



ASX Treasury Bond Futures

Bond Basket Construction Process

January 2025

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Introduction

Overview

ASX lists 3, 5, 10 and 20 Year Treasury Bond futures on the ASX 24 trading platform. The Treasury Bond futures contracts are cash settled on a quarterly basis. In order to be able to cash settle the bonds, a settlement price is required at the point of expiry of the contract. The settlement price is calculated by referencing the futures contract to a basket of physical Australian treasury bonds.

Treasury Bond Futures baskets are determined and announced prior to a new contract month being listed on ASX 24 for trading. There are always two tradable contracts listed (spot and next).

This document outlines the process used to determine the treasury bonds that will be included in the baskets.

1. Selection of Bonds

ASX determines the relevant bonds that can be included in the basket using the AOFM's current list of treasury bonds on issue: <https://www.aofm.gov.au/securities/treasury-bonds>.

Bonds are selected from the AOFM's list, based upon their duration to expiry, to be considered for inclusion in the 3, 5, 10 and 20 year futures baskets.

ASX analyses which bonds are most appropriate to be included in the basket. Bonds are selected on the following basis:

- a. Duration to expiry. Average duration of the selected bonds will be as close as possible to the tenor of the futures contract.
- b. Bonds in the basket will be consecutive in terms of their maturity as far as practicable.
- c. There must be at least 3 bonds in the basket (ASX 24 Rules Procedures) and no more than 6 bonds.
- d. Generally, the same bond should not be included in two separate tenor baskets, e.g. the same bond would not be selected for the 3 Year TB futures basket and the 5 Year TB futures basket. ASX reserves the right to include the same bond in two baskets should conditions necessitate this.
- e. Generally, once a bond is included in a basket, it would not be removed until the bond naturally drops out of the basket due to its duration becoming too short for the basket. ASX reserves the right to remove a bond from a basket if conditions necessitate this.
- f. Bonds will only be considered if their size, turnover and liquidity are appropriate for basket consideration.

2. Reporting to Market

Once ASX has selected bonds for inclusion in the baskets, a report will be sent via ASX market notice to the market for information and to give the market opportunity to provide any feedback on the bonds selected. The report will also be emailed to AOFM and AOFM's listed [market makers](#) for information. The report will include:

- a. The construct of current basket (i.e. the one listed at the last quarter) for the 3, 5, 10 and 20 year contracts.
- b. A list of bonds viable for selection, based upon their duration to expiry.
- c. ASX's proposed baskets.
- d. Request for feedback from the market.

ASX will provide the report approximately 2 weeks prior to the spot contract's expiry.

3. Feedback

The market will be given 5 business days to provide feedback to the report.

ASX as the market operator will make the final decision on the bonds to be included in the baskets, incorporating feedback received.

4. Notification of Selected Baskets

Once the baskets are finalized, ASX will publish the construct of the baskets to the market via market notice. The market notice will also be emailed to AOFM and AOFM's listed market makers for information. Market notice will be published, where practicable, at or close to 12pm on the 8th of the expiry month or next business day if the 8th is not a business day (subject to market conditions).

5. Contract Listing

Contracts are listed on 15th of each financial quarter month, or the next business day.

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