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From: SFE Corporation Limited ABN 74 000 299 392

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NEW LISTING **TEN YEAR INTEREST RATE SWAP Futures Contract**
THREE YEAR INTEREST RATE SWAP Futures Contract
THREE YEAR INTEREST RATE SWAP / 90 DAY BANK BILL STRIP

CONTRACT ACCOUNT MAINTENANCE FOR THREE AND TEN YEAR INTEREST RATE SWAP FUTURES

With the listing of the new Three Year and Ten Year Interest Rate Swap Futures Contract on Tuesday 12th November 2002, Sycom Managers are advised that Account Maintenance will be available from Wednesday 6th November 2002.

Below are the new product codes and steps that outline necessary maintenance to be performed for each Account, Sycom Interface and Sycom Workstation. This will ensure order entry is available on the morning of Tuesday 12th November 2002.

Please be aware of the following new contract codes,

XS - Ten Year Interest Rate Swap Futures Contract
YS - Three Year Interest Rate Swap Futures Contract
YI - Three Year Interest Rate Swap / Bank Bill Strip Contract

Step 1 - Editing Accounts

1. Log onto any Workstation as the Generic Firm ID
2. Go to [Account Administration Activities] then [Account Maintenance]. This will list all accounts available for maintenance to be performed.
3. Highlight the necessary account and select [Edit]
4. Scroll down until you find one of the above codes
5. Click in "Volume Per Order" column and enter required volume
6. Tab to the next column and enter the "Aggregate Net Session" limit
7. Tab to the "Loss" column and enter amount. This will bring up default values in the next column
8. Repeat the above until all necessary contracts have been added
9. Select [Apply Changes] then [Exit]

Repeat the above steps for all additional accounts required then exit the Account Maintenance window. This maintenance only needs to be performed on one machine.

Step 2 – Adding Limits

Limit maintenance is machine specific and will need to be performed on all necessary Interfaces and Workstations.

1. Log onto all Interfaces and/or Workstations as the Generic Firm ID
2. Once in Sycom go to [Tools] → [Options] → [Limits] → [Add]
3. Highlight one of the new Commodity codes above
4. Tick Future and Spread
5. Select [Ok] in the [Add Limit] window
6. Repeat steps 3 – 5 for all new contract codes
7. Select [Apply] and [OK]

PLEASE NOTE:

Step 1 needs only to be done on one workstation

Step 2 will need to be performed on each workstation that will trade the new contracts.

INTER-COMMODITY SPREADS LISTED IN CONJUNCTION WITH INTEREST RATE SWAP FUTURES CONTRACTS

With the addition of Interest Rate Swap contracts being made available for trading, the SFE are to list the following Inter-Commodity Spreads. Please note the contracts in bold are the underlying instrument for each spread.

1. Ten Year Interest Rate Swap contract against the **Ten Year Treasury Bond** contract with a ratio of 1:1
2. Three Year Interest Rate Swap contract against the **Three Year Treasury Bond** contract with a ratio of 1:1
3. Ten Year Interest Rate Swap contract against the **Three Year Interest Rate Swap** contract. The ratio will be calculated daily by the SFE based on changes to the yield curve. The current ratio is 10:28.

EXAMPLES

1. XSZ2XTZ211 Inter-Commodity Spread

This spread is priced by subtracting the XSZ2 price from the XTZ2 price. Also, whatever you are doing to the spread you are doing to the XTZ2. For example, if the XTZ2 price is 94.200 and the XSZ2 price is 94.100 the differential between the two is 10.0 points. If you execute an order to buy 5 XSZ2XTZ211 @ 10.0 you will receive the following;

Buy 5 XTZ2 @ 94.200
Sell 5 XSZ2 @ 94.100

2. YSZ2YTZ211 Inter-Commodity Spread

This spread is priced by subtracting the YSZ2 price from the YTZ2 price. Also, whatever you are doing to the spread you are doing to the YTZ2. For example, if the YTZ2 price is 94.75 and the YSZ2 price is 94.80 the differential between the two is negative 5 points. If you execute an order to sell 10 YSZ2YTZ211 @ -5 you will receive the following;

Sell 10 YTZ2 @ 94.75
Buy 10 YSZ2 @ 94.80

3. XSZ2YSZ21028 Inter-Commodity Spread

This spread is priced by subtracting the XSZ2 price from the YSZ2 price. Also, whatever you are doing to the spread you are doing to the YSZ2. For example, if the YSZ2 price is 94.75 and the XSZ2 price is 94.200 the differential between the two is 55.0 points. If you execute an order to buy 2 XSZ2YSZ21028 @ 55.0 you will receive the following:

Sell 20 XSZ2 @ 94.200
Buy 56 YSZ2 @ 94.75

STRIP TRADING FUNCTIONALITY

Strip Trading functionality will also be available between the Spot 3 Year Interest Rate Swap Future (YS) and the 90 Day Bank Accepted Bills (IR). This strip page will have a Contract code of YI. The YI Three Year Swap / 90 Day Bank Bill Strip will work in the exact same fashion as the currently listed ST Contract and will fall under the same Trading Rules. The ratio will be worked out on tick sizes/yields and is currently 9:10. Contracts listed in the defined market window in SYCOM® will be the 1-4 strip out to the 1-20 strip.

EXAMPLE

1-4 strip = YIU3
1-5 = YIZ3
1-6 = YIH4
1-7 = YIM4
1-8 = YIU4
Etc.

Pricing convention in the defined YI market window in SYCOM® will be:

Price Differential = (IR strip average price – YS price) + 1000

IRZ2 to IRU4 average price = 9400
YSZ2 = 9450

i.e. Trading 50 under, differential input into market for order entry = 950.00

Below is a link to the SFE Bulletin regarding the listing of the both the new Three and Ten Year Interest Rate Swap Futures Contracts. This includes Contract Specifications and Vendor access codes.

http://www.sfe.com.au/index.asp?dispage=/content/bulletins/sfe/2002/sfe2002_113.pdf

Should you have any queries please contact Heath Waters on 9256-0677 or hwaters@sfe.com.au

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