



## SFE NOTICE NO.

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## Commonwealth Government Bond Futures Contracts – Market Information Update

As market users will be aware, the September 2009 3 Year and 10 Year Treasury Bond Futures contracts expire on Tuesday, 15 September 2009 at 12:00 noon. SFE wishes to:

- Inform traders of investigations into enhancing the process of collecting quotes provided by firms listed on the Bond Settlement List over the morning of the Last Trading Day. These quotes are used for the purposes of establishing the bond futures settlement prices;
- Advise traders and risk managers to review their risk appetite in the period leading up to expiry; and
- Remind traders of the expiry position limits that come into effect at the close of trading on Monday 14<sup>th</sup> September.

### Enhancements to the Market Polling Process

SFE is exploring enhancements to its market polling process, with expiry day bond data proposed to be sourced via a Request for Quote through the Yieldbroker Platform. The objective of any change to the existing manual process would be to enhance ASX's ability to obtain accurate, timely and concurrent quotes for the basket stocks in each contract, whilst reducing operational risk and inconvenience for the providers of prices. ASX will be working with firms listed on the Bond Settlement List to ensure any change to the polling system is robustly tested prior to any implementation. As per existing arrangements, in the very unlikely event of SFE failing to obtain sufficient data through this new electronic polling process or directly from the firms listed on the Bond Settlement List, SFE will look to its Emergency Power rules in order to determine each contract's settlement price. In the unlikely event of use of these rules, SFE may consider a variety of factors and data sources including, but not limited to:

- data from alternate sources indicating Treasury Bond trading that occurred during the expiry window;
- the prevailing or latest Exchange for Physical levels for the Treasury Bond basket stocks; and
- data from other relevant physical or derivative markets.

### Assessing Risk Appetite

As part of its Market Operator licence which imposes front-line market supervisory authority and obligations to ensure that its markets are fair, orderly and transparent, SFE supervision personnel monitor trading activity and holdings both throughout the life of the contract and approaching expiry, and initiate contact with relevant parties to gain adequate assurance as to traders' intentions and understanding of their obligation to trade in a manner consistent with the fair, orderly and transparent operation of SFE's markets.

SFE wishes to remind traders and risk managers that they review their risk appetite before making trading decisions as expiry approaches, especially with regard to the timing of position rolls and the potential effects that the timing of their trading may have on their ability to execute this business at a desirable price. Traders and risk managers who are averse or unwilling to accept this price risk may look to close or roll their positions well in advance of the day of expiry.

### Expiry Position Concentration Limits

SFE wishes to remind all traders that position limits in both September 2009 bond contracts (currently 25,000 for the 3 Year Treasury Bond Contract and 19,000 for the 10 Year Treasury Bond Contract) come into effect at the close of trading on Monday, 14 September, and will remain in effect until the contracts expire. These limits apply at a corporate group level to all traders regardless of whether a single Participant or multiple Participants are used to clear contracts, or whether some holdings are carried through intermediate entities.



Should you have any queries in relation to the above, please contact Nick Gaut, Senior Market Analyst, Futures Supervision, on (02) 9227-0226 or at [nick.gaut@asx.com.au](mailto:nick.gaut@asx.com.au)

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

Robert Coaldrake  
General Manager, Futures Supervision and Capital Monitoring

ASX Limited  
20 Bridge Street  
Sydney NSW 2000  
Australia