

SFE NOTICE NO. 144/05

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Changes to SFE Government Bond Expiry Position Concentration Limits

As market users are aware, expiry position concentration limits are in place for both the Exchange's Ten Year Commonwealth Treasury Bond Contract and the Three Year Commonwealth Treasury Bond Contract. Following wide-ranging market consultation, these limits were implemented prior to the December 2004 quarterly expiry to provide additional confidence in the integrity of the Exchange's markets by constraining, to the degree necessary, growing position concentration which the Exchange considered had the potential to negatively impact upon market orderliness at expiry (refer SFE Bulletin 47/04 for further details). The limits apply to spot month net open positions at close of trading on the day before expiry (T-1) and are enforceable throughout the remainder of the contract life (i.e. during the last trading day).

In announcing their introduction, the Exchange confirmed that the limits would be subject to ongoing review in the context of prevailing market conditions. Since December 2004, the Exchange has noted beneficial changes in the structure of the underlying physical market (in particular, the more freely available physical basket bonds and the liquidity opportunities offered by the RBA's bond lending facility) and the evolving nature of trading and position holding observed in the bond futures and options markets.

As a result, the Exchange considers that the opportunity now exists for the limits to be raised without impacting upon the orderliness of the market or expiry settlement procedures. Accordingly, the Exchange has determined that bond contract expiry position concentration limits will be amended as follows for the December 2005 contract and onwards:

	SFE 3-Year Treasury Bond Contract	SFE 10-Year Treasury Bond Contract
Maximum number of spot month net open positions to be held at close of trading on T-1 and the remaining life of the contract at a corporate 'group' level	23,000	17,500

Participants are reminded that these represent hard limits applicable to all market users, which are imposed at a corporate group level – except where an exemption has been obtained – and Participants are advised to notify their clients of the changes.

The Exchange will continue to review these limits, and adjust them as and when considered appropriate.

Should you have any queries in relation to the above, please contact Rob Coaldrake, Senior Manager, Compliance and Surveillance on 9256 0495 or at rcoaldrake@sfe.com.au or Surveillance Market Analyst personnel on (02) 9256-0414.



Anne T. Brown
General Manager, Risk and Compliance

SFE Corporation Limited
 30 Grosvenor Street
 Sydney Australia
 +612 9256 0555
www.sfe.com.au
 ABN 74 000 299 392