

MINUTES

HEADING: JSE EQUITY TRADING ADVISORY COMMITTEE MEETING

Date: 19 January 2019

Time: 10:00 to 12:00

Venue: JSE, Conference Room Ubuntu –1st Floor

Present:

Ms Donna Nemer (Chairman, JSE) (DN)

Mr Langa Manqele (LM)

Ms Valdene Reddy

Mr Godfrey Matjuda

Mr Jacob Shayi

Ms Kim Pillay

Mr Richard Bone

Mr Alex Comminos

Mr Matthias Kempgen

Mr Cameron Macklin

Mr Alphonso Raats

Mr Ockie Raubenheimer

Ms Erica Bruce

Mr Dharmesh Gangaram (Dial in)

Mr Shiran Samuel (Dial in)

Mr Ved Somara

Mr Rudolph Botha (Dial in)

Ms Anne Clayton

Mr Matthew Rattray (Dial in)

Mr Shaun Davies

Mr Adam Bunkell

Ms Lana Stacey (Dial in)

Mr James Stewart (Dial in)

Ms Jackie Tetlow (Dialed in)

Mr Mike Ray

Ms Elinor Bodinger

Mr Harry Ioannou (Dialed in)

Apologies: Will Ridge, Peter Coutromanos, Dean Scorey

Distribution: Equity Trading Advisory Committee

1. WELCOME, APOLOGIES & NEW MEMBERS

DN welcomed everyone to the first Equity Trading Advisory Committee meeting for 2018.

2. CONFIRMATION OF PREVIOUS MINUTES

The minutes of the previous TAC meeting were confirmed and accepted as correct.

3. ITAC UPDATE

Please refer to ITAC document "ITAC FDAC Update 20190212"

4. CLOSING AUCTION-Mechanism and cancellation

Suggested changes to the Closing Action Call configuration are as follows.

- Remove the 2nd '5 minutes window' from being triggered, this shortens the latest time at which an instrument can uncross and publish the closing price by 6 minutes, i.e. from 17:16:00 to 17:10:00
- Retain the Random Auction Uncrossing time duration of 60 seconds (1 minute)
- Retain Static Circuit Breaker tolerance at 4% and the Dynamic Circuit Breaker at 2% on segment ZA01
- Retain Static Circuit Breaker tolerance at 10% and the Dynamic Circuit Breaker at 5% on segment ZA02
- Introduce a 25% Circuit breaker on ZA03

A comment was made that the market appreciates the current Circuit breakers as they seem to serve their function and would prefer to have a Circuit breaker introduced to ZA03. A further request to add a Circuit breaker to ZA04 was made.

The committee was polled on their view on the Circuit breakers. The committee was in agreement in :

- removing one of the two 5 minute windows
- keeping the Circuit breakers as they are
- Adding a 25% Circuit breaker on ZA03

Additions of some form of circuit breaker to ZA04 was agreed to in principle

Cancellation rule in the closing auction

The JSE would like some guidance on what would be the criteria to upholding the error trade in the auction.

Most markets international do not provide guidance on cancellation of trades from an auction.

The current trade cancellation rules are still in place and are in such a way that they seek to protect the maker of the error and not to protect the price. The question that arises is to maybe be focusing more on the protection of the price. The JSE as the regulator would like guidance on the impact of cancelling a trade against not cancelling a trade. It would be preferable that the market always has an idea of how the JSE will rule on these decisions based on the criteria that would be set. When an error trade occurs a decision needs to be made as quickly as possible and communicated to the entire market.

A suggestion was made that previous presentation on cancellation rules should be circulated to the broader market for consultation. The market needs to be made aware of the discussion point and the difference between cancellation of a trade versus that of an order.

5. STRATE BANCS PROJECT

The BANCS is a project ran by STRATE who are currently doing consultations with market participants.

The project has two phases and the idea for two phases is to mitigate risk rather than having a single big project.

Phase 1 of the project involves doing a Business partner ID migration (BPID) to the system which will be done in May 2019.

Phase 2 the actual migration of the advice platform to the DCS BANCS platform, which will happen in Q4 2019.

Not all the CSDP are impacted by the project, CSDPs that are affected are Standard Bank, Nedbank and RMB. The JSE is working closely with STRATE and these partners to manage the process. The JSE will be conducting a real life testing simulation stage to ensure that there no risks in the process. At current, the JSE is not exposed to any risk, as the process will be a scripted change happening within DCS BANCS systems directly.

Market testing on the project will run from:

- June 2019 until September 2019,
- with a workshop scheduled for the 14th of March 2019, which involves all the stakeholders in the market.

The cross market testing will be conducted from:

- April 2019 to May 2019 that is for Phase 1.
- Phase 2 cross market testing will commence once Phase 1 is completed at the end of May 2019 to September 2019 in this phase Stockbroking firms will also take part in the testing.

The JSE will assist with the regression testing.

6. REGULATIONS UPDATE

The JSE has made comments to consultation papers on LEI's and policy proposals on Crypto Assets. Open consultation items that we are looking at that may have an impact on our member firms is the Conduct of Financial Institutions (COFI) Bill. There are working groups setup in Cape town and Johannesburg.

The aim is to centralise licensing for all financial market service participants. However what has not been decided on in this bill is how they are going to treat market infrastructures, such as licencing coming out Financial Markets Authority (FMA) would be incorporated in the new bill.

Another new theme is the requirement for the transformation and inclusion for every licensee must comply with a prescribed BEE Act level code. This could be pitched in the bill at an assumed Level 4 BEE code, at which a licence can be refused if the code is not met. A member might be granted a licence if they are at a lower score provided that member can display a formidable plan in achieving the required level in a specified time frame. There is an ongoing obligation to maintain the code, if the participant reduces their score it might have their licence revoked, or not granted on renewal.

The Levies bill has not gone into parliament and the National treasury has requested the authorities for contingencies to recoup their fees or levies. FSCA would be able to apply fees using the existing legislation; it is unknown as to how Prudential authorities would be able to recoup their fees or levies.

All the other legislation Acts will be phased out, i.e.

- Collective Investment Schemes (CIS) Act;
- Financial Advisory and Intermediaries Services (FAIS) Act;
- and the two insurance Acts Long and Short Insurance Acts. Since there is no determination on market infrastructure on the bill due to the assumption that this falls in the wholesale financial market category which would include conduct in this category.

Our question arises as to who supervises this conduct. Is it done by Self Regulating Organisation (SRO) such as (Exchanges; Custody Services Providers (CSP); Central Securities Depository Participant (CSDP)) or will it be centralised at Financial Sector Conduct Authority (FSCA). The comments on the bill are due on the 1st of April 2019.

The below papers are currently out for comments:

- There is a consultation Paper out by joint working group on Crypto Assets that is out for comment by the 15 February 2019.
- Discussion Paper on the review of the Financial Markets Act, final markets review on the wholesale market sector. We hoping to have comment on it as it is expected to go to parliament at least around year 2020.

- We have done some advocacy to National Treasury on their inward listed securities policy regarding the treatment of securities as to whether they are foreign or domestic. Now the framework and policy is sitting with Treasury for review.
- Short Sale disclosure framework comment period closed last month number of market participants commented, so we are expecting a final paper on the framework on short selling soon. However, it was not clear on what securities the short selling will apply to, but the assumption is on cash equities and not derivatives. The JSE's comments were aligned to position reporting on the short sale, and not on the transactional reporting, as the JSE has to be consistent in maintaining anonymity.

7. NASPERS CORPORATE ACTION WALK THROUGH

On 27 February 2019, when Naspers unbundles Multichoice, and Multichoice lists separately, the following actions will be taken:

Options and Futures Contracts on Naspers:

- Close-out old Naspers positions (futures and options)
- Create a new Future and Option Baskets with Naspers and Multichoice as the constituents
- The new futures positions will be moved at 1:1
- New Option positions will also be moved at 1:1 such that there is only one strike price equivalent to the old strike price
- Should members require to exist their new futures and options basket positions, they will be zero feed.
- This fee will be limited to a maximum of two business days following the ex-dividend date

With regards to CFDs, a Multichoice CFD will be created and booked after close on ex-dividend date

The impact of Multichoice listing on Novus is that existing Novus Baskets will add Multichoice as a constituent resulting in a basket rebalance

8. GENERAL

The JSE will consult with the market individually on the functionality of MIT upgrade. This would be to ascertain which functionality would be implemented with the software upgrade.

STRATE fees will be increasing effective 1 March 2019

Meeting ended at 12:00 pm