

Australian Government

Australian Office of Financial Management

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT TENDER SYSTEM

USER GUIDE

FOR

AUTHORISED DEALERS

September 2006

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AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT TENDER SYSTEM

Introduction

The Australian Office of Financial Management Tender System (Tender System) is the system used by the Australian Office of Financial Management (AOFM) to conduct tenders for the issue of Australian Government Treasury Notes and Treasury Bonds. The Tender System is accessed via the BLOOMBERG PROFESSIONAL® Service.

Bids for stock offered for sale via the Tender System may only be submitted by parties that are registered with the AOFM (Registered Bidders) and who are subscribers to the BLOOMBERG PROFESSIONAL® Service. To register requires entering into a *Registered Bidder Agreement* with the AOFM which binds the Registered Bidder and AOFM to the *AOFM Tender System Conditions of Operation*, copies of which are available on the AOFM website at www.aofm.gov.au. The contact telephone number for enquires concerning registration is **+61 2 6263 1141**.

Each Registered Bidder is required to lodge with the AOFM a list of Authorised Dealers. Authorised Dealers are the persons authorised by a Registered Bidder to lodge bids in the Tender System for the Registered Bidder. A list of Authorised Dealers must identify each Dealer by their Bloomberg User Name and Bloomberg Identity Number (UUID). Only persons identified on such a list will be enabled by the AOFM to use the Tender System. It is the responsibility of the Registered Bidder to ensure their list of Authorised Dealers is current and up-to-date.

This guide has been designed to assist Authorised Dealers in their use of the Tender System.

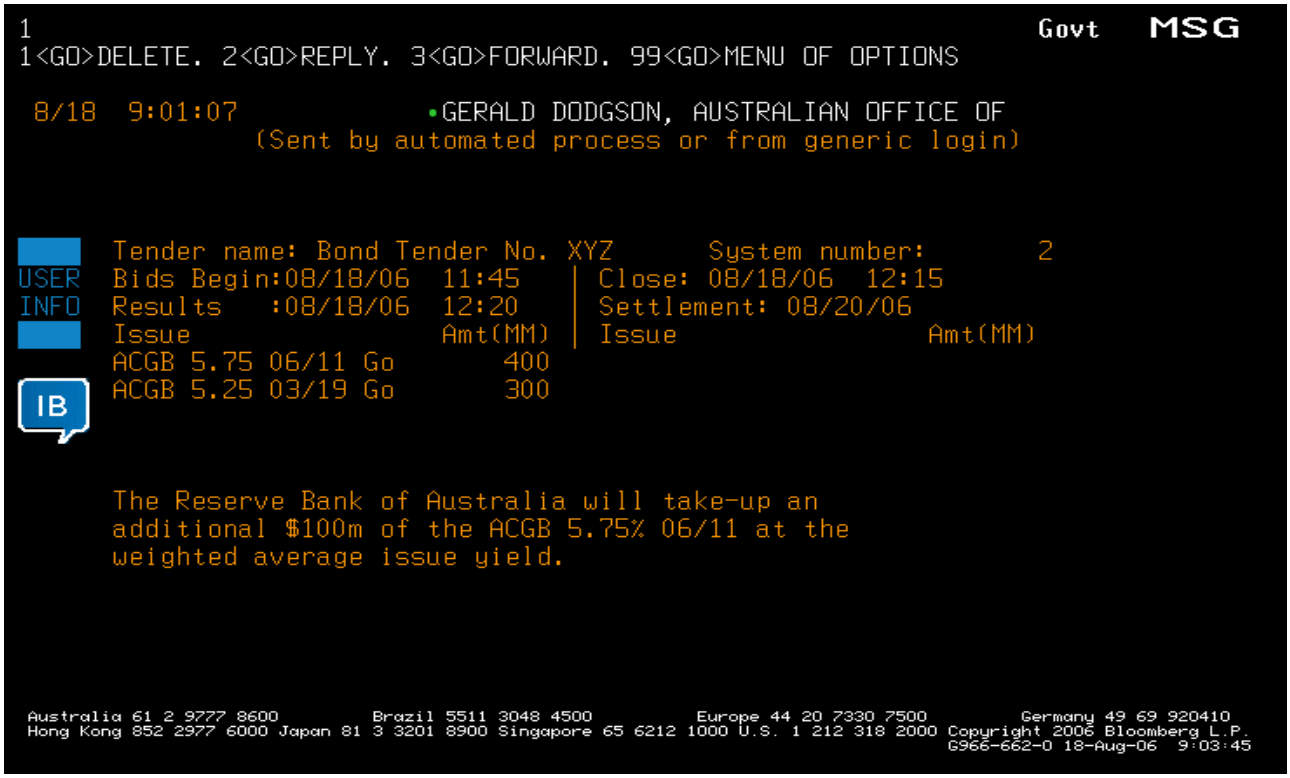
After logging on to the BLOOMBERG PROFESSIONAL® Service, the main menu for the Tender System can be accessed by typing **AGTS<GO>**. The functions available for use by Authorised Dealers are those on the right hand side of the screen listed under the heading 'Participants'.



Tender Announcements

All Authorised Dealers will be automatically sent a message via the Bloomberg message system each time a tender for the issue of Treasury Notes or Treasury Bonds is announced by the AOFM. The message includes details such as the tender number, the bidding start and closing dates and times and the securities on offer (see example below).

- **IMPORTANT** - It should be noted that Bloomberg uses a date format of **MM/DD/YY**. For example, 18 August 2006 is displayed as 08/18/06. This date format is utilised throughout the BLOOMBERG PROFESSIONAL® Service including the Tender System.



It is recommended that Authorised Dealers subscribe to the AOFM email service. Subscription is free and provides email notification of AOFM Operational Notices and other public announcements, including tender announcements and results. To subscribe go to www.aofm.gov.au/subscription.asp.

An indicative issuance calendar for the issue of Treasury Bonds is published prior to the commencement of each financial year (normally in mid-May following the release of the Australian Government Budget). The calendar can be viewed at www.aofm.gov.au/content/borrowing/calendar.asp. The calendar outlines expected tender dates, bond lines and face value amounts for Treasury Bonds to be offered. The calendar is indicative only - tenders are not officially announced until the day prior to the day of a tender.

- Tenders for Treasury Bonds are normally officially announced on a Monday at noon Australian Eastern Standard Time with the closing time for the lodgement of bids being 12.15 pm Australian Eastern Standard Time the next day (Tuesday).

Note: All references in this document to Australian Eastern Standard Time refer to Australian Eastern Daylight Saving Time when Daylight Saving Time applies in New South Wales.

Treasury Notes are issued on an as required basis depending on the Government's short-term funding needs.

- Tenders for Treasury Notes are normally officially announced on a Tuesday at 4.00 pm Australian Eastern Standard Time with the closing time for the lodgement of bids being 12.15 pm Australian Eastern Standard Time the next day (Wednesday).

Official notification of tenders is provided via the AOFM website (www.aofm.gov.au) and the AOFM email service. Wire services such as AAP, Bloomberg and Reuters also broadcast tender announcements.

Lodgement of Bids

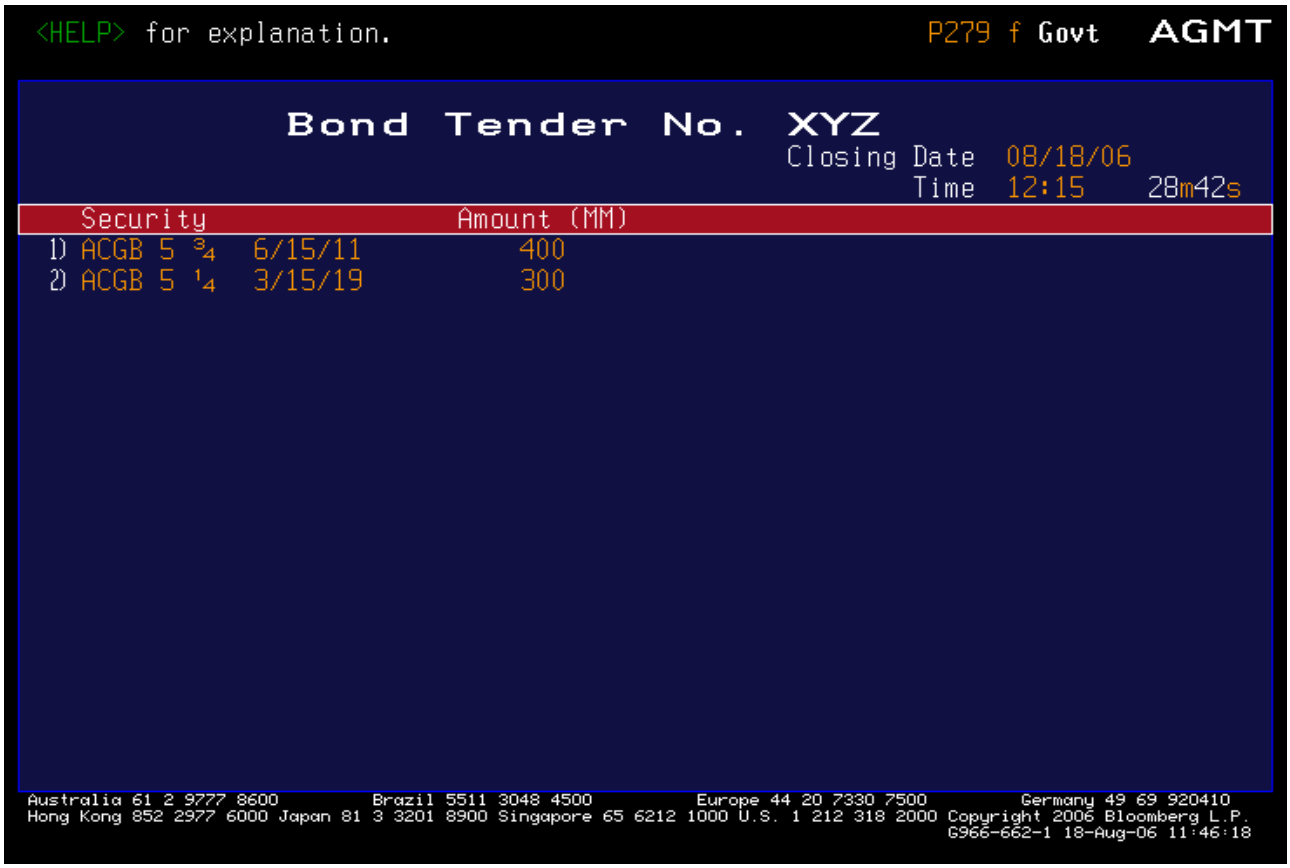
The date and time from which bidding can commence for a tender will be stated in the Bloomberg message sent to Authorised Dealers notifying them of the tender. This will generally be 30 minutes prior to the closing time for the lodgement of bids.

- This means the time period bids can be lodged is generally between 11.45 am and 12.15 pm Australian Eastern Standard Time.

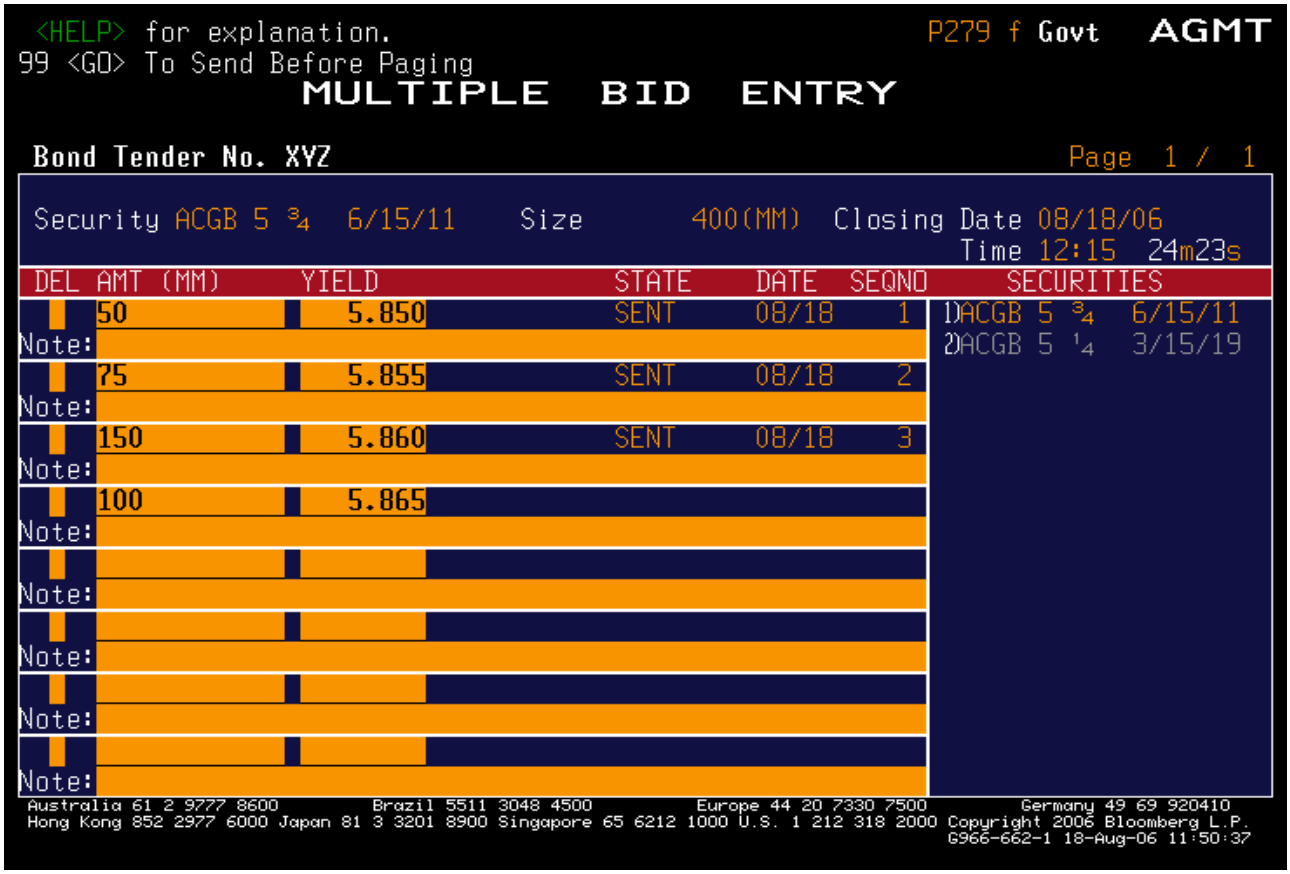
Authorised Dealers are able to lodge bids by typing **AGMT<GO>**. This screen lists AOFM tenders and their status (see below). The Authorised Dealer should select the relevant tender from the list.



In this example, two lines of Treasury Bonds are being offered at tender. The Authorised Dealer should select the security (bond or note line) for which they wish to enter bids.



BID ENTRY SCREEN



Closing Date and Time

The closing date and time for the lodgement of bids is displayed in the top right hand corner of the Bid Entry Screen. There is also a countdown clock which displays the remaining time left to lodge bids. At the closing time, the Tender System flashes a 'bidding closed' message and prohibits the commitment of any further bids.

Amount

Each bid must be for a minimum amount of one million Australian dollars (face value) and in multiples of one million Australian dollars for bids in excess of the minimum. The amounts bid are recorded in the Tender System as millions (MM). For example, a bid for $50 million ($50,000,000) should be entered as 50.

In allotting stock at the highest accepted yield, amounts by which the total bids from any one Registered Bidder exceed the amount offered at tender will be disregarded.

Yield

All tenders for the issue of Treasury Notes and Treasury Bonds are conducted on an outright yield basis.

Yield bids must the submitted on the basis of yield to maturity (% per annum). When entering a yield bid the % sign should not be entered (e.g. a yield bid of 10.25% should be entered as 10.25).

- For **Treasury Notes –** the yield bid may be expressed to a maximum of two decimal places (e.g. 10%, 10.0% or 10.00%). Any additional decimal places will not be accepted.

- For **Treasury Bonds –** the yield bid may be expressed to a maximum of three decimal places (e.g. 10%, 10.0%, 10.00% or 10.000%). Yield bids for Treasury Bonds must be a whole multiple of 0.005% (e.g. 10.000%, 10.005% or 10.010%). Yields submitted that are not a whole multiple of 0.005% will not be accepted.

The Tender System includes plausibility limits for yield bids. When an Authorised Dealer seeks to commit a yield bid which falls outside a range specified by the AOFM the yield bid in question will be highlighted and a message will appear at the top of the Bid Entry Screen indicating that the bid is outside a specified range. Following the warning the Authorised Dealer has the option of continuing to proceed with commitment of the bid by typing **99<GO>** or modifying the bid.

- The AOFM will set plausibility limits based on prevailing market quotes observed for the securities in question or the AOFM's estimate of expected pricing based on other data such as futures pricing. The limits set by the AOFM will be 5 basis points either side of the observed or estimated mid-market yield.

- Plausibility limits will be set by the AOFM just prior to the start of the period when bidding is permitted, which is 30 minutes prior to the closing time for the lodgement of bids. The limits will be updated if necessary 15 minutes prior to the closing time for the lodgement of bids. Further updates will be undertaken, on a best endeavours basis, in the period less than 15 minutes to tender closure where a yield is judged to have moved by 3 or more basis points.

Bid Commitment

Once a bid or bids have been entered they need to be committed. Only bids that have been committed are valid bids. Bids that have been entered but not committed prior to tender closure are not valid bids. Bids are committed by typing **<GO>99<GO>.**

When a bid is committed the box under the column marked STATE for the bid in question will be marked SENT. The corresponding boxes under the columns marked DATE and SEQNO will also be filled.

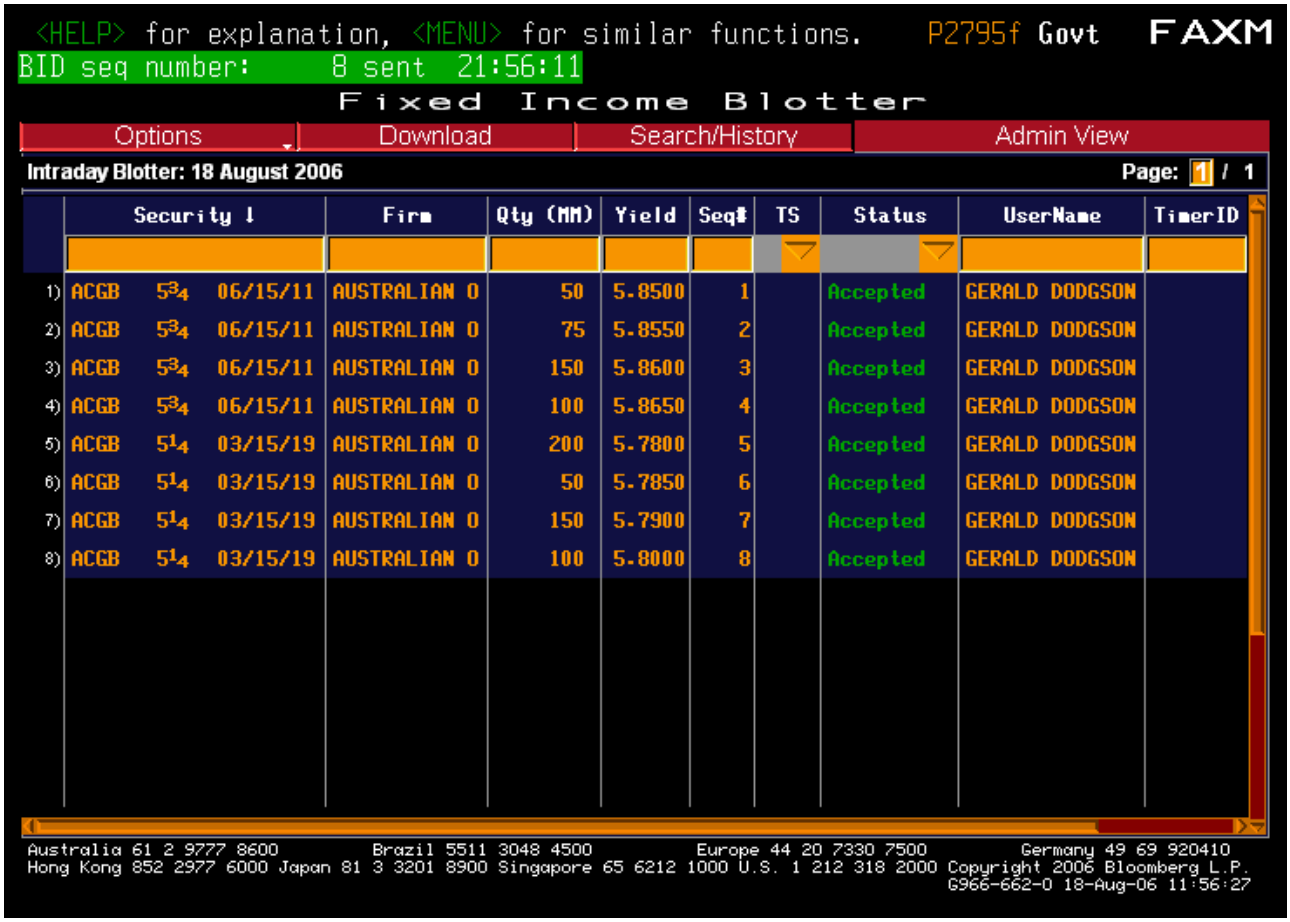
- In the sample Bid Entry Screen shown above the first three bids have been committed but the fourth bid for $100m at a yield of 5.865% has not been committed.

A committed bid that has not been revoked prior to tender closure constitutes an irrevocable promise by the Registered Bidder.

Bid Blotter

IMPORTANT TIP – It is highly recommended that at the same time that Authorised Dealers are entering their bids they have another Bloomberg panel open displaying the Bid Blotter which is accessed by typing **BAUC<GO>**. The Bid Blotter displays all the bids committed or revoked by the Authorised Dealer and is updated automatically after the Authorised Dealer has typed **<GO>99<GO>** in the Bid Entry Screen. **Authorised Dealers should verify that what is displayed by the Bid Blotter correctly records their intentions. If it does not this is likely to be because the Authorised Dealer has failed to type <GO>99<GO> in the Bid Entry Screen.**

- Authorised Dealers can view only their own bids via the Bid Blotter.
- The Bid Blotter can be used by Authorised Dealers to sort their bids using different criteria. For example, bids can be sorted by security, yield or sequence number.



Bid Alteration and Revocation

A bid which has been committed may be altered or revoked prior to elapse of the time for closure of the tender according to the countdown clock in the Tender System.

- A bid may be altered by a Authorised Dealer entering a new amount and/or yield in the relevant box for an existing bid and then typing **<GO>99<GO>.**

- A bid may be revoked by a Authorised Dealer by placing an X in the box next to the bid to be revoked in the column marked DEL and then typing **<GO>99<GO>**.

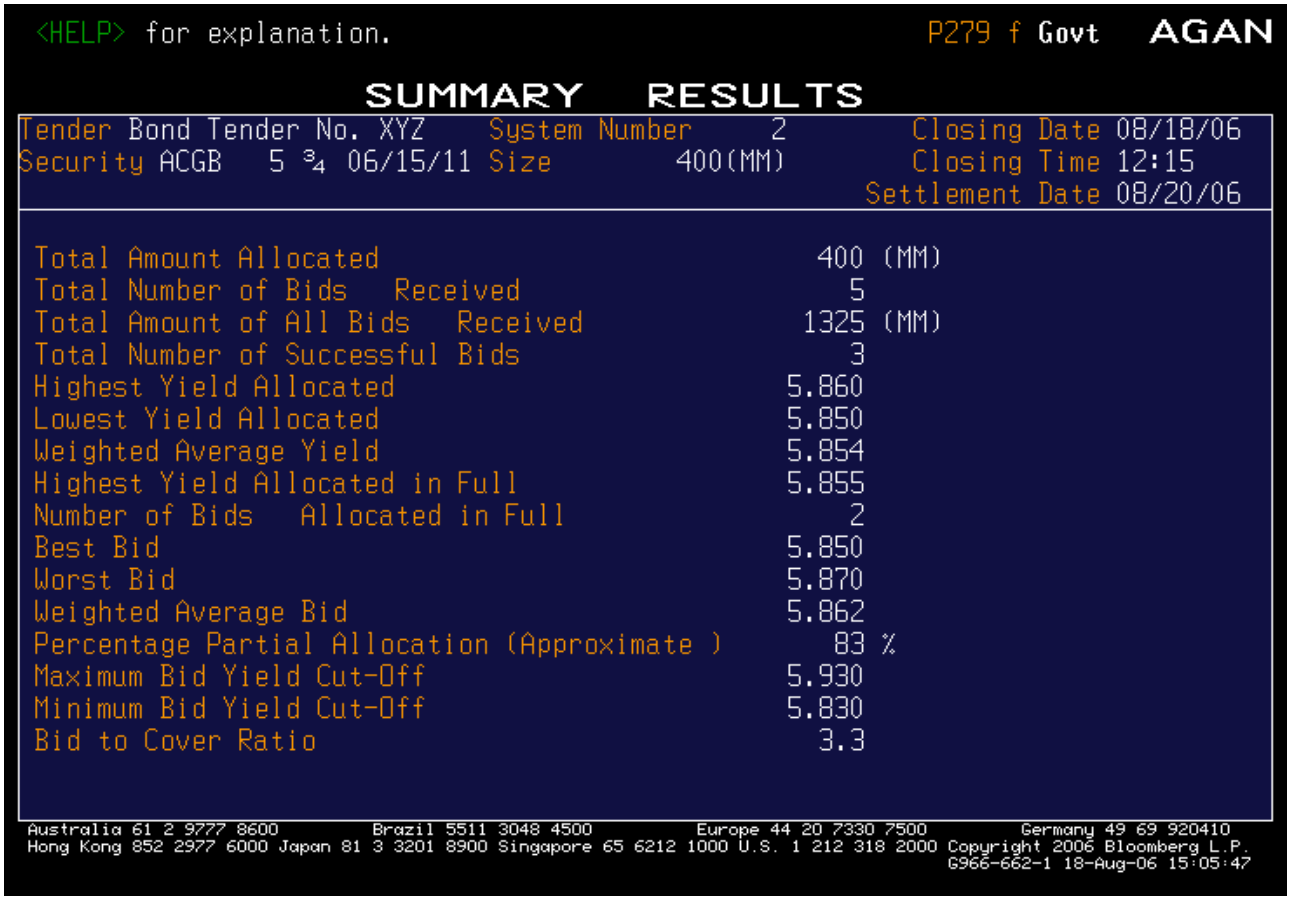
VERY IMPORTANT – It is essential that <GO>99<GO> is typed for a bid to be successfully altered or revoked. The alteration or revocation of a bid can be confirmed by a Dealer viewing their bid blotter, accessed by typing **BAUC<GO>.** This is particularly important for bids that have been altered as commitment of an alteration cannot be confirmed by viewing the Bid Entry Screen.

ANNOUNCEMENT OF TENDER RESULT

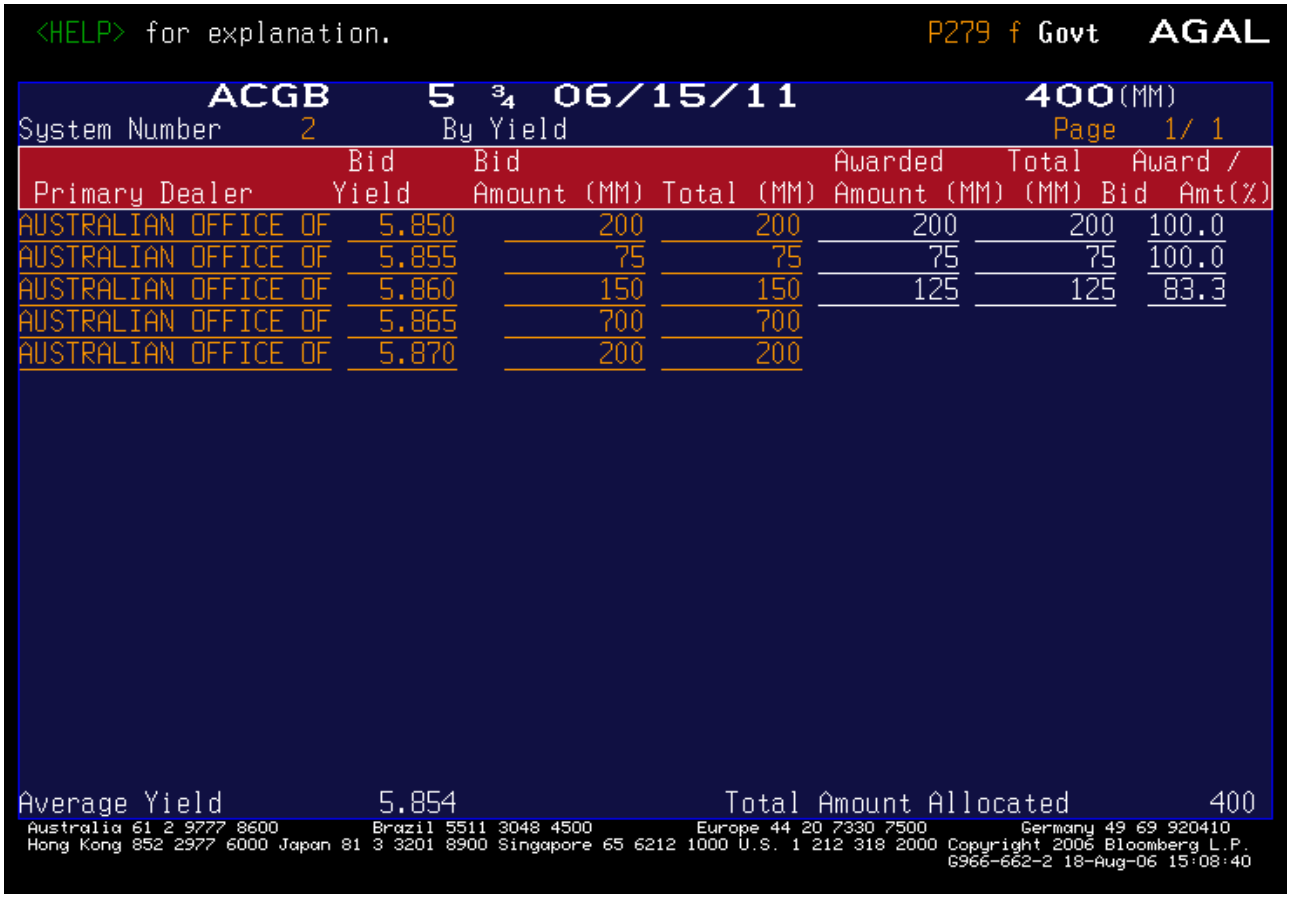
Tender results are announced as soon as possible following elapse of the closing time for the lodgement of bids. In normal circumstances the AOFM aims to announce tender results within 5 minutes of the tender closure time.

When a tender result has been finalised Authorised Dealers receive a green banner message across the top of their Bloomberg screens informing them that tender results are available for viewing.

Authorised Dealers can view summary tender results by typing **AGAN<GO>** and then selecting the tender for which they wish to view the results.



Authorised Dealers can view their own tender allotments by typing **AGAL<GO>** and then selecting the tender for which they wish to view the allotments. After selecting the tender for which they wish to view allotments they should select the option 'Post-Allocation'.



Summary tender results are also announced via the AOFM website (www.aofm.gov.au), the AOFM email service and other wire services such as AAP and Reuters.

SETTLEMENT OF ACCEPTED BIDS

The Reserve Bank of Australia is the settlement agent for the AOFM.

Unless otherwise specified in the official announcement of a tender, settlement of accepted bids will be in the Austraclear System during System hours, as defined in the Austraclear System Regulations and Operating Manual.

- Treasury Notes are normally settled the day following the tender.
- Treasury Bonds are normally settled on the second day following the tender.

BUSINESS CONTINUITY PROCEDURES

Problems limited to a single or small number of Registered Bidders

Where the AOFM has reasonable grounds for believing that a technical fault or circumstances beyond a Registered Bidder's control are preventing its Authorised Dealers from entering bids in the Tender System prior to closure of tender bidding, the AOFM may, at its discretion, accept telephone bids from the Registered Bidder concerned. An Authorised Dealer should telephone the AOFM to explain the nature of the fault, and to place the Registered Bidder's bids. In such instances they should telephone either **+61 2 6263 1141**, **+61 2 6263 1139** or **+61 2 6263 1111**.

Telephone bids must be placed and read back by an AOFM employee prior to elapse of the time announced for closure of the tender according to the clock in the Tender System.

Telephone bids must be confirmed by email by the Authorised Dealer as soon as possible following their placement. The email should be sent to cgstenders@aofm.gov.au. In circumstances where a failure also extends to the Registered Bidder's email system, bids should be confirmed as soon as possible by facsimile to **+61 2 6263 1222**.

In the event of discrepancies between telephone bids and subsequent email or facsimile confirmation, the AOFM will check telephone tapes of the bids being placed. The bids placed by telephone will stand and if necessary the Registered Bidder will be asked to send another email or facsimile detailing the bids placed by telephone.

Should an Authorised Dealer be unsure whether their bids have been received in the Tender System they may telephone the AOFM to confirm whether or not their bids have been received. In such instances they should telephone either **+61 2 6263 1141**, **+61 2 6263 1139** or **+61 2 6263 1111**.

Widespread problems

In the case of problems affecting the AOFM's administration of a tender, including failure of the Tender System, a scheduled tender may be cancelled or rescheduled. This may include rescheduling a tender to a later time on the same day or extending the period for the acceptance of bids.

In the event of failure of the BLOOMBERG PROFESSIONAL® Service the AOFM may request that bids be submitted by email. In this event Authorised Dealers will be requested to send email bids to cgstenders@aofm.gov.au.

All Authorised Dealers will be informed of any changes to the timing of a tender and/or changes to tender arrangements.

RBA conduct of tenders

The RBA may conduct tenders on behalf of the AOFM in circumstances where the AOFM is not able to conduct tenders due to technical problems or other reasons. In such instances tenders may be conducted by the RBA using the Tender System accessed via the BLOOMBERG PROFESSIONAL® Service or by other means advised by the RBA.

In cases where tenders are conducted by the RBA using the Tender System accessed via the BLOOMBERG PROFESSIONAL® Service there may be some changes to normal procedures, particularly in relation to tender announcements and the period of time taken to announce tender results after the close of bidding.

Where possible the RBA will attempt to provide advance warning to Authorised Dealers of any changes to normal procedures. This may not always be possible, particularly in circumstances where the RBA is required to take responsibility for the conduct of a tender at short notice.

If the RBA is required to conduct a tender on behalf of the AOFM, the tender will be conducted by the RBA's Domestic Markets Desk. The contact telephone number is **+61 2 9551 8321**.

TECHNICAL SUPPORT AND QUERIES

AOFM

For AOFM related queries, dial **+61 2 6263 1141**, **+61 2 6263 1139** or **+61 2 6263 1111**.

Bloomberg

For Bloomberg related queries type **IB HELP <GO>** on Bloomberg to open an instant message dialogue with Bloomberg's 24 x 7 global help desk. Specify "Bond Auction TSCC" in your instant message query to direct the query to staff specialising in the Bloomberg Auction System.

To contact your local Bloomberg representative, hit the **<Cancel>** or **<Escape>** button on your Bloomberg keyboard for your Bloomberg account representative's contact details.

To contact Bloomberg's global customer support switchboard, dial **+61 2 9777 8600.**