

## MINUTES

**Heading:** Interest Rates Trading Advisory Committee Meeting  
**Date:** 24 June 2015  
**Time:** 09h00  
**Venue:** Johannesburg Stock Exchange - Serengeti Conference Room

<b>Attendees:</b>	Warren Geers	Chairman
	Alison Mcphee	Investec Bank
	Bernard Claassens	JSE
	Kelly Hattingh	ABSA Bank
	Yeshveer Koobair	ABSA Bank
	André Koen	ABSA
	Terry Eichhoff	JSE
	Bronwyn Bower	JSE
	Paul Du Preez	JSE
	Donna Oosthuysen	JSE
	Jacob Shayi	JSE
	Andrea Maisel	JSE
	Graham Smale	JSE
	Joe Vercuil	TTSA Securities
	Tom Anderson	Standard Bank
	Gavin Lemos	Nedbank
	Jayendran Naidoo	Nedbank
	Philip Nel	Credit Suisse
	Emil Kaltenbrunn	Rand Merchant Bank
	Callie Hugo	Reserve Bank
	Steven Ingelby	Strate
	Ian Mackinnon	Tullett Prebon
	Ian Balfour	JP Morgan
	Frayne Marupen	Peregrine
	Robin Mulder	Stanlib

**Apologies:** Garth Klintworth, Adre Smit, Phillip Nel, Francois Venter, Annah Manganyi, Paul Wilson, Ryan Proudfoot, Callie Hugo, Patty Barbeau, Henk Viljoen, Nick Fitzgeorge, Bruce Simpson, Heath Beckley, Stuart Leslie, Iann Seymour Smith, Shane Pomeroy Ward, Steve Arnold, Gert Steenkamp, Philip Van Der Merwe, Malcolm Charles, Brett Kotze, Henry Collins, Terence Hemmer, Paul Hartsenbergh, Bruce Simpson, Garith Botha, Gavin Betty, Michael van Rensburg, Andrew Gillespie

No	Items	Action Item
1.	<p><b><u>WELCOME:</u></b> The Chairperson, Mr. Warren Geers chaired the proceedings. He welcomed all members present and declared the meeting open at 09:00. A special welcome was extended to those attending the meeting for the first time.</p>	
2.	<p><b><u>PROPOSED NEW MEMBERS AND RESIGNATIONS</u></b> There were no proposed new members neither were there any resignations,</p>	
3.	<p><b><u>CONFIRMATION OF MINUTES:</u></b> The previous minutes were adopted as a true reflection of the meeting held.</p>	
4.	<p><b><u>ACTION ITEMS FROM PREVIOUS MEETING MINUTES</u></b> Mr. Geers reported to the meeting that as per the previous meeting's request the Risk team was invited to the meeting and was present, and will always attend future and upcoming advisory meetings.</p>	<b>Warren Geers</b>
5.	<p><b><u>ETP update</u></b> Mr Geers provided feedback in relation to the status of the ETP project. He explained that the JSE and National Treasury had been on a roadshow to the two shortlisted vendors (Nasdaq OMX and MTS) in order to gain more insight into the various solutions. The trips were insightful and much valued information was derived from these trips. He also mentioned that we were now in the process of finalising the costing model which would be presented to National Treasury and the JSE board in early November. The JSE will continue to provide feedback on the status of the vendor selection process.</p>	
6.	<p><b><u>Listings Fees Update</u></b> Mr. Claassens provided feedback relating to the restructure of the existing Listings Fee model. It was mentioned that the Initial listings fees would remain outside of the scope of the review however the focus was on the annual revision fee which will be converted into a maintenance fee in order to align the associated costs of listing on the JSE with International competitors. The annual revision fees are currently heavily weighted to size of issuance and the aim of the change is to distribute these fees evenly per issue.</p>	<b>Bernard Claassens</b>
7.	<p><b><u>Secondary Market Fees</u></b> Mr Claassens provided an update on the revision of the secondary market trading fees. The JSE is currently reviewing the trading fees for 2016 and will present a new model after broad market consultation. Some of the principles associated with the new model are as follows:</p> <ul style="list-style-type: none"> <li>• Allocations to be zero feed in alignment with the other markets</li> <li>• The fees will be changed to remove the rebate structure</li> <li>• The lag period in the fees will be removed</li> </ul>	<b>Bernard Claassens</b>

8	<p><b><u>Professional Board</u></b></p> <p>Mrs Eichhoff provided feedback in relation to the implementation of a new Professionals board which would cater for the listing of instruments which do not comply with the current stringent listings requirements of the debt board. The Professionals market is aimed at instruments which do not require public disclosure. The JSE is still working on the proposed proposal and will revert accordingly to the committee.</p>	Terry Eichhoff
9.	<p><b><u>Bond Derivative Close Out Dates</u></b></p> <p>Current Bond Derivatives expiry dates are the first business Thursday of February, May, August and November. This aligns with the TRI ASSA Reconstitution Dates. Ms. Bower advised the advisory committee that a few request had been received to change the expiry dates to coincide with the standard IMM dates i.e. third Wednesday of March, June, September and December. It was agreed by the committee that no change be made to existing expiry dates.</p>	Bronwyn Bower
10.	<p><b><u>Bond vs. Futures hedging strategy</u></b></p> <p>The JSE has agreed that we will continue to zero fee the delta trade when members of both the cash and derivative markets trade. This will be a manual process and will require that the members report the necessary delta and original trade to the JSE.</p>	
11.	<p><b><u>SWAP Futures Update</u></b></p> <p>Ms. Bower provided an updated implementation timeline in terms of swap futures. This covered systems, margin, market feedback sessions and a go-live date which was marked as 01 September 2015. Furthermore, Ms Bower advised the committee that reset dates and tenors had been finalised and that final contract specifications would be sent out to the market by 26 June 2015. It was noted that the JSE had received software code for its trading engine and was currently testing the solution. Ms Bower advised that all was on track from a JSE perspective in order to meet the go-live date.</p>	Bronwyn Bower
12.	<p><b><u>Initial Margin</u></b></p> <p>Paul du Preez (PdP) explained that:</p> <ul style="list-style-type: none"> <li>• Initial margin for interest rate derivatives are currently updated on a monthly basis. However, initial margin requirements for all other derivatives are updated on a fortnightly basis. PdP explained that the JSE intends to change the frequency of initial margin updates for interest rate derivatives to be in line with the frequency for all other markets, and that the change should generally result in smaller initial margin calls on margin update dates.</li> <li>• PdP then explained that the look-back period (the historic data set) used to quantify initial margin requirements for interest rate derivatives was not in line with the look-back period used for all other derivative markets. In particular, the interest rate market currently uses a rolling 8-year look-back whilst for all other markets, a rolling 3-year period plus a fixed 1-year stressed period is used. PdP</li> </ul>	Paul Du Preez

	<p>stated that the JSE intends to change this framework to be in line with that done for other markets, and that the change is not envisaged to have a significant impact on the interest rate derivatives market. PdP stated that an implication plan would be clearly communicated to the market prior to the start of the implementation.</p>	
13	<p><b><u>Close out: Update Availability of contracts on screen after close out process has completed</u></b></p> <p>Mrs Andrea Maisel highlighted a number of issues she wanted to remind members of, namely:</p> <ul style="list-style-type: none"> <li>• Trading in contracts on expiry after the close-out prices have been published is not allowed;</li> <li>• On-screen orders should not be entered on a contract that has already expired i.e. after the time of close out and after the closing price has been published;</li> </ul> <p>All deal management activities will be allowed up until market close, across all derivatives markets.</p>	
14.	<p><b><u>TRADING SYSTEM UPDATE: ITAC UPDATE AND CURRENT TRADING SYSTEM RELEASES FOR 2015</u></b></p> <p>It was reported to the meeting that the Derivatives Release 1 for the IRC Market was scheduled to go live on 17 August 2015 with deployment taking place on 15 August 2015. Derivative Release 2 was reported to have proposed dates as follows: the IRC Market going live on 7 December 2015 with deployment being on 5 December 2015.</p>	
15	<p><b><u>GENERAL</u></b></p> <p>There were no issues to discuss under this item.</p>	
16.	<p><b><u>CLOSE</u></b></p> <p>Mr. Geers thanked the committee for attending the Advisory meeting. The meeting adjourned at 15h55</p>	