

SCREEN DEALING BULLETIN NO. 35/00



EXTENSION OF THE AO OPTION SKEW AND THE INTRODUCTION OF FLEXIBLE SKEW INCREMENTS FOR THE AO AND AP OPTION CONTRACTS

Further to advice received from the Options Committee, Screen Dealing Committee and a Sub-Exco Committee of the Board, the following enhancements will be made to the AO and AP Option settlement skews.

- Extension of the AO Option skew from 10 to 25 strikes either side of at-the-money. This alteration will standardise the skew between the AO and AP contracts and more accurately reflect the traded skew.
- Implementation of flexible skew increments for individual contract months in AO and AP Options. This will create more representative settlement prices for AO and AP Options and reduce SFECH exposure.

The Options Committee and Screen Dealing Committee have endorsed the following procedure for calculating individual month's skew increments.

- A random sample taken from 8 market users including brokers, locals, proprietary traders and fund managers.
- Highest and lowest submission discarded and an arithmetic mean taken.
- Increments evaluated on a 3 monthly basis and published via a Screen Dealing Bulletin 4 weeks prior to the expiry of the quarterly month.
- Increment levels will be linear and not available to challenge.

The above changes will become effective as of 16 October 2000.

If participants have any further queries please contact Mr David Raper on 9256 0168 or draper@sfe.com.au.

GEORGE MAGANAS,
SCREEN DEALING MANAGER

28 SEPTEMBER 2000