

SFE CIRCULAR

NO 225/2000

AMENDMENTS TO SFE BUSINESS RULES

Amendments to the Trading Rules have recently been approved to enable Participants to utilise the increased functionality of SYCOM IV, following implementation of the Phase II enhancements. The enhancements and the amendments come into effect on Monday 18 December 2000.

Trading Rules TR.1.1, 9.9, 12, 14, 15, Schedule D (preamble and Section 1) and Schedule F (preamble and Section 3) have been amended, to provide for.

- an ability for the custom market to facilitate 6 leg strategies;
- expansion of the inter-commodity spread facility to allow lagged spreads to be set up which have the spot lagged to a month other than the next month;
- introduction of a new order type ('market limit order') which is handled as an execution order type. All order entry defaults and rules for this order type will follow the same conventions as in the current system with the exception that the system will allow a bid/ask price above/below market to be entered;
- introduction of a 'timed order' which will be enabled and will include the ability to release an order with a specified cancel date and time;
- removal of the prohibition that exchange traded options may be crossed in the Pre-Opening Phase.

Details are set out in Annexure A and explanatory notes have been added in italics after each section.

SFE has already given notice relating to amendments to the BAB Market By-Laws which have recently been approved. These amendments are now no longer subject to regulatory disallowance. They are changes to provide for the contract expiry time for BAB Options to be brought forward from 4:30 pm to 12:30 pm. The changes took effect for the December 2000 BAB contract expiry on 1 December 2000. The changes were advised in Circular 208/00 dated 23 November 2000. The rule amendments which support the changes are set out in Annexure B.

BARBARA JONES
COMPANY SECRETARY

15 DECEMBER 2000

ANNEXURE A**Amendments to the Trading Rules to provide for increased functionality to SYCOM IV following the Phase II enhancements (additions underlined, deletions lined through):**

- TR.1.1 Equilibrium Price The matched price at which the most volume may trade at the conclusion of the Pre-Opening Phase. ~~If there are equal price levels at which the most volume may trade then SYCOM® will round toward the Daily Settlement Price.~~
- Custom Market The facility within SYCOM® whereby non-standard multi-legged strategies may be entered, consisting of up to six ~~four~~ legs and, in respect of either Futures Contracts or Option Contracts or a combination of both, traded pursuant to TR.16.
- Custom Market Order A non-standard multi-legged strategy, of either Futures Contracts or Option Contracts or a combination of both, consisting of up to six ~~four~~ legs and traded pursuant to TR.16.
- Inter Commodity Lagged Spread A spread of a type described as such in TR 14(j)
- Market Limit Order An order which is limited to execution at a price that is specified above or below the prevailing Market.
- Timed Order Orders which expire at a specified time and date.
- TR.9.4 ~~No exchange traded options may be crossed in the Pre-Opening Phase~~
This is self-explanatory.
- TR.9.9 There shall be a Pre-Price Discovery Phase for specified Markets as determined by the Exchange from time to time. At the commencement of the Pre-Price Discovery Phase, all orders that have not traded or have not fully traded and/or are not designated as GTC shall be purged from SYCOM® in readiness for the Price Discovery Phase. No new orders shall be accepted and no modifications to GTC orders, with the exception of cancellation of GTC orders, shall be made during the Pre-Price Discovery Phase.

[The GTC order logic has been changed to enable traders to cancel orders during the pending or pre-price discovery phase.]
- TR.12 PERMITTED ORDERS
- TR.12.1 All users of SYCOM® acknowledge that SYCOM® operates so that the only permitted orders are as described in TR.12 and must comply with this. The only orders which can be accepted by SYCOM® are:
.....
.....

- (d) Custom Market Order: being a Limit Order which is a non-standard multi-legged strategy consisting of up to ~~four~~ six legs of either Futures Contracts or Option Contracts or a combination of both and traded pursuant to TR.16;

[See previous explanation in definition section]

- (g) Market Limit Order: also referred to as “MLM”, being a Limit Order to be executed at a specified price which is above or below the prevailing Market.

[See definition above]

- (h) Timed Orders, being a Limit Order which expires at a specified time and date.

[See definition above]

Orders in paragraphs TR.12.1(a) to ~~(f)~~ (h) are subject to the Purge and Retain functionality.

TR.14 INTER-COMMODITY SPREADS AND INTER-REGIONAL SPREADS

Add a new paragraph (j) to read as follows:

- TR.14(j) An Inter-commodity Spread order can be traded so that the spot expiry month of one commodity can be spread against an expiry month of another commodity other than the spot expiry month.

[See explanation in the definition section]

TR.15.1 For the purpose of this TR.15:

- (a) a Strip Trade means a trade where ~~five (5)~~ seven (7) or more consecutive traded months of a Futures Contract are bought or sold simultaneously, with the same volume for each of those traded months; and
- (b) an Option Strategy means a strategy consisting of ~~five (5)~~ seven (7) or more legs of a combination of any Futures or Options Contract. (Amended 3/12/99)

[The increase in the number of legs in the Custom Market facility from 5 to 6 has a follow on effect for the Strip Trade and Option Strategy procedures. What this means is that strategies which cannot be accommodated on individual market pages or exceed 6 legs will be traded pursuant to Schedule D]

SCHEDULE D

STRIP TRADE, OPTION STRATEGY AND OTHER ORDERS
SYCOM TRADING PROCEDURES

Strip Trades, consisting of ~~five (5)~~ seven (7) 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~~ seven (7) or more legs of a combination of any Futures or Options Contracts and all other orders which have no resemblance to order functionality which already may exist in SYCOM® may be executed in accordance with the procedures outlined below:

- 1 A SYCOM® Trader wishing to transmit an order to SYCOM® must ~~state~~ do the following:
 - (a) state the average price of the Strip Trade and the volume to be traded for each contract month be; or
 - (b) state the Net Premium of an Option Strategy, and the volume to be traded for each Option Contract. and this should be sent to SFE SYCOM® Control Centre via the message function.

SCHEDULE F

CUSTOM MARKET SYCOM® TRADING PROCEDURES

The Custom Market allows Participants to create their own multi - legged strategies, consisting of up to ~~four~~ six legs. This may consist of either Futures Contracts or Option Contracts or a combination of both. The Custom Market eliminates legging risk as the order is filled at a user defined ratio and at specific leg prices.

[See previous explanation as to increase in functionality for number of legs]

- 1
- 2
- 3 All Custom Market Orders must be traded at the lowest common denominator. Orders not created in the lowest common denominator will be automatically rejected and will not be transmitted to SYCOM®. ~~however~~ The maximum volume that can be used in the volume ratio field is fifty lots.

[An additional functionality has been introduced which is known as an edit on a Custom Order. This function will check that the volume ratio on a Custom Order is set to the lowest common denominator. Where the order does not meet this requirement it is automatically rejected and not transmitted to SYCOM IV]

for example, trading an IR straddle:

- + 100 IRZ9 95000P @ price
- + 100 IRZ9 95000C @ price

In the Custom Market for the above example, the Custom Market Order should be entered with 100 lots in the volume field and the ratio field should be 1 - 1 for the two legs.

However in relation to an option ratio strategy the volume entered into the volume ratio field may exceed 50 lots for the leg representing the larger ratio denomination only; the volume entered into the volume ratio field for the leg with the least volume must remain at 50 lots or less.

ANNEXURE B

Amendments to the 90 Day Bank Accepted Bill Contract Market By-Laws to bring forward the time of expiry of the Options (additions underlined, deletions lined through).

- BAB.104(a) The Declaration Date for a Bank Accepted Bill Option Contract shall be the Friday immediately prior to the settlement day of the corresponding Bank Accepted Bill Futures Contract delivery month, unless that Friday is not a Business Day in which case the Declaration Date shall be the Business Day immediately preceding that day.
- (b) Trading shall cease on the Declaration Date at 12.30pm. or at such other time as determined by the Board or its designate. ~~the time of cessation of Bank Accepted Bill Futures Contract trading.~~
- BAB. 105(b) Subject to sub-clause (c) a Notice of Exercise or Abandonment in a form determined by the Clearing House shall be effective if received by the Clearing House prior to twenty minutes after the Close of Trading on any Business Day (including the Declaration Date) on which an Option Contract may be traded.
- BAB.106 Other than on the Declaration Date the Clearing House shall notify a Seller that an exercise notice has been assigned by no later than forty-five (45) minutes prior to the Commencement of Trading in Bank Accepted Bill options on the Business Day following the day on which the exercise notice has been lodged with the Clearing House in accordance with BAB.105(b).
- BAB.107 The Clearing House shall endeavour notify a Seller that an Exercise or Abandonment Notice has been assigned by the Clearing House and or its designate by no later than 9.00 am 3.30pm on the ~~Business Day~~ Declaration Date. ~~following the Declaration Date if an option has been exercised in accordance with BAB.105(c).~~