



SFE NOTICE NO.

134/08

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Pre-Negotiated Business Orders and Expressions of Interest

The Exchange wishes to remind all Participants of the following requirements:

Pre-Negotiated Business Orders only apply to those contracts as outlined in the Procedures Determinations and Practice Notes. Once orders have been pre-negotiated in accordance with the Rules, the Participant must release a Request for Quote including all information that is material to the pricing including all information that is material to the pricing and trading of the orders to be executed. Once the message has been released, the Participant must wait the prescribed time before entering the orders.

Potential business negotiated under these Operating Rules results in orders which have to be taken to market. This is a necessary requirement due to the entitlements provided for under the Pre-Negotiated Business Order Rules (withholding transmission of instructions, disclosure of details of clients' instructions and the ability to aggregate orders).

Participants are requested to remind all representatives and relevant clients when discussing or considering pre-negotiation (and when seeking the required written authorisation from a client to enter into pre-negotiation on the latter's behalf) of the requirements of undertaking pre-negotiation.

The prescribed period after the release of an RFQ is designed to allow other market participants to enter prices into the market that has been requested. Should these resultant prices be equivalent to or better than the levels established during pre-negotiation, then the Participant holding the negotiated order is obliged to trade with the best available price. This requisite action may result in part or all of one side of the parties to the pre-negotiated deal missing out on the trade. If the market does not respond with a better price within the determined period, the Participant is obliged to enter the negotiated orders into the market and complete the trade. Should customers not be prepared to accept the risk associated with the prescribed time between the message and order entry, those customers should not participate in pre-negotiation of orders.

Pre-Negotiated Business Orders apply to the following contracts, and minimum time periods. Contracts that can be pre-negotiated along with time periods are subject to change and therefore Participants, Representatives and clients should check the Procedures Determinations and Practice Notes if they are unsure of the details of a 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 | | |
| INTEREST RATES | | | | |
| <i>90 Day Bank Accepted Bill Futures</i> | N/A | 30 seconds* | 90 seconds | 1 lot |
| <i>Serial & Quarterly Options on 90 Day Bank Accepted Bill Futures</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |

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| | 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 | | |
| <i>3 Year Commonwealth Treasury Bond Futures</i> | N/A | 30 seconds* | 90 seconds | 1 lot |
| <i>Serial & Quarterly Options on 3 Year Commonwealth Treasury Bond Futures</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>10 Year Commonwealth Treasury Bond Futures</i> | N/A | 30 seconds* | 90 seconds | 1 lot |
| <i>Serial & Quarterly Options on 10 Year Commonwealth Treasury Bond Futures</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>New Zealand 90 Day Bank Bill Futures</i> | N/A | 30 seconds* | 90 seconds | 1 lot |
| <i>New Zealand 90 Day Bank Bill Options</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>New Zealand 3 Year Government Stock Futures</i> | N/A | 30 seconds* | 90 seconds | 1 lot |
| <i>New Zealand 3 Year Government Stock Options</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>New Zealand 10 Year Government Stock Futures</i> | N/A | 30 seconds* | 90 seconds | 1 lot |
| <i>New Zealand 10 Year Government Stock Options</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>Bond Index Futures</i> | 10 seconds | 30 seconds | 90 seconds | 0 |
| <i>New Zealand 30 Day Official Cash Rate Futures Contract</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |

+ Time allowed for order execution – determined to be “immediate” in accordance with Operating Rule 3.3.7.

- 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.

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|---|--|---|---|--------------------------|
| | OUTRIGHT MARKET | CUSTOM MARKET | | |
| EQUITY | | | | |
| <i>SFE SPI 200 Futures (quarterly and serial month)</i> | N/A | 30 seconds* | 90 seconds | 1 lot |
| <i>SFE SPI 200 Options (quarterly and serial month)</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>Intra-Day Options on SFE SPI 200 Futures</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>SFE Listed Property Trust Futures</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>Individual Share Futures Contracts</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |

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|---|--|---|---|--------------------------|
| | OUTRIGHT MARKET | CUSTOM MARKET | | |
| <i>NZSX 15 Index Futures Contract ("the Zif")</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>NZFOX Equity Options Contract</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |
| CURRENCY | | | | |
| <i>AUD/USD Futures Contract</i> | 10 seconds | 30 seconds | 90 seconds | 1 lot |

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|---|--|---|---|--------------------------|
| | OUTRIGHT MARKET | CUSTOM MARKET | | |
| COMMODITIES | | | | |
| <i>MLA / SFE Cattle Futures</i> | 120 seconds | 120 seconds | 90 seconds | 1 lot |
| <i>SFE Wool Futures</i> | 120 seconds | 120 seconds | 90 seconds | 1 lot |
| <i>SFE Wool Quarterly Options</i> | 120 seconds | 120 seconds | 90 seconds | 1 lot |
| <i>SFE Wool Serial Options</i> | 120 seconds | 120 seconds | 90 seconds | 1 lot |
| ELECTRICITY | | | | |
| <i>d-cypha SFE electricity futures (including cap futures and strip products)</i> | 30 seconds | 30 seconds | 90 seconds | 1 lot |
| <i>d-cypha SFE electricity options (including strip options)</i> | 30 seconds | 30 seconds | 90 seconds | 1 lot |

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Expressions of Interest

Participants are also reminded Expressions of Interests are not orders and cannot be pre-negotiated. If an Expression of Interest is received by a Representative, an enquiry must be made via the message facility prior to the Representative contacting other market participants regarding that Expression of Interest.



A Representative must only disclose information that has been included in the message to the market. An Expression of Interest only becomes an order once the client confirms trading instructions based on the Expression of Interest. Pre-negotiation can only take place once the Participant has a firm order.

Should you have any queries please contact Robert Coaldrake, General Manager Futures and Prudential Risk on (02) 9227 0223 or Robert.Coaldrake@asx.com.au or Janice Coles, Senior Futures Supervision Officer on (02) 9227 0224 or Janice.Coles@asx.com.au.

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