

CIRCULAR



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49/98

No:

Amendments to Bond Settlements

Current settlement procedures for the Three Year and Ten Year Bond contracts require the Exchange to obtain cash market quotes on each of the relevant bond series from active bond market participants in three sessions on the morning of the expiry day. These quotes are averaged after the two highest and two lowest quotes are excluded to determine the final settlement price.

The Exchange has become aware of a decline in the number of active participants in the bond market. This decline in bond market participation has resulted in a breach pursuant to By-Laws TB.3 and TRB.3 as there are currently fourteen active market participants in the cash bond market and not "no less than fifteen active participants" as stated in the By-Laws.

Changes to the By-Laws have been effected to reflect the current market position. The required number of active market participants has been reduced from fifteen (15) to twelve (12), and the number of quote providers at expiry has been reduced from twelve (12) to ten (10). The revised Three Year and Ten Year Bond Settlement list is attached.

The amendments to TB.3, TB.4(b), TRB.3, and TRB.4(b) are as follows (*additions underlined and deletions lined through*):

TRB.3 For the purposes of By-Law TRB.4, the Board of the Exchange shall from time to time designate a Three Year Treasury Bond Settlement List comprising no less than ~~fifteen~~ twelve active participants in the Commonwealth Government Securities Market. The Exchange shall from time to time publish the Three Year Treasury Bond Settlement List and the date of effectiveness of such list.

TRB.4 The cash settlement price referred to in By-Law TRB.2(d) shall be determined by the following procedure:

- (b) For each cash settlement month for each quotation time, the Clearing House shall randomly select ~~twelve (12)~~ ten (10) names from the Three Year Treasury Bond Settlement List or following consultation with the Exchange from a sub-set of such List.

TB.3 For the purpose of By-Law TB.4, the Board of the Exchange shall from time to time designate a Ten Year Treasury Bond Settlement List comprising no less than ~~fifteen~~ twelve active participants in the Commonwealth Government Securities Market. The Exchange shall from time to time publish the Ten Year Treasury Bond Settlement List

and the date of the effectiveness of such list.

TB.4 The cash settlement price referred to in By-Law TB.2(d) shall be determined by the following procedure:

- (b) For each cash settlement month for each quotation time, the Clearing House shall randomly select ~~twelve (12)~~ ten (10) names from the Ten Year Treasury Bond Settlement List or following consultation with the Exchange from a sub-set of such List.

The amendments are subject to regulatory approval but come into effect immediately and will be applied at the March 1998 settlement.

Any queries or comments can be directed to Kristye Van de Geer, Research Analyst on (02) 9256 0489.

THREE AND TEN YEAR TREASURY BOND LIST

Bankers Trust Australia Limited
Barclays de Zoete Wedd Australia Capital Markets Limited
Citibank Limited
Commonwealth Bank of Australia
NatWest Australia Capital Markets Limited
CS First Boston Australia Discount Limited
Deutsche Morgan Grenfell Australia Limited
Hongkong Bank of Australia Limited
Merrill Lynch International (Australia) Limited
National Australia Bank Limited
Rothschild Australia Limited
SBC Warburg Australia Limited
Schroders Australia Discount Limited
Westpac Banking Corporation

Barbara Jones
Company Secretary & Assistant General Counsel

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