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To: All Members

No: 304/98

Amendments to Trading Floor Etiquette

Members are advised of recent amendments to the Floor Trading Etiquette which come into effect immediately (but which are subject to regulatory approval). They are amendments to:

1. TE.6.4(c) which deals with "blanket acceptances" in the Bill and Bond contracts; and
2. TE.14.1 which deals with liability of the Exchange in respect of its systems.

1. TE.6.4(c)

For some time now a "blanket acceptance" procedure has been trialed on the Trading Floor in respect of large order acceptances in the bill and bond markets. The aim is to facilitate faster executions of large orders with less price fragmentation, as a blanket acceptance covers the entire bid or offer shown in the pit at any given time

A trader wishing to buy or sell at this volume enquires how the market is bid or offered in the market in which he/she is interested. Upon receiving a response he/she may then accept ALL the lots available, by saying "sell everything at \$xxx" or "pay \$xxx for everything" rather than accepting individual bids or offers, as provided for in TE.6.3.3.

The Board has now approved amendments to TE.6.4(c) to formalise the trial, and these are set out below. The procedures remain unchanged from those practised during the trial. Minimum lots are:

- 500 lots in the Bill contract
- 500 lots in the Three Year Bond contract
- 200 lots in the Ten Year Bond contract

(Members should note that the trial provided for a minimum of 300 lots in the Ten Year Bond contract, and this has been reduced to 200 following a recommendation by the Floor Committee).

TE.6.4 sets out the standard terminology which is to be used when bidding, offering or accepting, and clause (c), which deals with acceptances, has been amended as set out below, by the addition of a new paragraph (ii) (underlined):

TE6.4 Standard Terminology

The standard terminology for trading in futures contracts is as follows:

- (c) Acceptance:
- (i) Acceptance for full or partial quantity of bid or offer shall be:
- | | |
|---------------|--------------|
| Sell Quantity | |
| eg | Sell 5 |
| or | Buy Quantity |
| eg | Buy 5 |
- (ii) A trader who wishes to execute a blanket acceptance must first ask how the market is bid or offered, and then by open outcry state 'sell everything at \$xxx' or 'pay \$xxx for everything'.
- Traders who do not wish to take part in a blanket acceptance must announce 'off the bid' or 'off the offer' as the case may be.
- Blanket acceptances shall be only for the following volumes in the following contracts:
- at least 500 lots in the 90 Day Bank Bill futures contract:
 - at least 500 lots in the Three Year Government Bond futures contract:
 - at least 200 lots in the Ten Year Government Bond futures contract.
- The provisions of TE.6.3.3 apply to blanket acceptances where applicable except for TE.6.3.3(c) to (e).

2. TE.14.1

This amendment ensures that the definition of "Exchange systems" in TE.14.1 is broad enough to cover new computer systems utilised by the Exchange and its Members.

Floor Trading Etiquette Section TE.14 deals with the liability of the Exchange, and in essence protects the Exchange against liability in respect to the operation of the Trading Floor or any Exchange System. "Exchange System" is defined as "any trading system or.....computer system utilised by the Exchange in connection with trading, matching, or price reporting....".

In the interests of consistency, certainty and affording protection to the Exchange, TE.14.1 has been amended to ensure that the Exchange is not exposed to liability in respect to the operation of new computer systems such as which have been or will be introduced since the section was first drafted. These new systems include:

- the Sydney Futures Exchange Information Network (SFEIN) (a

facility aimed at streamlining communications and processes between SFE/SFECH/NZFOE and Members); and

- a Wide Area Network (WAN) (an intra-net platform for the provision of new applications specific to the SFE); as well as
- any other system which is operated or provided by the Exchange which may relate to trading, matching, price reporting or which is in any other way connected with the business of the Exchange.

The amendments proposed are consistent with existing Article 94 of the Clearing House By-Laws. Article 94.2 expressly excludes the liability of the Clearing House with respect to "any loss suffered as a result of any incorrect information provided to the Clearing House or breakdown of Exchange systems". Article 94.3 excludes the liability of the Clearing House, the Exchange and any developer in respect of "any trading system or of any computer system ("Clearing Systems") utilised by the Clearing House *in connection with the business of the Clearing House* [emphasis added]...".

TE14.1 has been amended as follows (additions underlined):

TE.14 **LIABILITY**

TE.14.1 *Neither the Exchange nor any developer of any trading system or of any computer system utilised by the Exchange in connection with trading, matching, price reporting or in connection with any other business of the Exchange ("Exchange Systems") will accept or bear any liability whatsoever in respect of the operation of the Trading Floor or the operation of any Exchange System, whether for any breach of a provision of any relevant legislation, negligence, injury, death, lost profits, loss of files, data or use, economic loss, loss of reputation or losses or damages incidental or consequential to the operation of the Trading Floor or any Exchange System. All warranties, both express and implied are disclaimed as to the description, quality, performance or fitness for the purpose of the Trading Floor or any Exchange Systems or any component thereof; and the Exchange does not warrant or forecast that the Trading Floor or any Exchange Systems or component thereof or any services performed in respect thereof will meet the requirements of any user, or that operation of the Trading Floor or any Exchange Systems will be uninterrupted or error-free, or that any services performed in respect of the Trading Floor or any Exchange Systems will be uninterrupted or error-free. Nothing in this TE.14 shall limit any liability of a developer of any Exchange System to the Exchange.*

Company Secretary & Assistant General Counsel

27/10/98

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