



AFMA Gas Conventions



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Preface: AFMA Code of Conduct

AFMA promotes efficiency, integrity and professionalism in Australia’s financial markets. The aim of the [AFMA Code of Conduct](#) (the Code) is to establish a common understanding of the standard of behaviour expected of all AFMA Member organisations and their employees when conducting business with clients, counterparties and colleagues and when providing financial services to retail and wholesale clients.

All AFMA Financial Markets Members and Partner Members are expected to observe the Code and operate with integrity, professionalism and competence. The Code is designed to support behaviours that put the interests of clients, the firm and the wider community ahead of personal or individual interests, and promotes confident participation by users in Australia’s OTC markets.

Market participants are reminded that they are generally expected to observe the market conventions as set out below when engaging in any form of market dealing.

1. Description

The gas OTC market covers all derivative transactions involving gas spot prices as the underlying exposure, and are negotiated bilaterally either directly between the counterparties or through a broker.

The market operates in AEDT and is cash settled.

2. Products

2.1. DWGM Transaction

A DWGM Transaction is a fixed forward contract for cash settlement referable to market prices for the Declared Wholesale Gas Market in Victoria (where “market prices” has the meaning given in Part 19 of the National Gas Rules).

2.2. STTM Transaction

An STTM Transaction is a fixed forward contract for cash settlement referable to the ex-ante market price (where “ex-ante market price” has the meaning given in Part 20 of the National Gas Rules).

3. Dealing

1.2. Methods of Dealing

Negotiated bilaterally between counterparties, through a broker or directly by telephone, email, instant messaging or other process as may be agreed.

1.3. Electronic Dealing

At the discretion of the parties.

3.1. Business Days

Business Day means a day on which commercial banks settle payments and are open for general business in:



- a) the place(s) specified in the Confirmation; or
- b) if no such place is specified:
 - i. for an DWGM Transaction – Melbourne
 - ii. for an STTM Transaction – the capital city of the State or Territory in Australia in which the hub for an STTM transaction is located.

3.2. Standard Transaction Size (market parcel)

The standard transaction size for all OTC gas derivatives will be 1000 GJ unless otherwise specified when the order is placed or as subsequently varied.

3.3. Two Way Pricing

This is where a counterparty quotes simultaneous bid and offer prices for a product.

Counterparties are not obliged to quote two way prices and may choose only to quote either a bid or an offer.

3.4. Quotation Conventions

Gas prices are quoted as a price per gigajoule (GJ) of gas, being dollars per gigajoule (\$/GJ).

The gas day for gas contracts means the 24 hour period commencing at 0600 Eastern Standard Time.

Quotations are expressed in relation to the following locations:

- DWGM Transactions – the DWGM
- STTM Transactions – the Adelaide, Brisbane and Sydney STTM hubs

3.5. Other Instrument Conventions

Not applicable.

3.6. Basis

Not applicable.

3.7. Maturity Conventions

Not applicable.

3.8. Settlement Rate or Index

Not applicable.

3.9. Premium Payment Date(s)

Not applicable.



3.10. Options Expiry Conventions

Not applicable.

3.11. Dealer and Broker Conventions

3.11.1. Firmness

Dealers and brokers must clearly indicate whether prices being quoted are firm or indicative. A price quoted is firm unless otherwise stated in an unambiguous manner.

A price given to a broker by a counterparty remains firm even if the dealer who has placed the order is unavailable and/or away from their desk.

If a dealer provides a firm order with a broker, and is hit on that order, the dealer must deal at the level specified for a transaction size in line with Section 3.2 of these conventions. It is not necessary for the broker to communicate to the counterparty that the live price has been hit in order for the deal to be completed. Prices displayed on broker screens must be firm unless clearly indicated otherwise.

A transaction is entered into at the time that the terms of the transaction are agreed between the dealers (whether orally or otherwise). This occurs when a dealer communicates to another dealer its acceptance of an offer that the other dealer has made.

Offers to enter into a transaction communicated by a broker on behalf of a dealer must be firm offers (unless unambiguously expressed otherwise) which can be accepted until they are withdrawn by the broker at the offering dealer's request. A broker must communicate offers only in the exact terms instructed by the offering dealer and must not vary any offer which a dealer requests be communicated by the broker. An offer communicated by a broker may be accepted by another dealer communicating acceptance to the broker (which is received by the broker on behalf of the offering dealer). The transaction is agreed, and the dealers are bound to its terms, from the time that the acceptance of the offer is communicated to the broker, whether or not acceptance has been communicated to the offering dealer.

If the terms of a transaction accepted by a dealer differ from the terms which the offering dealer made, and instructed the broker to communicate, then the offer made by the offering dealer has not been accepted and no transaction is entered into. This applies whether or not the difference was caused by an error of the broker. A broker is authorised only to communicate the offers made by a dealer and receive acceptance of them on behalf of the dealer. A broker is not authorised to vary any offer made by a dealer or to negotiate its terms and an offering dealer is not responsible for any error of the broker or anything done by the broker outside its limited authority.

3.11.2. Credit Constraints

Brokers must maintain up to date knowledge of any counterparty credit constraints. Dealers must inform brokers of their credit availability with their counterparties and any specific limits such as tenor that may be applicable for each counterparty. Credit constraints cannot be revised at the point of execution.

Dealers must not cite the non availability of credit limits for the purpose of avoiding a deal with a counterparty or completing an agreed deal, when this is not true.

Where a dealer has more than one name in which they can deal, they should use reasonable endeavours to switch names if the other counterparty cannot trade with one of the entities.

3.11.3. Referencing Prices

If an order is placed with a broker under reference then that price should not be displayed on the broker screen unless clearly marked as being under reference and the broker should refer to the trader before dealing at the specified price.

A broker may only reference their entire broker screen if all the respective traders have specifically referenced every price on that particular screen. If this is not the case, then the broker must instead remove the prices that have been specifically referenced, leaving only live prices on the screen.

3.11.4. Refreshed Prices

End of day prices must be cleared before 08:50 AEDT the following day. All onscreen prices are deemed to be firm from 09:50 AEDT till 12:30 AEDT and again from 14:00 AEDT until 16:00 AEDT. Screens should be refreshed by 14:00 AEDT following the broker confirming with the dealer that the price is firm again. If this is not possible, any bid or offer that cannot be reconfirmed should be removed from the screen.

Outside these times, dealers should check the firmness of a price with the broker before dealing.

3.11.5. Non – Standard Contract Clauses

From time to time participants may look to post prices with brokers that are subject to “non-standard” contracting provisions.

Brokers should consider the number of participants who are able to trade using the non-standard clause(s) before showing the price to the market. If shown to the market, such prices should be shown separate to the "main" screen area (e.g. off to the right).

3.11.6. Off Screen Prices

Off screen bids and offers are a genuine trading strategy, however dealers and brokers should continue to apply OTC conventions and code of conduct principles in the use of off screen bids and offers. For example:

- Firmness of quotation rules are the same whether a price is on screen or not
- Timing of stack rules still apply, e.g. first bid at a given price is the first one to trade if a price is given

3.12. Confidentiality

3.12.1. Point of Dealing

Brokers should not pass names of counterparties prior to dealing, unless both parties have agreed to the passing of names.

3.12.2. Subsequent to Deal Execution

When dealing directly or through a broker, neither of the parties should disclose the name of the counterparty to other market participants.



3.13. Credit

Deals are subject to credit limits. If a party is unable to deal with a counterparty due to credit constraints the relevant counterparty and brokers must be informed of this as soon as is practicable.

The quoting of a firm price direct to a counterparty signifies that that counterparty has credit lines in place sufficient to cover the transaction quoted or the standard sized market parcel if no amount has been stated.

3.14. Exercise of Options

Not applicable.

3.15. Data Source

Not applicable.

3.16. Pricing formulas

Not applicable.

3.17. Other

3.17.1. Capacity to Deal

It is the responsibility of the counterparty to a transaction to ensure that their counterpart dealer is an authorised dealer for that entity.

However, if an authorised dealer enters into negotiations or shows a price for a transaction all other dealers are entitled, without further enquiry, to assume in all dealings that the counterparties authorised dealer have in place all necessary authorities and delegations to enter into the transaction. It is inappropriate for a counterparty to require other dealers to take the risk that the member's dealer is trading without authority by advising the counterparty of the dealer's dealing limits.

4. Confirmations

4.1. Timing

Written confirmation of transactions will be initiated by the floating rate payer and then authorised and returned by the fixed rate payer. The parties may agree to vary these arrangements from time to time.

Confirmations will be sent on the business day following the trade date and returned on the next business day after that.

Where the terms of the transaction are not standard in nature, additional drafting of confirmations may be required. In these instances, the timing convention as outlined above may be varied and the issuance of a term sheet for non-standard transactions should immediately follow the agreement of the transaction.

The issuance of term sheets for non-standard transactions should follow the conventions set out in Section 4.2.



4.2. Term Sheets for Non Standard Transactions

If there is to be any delay in the issuing of a confirmation for a transaction following its agreement, the seller should prepare and send a term sheet to the relevant parties outlining the key terms of the transaction of the agreed transaction.

This term sheet is not a substitute for a confirmation, but is an appropriate measure to ensure all parties are aware of the key terms of the transaction that has been agreed.

The term sheet should be prepared by the dealer of the seller according to the terms agreed with the buyer and sent to their middle and back offices, as well as to the corresponding dealer of the buyer.

The back office of the seller should send the term sheet to the back office of the buyer.

This process will ensure all relevant parties are kept informed of the transactions agreed between the dealers.

The subsequent formal confirmation of the transaction should occur as soon as possible after the transaction has been agreed.

4.3. Obligations of Dealers

The trader should enter the deal in a timely manner to enable written confirmations to be sent out in accordance with Section 4.1.

If one party to a deal wishes to affirm it, the trader, or another suitably authorised employee, should contact the counterparty to verbally affirm it. Ideally such affirmations should be done within one hour of the trade but at the latest by close of business the same day.

4.4. Documentation

Counterparties should refer to the AFMA [Guide to Australian OTC Transactions](#).

5. Settlements

5.1. Physical Settlements

Not applicable.

5.2. Cash Settlements

Market prices and fixed prices are rounded to the nearest cent

The Settlement Date is the day upon which payment would be due to AEMO for gas bought during the Billing Period, defined in the National Gas Rules, during which the Calculation Period specified in the confirmation occurs.

5.3. Settlements Conventions

Not applicable.