

**SFE Bulletin No:** 68/02

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## **SFE ANNOUNCES NEW OFFICIAL MARKET MAKER FOR INTEREST RATE OPTIONS**

As part of the continuing initiative to increase liquidity in SFE interest rate options markets, SFE is pleased to announce the appointment of **Fimat SNC** trading as **Fimat Australia** as an Official Market Maker in 3 Year and 10 Year Treasury Bond Options.

SFE believes that the presence of Official Market Makers will significantly improve price discovery, liquidity and market integrity in the SFE 3 Year and 10 Year Bond Options and play an important role in the further development of this market.

### **Overview of Commitments**

Official Market Makers are committed to:

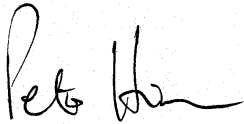
- Provide automated, two-way prices, within a defined bid/offer spread, in a range of 3 Year and 10 Year Bond Option strikes in the spot contract month maintained for a minimum of 75% of the time.
- Provide two-way prices for at the money call and put options in the 3 Year and 10 Year Intra-Day Options on a best endeavours basis.
- Respond to Request for Quotes in all 3 Year and 10 Year Treasury Bond Option strikes in serial and second quarter contracts for a minimum of 75% of requests.

For further details on the Official Market Maker commitments, please refer to Appendix One.

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

## **Further Information**

For further information in relation to this Bulletin contact Maurice Farhart – Senior Manager, Interest Rate Products, SFE Strategy & Business Development on +61 2 9256 0183.

A handwritten signature in black ink, appearing to read 'Peter Hiom', is positioned above the printed name and title.

Peter Hiom  
**General Manager, Strategy and Business Development**

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## Appendix 1: SFE 3 Year and 10 Year Treasury Bond Options Market Making Scheme – Summary of Obligations

### Continuous Quotation

- (a) The Market Maker will via an automated market making system (the “System”):
- (i) Provide continuous two-way quotes for option strikes with an Exchange delta between 0.05 and 0.6 inclusive, in the product(s), months, bid/offer spread and volume, as detailed below,

	<b>Months</b>	<b>Maximum Bid / Offer Spread</b>	<b>Minimum Volume per Side</b>
3 Year Treasury Bond Options	Spot Quarter	4 ticks (0.5 tick i.e. 2 basis points)	200 lots
10 Year Treasury Bond Options	Spot Quarter	4 ticks (0.5 tick i.e. 2 basis points)	100 lots

and

- (ii) Such quotes will be maintained for a minimum of 75% (cumulatively) of the time between 8.30am and 4.30pm Australian Eastern Standard Time.

### Request For Quote

- (a) The Market Maker will respond to a Request For Quote (RFQ), received via the Exchange’s Request For Quote Facility, with:
- (i) a two way quote for all contracts with an Exchange delta between 0.05 and 0.6 inclusive, in the product(s), months, bid/offer spread and volume, as detailed below,

	<b>Months</b>	<b>Maximum Bid / Offer Spread</b>	<b>Minimum Volume per Side</b>
3 Year Treasury Bond Options	1 <sup>st</sup> serial	4 ticks (2 bp)	200 lots
3 Year Treasury Bond Options	Second Quarter and 2 <sup>nd</sup> serial	4 ticks (2 bp)	100 lots
10 Year Treasury Bond Options	1 <sup>st</sup> serial	4 ticks (2 bp)	100 lots
10 Year Treasury Bond Options	Second Quarter and 2 <sup>nd</sup> serial	4 ticks (2 bp)	50 lots

and

- (ii) Such response to quotes will be responded to a minimum of 75% of the number of RFQ’s received between 8.30am and 4.30pm Australian Eastern Standard Time

- (b) The Market Maker will use their best endeavours to:
  - (i) Respond to RFQs for option strikes with deltas outside the 0.05 to 0.6 delta parameters,
  - (ii) Make more competitive spreads in lower delta options,
  - (iii) Respond to RFQs with less than three (3) days to expiry (inclusive of the expiry day),
  - (iv) Respond to RFQs for 3 Year and 10 Year Intra Day Options that are “at the money”.
- (c) The Market Maker’s response to a RFQ will be released to SYCOM within ten (10) seconds of the Market Maker receiving each RFQ and available to the market for a period of not less than 30 seconds.

### **Custom Market Strategies**

The Market Maker will use their best endeavours to:

- (a) Provide a two-way price on SYCOM for Custom Market strategies quoted via the SYCOM message facility, and
- (b) Ensure responses to Custom Market strategies quoted via the message facility are valid for no less than two (2) minutes.

### **Intra-Day Options**

The Market Maker will use their best endeavour to:

- (a) On days where there is no Australian Bureau of Statistics releases, provide 2 way prices on SYCOM in at the money call and put options for a minimum of 50% of the trading session and a minimum 100 contracts per side.
- (b) Respond to RFQ’s in at the money Intra day options

### **Limitations of the Obligations**

The Market Maker may immediately cease the input of bids and offers and response to RFQs, or increase spread ranges in the following circumstances:

- (a) Unusual price volatility as determined by the Exchange;
- (b) Five (5) minutes either side of scheduled RBA and ABS releases;
- (c) Lack of availability or disruption of the performance of SYCOM or the System;
- (d) Inability of the Market Maker to access SYCOM via the SYCOM Interface;
- (e) When the underlying bid/ offer spread is greater than two (2) basis points wide;
- (f) For a period of five (5) minutes after the opening of the underlying futures contracts;
- (g) Where less than three (3) days remain to expiry (inclusive of the expiry day).