYCOM® Traders should take note that they may receive a partial fill on their order message.

If there are no interested parties or not all of the available volume is traded then the SYCOM® Trader initiating a Strip Trade or Option Strategy may cross any remaining

volume. Should there be volume remaining of the originating order, and there are no interested counterparties, the originating order will lapse.

- 4 The basis (ie the underlying contract price) of each contract month for the traded Strip Trade or Option Strategy will need to be confirmed between the counter parties.
- 5 The basis prices for all legs of a Strip Trade or Option Strategy orders must be within the following price limits:
  - (a) The bid/offer of the appropriate contract.
  - (b) If only a bid or only an offer then the specified tick range as set out in Schedule J from the existing bid or offer (if the bid is below prior settlement then prior settlement may be used, if the offer is above prior settlement then prior settlement may be used).
  - (c) If no bid or offer exists, then the specified tick range as set out in Schedule J from the settlement price. In the case of an Option contract then the specified tick range as set out in Schedule J from the system generated indicative price.
- 6 A Strip Trade or Option Strategy Trading Record must be completed by both parties and faxed to the SFE SYCOM® Control Centre within five (5) minutes of notification by SYCOM® of counterparties to a trade otherwise the matter will be referred to the SYCOM® Manager. Information on the Record shall include the average price/net premium of the trade, whether bought or sold, the number of lots, and the basis for each contract.
- 7 An Exchange official will verify each Record for a trade. No trade shall be confirmed until verified by an Exchange official and authorised by the SYCOM® Manager. Full details shall be recorded by the SFE and the record will be retained by the Exchange.
- 8 An Exchange official will notify the market of a trade via the message function on SYCOM®. This notification shall confirm the trade.

The Exchange will pass on the trade details to the Clearing House and STACS.
- 9 SYCOM® Traders are responsible for ensuring that the trade is recorded by the Exchange.
- 10 Exchange Officials are under no obligation to accept Strip Trade or Option Strategy Trading Records that cannot be readily and properly verified.