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Screen Dealing Bulletin No: 015/03

From: SFE Corporation Limited ABN 74 000 299 392

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FEEDBACK FROM BULLETIN 12/03 “SYCOM FUNCTIONALITY ENHANCEMENTS – DISCUSSION PAPER”

Screen Dealing Bulletin 12/03 was released on 30 April 2003 which invited Participants to comment on proposed functionality changes to SYCOM, particularly the Anonymous market enhancement. To date SFE has received a total of 8 written responses, with only 6 being from Full Participants.

As the Anonymous market change is a fundamental change to the current business model SFE did envisage that Participants would take this opportunity to internally consider their position as well as consult with their clients and present commercially considered opinions either for and against the proposed changes.

As SFE wishes these changes to be in the best interests of the whole market Participants and their clients are re-invited to consider these changes to SYCOM and formally lodge written responses via letter or email to the following SFE representatives by 14 June 2003:

Maurice Farhart (Senior Manager, Interest Rate Products): mfarhart@sfe.com.au
David Raper (Manager, Business Operations – Derivatives): draper@sfe.com.au
or email to sycom@sfe.com.au.

Please refer to the attached copy of Screen Dealing Bulletin 12/03 for a full description of the proposed enhancements.

Should you have any queries please contact Paul Stonham on 9256-0152 or pstonham@sfe.com.au

A handwritten signature in black ink, appearing to read 'Paul Stonham', with a long horizontal flourish extending to the right.

Paul Stonham
Manager, Access and Distribution – SFE Markets



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SYCOM FUNCTIONALITY ENHANCEMENTS – DISCUSSION PAPER

This bulletin outlines two SYCOM functional enhancements regarding changes to the ongoing use of Mnemonics and the visibility of Inter-commodity implied prices under certain circumstances. SFE's approach to these enhancements has been to firstly determine if the changes to SYCOM are realistically available and secondly to then invite Participant feedback as to the effect, if any, the initiatives might have on the trading dynamics of the market.

SFE has confirmed that the functional changes to the SYCOM system that are required to deliver these two initiatives are technically feasible and accordingly we now invite written responses from the market as to how and why any perceived changes to trading activity might occur. Time to market for these enhancements would be six months after approval, implying that likely earliest deployment date would be the fourth quarter 2003.

Responses are invited until 17 May 2003 and should be in writing and forwarded either by, or through, the Full Participant. Whilst responses will not be formally taken by phone, for clarification as to what is being proposed please contact Maurice Farhart 9256 0183, mfarhart@sfe.com.au or David Raper 9256 0554, draper@sfe.com.au

Written responses can be delivered to the attention of either Maurice Farhart or David Raper or alternatively they can be emailed to sycom@sfe.com.au.

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

Philip Galvin
General Manager, Business Operations

S F E B U L L E T I N C O N T I N U E D

Enhancement 1 – Indicative Inter-Commodity Price Generation

This enhancement will allow for the automated population of implied bid and offer orders from an Inter-commodity spread price into the component outright contracts for Inter-commodity contracts linked in a 1x1 ratio with the same fractional indicator.

For example, the relationship between 3 Year Treasury Bond Future contracts and the 3 Year Bond/ Swap Inter-Commodity will generate implied orders in the 3 Year Interest Rate Swap Future contracts.

This functionality will operate exactly as the current Intra-Commodity functionality.

This enhancement will be utilised between all Products linked via an Inter-Commodity spread with a ratio of 1 to 1.

Benefits

- Will allow highly correlated products to leverage off the price and settlement integrity of established products.
- Will increase the display of available orders to all SYCOM users and users with access to market data
- Will provide an effective mechanism for the transfer of liquidity from one product to another
- Implementation will be transparent to market users

Worked Example

Pre Enhancement

	BID VOL	BID	ASK	ASK VOL
YTH3	382	95.35	95.36	655
YTM3	4	95.34	95.35	265
YSH3				
YSM3				
YSH3YTH3	700	0.16	0.18	400
YSM3YTM3	266	0.14	0.19	266

Post Enhancement

	BID VOL	BID	ASK	ASK VOL
YTH3	382	95.35	95.36	655
YTM3	4	95.34	95.35	265
YSH3	382	95.17	95.20	655
YSM3	4	95.15	95.21	265
YSH3YTH3	700	0.16	0.18	400
YSM3YTM3	266	0.14	0.19	266

S F E B U L L E T I N C O N T I N U E D

Enhancement 2 – Anonymous Trading

In response to customer demand the SFE is proposing to remove access to all Participant identifying mnemonics specifically relating to orders and deals from SYCOM market level communication and all trading reports. In addition to bringing this particular aspect into line with global market practice it also recognises the fact that the counterparty to all trading is SFE Clearing Corporation.

The removal of mnemonics would result in the following changes:

- Participants will be made aware of their own trade execution but will not gain access to counterparty information,
- At Best queue will continue to be available but without the identifying mnemonics
- Participant identification will be removed from all market wide communication of off-market activity i.e. EFP's and Block Trade

Explicitly mnemonic identification will be removed from the following areas.

1. "At Best" Participant mnemonic replaced by "XXX",
2. Last Buyer/ Seller columns removed,
3. Trade Counterparty mnemonics removed from Confirmed Trades,
4. Trade Counterparty mnemonics removed from SYCOM reports,

The current view as to what changes will be implemented are detailed in Appendix 1.

Appendix 1

Window/Dialogue/Transaction Affected	Field	Action
MFWS/Trading Activities		
Options/Manager Tab	Firm Mnemonic, Firm Name	All information retained
Options/Trader Book Tab	Trader/User	All information retained
Options/Market Tab	Lsel, Lbuy	Column and all information removed
Options/Confirmed Trades Tab	Trader/User	Own mnemonic retained. Counterparty mnemonic removed.
Trader Book Window	Trader/User	Own mnemonic retained.
Confirmed Trades Window	Trader/User	Own mnemonic retained. Counterparty mnemonic removed.
Market Window	Lsel, Lbuy	Column removed from display as a result of associated Tab change
Market/Request for Quote	“Display Firm” and checkbox	Both the prompt and checkbox removed
Market/At Best	Firm mnemonic	At Best will remain but mnemonics will be removed
Message Window – Cross Announcement	Trader mnemonics of traders involved in cross	Remove Trader and Participant mnemonics from message display
Message Window – Firm Trade	Seller (), Buyer ()	Removed from message display
MFWS/Trading Activities		
Message Window – General Trade	Seller (), Buyer ()	Removed from message display
Print/Print Confirmed Trades	Trader/User Column	Column will display own mnemonic only
Real-time printer – participant orders, shared orders, participant trades	Trader/User Column	Column will display own mnemonic only
Real-time printer – general trade	Seller (), Buyer ()	Removed from print
Real-time printer – firm trade	Seller (), Buyer ()	Column will display own mnemonic only
MFWS/Account Maintenance Activities		
A c c o u n t M a i n t e n a n c e – Add/Edit/Delete dialogues	“Firm” and firm mnemonic	Display retained
Account Maintenance – Warning Limits Dialogue	“Firm” and firm mnemonic	Display retained

Window/Dialogue/Transaction Affected	Field	Action
MFWS/Reporting Activities		
Audit Log Report/Record Selection window	"Firm" and firm mnemonic	Access to own mnemonic only
Audit Log Report/Record Selection window	"Trader" and trader mnemonic	Access to own mnemonic only
Audit Log Report/Report Selection Criteria section	"Firm" and firm mnemonic	Access to own mnemonic only
Audit Log Report/Report detail section	Firm column	Remove from report
MFWS/Reporting Activities		
Audit Log Report/Report detail section	Trdr/Oper column	Access to own mnemonic only
Trading Activity Review/Record Selection window	"Firm:" and firm mnemonic	Access to own mnemonic only
Trading Activity Review/Record Selection window	"Trader:" and trader mnemonic	Access to own mnemonic only
Trading Activity Review /Report Selection Criteria section	"Firm" and firm mnemonic	Removed from report
Trading Activity Review /Report Selection Criteria section	"Trader" and trader mnemonic	Access to own mnemonic only
Trading Activity Review/Report detail section	Trader/Oper column	Access to own mnemonic only
Daily Summary report heading	Firm, Trader	Access to own mnemonic only
Periodic Summary report heading	Firm, Trader	Access to own mnemonic only
Periodic Summary report detail	activity by operator	Retained in report
Trade Detail report heading	Firm, Trader	Access to own mnemonic only
Trade Detail report detail	Trader column	Access to own mnemonic only
MFWS/Trading Activities		
Trades List report heading	Firm, Trader	Access to own mnemonic only
Trades List report detail	Trader/Firm column	Access to own mnemonic only
AOEI/FIX		
Request for Quote	QuoteFirm - Field Tag 5052	Field tag removed from message
Market State Download	LastBuyer, LastSeller - Field tags 5031, 5032	Field tag removed from message
Market Update	LastBuyer, LastSeller - Field tags 5031, 5032	Field tag removed from message
At Best Update	AskFirm, BidFirm - Field tags 5043, 5046	Field tag removed from message

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