ASX 90 Day Bank Bill Butterflies

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ASX Bank Bill Butterflies are Exchange Defined Combination (EDC) strategies that are available on ASX's trading platform. Bank Bill Butterflies consist of two calendar spreads where they share a common contract month.

Consistent with ASX's other EDCs, including spreads, strips and packs and bundles, the listed Bill Butterflies allow customers to trade the strategy at a net price and without legging risk.

Listed ASX Bill Butterflies

ASX lists the front three Bill Butterflies under the commodity code FL. For example, in January 2022, the listed Bill Butterflies and their underlying legs will be as per the following table.

ASX 24 Code	Front Leg (Front Wing)	Front Leg Ratio	Second Leg (Centre)	Second Leg Ratio	Third Leg (Back Wing)	Third Leg Ratio
FLH2	IRH2	1	IRM2	2	IRU2	1
FLM2	IRM2	1	IRU2	2	IRZ2	1
FLU2	IRU2	1	IRZ2	2	IRH3	1

Trading Bank Bill Butterflies

When trading the Bill Butterflies, please note the following:

- BUY the Butterfly means BUYING the wings and SELLING the centre.
- SELL the Butterfly means SELLING the wings and BUYING the centre.

For example: BUY 100 lots of FLM2 means buying 100 IRM2, selling 200 IRU2, and buying 100 IRZ2 contracts.

Bill Butterfly Prices and Implied Pricing

Bill Butterflies are quoted and traded at a net price. Implied in pricing is supported, where outright bank bill futures prices imply a net price into the Bill Butterflies. Implied out prices are not supported, that is, Bill Butterfly orders do not generate implied prices in the underlying 90 Day Bank Bill Futures.

Leg Price Generation

Upon trade execution, the trading platform generates the individual legs for reporting and clearing purposes. The following rules are used to determine the individual 90 Day Bank Bill Futures leg prices.

Butterfly to Outright Bill Futures: Where a Bill Butterfly order is entered and executed against an implied 90 Day Bank Bill Futures net price, the leg prices are determined based on the outright bank bill futures market at the time of trade execution.

Butterfly to Butterfly: Where a butterfly order is executed against another butterfly order, the following rules are used to determine the individual bank bill futures leg prices based on an anchor price.

The anchor price is the last traded price for the leg of the strategy that traded most recently, provided the price is within the accepted Spread. If there is no last trade price for any of the legs, then the anchor leg and its price will be based on the AOT Reference Price, Adjusted Closing Price, or Prior Settlement Price within the accepted spread.

The Leg Reference Price is defined as:

- Last Trade Price
- If AOT is set, use AOT reference price
- Adjusted closing price
- Prior settlement price.

The preliminary leg prices for each of the remaining legs (except the anchor leg) is set according to the following steps:

1. If the Leg Reference Price is within the Spread, the preliminary price is set to this Leg Reference Price.
2. If the Leg Reference Price is outside of the Spread, the preliminary price is set to closest bid or offer of the Spread.
3. If the Leg Reference Price and a bid (or ask) exists but no Spread is available, the preliminary price is set to the bid (or ask) if it improves market, otherwise it is set at the Leg Reference Price.
4. If the Leg Reference Price exists but no Spread is available, the preliminary price is set at the Leg Reference Price.

The Spread is defined as the tightest interval of Price bands (AOT) and Best Bid and Offer (BBO). BBO includes both orders and visible implied prices.

Once the preliminary price has been determined for each leg, it is (if needed) adjusted until they add up to the correct net price. The system has defined steps to make the adjustment and is not random.

Trade Cancellations

Participants should note, that any trades that occur in the Bank Bill Butterflies are subject to the existing trade cancellation process as set out in ASX 24 Operating Rule 3200.

Bank Bill Butterfly Order Management

The following order management rules apply to the Bill Butterflies:

- Butterfly orders cannot be entered during Pre-Open
- Butterfly orders with the following attributes are NOT supported: GTC, GTT, or GTD
- Butterfly orders will maintain the same FIFO priority as outright futures orders
- Butterfly orders will maintain a 1:2:1 ratio
- As per normal order entry, Butterfly orders can be set to retain or purge, shared or non-shared.

Expiry and Listing Schedule

ASX delists the front Bill Butterfly on the business day prior to the spot month 90 Day Bank Bill Futures Last Trading Day. A new back Bill Butterfly will be listed for the start of the night session prior to the Last Trading Day.

The table below lists the First and Last Trading Days for the Bill Butterflies that will be available in 2022 and 2023.

ASX 24 Code	First Trading Day	Last Trading Day
FLH2	5.08pm 9 June 2021	4.30pm 9 March 2022
FLM2	5.08pm 8 September 2021	4.30pm 8 June 2022
FLU2	5.08pm 8 December 2021	4.30pm 7 September 2022
FLZ2	5.08pm 9 March 2022	4.30pm 7 December 2022
FLH3	5.08pm 8 June 2022	4.30pm 8 March 2023
FLM3	5.08pm 7 September 2022	4.30pm 7 June 2023
FLU3	5.08pm 7 December 2022	4.30pm 6 September 2023
FLZ3	5.08pm 8 March 2023	4.30pm 6 December 2023

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