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IMPLEMENTATION OF PRE-NEGOTIATED BUSINESS RULES FOR SFE BANK BILL SERIAL OPTIONS, WOOL FUTURES AND OPTIONS, CATTLE FUTURES AND ELECTRICITY FUTURES

As Participants would be aware, pre-negotiated business Rules were introduced by SFE on 28 June 2002. Currently, contracts prescribed for pre-negotiated business are Serial and Quarterly 3 Year Treasury and 10 Year Treasury Bond options and quarterly 90 Day Bank Bill options. Additionally as of Monday 4th August, Serial 90 Day Bank Bill options will also be prescribed.

Also effective 4 August 2003, SFE's pre-negotiated business Rules as amended will allow, where so prescribed, pre-negotiated business in futures to be executed on the Exchange together with a minimum volume threshold for pre-negotiated business in futures and/ or option contracts. The new Rules will increase the flexibility for Participants to facilitate business while maintaining price transparency and discovery in the SFE SYCOM® market.

Effective from 4 August 2003, pre-negotiated business Rules are applicable for:

- d-cypha SFE Australian Electricity Futures;
- SFE Wool Futures and Options, and,
- MLA/ SFE Cattle Futures.

To legitimately effect pre-negotiated business, Participants must abide by all relevant components of the Rule, including:

- a Participant should have, in writing, authorisation from its client(s) allowing it to pre-negotiate business on each clients behalf prior to entering into a pre-negotiated business trade;
- prior to entering pre-negotiated orders into SYCOM for execution, the Participant holding opposing client orders must make an enquiry via the SYCOM Message Facility or Request For Quote (RFQ) Facility;
- following the RFQ or Message, Participants must wait for the prescribed time period to elapse before entering pre-negotiated orders; and,
- when the prescribed time period has elapsed, pre-negotiated orders should be entered 'immediately' – a term deemed by the Exchange to be no longer than sixty seconds.

Prescribed Time Periods and Minimum Volume Thresholds

As stated above, pre-negotiated buy and sell orders that exceed a prescribed minimum volume threshold can only be entered into SYCOM® after the prescribed time period has passed from the moment the Request for Quote (RFQ) was posted. The time periods and minimum volume thresholds for prescribed products are as follows:

Trade Type	SFE Wool Futures and Options	MLA/ SFE Cattle Futures	d-cypha SFE Australian Electricity Futures	Interest Rate Options*
Minimum Volume Threshold	0	0	0	0
Prescribed time periods:				
- Futures	2 minutes	2 minutes	5 minutes	n/a
- Outright Options	2 minutes	n/a	n/a	10 seconds
- Custom Market Strategies	2 minutes	n/a	5 minutes	30 seconds
- Off-Market Option Strategies	2 minutes	n/a	n/a	30 seconds

* Pre-negotiated business rules have been prescribed for Serial and Quarterly 90 Day Bank Bill Options, 3 Year Treasury and 10 Year Treasury Bond Options.

The Benefits of the Request for Quote Facility (RFQ)

The mandatory use of the Request for Quote (RFQ) facility is intended to ensure that:

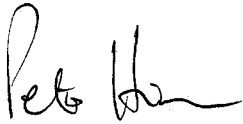
- (a) Participants who are seeking to pre-negotiate and execute orders on behalf of their clients, can establish whether a better price can be traded than that which can be achieved through pre-negotiation; and,
- (b) the broader market has the opportunity to participate and offer a better price.

The Price Transparency and Discovery Benefits of Pre-Negotiated Business Trading Rules

Pre-negotiated business is transacted on SYCOM® such that both price and volume are immediately transparent, providing the benefits of price discovery to the broader market. Similarly, the mandatory RFQ mechanism and any ensuing bids and offers will ensure pre-trade transparency of the best bid and offer in the market.

The relevant SFE contacts for any queries regarding the prescription of pre-negotiated business rules are as follows:

- **SFE Interest Rate Products** – Maurice Farhart on 9256 0183 or mfarhart@sfe.com.au
- **SFE Wool Futures and Options** – Anthony Collins on 9256 0664 or acollins@sfe.com.au.
- **MLA/ SFE Cattle Futures** – Jenianne Hall on 9463 9367 or jhall@mla.com.au
- **d-cypha SFE Australian Electricity Futures** – Cathy Sutin on 8211 0618 or Catherine.Sutin@d-cypha.com.au



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