

## MINUTES

**Heading:** Currency Derivatives Advisory Committee Meeting  
**Date:** 23 June 2015  
**Time:** 14h00  
**Venue:** Johannesburg Stock Exchange - Serengeti Conference Room

**Attendees:**

Mr. Warren Geers	Chairman
Mr. Kobus venter	ABSA Bank
Mr. Vincent Masokole	Avior (Conf. Call)
Steve Greenstein	Investec Bank
Themba Maseko	JSE
André Koen	JSE
Cindy Pillay	JSE
Paul Du Preez	JSE
Donna Oosthuysen	JSE
Leanne Parsons	JSE
Andrea Maisel	JSE
Justin Kightly	Nedbank
Gavin Betty	Peregrine Derivatives (Conf. Call)
Phillip Blom	Rand Merchant Bank
Dianne Bates	Rand Merchant Bank
Jan Badenhost	Robinson Mulder De Waal (Conf. Call)
Tom Anderson	Standard Bank

**Apologies** Woerie de Villiers, Brett Kotze, Eben Karsten, Ross Hooper, Rudolf Mangena, Nongcebo Mthembu, Jayson Gordon and Andrew Gillespie.

**Secretary** Sibongile Ndebele JSE

**Minutes:**

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 14:00. 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>	Warren Geers
5.	<p><b><u>REGULATION: UPDATE PRE-TRADE ARRANGEMENT RULES.</u></b> Mr Geers explained to the meeting that there was no feedback from the JSE regulation team, Mr Justin Nichols and Mr Tom Anderson. He further explained that there were ongoing discussions between the Banks and the South African Reserve Bank.</p>	
6.	<p><b><u>BILLING MODEL 2015</u></b> Miss Cindy Pillay reported to the meeting that in terms of the billing model a fee increase was successfully implemented on 01 June 2015. She also highlighted that regarding the provider model a new incentive scheme will be implemented on 01 July 2015. On the issue of daily reporting on performance, providers will receive reports daily detailing their performance for the previous day as well as their performance month to date. Feedback and change requests were received from various banks and were acted upon accordingly. The requested changes will be reflected on all future reports.</p>	
	<p>Mrs Donna Oosthuysen raised concerns on the terminology used for the contracts: Illiquids as the term may pose as an impediment to certain entities as far as trading is concerned</p> <p>Discussions from the members on the terminology were strongly in favour of changing the terms liquid and illiquid to category A and category B contracts.</p>	

No	Items	Action Item
	<p><b><u>Action item:</u></b> The meeting unanimously agreed to change the terminology for the contracts from liquid and illiquid contract to category A and category B contracts respectively. The JSE will update the agreement the agreement with the relevant terms accordingly.</p>	
7.	<p><b><u>LISTING REQUIREMENTS : NEW CURRENCY CONTRACTS</u></b></p>	
	<p>Mr. Geers explained to the meeting that Mr. Gillespie in his absence had requested that the committee deliberate on what the requirements are for listing a new instrument. He then tabled two issues for discussion as follows:</p> <ul style="list-style-type: none"> <li>• Will a process without a two way pricing on-screen be acceptable?</li> <li>• What are the alternatives for the mark to market processes for such instruments?</li> </ul>	<p><b>Warren Geers</b></p>
	<p>After a lengthy discussion by the committee with opposing views on the addition of a third category for an additional African currency and whether it would be suitable to have one or two market makers and the committee agreed as follows:</p>	
	<p><b><u>Action item:</u></b> The meeting agreed that the issue be taken back to various constituencies and feedback be provided via bilateral conversations with each Bank.</p>	
8.	<p><b><u>AFRICAN CURRENCY DERIVATIVE: SOURCE OF MARK TO MARKET</u></b></p>	
	<p>Mr Geers explained to the meeting that the issue of listing African currencies such as the Ghanaian Cedi is directly linked to the topic discussed under item eight. He mentioned that this item can only be discussed once a position has been agreed on item eight.</p>	
9.	<p><b><u>CLOSE OUT: UPDATE AVAILABILITY OF CONTRACTS ON SCREEN AFTER THE PUBLICATION OF THE CLOSE OUT PRICE</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> <li>• All deal management activities will be allowed up until market close, across all derivatives markets.</li> </ul>	
	<p>On the back of the above there was a general discussion pertaining to whether the issue of the availability of contracts on screen after the publication of the close out price is a systems issue or whether the onus should be upon participants not to trade after the publication of the close out price. The Advisory Committee are of the opinion that the onus is on the JSE to prevent trading from taking place.</p>	

No	Items	Action Item
	<p><b><u>Action item:</u></b> The meeting agreed that a market notice was to be issued by the JSE to the effect that any trade taking place after the publication of the close out price will be considered null and void by the JSE, and the JSE should explore changing systems to prevent trade from occurring.</p>	
10.	<p><b><u>CLOSE OUT: CLOSING OUT OF OPEN INTEREST BETWEEN MARKET MAKERS PRIOR TO EXPIRY</u></b></p>	
	<p>Mr. Geers advised the committee that at a meeting with the FMLG and ACI it was decided that the JSE should not facilitate the above process.</p>	
	<p>Mr Steve Greenstein of the FMLG, ACI meeting voiced that till further notice the intermediary suitable to facilitate the process should be a broker and not the JSE.</p>	
	<p><b><u>Decision:</u></b> The meeting noted the report by Mr. Geers.</p>	
11.	<p><b><u>CLOSE OUT: RISKS ASSOCIATED WITH HIGH OPEN INTEREST RUNNING INTO CLOSE OUT</u></b></p>	
	<p>Mr. Geers tabled concerns raised pertaining to the large size of positions running into close out.</p>	
	<p>He further reported that that the current close out process is for a period of five minutes, where ten iterations of the Arithmetic average of the underlying traded spot price taken every thirty seconds.</p>	
	<p>Mr Geers presented an analysis on open positions that were left to auto close and found the following:</p> <ul style="list-style-type: none"> <li>• Members: <ul style="list-style-type: none"> <li>• No prop positions</li> </ul> </li> <li>• Clients of members: <ul style="list-style-type: none"> <li>• 156 870 contracts in long positions across 46 clients (One client held 59% of the positions)</li> <li>• 54 104 contracts in short positions across 26 clients</li> <li>• <b>Nett: Long 102 766</b></li> </ul> </li> <li>• Banks: <ul style="list-style-type: none"> <li>• 158 951 contracts in long positions</li> <li>• 261 717 contracts in short positions</li> <li>• <b>Nett: Short 102 766</b></li> </ul> </li> </ul>	
	<p>This was followed by a lengthy discussion with the meeting deciding as follows:</p>	
	<p><b><u>Action item:</u></b> The JSE undertook to schedule a meeting with the Reserve Bank to discuss the issue, and also schedule another separate meeting with the Banks and the Reserve Bank of</p>	

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	which feedback will be provided at the next committee meeting. This said meeting will close out issue on points 10 and 11, as both are inter-related.																																									
<b>12.</b>	<b><u>MARKET CRISIS MANAGEMENT</u></b>																																									
	Donna raised concerns around the JSE ability to respond to unusual volatility in the markets. In order for the JSE to respond adequately there needs to be an application of dynamic bands which the STT can only implement at a later stage. The only bands that exist in the JSE are the static bands.																																									
	There was a suggestion to go straight into an opening auction. Mr Geers explained that the JSE had never gone the auction route on currencies.																																									
	Due to the meeting exceeding the time allocated the above issue would still form part of the next meeting's agenda.																																									
<b>13</b>	<b><u>TRADING SYSTEM UPDATE: ITAC UPDATE AND CURRENT TRADING SYSTEM RELEASES FOR 2015</u></b>																																									
	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.																																									
<b>14.</b>	<b><u>CURRENCY FUTURES AND OPTIONS STATISTICS : JAN –MAY 2014 COMPARED TO JAN-MAY 2015</u></b>																																									
	<p>The statistics were tabled but, in the interest of time, the members were requested to go through the presentation.</p> <p>These statistics are as follows:</p> <ul style="list-style-type: none"> <li> <b><u>Currency Futures and Options Statistics</u></b> <table border="1" data-bbox="272 1469 1251 1659"> <thead> <tr> <th><u>Period</u></th> <th><u>Deals</u></th> <th><u>Contracts Traded</u></th> <th><u>Value Traded</u></th> <th><u>Open Interest</u></th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>20 947</td> <td>18 260 213</td> <td>R212 200 645 854</td> <td>3 551 371</td> </tr> <tr> <td>2015</td> <td>23 165</td> <td>16 509 721</td> <td>R199 887 440 236</td> <td>3 917 073</td> </tr> <tr> <td>% Change</td> <td>11%</td> <td>-10%</td> <td>-6%</td> <td>10%</td> </tr> </tbody> </table> </li> <li> <b><u>Currency Options Statistics</u></b> <table border="1" data-bbox="272 1749 1251 1939"> <thead> <tr> <th><u>Period</u></th> <th><u>Deals</u></th> <th><u>Contracts Traded</u></th> <th><u>Value Traded</u></th> <th><u>Open Interest</u></th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>1 402</td> <td>4 025 012</td> <td>R50 935 804 146</td> <td>2 295 424</td> </tr> <tr> <td>2015</td> <td>1 046</td> <td>3 309 876</td> <td>R42 364 266 481</td> <td>2 109 226</td> </tr> <tr> <td>% Change</td> <td>-25%</td> <td>-18%</td> <td>-17%</td> <td>-8%</td> </tr> </tbody> </table> </li> </ul>	<u>Period</u>	<u>Deals</u>	<u>Contracts Traded</u>	<u>Value Traded</u>	<u>Open Interest</u>	2014	20 947	18 260 213	R212 200 645 854	3 551 371	2015	23 165	16 509 721	R199 887 440 236	3 917 073	% Change	11%	-10%	-6%	10%	<u>Period</u>	<u>Deals</u>	<u>Contracts Traded</u>	<u>Value Traded</u>	<u>Open Interest</u>	2014	1 402	4 025 012	R50 935 804 146	2 295 424	2015	1 046	3 309 876	R42 364 266 481	2 109 226	% Change	-25%	-18%	-17%	-8%	
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<b>15</b>	<b><u>GENERAL</u></b>																					
	There were no issues to discuss under this item.																					
<b>16.</b>	<b><u>CLOSE</u></b>																					
	Mr. Geers thanked the committee for attending the Advisory meeting. The meeting adjourned at 15h55																					