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BANK BILL SPREAD ORDERS – SYSTEM PERFORMANCE

Participants are advised that recent Intra Spread order activity in the 90 Day Bank Bill Future contract has resulted in performance degradation in a range of SYCOM terminals.

The recent performance degradation has resulted from a significant increase in long dated sequential (12-20) and non-sequential Intra Spreads (annual and semi-annual) in a market environment with outright Futures orders available in the nearest dated (6-8) contracts only. This environment requires a recalculation in numerous permutations of implied outright and spread orders. The increased recalculations are performed on each terminal as a result of order and trade activity. The extent of the recalculations is placing pressure on the CPU of a range of terminals.

SFE intends to address this performance degradation in a range of ways detailed below.

	Description	Target Timeframe
Market Enhancement	Restrict the acceptance of orders impacting performance	0-6 Months
Application Enhancement	Optimise the recalculation of implied Outright and Spread prices on the terminal and host	1 Month
Hardware Enhancement	Replace existing terminals with increased processing capability	6-8 Months

There is no assertion from SFE that the orders responsible for the technical degradation have been in any way inappropriate from a market perspective.

To minimise the potential for orders to impact the performance of the trading infrastructure Participants are required to address the way they interact with the Bank Bill Futures Contract.

The following details the type of orders that will be considered “permitted” and “not permitted” by SFE for entry into the 90 Day Bank Bill Futures Intra Spread Matrix.

Permitted Matrix Bank Bill Futures Orders

- All Outright Futures Orders
- Sequential Intra Spread Futures Orders for all contracts (e.g. H5/ M5, Z7/ H8)
- Non sequential Intra Spread Futures Order with both legs in the first 8 contracts (e.g. U4/ U5, Z4/ M5)
- Non sequential Intra Spread Futures Orders in any contract that “hit” or “lift” an implied price
- All Inter Spread Orders

Not Permitted Matrix Bank Bill Futures Orders

- Non sequential resting Intra Spread Futures Orders with either or both leg(s) beyond the first 8 contracts (e.g. Z6/ Z7, H8/ Z8)

The Permitted spreads for resting orders are indicated by the Red and Blue segments. Non Permitted resting spread orders as indicated by the Yellow segments.

	IRU4 95.03 400	IRZ4 94.91 400	IRH5 95.19 200	IRM5 94.13 100	IRU5 94.11 100	IRZ5 94.77 100	IRH6 95.11 400	IRM7 95.79 100	IRU6 94.77 100	IRZ6 94.74 100	IRH7 94.71 100	IRM7 94.66 100	IRU7 94.66 100	IRZ7 94.67 100	IRH8 94.67 100	IRM8 94.75 100	IRU8 94.76 100	IRZ8 94.76 100	IRH9 94.78 100	IRM9 94.74 100
IRU4 95.00 500	IRU4	0.13 300	-0.16 200	0.21 200	0.23 100	0.26 200	0.02 100	0.34 100	0.41 100	0.41 100	0.46 100	0.51 100	0.50 100	0.53 100	0.54 100	0.41 100	0.41 100	0.41 100	0.41 100	0.41 100
IRZ4 94.89 200	0.11 200	IRZ4	-0.28 200	0.09 200	0.11 100	0.14 200	-0.10 100	0.23 100	0.29 100	0.29 100	0.34 100	0.39 100	0.38 100	0.41 100	0.42 100	0.29 100	0.29 100	0.29 100	0.29 100	0.29 100
IRH5 95.18 100	0.11 200	-0.29 100	IRH5	0.38 400	0.41 100	0.42 100	0.19 200	0.52 300	0.57 100	0.57 100	0.62 100	0.67 100	0.66 100	0.69 100	0.70 100	0.57 100	0.57 100	0.57 100	0.57 100	0.57 100
IRM5 94.81 100	0.19 100	0.07 100	0.35 600	IRM5	0.04 300	0.06 100	-0.17 300	0.15 100	0.21 100	0.21 100	0.26 100	0.31 100	0.30 100	0.33 100	0.34 100	0.21 100	0.21 100	0.21 100	0.21 100	0.21 100
IRU5 94.77 100	0.22 100	0.10 200	0.39 100	0.02 100	IRU5	0.11 100	-0.20 400	0.12 200	0.18 100	0.18 100	0.23 100	0.28 100	0.27 100	0.30 100	0.31 100	0.18 100	0.18 100	0.18 100	0.18 100	0.18 100
IRZ5 94.77 100	0.24 100	0.12 300	0.41 200	0.04 200	0.01 400	IRZ5	-0.22 500	0.10 200	0.15 100	0.15 100	0.20 100	0.25 100	0.24 100	0.27 100	0.28 100	0.15 100	0.15 100	0.15 100	0.15 100	0.15 100
IRH6 94.99 300	-0.09 300	-0.21 400	0.08 200	-0.28 100	-0.31 100	0.14 300	IRH6	0.43 300	0.49 100	0.49 100	0.54 100	0.59 100	0.58 100	0.61 100	0.62 100	0.49 100	0.49 100	0.49 100	0.49 100	0.49 100
IRM6 94.66 500	0.22 300	0.10 500	0.39 400	0.02 400	0.00 100	-0.02 100	0.22 100	IRM6	0.16 100	0.17 100	0.22 100	0.27 100	0.26 100	0.29 100	0.30 100	0.17 100	0.17 100	0.17 100	0.17 100	0.17 100
IRU6 94.62 100	0.23 100	0.12 100	0.41 100	0.04 100	0.01 100	-0.01 100	0.22 100	-0.08 100	IRU6	0.13 100	0.20 100	0.25 100	0.24 100	0.27 100	0.28 100	0.15 100	0.15 100	0.15 100	0.15 100	0.15 100
IRZ6 94.82 100	0.26 100	0.15 100	0.44 100	0.07 100	0.04 100	0.02 100	0.25 100	-0.08 100	-0.09 100	IRZ6	0.16 100	0.22 100	0.21 100	0.24 100	0.25 100	0.12 100	0.12 100	0.12 100	0.12 100	0.12 100
IRH7 94.57 100	0.29 100	0.18 100	0.47 100	0.10 100	0.07 100	0.05 100	0.28 100	-0.05 100	-0.09 100	-0.06 100	IRH7	0.17 100	0.18 100	0.21 100	0.22 100	0.09 100	0.09 100	0.09 100	0.09 100	0.09 100
IRM7 94.52 100	0.34 100	0.23 100	0.52 100	0.15 100	0.12 100	0.10 100	0.33 100	0.00 100	-0.04 100	-0.04 100	-0.07 100	IRM7	0.11 100	0.16 100	0.17 100	0.04 100	0.04 100	0.04 100	0.04 100	0.04 100
IRU7 94.53 100	0.34 100	0.23 100	0.52 100	0.15 100	0.12 100	0.10 100	0.33 100	0.00 100	-0.04 100	-0.04 100	-0.09 100	-0.12 100	IRU7	0.14 100	0.17 100	0.04 100	0.04 100	0.04 100	0.04 100	0.04 100
IRZ7 94.50 100	0.33 100	0.22 100	0.51 100	0.14 100	0.11 100	0.09 100	0.32 100	-0.01 100	-0.05 100	-0.05 100	-0.10 100	-0.15 100	-0.12 100	IRZ7	0.16 100	0.05 100	0.05 100	0.05 100	0.05 100	0.05 100
IRH8 94.49 100	0.33 100	0.22 100	0.51 100	0.14 100	0.11 100	0.09 100	0.32 100	-0.01 100	-0.05 100	-0.05 100	-0.10 100	-0.15 100	-0.14 100	-0.15 100	IRH8	0.04 100	0.05 100	0.05 100	0.05 100	0.05 100
IRM8 94.62 100	0.25 100	0.14 100	0.43 100	0.06 100	0.03 100	0.01 100	0.24 100	-0.09 100	-0.13 100	-0.13 100	-0.18 100	-0.23 100	-0.22 100	-0.25 100	-0.24 100	IRM8	0.11 100	0.13 100	0.13 100	0.13 100
IRU8 94.62 100	0.24 100	0.13 100	0.42 100	0.05 100	0.02 100	0.00 100	0.23 100	-0.10 100	-0.14 100	-0.14 100	-0.19 100	-0.24 100	-0.23 100	-0.26 100	-0.27 100	-0.12 100	IRU8	0.12 100	0.14 100	0.14 100
IRZ8 94.62 100	0.24 100	0.13 100	0.42 100	0.05 100	0.02 100	0.00 100	0.23 100	-0.10 100	-0.14 100	-0.14 100	-0.19 100	-0.24 100	-0.23 100	-0.26 100	-0.27 100	-0.14 100	-0.12 100	IRZ8	0.12 100	0.14 100
IRH9 94.62 100	0.22 100	0.11 100	0.40 100	0.03 100	0.00 100	-0.02 100	0.21 100	-0.12 100	-0.16 100	-0.16 100	-0.21 100	-0.26 100	-0.25 100	-0.28 100	-0.29 100	-0.16 100	-0.16 100	-0.14 100	IRH9	0.14 100
IRM9 94.62 100	0.26 100	0.15 100	0.44 100	0.07 100	0.04 100	0.02 100	0.25 100	-0.08 100	-0.12 100	-0.12 100	-0.17 100	-0.22 100	-0.21 100	-0.24 100	-0.25 100	-0.12 100	-0.12 100	-0.12 100	-0.10 100	IRM9

All Orders not permitted to be entered into the 90 Day Bank Bill Intra Spread Matrix can be accommodated as “resting orders” in the Custom Market.

The rules for Custom Market use are as follows,

- The first order in a spread must use leg prices reflective of the Outright Market
- Improvements to a price must be made by improving the longest dated leg
- Orders cannot be created that result in a spread price already available in the Custom Market. Resulting deals will be cancelled

SFE Order Management

In the event that Intra Spread orders are placed in the 90 Bank Bill Futures contract which are considered as Not Permitted then the SFE will take the following action,

- Contact the Participant instructing immediate cancellation
- Cancellation by SFE

In the extreme case of order entry and failure by the Participant to manage direct access clients the SFE will retain the authority to remove trading rights from the non-compliant SYCOM Workstation or Interface to prevent degradation of the trading platform.

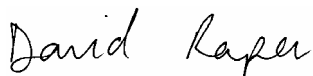
SFE wishes to reassure Participants that every effort is being made to implement a technical solution as soon as possible. SFE thanks its Participants and clients for their cooperation in this matter.

Should you have any questions please contact,

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