

SERVICE HOTLINE

REFERENCE NUMBER: 198/2019

13 September 2019

FEEDBACK ON UNUSUAL TRADE EXECUTIONS ON 12 SEPTEMBER 2019

The JSE would like to provide feedback on the trade executions witnessed on the 19 Sep19 ALSI contract at 11:59:32 on the 12 September 2019. This event involved three contracts namely; 19 Sep19 ALSI, 19 Dec19 ALSI and Sep/Dec19 AlsI. A detailed diagram with the sequence of events has been attached on this hotline.

At 11:59:32, the market witnessed unusual activity whereby the 19 Sep19 ALSI traded at a price of 51818. This was a 1.9% spike up from the last traded price, which was at 50839. The JSE had not triggered a volatility auction for this trade due to the execution being as a direct result of an implied-in match. Implied match trades from spread orders do not follow the circuit breaker policies on the outright futures contracts.

The Volatility Auction triggered when the next executing trade was at 50861, which is 1.85% away from the previous traded price of 51818. This was an aggressing buy order that would've matched with the prevailing best offer on the order book at the prevailing time.

Before the trade executions at 11:59:32, there was an implied out sell order on the 19 Dec19 ALSI, created from base orders on the 19 Sep19 ALSI and the 19 Sep/Dec19 contracts. An order on the buy-side 19 Dec19 ALSI contract was amended to 52497 which traded against the implied sell order at a price 51350. This trade resulted in executions of the base orders for the implied out order, therefore executions occurred for 19 Sep/Dec19 ALSI at a price of 679 and also 19 Sep19 ALSI at 50851.

Post the execution, a buy implied in was generated on 19 Sep/Dec19 ALSI at 1644 stemming from an offer on the 19 Sep19 ALSI and a bid on 19 Dec19 ALSI as the base orders. Due to passive price determination logic, the execution on 19 Sep/Dec19 between the implied order in 19 Sep/Dec19 and the sell order on 19 Dec19 ALSI will happen at a price of 679.

Market / Service:

- Equity Derivatives Market

Environment(s):

Production

Additional Information:

If you have any queries about this announcement, please contact the Client Services Centre on +27 11 520 7777 or CustomerSupport@jse.co.za

Issued By:

ITD: Trading and Regulation

This will result in a price improvement on the implied order generated to complete the implied execution chain. The passive price improvement applied into the implied order is calculated based on the spread price formula:
(Leg 2 price – Spread price = Leg 1 price)

Leg 1 Price = 52497 – 679

Leg 1 Price = 51818

The following trades are disseminated,

- ALSISEP2019DEC2019 @ 679
- ALSIFUTSEP2019 @ 51818
- ALSIFUTDEC2019 @ 52497

Please see the attached for the detailed walkthrough of the sequence of events that resulted in the executions of the above trades.