



T+3

CHARTING A COURSE TO THE FUTURE

T+3

Overview of the JSE's T+3 Initiative

Welcome to the first of a series of mailshots from the JSE, aimed at enhancing your understanding of the T+3 project. This first mailer will provide an overview of what the project is about, what we have achieved thus far, and what is still to be delivered. Future mailers will provide details of the project progress, as well as info regarding some of the changes coming your way as a result of the move to T+3.

In 2010 the Johannesburg Stock Exchange (JSE), in collaboration with participants from across the market, kicked off an ambitious project to shorten the settlement cycle for the equities market – moving from a 5 day to a 3 day cycle. This project was referred to as T+3 (or T3 for short).

On the JSE's Equity Market, settlement is the process whereby equities are delivered in exchange for payment. "T+3" refers to the number of days – counting from the day on which a trade takes place – within which a trade must be settled. To settle a securities transaction the seller of the share must receive payment and the buyer must take ownership of the share.

The JSE's move from a T+5 to a T+3 settlement cycle is a mandated, regulatory requirement which will align us to global benchmarking standards and recommendations. It will result in a number of benefits for the South African market including increased liquidity and a reduction in credit and systemic risk.

The implementation approach for T3 saw the project being split into 3 phases – 2 of which have already been successfully implemented. The following diagram provides an overview of the contents and timing of each phase:

PHASE:	1	2	3
AIM OF THE PHASE:	<ul style="list-style-type: none">Implementation of client account changes to full regularity requirementsInitial automation on the BDA system	<ul style="list-style-type: none">Implementation of a more integrated and automated IT platform to enable the move to T+3, includingIntroduction of the new ECS system	Moving to the new T+3 settlement cycle across the market, enabled by: <ul style="list-style-type: none">Changes to the JSE's ECS systemProcess and systems changes made by the rest of the market participants
IMPLEMENTATION STATUS:	Implemented successfully 22 July 2013 	Implemented successfully 20 & 27 October 2014 	Ready for go-live - May to July 2016

Phase 1 saw the implementation of account changes (the separation of Prop and Controlled client accounts) to fulfil regulatory requirements and initial automation on the BDA system, laying the foundation for Phase 2 of the project.

Phase 2 was aimed at implementing a more integrated and automated IT platform to enable the move to T+3. This was done primarily through enhancements to the BDA system (allowing for real-time deal management and further automation for brokers) and the introduction of the new Equities Clearing System (ECS) system which replaced the existing Trade Monitoring System.

Phase 3 is currently underway, and will culminate in moving the market to the new T+3 settlement cycle. This will be enabled by changes to the JSE's ECS system along with a series of process and systems changes which are to be made by the rest of the market participants (covering post-trade and post settlement).

The JSE's target date for Go-live of phase 3 is between May and July 2016. As with Phase 2 of the project, the exact timing of the final go-live will only be communicated once the market has progressed with testing and we are confident that all affected participants are appropriately prepared for the go-live.