



SFE NOTICE NO.

92/07

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Further Guidance for Night Session Block Trade Facilitation for 3 and 10 Year Treasury Bond Futures

ASX has received a number of queries from OTC market participants on Night Session Block Trade facilitation for the 3 and 10 Year Treasury Bond Futures contracts. As referred to in Notice 83/07 a Block Trade can only be arranged and registered by a Full Participant (Participant) of the Sydney Futures Exchange.

The Block Trade mechanism was designed to facilitate large volume trades and to allow Participants to access the best price available in the market for clients that have a requirement to execute a large volume line of bond futures contracts. The Block Trade Facility allows Participants to negotiate, on behalf of its client with the originating large volume order, with a number of parties on the other side of the deal in an effort to find its client the best price.

All customers of a Participant that wish to participate in a block trade transaction are required to have a signed block trade authority in place with the Participant prior to entering into negotiation of a block trade. It is the Participants responsibility to ensure these authorities are in place.

Block Trade Pricing

There are no explicit price limits attached to Block Trades. Block Trades may legitimately occur at prices different to the SYCOM® market price for the relevant contract at the time of trade agreement.

The Exchange reserves the right to refuse to accept a Block Trade where the price varies significantly from the price of the underlying at the time the Block Trade was lodged. As a guide, the price of a Block Trade will be acceptable without query where it is within the tick range, either side of the current market price. Where a Block Trade price falls outside this range the Exchange will generally query the Participants involved to establish the rationale for the price.

For example, a price determined on VWAP (Volume Weighted Average Price) may be outside this range but the Exchange will accept prices based on VWAP. VWAP prices in the 3 and 10 Year Treasury Bond Futures cannot have a minimum increment less than 0.005 per cent. A single Block Trade cannot be registered with a price that cannot be traded in the outright market, however a Block Trade in the 3 and 10 Year Treasury Bond Futures can be split between volumes at different prices provided the volume at each price level is greater than the applicable minimum volume threshold.

Trade Notification

Participants using ISV order entry systems that have not written to the Exchanges messaging convention need to transmit the full details of the Block Trade to another part of its organisation that has the capacity to send the appropriate message to the Exchange. If the Participant does not have this capability within its organisation it should not be negotiating block trades on behalf of its clients. A Block Trade handled in this way, wholly within the Participant should adequately address any concerns regarding confidentiality of the trade or parties involved in the trade.

The Exchange is aware that some foreign jurisdictions provide a timeframe for registration of a block trade in excess of 5 minutes; however the Exchange is not considering an increase to this parameter at this stage.

Further information on Block Trading including Procedures, Operating Rules and Block Trade examples are available from the ASX website at www.asx.com.au/investor/futures/btf/index.htm



For further information regarding the:

The Night Session Block Trade Facility please contact Kristye van de Geer on +612 9227 0130 or kristye.vandegeer@asx.com.au.

Rules relating to the The Night Session Block Trade Facility please contact Robert Coaldrake on +612 9227 0223 or robert.coaldrake@asx.com.au.

Trade Notification for The Night Session Block Trade Facility please contact the Service Desk on +612 9256 0677.

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

Robert Coaldrake
General Manager Futures Supervision and Prudential Risk

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