SFE BULLETIN

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SFE Bulletin No: 20/05

From: SFE Corporation Limited ABN 74 000 299 392

Date of Issue: 14 March 2005

Effective Date: 12 April 2005

SFE TO INTRODUCE US 10 YEAR TREASURY NOTE ONE SESSION OPTIONS

SFE is pleased to announce that a US 10 Year Treasury Note One Session Option will be available for trading on the Sydney Futures Exchange (the Exchange) from 5.10pm on 12 April 2005.

Key Features

One Session Options (OSOs) are short dated European-style options which provide investors and traders with additional flexibility in the interest rate market. The US 10 Year Treasury Note OSO can be used to manage short-term exposure, hedge against event risk and enable traders to speculate on intra day movements in the US Treasury market. For further detail on the contract design refer to the attached Contract Specifications.

Settlement Price

The settlement price for the US 10 Year Treasury Note OSO will be determined by the Exchange from information provided by Bloomberg L.P. The Option Settlement Price will be calculated using the mid point of the best bid/ ask quote of competing quotes in Bloomberg Bond Trader at 3pm New York Time. This settlement price will be disseminated to users via the SYCOM messages page shortly after 3pm New York Time. All In-The-Money Options are automatically cash settled. At-The-Money and Out-Of-The-Money options will be abandoned.

Exchange Fees and Margins

Exchange trading fee of A$0.90 (plus GST) and Option exercise fee of A$0.60 (plus GST) per contract side will apply to the US 10 Year Treasury Note OSO product. All traded volumes will be eligible for applicable rebate schemes. There is no initial margin payable for this product.

Daily Settlement

The US 10 Year Treasury Note OSO product is denominated in US Dollars (USD). As such, all resultant profit and loss must be settled in US currency as detailed on the Participant Financial Status Advice (FSA) for the relevant clearing date.

SFE Clearing will not be using PPS accounts to facilitate the daily settlement of USD movements for this product. Clearing Participants will be required to deposit cleared USD funds into a central SFE Clearing USD account by the prescribed time. Clearing Participants will be contacted within the next 2 weeks regarding account details and time requirements.

Trading and Clearing Systems

The US 10 Year Treasury Note OSO will be listed on SYCOM the week prior to launch to allow contract maintenance to be performed on SYCOM workstations, SYCOM Interfaces and order systems connecting to those interfaces. Participants are requested to ensure all Trading and Clearing systems are operationally ready prior to 12 April 2005.

As this product trades in 32nds Clearing Participants should note that price entry functionality on SYCOM allows prices to be entered above 0.315 (e.g. 0.320, 0.325, 0.330 etc i.e. more than one full price point). Clearing Participants are advised to contact their Back Office Application providers on how to process these trades. SFE considers that trades at these price levels would be highly unlikely given the short term life span of the US 10 Year Treasury Note OSO.

Individual Contract Specifications and Determinations

A summary of the contract specification can be found in Attachment 1.

The complete Individual Contract Specifications and the Determinations which are applicable to those Individual Contract Specifications can be found in Attachment 2.

Trading Calendar

The US 10 Year Treasury Note OSO will be unavailable for trade on national Australian holidays and US holidays. For further detail on trading days please refer to the US T-Note Non Trading Days schedule (Attachment 3) which will also be made available on the SFE website prior to launch.

Securities and Exchange Commission (SEC)

The US 10 Year Treasury Note OSO is classed as an option over a security in the United States and does not have SEC approval. This contract will not be available to trade for US based customers.

Further information

For further information on the US 10 Year Treasury Note OSO contracts please contact the following:

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Peter Hiom
General Manager, Exchange Business Development

ATTACHMENT 1 – SUMMARY OF CONTRACT SPECIFICATIONS

One Session Option over US 10 Year Treasury Note

Underlying Commodity:	A pre-determined physical US 10 Year Treasury Note as published by the Exchange.
Contract Unit:	Face Value US$100,000
Contract Months:	Monthly with one settlement month listed at a time (On the 12th of each month, or if the 12th is not a business day, the next business day, the available contract will be the subsequent contract)
Commodity Code:	UX
Listing Date:	12/04/2005
Minimum Price Movement:	Quoted in 0.005 which equates to 1/64 of US$1000 (US$15.625) and rounded up to the nearest cent. (0.010 point equal to US$31.25)
Exercise Prices:	Set at intervals of 0.02 points where 0.02 is equal to 2/32 (1/16) of US$1000. Two full price points from closing market are available for trading with additional strike prices listed at the discretion of the Exchange.
Contract Expiry:	At 3pm New York time in the SYCOM session which the contract was listed for trading.
Trading Hours:	5.10pm Sydney time to 3.00pm New York time (on the same calendar date)
Settlement:	Cash Settled
Settlement Method:	All options, which are in-the-money, are automatically cash settled on the business day immediately following the SYCOM session. All at-the-money and out-of-the-money options contracts are automatically abandoned. The Exchange shall calculate the Settlement Price for the One Session Option over the US 10 Year Treasury Note to be the mid-point of the BBT3 Best Bid Offer Price of the US 10 Year Treasury Note at 3pm New York time shown on the Bloomberg BondTrader trading platform rounded to the nearest 1/32nd with 1/64th being rounded up.

Last Modified: 22/02/05

ATTACHMENT 2 – INDIVIDUAL CONTRACT SPECIFICATIONS AND DETERMINATIONS

6.32.1 One Session Options over US Ten Year Treasury Note Contract (Cash Settled)

Item	Heading	Individual contract specifications
1.1	Contract Unit	A pre determined US 10 Year Treasury Note, with a face value at maturity of US$100,000 which is in a class of securities issued by the US government, with a coupon which pays interest semi-annually and which returns a principal at a maturity of ten years.
1.2		The US 10 Year Treasury Note referred to in item 1.1 shall be determined by and published by the Exchange prior to the listing of One Session Options over the US 10 Year Treasury Note for each relevant Settlement Month.
2	Settlement Value	The difference between the Exercise Price and the Settlement Price at the time of Declaration of the Settlement Price as declared by SFE Clearing multiplied by US$31.25.
3	Settlement Price	The Exchange shall calculate the Settlement Price for the One Session Option over the US 10 Year Treasury Note to be the mid-point of the best bid and offer of the US 10 Year Treasury Note referred to in item 1.1, as determined by the Exchange, of the BBT3 Best Bid Offer Price shown on the Bloomberg BondTrader trading platform or its equivalent operated by Bloomberg LP (a company incorporated in the United States of America) or its successors.
4	Declaration of Settlement Price	SFE Clearing will declare the One Session Option Settlement Price at such time as it shall determine.
5	Exclusion of Liability	In the event that any figure used by the Exchange in calculating the Settlement Price is inaccurate, no claim shall lie against Bloomberg LP, SFE Clearing or the Exchange or their agents.
6	Inability for SFE Clearing to declare Settlement Price and Undesirable Situations	If a situation is developing or has developed which is capable of preventing SFE Clearing from declaring the Settlement Price in accordance with these Individual Contract Specifications, or if an undesirable situation within the meaning of Rule 1.4 is developing or has developed, then the provisions of that Rule 1.4 shall apply and any provision of these Operating Rules which cannot be complied with until the price has been declared shall be complied with as soon as possible after it has been declared.

Explanatory Notes

1. The terms of all One Session Options over the US Ten Year Treasury Note comprise a combination of:

- the Individual Contract Specifications set out above; and
- the generic specifications set out elsewhere in the Rules.

As to the generic specifications, see in particular:

(a) Rule 6.3, which provides for determinations by the Exchange as to:

- the manner in which Premium is quoted and minimum fluctuation;
- the manner in which Exercise Price is quoted and minimum fluctuations;
- Settlement Months;
- the Declaration Day;
- the time at which trading ceases on the Declaration Date; and
- the latest time for lodgement of a Request or a Deny Automatic Exercise Request.

(b) Rule 6.3 also sets out terms which are applicable to all option contracts.

Pursuant to the generic terms/specifications for all contracts that are set out in Rule 6 providing for various Determinations by the Exchange, the actual Determinations (which do not themselves constitute terms of the contracts) are set out, for information, in the separate document “Procedures, Determinations and Practice Notes” (this document does not form part of the Rules).

For example, the generic term/specification in Rule 6.3 relating to the time on which trading in options ceases is the “time at which trading ceases” – such time as is determined by the Exchange. The actual determination made by the Exchange pursuant to this power is “7.00am (AEDST) or 5.00am (AEST) on the Declaration Date”.

Link to Procedures for determination. Cash Settled One Session Options over US Ten Year Treasury Note

DETERMINATIONS

Rule 6.32.1 One Session Options over US Ten Year Treasury Note Contracts

Ref Rule	Subject	Determinations
6.3.6	Manner of quoting Contract Premium	In points where 0.010 is equal to 1/32 of US$1,000 (US$31.25)
6.3.6	Minimum fluctuations to be used in quoting Contract Premium	In 0.005 points where 0.005 is equal to 1/64 of US$1,000 (US $15.625) and rounded up to the nearest cent.
6.3.6	Manner of quoting Exercise Price of Options	In points and fractions of a point.
6.3.6	Minimum fluctuations to be used in quoting Exercise Price of Options	In 0.02 points where 0.02 is equal to 2/32 (1/16) of US$1,000 (US$62.50)
6.32.1 Item 3	Calculation of Settlement Price	The mid point of the BBT3 Best Bid and Offer Price taken at 3pm New York time rounded to the nearest 1/32 with 1/64 being rounded up.
6.3.8	Creation of new Exercise Prices	New Exercise Prices are created as the underlying US Ten Year Treasury Note price moves, at intervals of 0.02 equal to 2/32 of a point
6.32.1 Item 4	Time of announcement of Settlement Price	3.10pm New York time or as soon as possible after the close of the contract.
6.1.4	Trading hours	5.10pm Sydney time – 3.00pm New York time (on the same calendar date).
6.3.6	Declaration Date:	Within the Trading Period during which the contract was first listed for trading.
6.3.6	Time at which trading ceases on the Declaration Date	3 pm New York time
6.3.6	Expiry Months	Only one expiry month will be listed at any one time

Unless otherwise indicated, all times are Sydney times.

SPECIFIED TICK RANGE

Option Contracts	Tick Range
One Session Options over US Ten Year Treasury Note	Within 7 points of intrinsic value

ATTACHEMENT 3 – US T-NOTE OSO NON TRADING DAYS

The US Treasury Note OSO will be unavailable for trade on the following days:

US- T Note Non Trading Days		
Thursday March 24, 2005 Day before Good Friday	SFE:	Night session to cease trading at mid-night
Friday March 25, 2005 Good Friday	SFE:	Closed
Monday May 30, 2005 Memorial Day (US)	SFE:	Night session to cease trading at mid-night
Monday July 4, 2005 Independence Day (US)	SFE:	Night session to cease trading at mid-night
Monday September 5, 2005 Labor Day (US)	SFE:	Night session to cease trading at mid-night
Monday October 10, 2005 Columbus Day (US)	SFE: US:	Normal Trading Day, US –T Note Closed US Holiday
Friday November 11, 2005 Veterans Day (US)	SFE: US:	Normal Trading Day, US –T Note Closed US Holiday
Thursday November 24, 2005 Thanksgiving Day (US)	SFE:	Night session to cease trading at mid-night
Monday December 26, 2005 Christmas Day Holiday	SFE:	Closed
Tuesday December 27, 2005 Boxing Day Holiday	SFE:	Closed
Monday January 2, 2006 New Years Day Holiday	SFE:	Closed
Monday January 16,2006 Martin Luther King Day (US)	SFE:	Night session to cease trading at mid-night
Monday February 20, 2006 Presidents Day (US)	SFE:	Night session to cease trading at mid-night
Thursday April 13, 2006 Day before Good Friday	SFE:	Night session to cease trading at mid-night
Friday April 14, 2006 Good Friday	SFE:	Closed
Monday May 29, 2006 Memorial Day (US)	SFE:	Night session to cease trading at mid-night
Tuesday July 4, 2006 Independence Day (US)	SFE:	Night session to cease trading at mid-night
Monday September 4, 2006 Labor Day (US)	SFE:	Night session to cease trading at mid-night
Monday October 9, 2006 Columbus Day (US)	SFE: US:	Normal Trading Day, US –T Note Closed US Holiday
Saturday November 11, 2006 Veteran's Day (US)	SFE:	Non Trading Day
Thursday November 23, 2006 Thanksgiving Day (US)	SFE:	Night session to cease trading at mid-night
Monday December 25, 2006 Christmas Day	SFE:	Closed
Tuesday December 26, 2006 Boxing Day	SFE:	Closed
Monday January 1, 2007 New Years Day Holiday	SFE:	Closed
Monday January 15, 2007 Martin Luther King Day (US)	SFE:	Night session to cease trading at mid-night
Monday February 19, 2007 Presidents Day (US)	SFE:	Night session to cease trading at mid-night
Thursday April 5, 2007	SFE:	Night session to cease trading at mid-night

Day before Good Friday	
Friday April 14, 2007 Good Friday	SFE: Closed
Monday May 28, 2007 Memorial Day (US)	SFE: Night session to cease trading at mid-night
Wednesday July 4, 2007 Independence Day (US)	SFE: Night session to cease trading at mid-night
Monday September 3, 2007 Labor Day (US)	SFE: Night session to cease trading at mid-night
Monday October 8, 2007 Columbus Day (US)	SFE: Normal Trading Day, US –T Note Closed US: US Holiday
Sunday November 11, 2007 Veteran's Day (US)	SFE: Non Trading Day
Thursday November 22, 2007 Thanksgiving Day (US)	SFE: Night session to cease trading at mid-night
Tuesday December 25, 2007 Christmas Day	SFE: Closed
Wednesday December 26, 2007 Boxing Day	SFE: Closed