



**SFE Bulletin No:** 45/04  
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**IMPLEMENTATION OF PRE-NEGOTIATED OPERATING RULES FOR 3 & 10 YEAR INTEREST RATE SWAP FUTURES AND ANY INTER-COMMODITY SPREAD STRATEGIES INVOLVING THE SWAP FUTURES CONTRACTS**

Effective immediately, pre-negotiated Operating Rules are applicable for the 3 and 10 Year Interest Rate Swap Futures contracts and any inter-commodity spread strategies involving the Swap Futures contracts.

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

- a Participant should have, in writing, authorisation from its client(s) allowing it to pre-negotiate business on each client’s 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 the 3 and 10 Year Interest Rate Swap Futures contracts are as follows:

Minimum Volume Threshold	
3 Year Interest Rate Swap Futures	0
10 Year Interest Rate Swap Futures	0
Swap Futures Inter-commodity Spread Trading Strategies	0

Prescribed Time Periods	
3 Year Interest Rate Swap Futures	5 minutes
10 Year Interest Rate Swap Futures	5 minutes
Swap Futures Inter-commodity Spread Trading Strategies	5 minutes

**The Benefits of the Request for Quote Facility (RFQ)**

The mandatory use of the Request for Quote Facility (RFQ) 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.

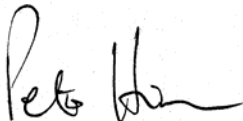
**The Price Transparency and Discovery Benefits of Pre-Negotiated Business Trading Rules**

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.

**Further Information**

For further information on the 3 and 10 Year Interest Rate Swap Futures contracts and pre-negotiation Business Rules please contact the following:

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