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## **UPDATES TO DETERMINATIONS RELATING TO PRE-NEGOTIATED BUSINESS ORDERS, THE BLOCK TRADE FACILITY AND EXCHANGE FOR PHYSICAL FACILITY**

### **Introduction**

The purpose of this bulletin is to describe updates made to prescribed contracts under Pre-negotiated Business Orders (Rule 3.3), the Block Trade Facility (Rule 3.4) and the Exchange for Physical facility (Rule 3.5).

### **Pre-negotiated Business Orders**

A change has been made to the determinations for all prescribed SFE products whereby the time permitted for order execution (Rule 3.3.7) has been extended from 60 to 90 seconds. It is believed that allowing an additional 30 seconds will address the administrative problems that may periodically occur for executing Full Participants when transacting orders under Rule 3.3. **Changes become effective on 21 June 2005.**

SFE LPT Futures contracts have been added as prescribed contracts in the table. NZ Broad Wool Futures have been removed as they have been de-listed. In addition, the table of determinations has been changed to a new format to improve the clarity of the information presented. **Changes become effective on 21 June 2005.**

New Zealand 90 Day Bank Bill Options, New Zealand 3 Year Government Stock Options and New Zealand 10 Year Government Stock Options have also been added as prescribed contracts in the table. **Changes for these products become effective on 27 June 2005.**

Please refer to Appendix One for further information.

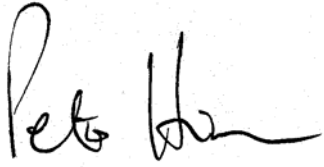
### **Block Trade Facility**

The SFE LPT Futures contract will be tradable via the Block Trade Facility (BTF) with a minimum volume threshold of 300 contracts. Use of the BTF will be limited to the closest quarterly contract to maturity. **This change becomes effective on 21 June 2005.**

Please refer to Appendix One for further information.

## Exchange for Physical Facility

The Exchange for Physical facility will be applied to the SFE LPT Futures contract. **This change becomes effective on 21 June 2005.**

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

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

## APPENDIX ONE

### Rule 3.3 Pre Negotiated Business Orders

#### Explanatory Note

The Pre-negotiated Business rules provide Participants with the opportunity to facilitate client business in order to obtain the best price for that business at that time. These rules permit Participants to withhold orders (subject to client consent) and pre-negotiate orders before bringing the business to the Exchange for execution on the Trading Platform. Participants must have in writing, authorisation from its Client(s) allowing it to pre-negotiate business on each clients behalf.

#### Determinations

The Exchange has prescribed the following Contracts and minimum time periods/volume thresholds:

Contract	Minimum prescribed time between message and entry of orders:	Minimum prescribed time between message and entry of orders:	After prescribed time has elapsed - time allowed for order execution+	Minimum Volume Threshold
	Outright Market	Custom Market		
SFE SPI 200™ Futures	N/A	30 Seconds*	90 Seconds	1 lot
SFE SPI 200™ Quarterly Options	10 Seconds	30 Seconds	90 Seconds	1 lot
SFE SPI 200™ Serial Options	10 Seconds	30 Seconds	90 Seconds	1 lot
Intra-Day Options on SFE SPI 200™ Futures	10 Seconds	30 Seconds	90 Seconds	1 lot
SFE Listed Property Trust Futures	10 Seconds	30 Seconds	90 Seconds	1 lot

Contract	Minimum prescribed time between message and entry of orders:	Minimum prescribed time between message and entry of orders:	After prescribed time has elapsed - time allowed for order execution+	Minimum Volume Threshold
	Outright Market	Custom Market		
NZSX 15 Index Futures Contract (“the Zif”)	30 Seconds	60 Seconds	90 Seconds	1 lot
NZFOX Equity Options Contract	30 Seconds	60 Seconds	90 Seconds	1 lot
MLA/SFE Cattle Futures	120 Seconds	120 Seconds	90 Seconds	1 lot
SFE Wool Futures	120 Seconds	120 Seconds	90 Seconds	1 lot
SFE Wool Quarterly Options	120 Seconds	120 Seconds	90 Seconds	1 lot
SFE Wool Serial Options	120 Seconds	120 Seconds	90 Seconds	1 lot
D-Cypha SFE Australian Electricity Futures (including Strips)	300 Seconds	300 Seconds	90 Seconds	1 lot
D-Cypha SFE Australian Electricity Quarterly Options	300 Seconds	300 Seconds	90 Seconds	1 lot
D-Cypha SFE Australian Electricity Serial Options	300 Seconds	300 Seconds	90 Seconds	1 lot
D-Cypha SFE Australian Electricity Strip Options	300 Seconds	300 Seconds	90 Seconds	1 lot
90 Day Bank Accepted Bill Futures	N/A	30 Seconds*	90 Seconds	1 lot
Serial & Quarterly Options on 90 Day Bank Accepted Bill Futures	10 Seconds	30 Seconds	90 Seconds	1 lot
3 Year Commonwealth Treasury Bond Futures	N/A	30 Seconds*	90 Seconds	1 lot

Contract	Minimum prescribed time between message and entry of orders:	Minimum prescribed time between message and entry of orders:	After prescribed time has elapsed - time allowed for order execution <sup>+</sup>	Minimum Volume Threshold
	Outright Market	Custom Market		
Serial & Quarterly Options on 3 Year Commonwealth Treasury Bond Futures	10 Seconds	30 Seconds	90 Seconds	1 lot
10 Year Commonwealth Treasury Bond Futures	N/A	30 Seconds*	90 Seconds	1 lot
Serial & Quarterly Options on 10 Year Commonwealth Treasury Bond Futures	10 Seconds	30 Seconds	90 Seconds	1 lot
3 Year Interest Rate Swap Futures	5 Minutes	N/A	90 Seconds	1 lot
10 Year Interest Rate Swap Futures	5 Minutes	N/A	90 Seconds	1 lot
New Zealand 90 Day Bank Bill Futures	N/A	30 Seconds*	90 Seconds	1 lot
New Zealand 90 Day Bank Bill Options	10 Seconds	30 Seconds	90 Seconds	1 lot
New Zealand 3 Year Government Stock Futures	N/A	30 Seconds*	90 Seconds	1 lot
New Zealand 3 Year Government Stock Options	10 Seconds	30 Seconds	90 Seconds	1 lot
New Zealand 10 Year Government Stock Futures	N/A	30 Seconds*	90 Seconds	1 lot

\* Can only be pre negotiated under rule 3.3 as part of a strategy in the Custom Market involving prescribed contracts, for example, a SFE SPI 200™ futures/SFE SPI 200™ options strategy, a spread strategy of SFE SPI 200™ Futures against SFE Listed Property Trust Futures contracts or a 90 Day Bank Bill Futures/90 Day Bank Bill options strategy

<sup>+</sup> Time allowed for order execution - determined to be “immediate” in accordance with Operating Rule 3.3.7.

Contract	Minimum prescribed time between message and entry of orders:	Minimum prescribed time between message and entry of orders:	After prescribed time has elapsed - time allowed for order execution+	Minimum Volume Threshold
	Outright Market	Custom Market		
New Zealand 10 Year Government Stock Options	10 Seconds	30 Seconds	90 Seconds	1 lot

### **Rule 3.4 Block Trading**

#### Explanatory Note

The Block Trade Facility (BTF) is an ‘off-market’ trading mechanism available for certain SFE products. The BTF permits SFE Participants to arrange and execute nominally large transactions on behalf of their clients, via a facility that is separate from the electronic Exchange market. The BTF is simply an alternative way for market users to transact SFE contracts that exceed a minimum size threshold.

#### **Features & Benefits**

- Price certainty - With a Block Trade you can lock in the price negotiated between two parties. This price may be legitimately different to prices on the Trading Platform. Volume-Weighted-Average-Price (VWAP) trading is also permitted.
- Execution certainty - Block Trades will be approved by SFE so long as they occur in prescribed contracts and do not contravene the business rules of the BTF
- Flexible order arrangement - Pre-arrangement, disclosure and withholding stipulations do not apply to orders arranged under BTF rules. Facilitating Participants therefore have maximum flexibility to bring large orders to market
- Extended disclosure period - Block Trades are disclosed to the market by the Exchange at 9:30am on the following business morning (other than Block Trades for the d-Cypha SFE Electricity Futures and Options contracts which will be disclosed by the Exchange at 5:15pm on the same day as trades occur). This allows Participants facilitating Block Trades as principal to unwind their risk prior to the market reacting to the large trade
- Extended trading hours - Block Trades may be transacted up to ten minutes after the regular Trading Platform market is closed. This is a practical consideration to allow Block Trades to occur that are conditional upon a closing futures price; for example, a market-on-close order.

#### **Determinations**

<b>Contracts</b>	<b>SFE SPI 200 Futures Contract</b>	<b>SFE Listed Property Trust Futures Contract</b>	<b>Australian Dollar Futures Contract</b>	<b>d-cypha SFE Australian Electricity Futures Contract</b>	<b>d-cypha SFE Australian - Electricity Options - Strip Options - Cap futures</b>
<b>Applicable Contracts</b>	<b>Spot Only (closest quarterly contract to expiry)</b>	<b>Spot Only (closest quarterly contract to expiry)</b>	<b>All</b>	<b>All</b>	<b>All</b>
<b>Minimum Threshold</b>	<b>300 lots</b>	<b>300 lots</b>	<b>30 lots</b>	<b>15 lots</b>	<b>15 lots</b>
<b>Change of Spot Month (Days prior to expiry)</b>	<b>5</b>	<b>5</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

<b>Contracts</b>	<b>SFE SPI 200 Futures Contract</b>	<b>SFE Listed Property Trust Futures Contract</b>	<b>Australian Dollar Futures Contract</b>	<b>d-cypha SFE Australian Electricity Futures Contract</b>	<b>d-cypha SFE Australian - Electricity Options - Strip Options - Cap futures</b>
<b>Minimum Trading Increment</b>	<b>0.1</b>	<b>0.1</b>	<b>\$0.0001</b>	<b>\$0.01</b>	<b>\$0.01</b>

<b>Contracts</b>	<b>New Zealand Three Year Bond Futures Contract</b>	<b>New Zealand Ten Year Bond Futures Contract</b>	<b>NZSX 15 Index Futures Contract (The 'ZIF')</b>	<b>NZFOX Equity Options</b>
<b>Applicable Contracts</b>	<b>All</b>	<b>All</b>	<b>All</b>	<b>All</b>
<b>Minimum Threshold</b>	<b>50 lots</b>	<b>100 lots</b>	<b>35 lots</b>	<b>300 lots</b>
<b>Change of Spot Month (Days prior to expiry)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Minimum Trading Increment</b>	<b>0.005</b>	<b>0.005</b>	<b>One index point</b>	<b>\$0.005</b>