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INTER-COMMODITY COMPONENT PRICE ALLOCATION ALGORITHM

The SYCOM Inter-Commodity functionality utilised to reduce execution risk has operated as designed since its inception. An isolated event has occurred as a result of highly specific circumstance which has led to allocation of Inter-Commodity component prices which differ by 0.5 of a Ten Year Bond tick from the differential defined in the Inter-Commodity spread order.

Analysis of the circumstances required for recreation of the event by SFE and its software providers has defined the probability of reoccurrence as very low. The SFE has therefore taken the decision to continue to provide Inter-Commodity spread functionality.

In addition software changes are currently being developed for a planned implementation of 9 November 2002 which will further reduce the possibility of this specific anomaly reoccurring.

Participants are therefore advised of the increased risk involved in executing Inter-Commodity spread orders via the Inter-Commodity spread facility and are asked to review their internal policy regards the execution of Inter-Commodity orders.

Participants are advised that the alternative means of execution of Inter-Commodity spread orders is via individual execution in the component outright contracts

Should you have any queries please contact David Raper on 9256-0554 or draper@sfe.com.au

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