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NZFOE BULLETIN

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CHANGES TO 3-YEAR & 10-YEAR GOVERNMENT STOCK CONTRACT SPECIFICATIONS CHANGES TO BLOCK TRADING RULES APPROVAL OF UNDERLYING BONDS

1. CHANGES TO 3-YEAR & 10-YEAR GOVERNMENT STOCK CONTRACT SPECIFICATIONS

Following the withdrawal of a price maker in the New Zealand physical bond market, the NZFOE approved settlement list procedures contained within the 3-Year & 10-Year Government Stock contract specifications have been amended to allow pricing from a minimum of six parties with the highest and lowest midrates for each stock discarded. Previously the settlement price was determined using prices from eight price makers with the highest two and lowest two midrates for each government stock were discarded.

A copy of the amended sections of the contract specifications is attached as Appendix 1.

The above changes will be applicable to settlements from and including 12 March 2003.

2. CHANGES TO BLOCK TRADING RULES

In line with changes in the inter-bank market to allow half tick spreads in physical bonds, the Block Trade Facility (BTF) contained within the Trading Rules has been amended to permit the registration of Block Trades in half ticks for the 3-Year (TY) and 10-Year (TN) contracts for example 94.465.

NZFOE Trading Rules have been altered to enable the execution of TN & TY Block Trades at a 0.005 tick by splitting the allocation price of the Block Trade between the two consecutive 0.01 ticks that average to the 0.005 execution price. For example a Dealer registers a BTF for 100 TY contracts at 94.465 then during allocation 50 lots will be registered at 94.46 and 50 lots at 94.47. Only an even number of lots can be registered at half ticks. The two registered prices that constitute the average price trade of the Block Trade must be allocated to the same account.

This rule change comes into effect on Monday 17 March 2003.

A copy of the amended sections of the Trading Rules is attached as Appendix 2.



3. APPROVAL OF UNDERLYING BONDS

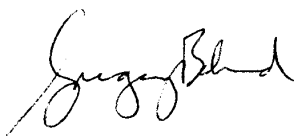
In accordance with the Contract Specifications for the Ten Year Government Stock Futures Contract, the approved maturities for the purposes of determining the Mandatory Settlement Prices for the contract settlement months are as listed below:

TEN YEAR GOVERNMENT STOCK FUTURES CONTRACT:

Contract Settlement Month	Short Dated Stock	Far Dated Stock
June 2003	11/11	04/13
September 2003	11/11	04/13

Please note that the June 2003 and September 2003 10 Year Government Stock Futures Contract will be settled by Linear Extrapolation.

Should you have any queries please contact Greg Boland, Regional Manager, New Zealand on +64 9 475 5194 or gboland@sfe.com.au in relation to this matter.



GREG BOLAND
REGIONAL MANAGER, NEW ZEALAND

Appendix 1

The Contract Specifications for NZFOE's 3 – Year and 10 – Year Government Stock contracts have been amended to allow for fewer price makers in the underlying physical market.

The current (and amended) NZFOE 3 – Year and 10 – Year Government Stock Specifications read as follows:

minimum no. of parties: ~~8~~ 6

calculation procedures: (a) for each quotation time:

the Company will randomly select ~~8~~ 6 quotes

quotes with a spread of greater than 0.05 percent per annum will be discarded

midrates will be calculated from all remaining quotes and the ~~2~~ highest and ~~2~~ lowest midrates will be discarded for each stock

Appendix 2

The Trading Rules of NZFOE amended to allow for half tick trades for the Block Trade Facility in the 3 and 10 Year Government Stock futures contracts.

TR.20.A BLOCK TRADING RULES

Block Trade Facility

- TR.20.A.1
- (a) The Exchange shall establish a Block Trade Facility and subject to these Trading Rules, and the Rules of the Exchange, a Block Trade Order must be executed pursuant to this TR.20.A;
 - (b) The Board or the Chief Executive or his Delegate may prescribe contracts which may be traded using the Block Trade Facility;
 - (c) A Minimum Volume Threshold shall apply to those contracts referred to in TR 20.A1(b) and shall be prescribed by the Board or the Chief Executive or his Delegate;
 - (d) Block Trades are only permitted in a delivery/expiry month and/or exercise price of a prescribed contract which has previously traded;
 - (e) Block Trades in specified contracts designated by the Chief Executive or his delegate may be executed at a minimum fluctuation as determined by the Board.
 - (f) The Block Trade Facility can only be used where more than five business days remain to delivery/expiry of the contract;
 - (g) Where a Block Trade strategy involves:
 - (i) trading two or more different contracts, the smaller of the Minimum Volume Thresholds of the contracts which comprise the Block Trade will apply to each of these contracts;
 - (ii) trading two or more different delivery/expiry months and/or exercise prices of the same contract, the Minimum Volume Threshold will apply to the lot size of each leg of the trade,
 - (h) Trading Permit Holders cannot:
 - (i) aggregate separate orders in order to meet Minimum Volume Thresholds; or
 - (ii) allot each individual leg of a Block Trade to different accounts.
 - (i) Where a Trading Permit Holders receives a Block Trade Order from a Client, the Trading Permit Holders may:
 - (i) solicit counterparties to the Block Trade Order amongst other Trading Permit Holders;
 - (ii) withhold transmission of the Block Trade Order in order to solicit those counterparties;
 - (iii) disclose those details of the Block Trade Order as authorised by the Clients; and
 - (iv) aggregate orders where each order is greater than or equal to the Minimum Volume Threshold for that contract.

Fair and Reasonable Price

- TR.20.A.2
- (a) Trading Permit Holders must satisfy themselves when arranging, organising or executing Block Trade Orders, that the price of any Block Trade Order being quoted is fair and reasonable taking into account, but not limited to, the current bid/offer, previous traded prices and volume on SYCOM® of the same contract at the relevant time, the depth, volatility and liquidity of the SYCOM® market, the size of the Block Trade Order and general market conditions.
 - (b) On each occasion when quoting a price for a Block Trade Order, the Trading Permit Holders must make it clear at that time to the counterparty that -:
 - (i) the price quoted for the Block Trade Order may or may not be the prevailing market price;
 - (ii) the price at which the Block Trade is executed will not be used in establishing settlement prices;
 - (iii) Block Trades shall have no impact on SYCOM® market data; and
 - (iv) Block Trades will be separately reported to the market.

Block Trade Execution

- TR.20.A.3
- (a) Trading Permit Holders to a Block Trade:-
 - (i) shall each execute a Block Trade Order in accordance with this TR.20.A. ;
 - (ii) shall communicate the agreed terms of the Block Trade Order immediately to the Exchange;
 - (iii) must each complete a Block Trade Facility Registration Form and submit the form to the Exchange for validation.

- (b) A completed Block Trade Facility Registration Form must be submitted to the Exchange for validation by each Trading Permit Holder within five (5) minutes of the time at which the Block Trade Order was agreed. The time limit for the submission of the Block Trade Facility Registration Form to the Exchange commences as soon as the agreed terms of the Block Trade Order are communicated to the Exchange pursuant to TR20.A.3(a)(ii).
- (c) An Exchange Official may grant an extension of time of the five (5) minute period referred to in TR 20.A.3 (b) but Exchange Officials are under no obligation to grant such an extension.
- (d) Where a Block Trade is executed under TR.20.A.1(e) the Trading Permit Holder may submit to the Exchange as the traded price of any of the contracts comprising the block trade, a price which is above or below the actual traded price of the contract by one minimum fluctuation for a block trade as determined by the Board, provided that the average of all submitted prices is the actual traded price.
- (e) An Exchange Official will assess the validity of the details recorded on the Block Trade Facility Registration Form. When the Exchange Official is satisfied that the details recorded are valid and complete, then the Exchange Official will confirm the execution of the Block Trade.
- (f) Exchange Officials are under no obligation to accept record details in accordance with TR.20.A 3(a)(iii) where the information cannot be readily and properly validated.
- (g) Subject to TR.20.A.3(c) any Block Trade which is not executed in accordance with TR.20.A shall be invalid. The decision of the Exchange Official as to the invalidity of a Block Trade shall be final. The Exchange Official shall notify the effected Participants of that decision and send a message to the market identifying the Block Trade concerned.
- (h) Details of all Block Trades validated and confirmed by an Exchange Official shall be published by the Exchange to Participants. The details published to Trading Permit Holders will include the commodity, quantity, time, expiry month(s) and price of each Block Trade and the identity of the Trading Permit Holders who conducted the trade.
- (i) The original completed Block Trade Facility Registration Form(s) will be retained by the Trading Permit Holder (s) to a Block Trade Order and a copy of the completed, validated and confirmed Block Trade Facility Registration Form will be retained by the Exchange.
- (j) Confirmation by an Exchange Official of execution of a Block Trade does not preclude the Exchange from taking disciplinary action in the event that the Block Trade is found to be other than in compliance with the Business Rules.
- (k) Except in the case of Block Trades executed pursuant to TR20.A.1(e) where counterparties have been solicited pursuant to TR20.A.1 and the Block Trade Order remains unfilled, then the Block Trade Order may revert to a permitted order (“the order”) as described in TR.12 and can be executed by the Trading Permit Holder on SYCOM® in accordance with the Client’s instructions. No Trading Permit Holder or SYCOM® Trader may attempt to execute a cross where that order is subsequently entered into SYCOM® unless a period of sixty (60) seconds has elapsed from the entry of the originating Client order.
- (l) For the purpose of TR.20.A in respect of any Trading Permit Holder which is a company, a “Client” shall include a related company as defined by the Companies Act 1993 or a division of the Trading Permit Holder which is – separate from that Trading Permit Holder’s futures division.
- (m) Block Trades executed pursuant to TR 20.A.1(e) cannot be Allocated to another Trading Permit Holder or Clearing Member under Rule 32A.

Authorisation to Execute Block Trades

TR.20.A.4 Before executing a Block Trade Order on behalf of a Client pursuant to TR.20.A a Trading Permit Holder must be authorised in writing by the Client to do so either specifically or generally.