



[www.sfe.com.au](http://www.sfe.com.au)

30 Grosvenor Street  
Sydney NSW 2000 Australia  
Telephone 61 2 9256 0555  
Facsimile 61 2 9256 0666

PO Box N680  
Grosvenor Place  
NSW 1220 Australia

**SFE Bulletin No:** 48/03

**From:** SFE Corporation Limited ABN 74 000 299 392

**Date of Issue:** 8 August 2003

**Effective Date:** 5 September 2003

## **AMENDMENT TO MANUAL EXERCISE AND ABANDONMENT RULES FOR QUARTERLY AND SERIAL INTEREST RATE OPTION CONTRACTS**

Market participants are advised that the rules governing the buyer's right to manually exercise or abandon an option position after the expiry of that option contract will be removed. The rule amendments will give option sellers greater certainty of exposure at expiry and allow both buyers and sellers to manage their exposure more effectively. The rule changes will come into effect for the September 2003 expiry cycle, the first expiry of which will be the 90 Day Bank Bill Option contract on 5 September 2003.

The rule amendment will apply to the quarterly and serial contracts for 90 Day Bank Bill Options and 3 and 10 Year Treasury Bond Options. On expiry of the contract any option that is in-the-money will be automatically exercised. All at-the-money and out-of-the-money options will be automatically abandoned. Through out the life of the contract, up to and including the Last Trading Day, the buyer's right to manually exercise or abandon an option position will remain.

Under the previous rules, option buyers had a 20 minute period for 90 Day Bank Bill Options and a 30 minute period for 3 and 10 Year Treasury Bond Options in which to decide whether or not to exercise or abandon an option position based on the expiry price. As a result, option sellers could not be certain of their market exposure at expiry. This is particularly prevalent for at-the-money options where the expiry price is equal to the option exercise price. Option sellers are not informed until 3pm on the expiry day if an option position has been exercised into a futures position. The greater certainty of exposure at expiry as a result of the rule amendments will allow for more effective management for both buyers and sellers.

Should you have any queries please contact Kristye Van de Geer on 9256-0489 or [kvandege@sfe.com.au](mailto:kvandege@sfe.com.au)

A handwritten signature in black ink, appearing to read 'Peter Hiom', written in a cursive style.

Peter Hiom  
**General Manager**  
**Strategy and Business Development**