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### **SFE TO INTRODUCE 10 POINT STRIKE PRICE INTERVALS ON 3 YEAR AND 10 YEAR TREASURY BOND OPTIONS**

As part of the ongoing development of the SFE interest rate options market, the strike price intervals for 3 Year and 10 Year Treasury Bond Options (serial and quarterly) will be reduced from 25 points to 10 points following the expiry of the December 2002 contracts. The change to the strike price intervals is subject to regulatory approval and the timing of the implementation is subject to the successful completion of systems testing.

Market consultation undertaken earlier this year highlighted the requirement to reduce the strike price intervals. In the current economic climate, interest rate movements over time have narrowed; resulting in a reduced number of option strikes being actively traded. Narrower strike price intervals will provide a more precise hedging facility and is expected to provide the market with additional trading opportunities.

#### **Implementation Approach**

To facilitate the implementation of the 10 point strike price intervals as quickly as possible, **SFE will delay the listing of the January 2003, February 2003 and March 2003 3 Year and 10 Year Treasury Bond Options until trade date 17 December 2002** (5.10pm 16 December 2002). As a result no forward months will be available leading up to the December 2002 expiry. This will permit SFE to list these contracts with 10 point strike intervals under the existing commodity codes YT and XT rather than disrupting trading further by listing new commodity codes. It is expected that this implementation approach will require little, if any, system changes for market users and system providers.

A high level implementation approach is outlined below. Processes highlighted in bold differ from normal procedures.

<b>Calendar Date</b>	<b>Calendar Event</b>	<b>10 Point Strike Intervals Implementation Process</b>
16 September 2002	September 2002 Futures and Options expire at 12pm	<ul style="list-style-type: none"> <li>– September 2002 Futures and Options contracts (25 point strike price intervals) are de-listed</li> <li>– March 2003 Futures are listed</li> <li>– <b>March 2003 Options will <u>not</u> be listed</b></li> </ul>

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

15 October 2002	October 2002 Serial Options expire at 12.30pm	– October 2002 Options (25 point strike price intervals) are de-listed – <b>January 2003 Options will <u>not</u> be listed</b>
15 November 2002	November 2002 Serial Options expire at 12.30pm	– November 2002 Options (25 point strike price intervals) are de-listed – <b>February 2003 Options will <u>not</u> be listed</b>
16 December 2002	December 2002 Futures and Options expire at 12pm	– December 2002 Futures and Options(25 point strike price intervals) are de-listed – <b>January 2003, February 2003, March 2003 Options will be listed with 10 point strike price intervals</b> – June 2003 Futures and Options will be listed with <u>10 point strike price intervals</u>

## 90 Day Bank Bill Options

SFE is currently investigating the most appropriate approach for the implementation of narrower strike price intervals on the 90 Day Bank Bill Options contracts. This approach will be discussed and refined with market users over the next few weeks. Once a satisfactory solution has been identified, the market will be notified in due course.

## Further Information

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