



**SFE Bulletin No:** 37/04

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

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## **MANDATORY USE OF MESSAGE FACILITY**

It has come to the Exchange's attention that on occasion confusion has arisen due to the use of non specific terminology or imprecise references when requesting quotes for Pre Negotiated Business Orders and Custom Market Strategies or making known an Expression of Interest to the market. Accordingly, the Exchange considers it appropriate to clarify the type and level of detail of information that must be included in such requests.

As Participants would be aware, SFE Operating Rules require the use of the Trading Platform Message Facility in the following circumstances:

1. Expressions of Interest - Operating Rule 3.1.1(a)(ii) states that upon receipt of an expression of interest relating to a multi legged strategy an enquiry must be broadcast via the Trading Platform Message Facility;
2. Custom Market Orders - Operating Rule 3.2.3(d)(i) states that if there is no market for a particular strategy in the Custom Market, before inputting an order a request for quote must be broadcast to "all users" using the Trading Platform Message Facility; and
3. Pre Negotiated Business Orders - Operating Rule 3.3.5(a) states that prior to entering the pre-negotiated orders on the Trading Platform for execution in the relevant contract month or strategy, the Participant holding the originating Client order must make an enquiry via the Trading Platform Message Facility or via the Trading Platform Request For Quote Facility for a market in that contract month or strategy in accordance with Rule 3.3.6.

Participants should also note that the Procedures, Determinations and Practice Notes document which supports the Operating Rules contains explanatory notes and examples with respect to the above Operating Rules and is available using the links highlighted in the online (pdf) version of the SFE Operating Rules.

In order to ensure that all market users are able to assess and respond to such requests any message broadcast should specify all information material to the structure of the strategy. A request for quote should, where applicable, include the following:

- a full description of the contracts and/or class and series of the option(s) that will form the strategy; and

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- a description of the intended strategy using common market terminology for example spread, straddle, strangle etc...to indicate the relationship of each leg.

For example:

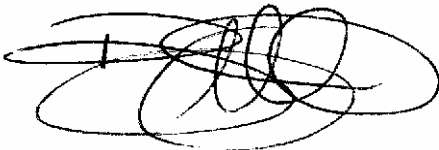
XYZ → Market [Interest in IRZ4/IRH5/IRM5 Butterfly]

It should be noted that with regard to Pre Negotiated Business Orders the information to be broadcast must include all details necessary to enable other market user to calculate a price and enter bids and offers in accordance with the parameters of the intended trade. For example, if the trade involves a ratio of futures or options and/or a delta hedge, information that explicitly specifies the ratio and/or delta and the price basis for the hedge in the underlying commodity must be included. For further information regarding Pre Negotiated Business Orders refer to SFE Bulletin 20/04.

As well, Participants should note that with respect to Custom Market Orders if changes are made to the fundamental parameters of an order, prior to inputting the modified order, a request for quote must be broadcast, where necessary highlighting specific changes made, to “all users” via the Trading Platform Message Facility. Fundamental changes would include, for example, changes in strategy deltas or the ratio of the legs of a strategy.

Finally, with respect to an Expression of Interest, Participants are strictly prohibited from divulging information to clients where the particular information has not previously been made known to the market via the Request for Quote Facility or Trading Platform Message Facility. For example, if a client has asked for volume at a certain price but that price is not included in the Participant’s request for quote or message to the market, the Participant may not pass this information on to prospective clients. Participants should therefore ensure that any messages broadcast contain all information that the Participant intends to divulge to its clients.

Should you have any queries please contact Andrew Farquhar on 9256 0498 or [afarquhar@sfe.com.au](mailto:afarquhar@sfe.com.au) or the undersigned on 9256-0699 or [bhill@sfe.com.au](mailto:bhill@sfe.com.au)



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