

Equity Market



JOHANNESBURG STOCK EXCHANGE
Equity Market

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The discovery of gold in 1886 in the Witwatersrand saw numerous financial institutions and new mines launch as 'Gold Fever' gripped the country. It quickly became apparent that a stock exchange was needed to facilitate funding for the booming South African mining and financial industry. Thus, in 1887 the Johannesburg Stock Exchange (JSE) was born. In June 2006, over 100 years later, the JSE itself became a publicly listed company on the JSE.

With a rich history of over 120 years the JSE, a member of the World Federation of Exchanges, is South Africa's only full service securities exchange to connect buyers and sellers in four different markets boasting a wide variety of investment products, specifically:

Equity Market

The JSE Equity Market is segregated into the Main Board and the Alternative Exchange Board (AltX). This provides companies and investors with a myriad of listing and investment opportunities which are well suited to cater for their specific needs. Through the JSE Equity Market, investors are also able to trade a variety of products including Warrants, Exchange Traded Products such as Exchange Traded Funds and Exchange Traded Notes and other Investment Products. For a full list of products visit www.jse.co.za

There are currently over 800 securities listed on the JSE Equity Market issued by over 400 companies which comprises of roughly 400 Equities, over 300 Warrants and almost 40 Exchange Traded Funds. Approximately one fifth of the listed companies constitute dual listings and about half of these companies have primary listings on other stock exchanges throughout the world.

Equity Derivatives Market

The JSE Equity Derivatives Market offers Single Stock Futures, Equity Index Futures, Equity Options and Dividend Futures on a vast majority of underlying stocks. The market also offers Can-Do Futures and Options, Variance Futures, International Derivatives (IDX) and the SAVI Top40 (South African Volatility Index).

Currency Derivatives Market

The JSE Currency Derivatives Market offers trading on Currency Futures and Options. The following Futures contracts are listed: Dollar/Rand, Euro/Rand, Sterling/Rand, Australian Dollar/Rand, Japanese Yen/Rand, Canadian Dollar/Rand and Swiss Franc/Rand.

Commodity Derivatives Market

The JSE Commodity Derivatives Market offers Futures and Options on various agricultural and foreign

referenced commodities such as White and Yellow Maize, Wheat, Sunflower Seed, Soya Beans, Sorghum, Corn, Crude Oil, Platinum, Gold, Silver, Copper and the Soybean Complex.

Interest Rate Market

The JSE Interest Rate Market facilitates the raising of capital and the trading of Government Bonds, Corporate Bonds and Floating Rate Notes, as well as the trading of JIBAR Futures and Futures and Options written on certain Government Bonds.

JSE Accolades

- » As per the outcome of the World Economic Forum's 2011/2012 Global Competitiveness Review, the JSE was for the second successive year, ranked first in terms of regulation of securities exchanges.
- » 20th largest WFE member exchange based on Market Capitalisation (January 2012).
- » Received top honours in 2008 for the New Contract of the Year category in the second annual Futures & Options (FOW) Awards for the JSE developed Can Do Option product.
- » The largest Single Stock Futures market in the world as measured by number of contracts traded for the period January 2008 to December 2008 (as ranked by the World Federation of Exchanges (WFE), December 2008).
- » As per the outcome of the World Economic Forum's 2009/2010 Global Competitiveness Review, the JSE was ranked as the 6th most sophisticated financial market globally and 2nd in terms of regulation whilst South Africa was ranked 4th in the world as a venue through which finance may be raised through the local Equity Market.

The JSE is the market of choice for local and international investors looking to gain exposure to the leading capital markets in South Africa and the broader African continent. A respected brand associated with high market integrity, the JSE is regarded as a mature, efficient, secure market with world class regulation, trading and clearing systems, settlement assurance and risk management.





Membership / Access

The JSE offers three different categories of membership:

- » **Trading Service Provider (TSP):** A TSP is authorised to perform trading services on behalf of their clients or for their own account.
- » **Custody Service Provider (CSP):** A CSP is authorised to perform custody services on behalf of their clients or other members and their clients.
- » **Investment Service Provider (ISP):** A member may only apply to perform investment services if they have applied to perform trading services. Investment services include:
 - Exercising the discretion of the management of JSE authorised investments on behalf of clients.
 - Providing investment advice to a client in respect of JSE authorised investments.
 - Safeguarding JSE authorised investments (other than uncertified equity securities) and funds intended for the purchase of equity securities.

A dedicated client relationship manager assists all existing and potential members with the membership process and attends to any membership related queries.

JSE members have various options when connecting to the JSE. A member can connect directly to the JSE or may connect through a value added network service provider depending on the service that they wish to acquire from the network service provider.

The JSE also allows for Direct Market Access (DMA) to be offered by its members. DMA allows buy-side institutions such as investment managers, hedge funds and proprietary traders access to the JSE via a JSE Member Firm (brokerage firm). In addition, the JSE recently established a Point of Presence (PoP) for providing connectivity from London to the new Equity Market Trading and Information Systems Test Environment based in Johannesburg.

Fully automated efficient trading

The JSE Equity Market utilises a world class fully automated trading system known as JSE TradElect™ which is operated by the London Stock Exchange.

JSE TradElect™ provides the following key features:

- » An order driven Central Order Book which facilitates:
 - Market opening and call auction periods.
 - An automated continuous trading period.
 - Intra-day call periods or volatility auctions depending on certain criteria.

- A closing auction call period and after hours trade reporting.
- Various visible and hidden order types:
 - JSE TradElect™ supports visible limit and market orders with a variety of Execution Based, Time Based and Period Based Validities.
 - On the 12th July 2010 the JSE introduced Hidden Order Functionality within the Central Order Book, with the following order type:
 - **Hidden Limit Orders:** Firm orders with a specified limit price which are completely hidden from the market.
 - This functionality provides for complete pre-trade anonymity.
 - Price-Visibility-Time Priority Matching.

Johannesburg Stock Exchange (JSE) concluded a licensing agreement with technology solutions provider MillenniumIT to move its equity market trading activity onto Millennium Exchange™. The migration is planned for the first half of 2012 and it is expected that JSE members will benefit from executing transactions almost 400 times faster than the present trading solution.

The agreement will also see the JSE's trading system relocated from London to Johannesburg, enhancing operational efficiencies and ensuring trading optimisation for market participants.

Clearing and Settlement

The process begins at broker level via the JSE's Broker Deal Accounting system (BDA) which all Equity Market members are required to use.

Settlement on the JSE currently occurs on a T+5 basis, but is contractual and guaranteed. However, initiatives have been set in place to assist the migration of the settlement cycle from T+5 to T+3. The system facilitates trade confirmation, clearing and settlement of trades between members and their clients, back office accounting as well as compiling client portfolio statements.

Strate Limited is the licensed Central Securities Depository (CSD) for Equities, ETFs, Money Market, Warrants and Bonds in South Africa.

Strate performs electronic settlement for the JSE on all on-order book and reported trades as well as maintains an electronic register of all dematerialised Strate approved securities.

The JSE guarantees settlement of all trades done through the Central Order Book, monitors settlement of reported transactions and takes necessary actions as defined in the JSE's Rules and Directives to ensure that settlement takes place.



Cutting edge surveillance

The JSE is a self-regulatory organisation and therefore the Securities Services Act of South Africa requires the JSE to formulate rules regarding transactions on the JSE, the financial resources of its members and the conduct of these members. Ultimately, the promotion of market integrity and adequate investor protection is achieved.

The JSE is required to monitor market activity, assess the systems, resources and controls in the Member Firms as well as review the member's conduct. Regulation also includes:

- » Determining best execution principles
- » Identification of potential conflicts of interest
- » Monitoring of potential insider trading activity and market manipulation

Our Equity Market is the only one in the world that conducts market surveillance and supervision to individual client level on a real-time basis.

Information products and first-rate indices

The Information Products Sales team is responsible for the licensing and sale of all JSE public data and FTSE/JSE indices data across all 4 markets.

FTSE and the JSE jointly develop, co-own and market the FTSE/JSE Africa Index Series and customised indices. FTSE calculates real-time indices for the JSE, makes the data available via their real-time system GDS and provides the data to the JSE for distribution via InfoWiz.

Customer Support

An integral part of the JSE's business model is its customer support service offering. The JSE provides a single point of contact for its members through whom customer support can be obtained 24 hours a day, 7 days a week. The primary function of the JSE's Customer Support team is to provide business and application functionality support to member front, middle and back office operations and assist with Equity Market member "take on's" and resolve complex business queries. The division is also responsible for customer incident management and first line technical support for all customers.

And the future gleams brightly

As part of the JSE's growth strategy numerous initiatives, new products and avenues of Equity Market growth have been identified:

Exchange Traded Products (ETPs) – Exchange Traded Funds and Exchange Traded Notes have been identified as a potential growth avenue. Therefore in an attempt to catalyse this industry the JSE has recently amended its ETP listing requirements to allow for the listing of more exotic ETP structures and streamline the listing process.

Co-location – The JSE is investigating the possibility of introducing co-location services following the introduction of the Millennium Exchange™ trading engine.

Namibian Stock Exchange – The JSE facilitated in fully automating the Namibian Stock Exchange's (NSX) trading process and still assists by offering various market operations and services. While benefiting from its close relationship with the JSE, the NSX retains control over its own listing requirements, regulations and supervision over compliance and can adapt these according to the requirements of the domestic economy.

Contact information

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