

MINUTES

Heading: Currency Derivatives Advisory Committee Meeting

Date: 7 June 2017

Time: 10h30-11h30

Venue: *Johannesburg Stock Exchange - Ubuntu Conference Room*

Members	Bernard Claasens	(BC)	JSE
	Donna Nemer	(DM)	JSE
	Elaine Mabiletsa	(EM)	JSE
	Garith Botha	(GB)	Standard Bank
	Greg Kennelly	(GK)	RMB
	Justin Nichols	(JN)	ABSA
	Vincent Masoloke (On telecon)	(VM)	AVIOR
	Steve Greenstein (On telecon)	(SG)	Investec
	Roberto Pharo (On telecon)	(RP)	Peregrine
	Raymond Jansen	(RJ)	Nedbank

Attendees

Athandile Maswili	(AM)	JSE
Andre Koen	(AK)	JSE
Andrea Maisel	(NS)	JSE
Gillian van Heerden (On telecon)	(GH)	Tradition
Manqoba Ndlangamandla	(AA)	Nedbank
Mark Randall	(MR)	JSE
Martin Koch	(MK)	JSE

Apologies Jayson Gordon (Standard Bank), Nongqcebo Mthembu (SARB), Andrew Gillepsie (Tradition), Jan Badenhorst (RMD), Jacob Shayi (JSE), Petrus Bosman(Avior), Gavin Betty (Peregrine),

No	Items	Action Item
1.	<u>Welcome</u>	
	<ul style="list-style-type: none"> Mrs. Mabiletsa opened the meeting and welcomed all the attendees including the committee members who had dialled in. 	
2.	<u>Approval of previous minutes</u>	
	<ul style="list-style-type: none"> Mrs. Mabiletsa reviewed the previous meeting minutes from October 2016. The minutes of the previous meeting were adopted and confirmed to be a true reflection of the meeting. 	
3.	<u>Proposed new members and resignation</u>	
	<ul style="list-style-type: none"> Ms. Nemer announced the resignation of Warren Geers as the Head of Bonds, Currencies and Interest Rate Derivatives and as chairman of the advisory committee. Mr. Kennelly stated that out of courtesy the JSE should inform the committee when a chairperson resigns. Ms. Nemer acknowledged Mr Kennelly's point and promised that the JSE will do as suggested in the future. Ms. Nemer also announced the resignation of Brett Kotze and Chris Sturgess; she wished them well for their future endeavours. Mrs. Mabiletsa announced the resignation of Woerie De Villeirs from Farmwise and Justin Kightley from Nedbank; she further explained that Mr. Kightley has moved to a different role within Nedbank. Mrs. Mabiletsa welcomed Raymond Jansen from Nedbank as a new member to join the committee. Sygnia Securities was announced as a new trading member of the IRC market. WWC Trading (Pty) has terminated its membership from the JSE. 	
4.	<u>Open action items:</u>	
	<u>RAIN Index.</u>	

Mr. Randall provided the committee with the proposed changes to the RAIN index methodology.

- Statistics will be published on a monthly basis rather than annually and the re-weightings will be done quarterly.
- The United Kingdom is no longer part of the top five trading partners in the RAIN index; it has been replaced by India. (see below)

Currency	Current Weight	New Target Weight
Europe	38.5%	46.5%
China	25.7%	25.3%
United States	17.7%	12.9%
India		7.8%
Japan	10.7%	7.4%
United Kingdom	7.4%	

- Mr. Randall provided an extended view of the index top ten trading partners and explained that we would have an addition of three African currencies.

Currency	Current Weight	New Target Weight
Europe	38.5%	37.4%
China	25.7%	20.4%
United States	17.7%	10.4%
India		6.3%
Japan	10.7%	6.0%
United Kingdom	7.4%	5.3%
Botswana		4.1%
Namibia		3.9%
Mozambique		2.9%
Saudi Arabia		3.2%

- Mr. Randall asked the committee whether the index should be limited to the top five trading partners in order to keep it as tradable as possible or is there an appetite to create a bigger basket of currencies to broaden the exposure.
- Mr. Botha suggested that the JSE should continue with the current basket, because there is no current demand for the other currencies.
- All committee members agreed unanimously.

ITaC

- Mr Koch took the committee through all the changes that will be implemented with ITaC.
- Mrs. Mabiletsa informed the committee that the non-live market data reports, that are currently published in an excel format on the JSE website will be subscribed for.
- Alternatively, the reports will be available in a pdf format and can be downloaded from midnight.
- Mr. Pharo mentioned that they use the current reports to plug into their internal systems and he also mentioned that paying for the reports will be an added cost to their entity.
- Committee members requested a detailed presentation of all the data changes. This document will be circulated to the members after the meeting.

5. Derivatives Expiries

- Mrs. Mabiletsa stated that the Currency Derivatives market offers its participants standard quarterly expiries as well as the ability to create their own expiries through the use of AnyDay contracts.
- Mrs. Mabiletsa asked the committee members if there is any appetite for standardized monthly expiries.
- Mr. Botha stated that monthly expiries are currently traded as AnyDay contracts; therefore it is not necessary to standardize them.
- All committee members were in agreement.

6.	<p><u>JSE / Market Strategy 2017</u></p>	
	<ul style="list-style-type: none"> • Mrs. Mabiletsa mentioned that one of the key areas the Currency Derivatives market would like to focus on is bridging the knowledge gaps regarding FX within the general market. <ul style="list-style-type: none"> ○ Partnering with members to host knowledge sharing sessions at the JSE. ○ Participating in roadshows with the JSE retail sector. ○ More involvement in conferences as participants. • Mrs. Mabiletsa mentioned that the Currency Derivatives market will be celebrating its tenth year anniversary on the 22nd of June; she encouraged all committee members to attend. • Mrs Mabiletsa requested the committee to communicate any other ideas they might have that may assist with the growth of the Currency Derivatives market. 	
7.	<p><u>General</u></p>	
	<p><u>Intra – day expiries</u></p> <ul style="list-style-type: none"> • Mr. Kennelly asked if the JSE could look at a solution for automating the zero fee process of intra-day trades, rather than requesting clients to submit email request. • Mrs. Mabiletsa mentioned that the JSE will explore different options to help ease the admin burden from members. <p><u>Margins</u></p> <ul style="list-style-type: none"> • The committee members revisited their current challenges with the JSE’s margin requirements. • The committee members stated that it is difficult to convince international clients to bring their business to the JSE when the IMR is about 200% more when compared with an international counterpart such as ICE. • Ms. Nemer mentioned that the JSE is implementing the portfolio var margin 	<p>BC,EM AM</p>

	<p>offset in the Interest Rates Derivative market and it will look into introducing this methodology onto other asset classes.</p> <p><u>Collateral</u></p> <ul style="list-style-type: none"> • Mr. Koen mentioned that the JSE will be introducing securities and FX collateral when ITaC goes live. • Mr. Botha asked whether this meant that the JSE would allow non rand margined contracts. • Mr. Koen explained the difference between the two offerings. • FX collateral will be targeted at non-resident clients; this will enable clients to post their margin in USD, GBP and EUR. • However, the JSE is awaiting legislative approval from the National Treasury. • Ms. Nemer mentioned that the JSE intends on extending FX collateral to South African clients as well. • Securities collateral will focus on the twelve most liquid South African government bonds and a list of securities that has been agreed to. 	DN
8.	<u>Close</u>	
	Meeting adjourned at 11h33.	