

Bond Futures Delink

Supporting Documentation | Version 1.0 – 20 November 2024

Introduction

ASX will introduce a change to the market microstructure for the 3, 5, 10 and 20 Year Bond Futures contracts during the roll period. The changes will commence with the March 2025 expiry, subject to regulatory clearance and customer readiness.

The purpose of this document is to provide further information on the impact of the changes to tradeable prices, settlement prices and off market registration prices.

Roll Period

The Roll period, for the purpose of the tick increment changes, is defined at the 8th of the expiry month (Trade Date 9th to the 15th of the expiry month), or next business day, if the 15th is not a business day.

Overview of Impact on Bond Futures Prices and Implied Price Availability

Delinking, Outright Bond Futures and Roll Tick Increments

From the March 2025 roll the following maintenance will be applied to Bond Futures contracts:

Contract	Prescribed time – Implied Pricing Disabled	Prescribed time – Implied Pricing Enabled	Minimum price increment of the Intra-commodity spread when implied pricing disabled	Minimum price increment of outright contracts
3 Year Bond Futures	5.10pm 8 th of the expiry month	5.10pm 15 th of the expiry month or next business day is the 15 th is not a business day	0.002	0.010
5 Year Bond Futures	5.10pm 8 th of the expiry month	5.10pm 15 th of the expiry month or next business day is the 15 th is not a business day	0.0025	0.0050
10 Year Bond Futures	5.12pm 8 th of the expiry month	5.12pm 15 th of the expiry month or next business day is the 15 th is not a business day	0.0010	0.0050
20 Year Bond Futures	5.12pm 8 th of the expiry month	5.12pm 15 th of the expiry month or next business day is the 15 th is not a business day	0.0025	0.0050

Price Examples

The following table provides examples of outright futures and roll prices when the two markets are delinked during the Roll period:

Bond Futures Outright Contract and Roll	3 Year Bond Futures Price Examples	5 Year Bond Futures Price Examples	10 Year Bond Futures Price Examples	20 Year Bond Futures Price Examples
Outright prices	95.740	95.0500	95.0500	95.0500
	95.750	95.0550	95.0550	95.0550
	95.760	95.0600	95.0600	95.0600
	95.770	95.0650	95.0650	95.0650
Roll prices (positive)	0.020	0.0300	0.0110	0.0300
	0.022	0.0325	0.0120	0.0325
	0.024	0.0350	0.0130	0.0350
	0.026	0.0375	0.0140	0.0375
Roll prices (negative)	-0.046	-0.0175	-0.0310	-0.0175
	-0.048	-0.0200	-0.0320	-0.0200
	-0.050	-0.0225	-0.0330	-0.0225
	-0.052	-0.0250	-0.0340	-0.0250

Inter-commodity Spreads

The following inter-commodity spreads will adopt the tradeable tick increment of the outright contracts. As the outright tick increments are no longer changing, the same rule will be applied to the inter-commodity spreads.

- 3 and 10 Year Bond Future inter-commodity spread (YTXT) will trade at a minimum increment of 0.0050.
- 5 and 10 Year Bond Futures inter-commodity spread (YTVT) will trade at a minimum increment of 0.0050.
- 10 and 20 Year Bond Future inter-commodity spread (XTLT) will trade at a minimum increment of 0.0050.
- 90 Day Bank Bill and 3 Year Bond Future inter-commodity spread (IRYT) will trade at a minimum increment of 0.010.

Order Management and Purging

The ASX 24 Trading Platform will purge any orders from the order book that are considered “off-tick”, that is, have a non-tradable price for the relevant Trading Date. As the tick increments for the outright Bond Futures contracts are no longer changing during the week of the roll, no outright orders will be purged.

One Session Options VWAP rounding rules

The One Session Options (Intra-day and Overnight Options) are European options that expire at the end of the relevant trading session on a daily basis. The Futures Reference Price is used to determine whether these options are exercised into the underlying futures contract. All In-The-Money options are automatically exercised, while At-The-Money and Out-Of-The-Money Options are automatically abandoned. The Futures Reference Price is calculated as the weighted average price of transactions in the underlying futures contract over a 10 minute window.

The following rounding rules are applied when calculating the Futures Reference Price:

3 Year Treasury Bond Futures Reference Price

The weighted average of trade prices shall be calculated to 4 decimal places and rounded to the nearest multiple of 0.005; if the 3rd and 4th decimal places are 2 and 5 or 7 and 5 respectively, the weighted average shall be rounded to the next highest multiple of 0.005.

10 Year Treasury Bond Futures Reference Price

The weighted average of trade prices shall be calculated to 4 decimal places and rounded to the nearest multiple of 0.005 per cent per annum; if the 3rd and 4th decimal places are 2 and 5 or 7 and 5 respectively, the weighted average shall be rounded to the next highest multiple of 0.005 per cent per annum.

Expiry Settlement Price Rounding Rules

The Expiry Settlement Price for the 3 and 10 Year Bond Futures is calculated by taking physical bond yields for the basket bonds at 3 times on the Last Trading Day from both ICAP and Yieldbroker. For each snap shot the best bid and best offer is selected for each bond in the bond basket. These yields are then averaged, rounded to the nearest tradeable increment and subtracted from 100.

For the 3 Year Treasury Bond Futures the average yield will be rounded to the nearest 0.010. The 5, 10 and 20 Year Treasury Bond Futures average yield will be rounded to the nearest 0.0050.

Off-market Transactions (EFP and Block Trades)

Bond and swap Exchange For Physical (EFP) transactions and 3, 5, 10 and 20 Year Treasury Bond Futures block trades¹ can only be traded at the outright futures tick increment.

Further enquiries:

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¹ Block trades apply to the spot month only. Change of the spot month occurs 5 trading days prior to expiry (including expiry day).