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## MINUTES

**Heading:** Currency Derivatives Advisory Committee Meeting  
**Date:** Monday 17 November 2014  
**Time:** 12h30  
**Venue:** Johannesburg Stock Exchange - Serengeti Conference Room

**Present**

Warren Geers	(Chairman)
Gavin Betty	(Peregrine Derivatives – Conf. Call)
Tom Anderson	(Standard Bank)
Eben Karsten	(Brait – Conf. Call)
Kobus Venter	(ABSA Bank)
Andrew Gillespie	(Tradition)
Justin Kightley	(Nedbank)
Woerie de Villiers	(Farmwise)
Philip Blom	(Rand Merchant Bank)
Greg Kennelly	(Rand Merchant Bank)
Andre Koen	(JSE)
Jacob Shayi	(JSE)
Jan Badenhorst	(Robinson Mulder De Waal – Conf. Call)
Justin Nichols	(Absa Bank)
Raymond Pretorius	(IRESS)
Cindy Pillay	(JSE)
Athandile Maswili	(JSE)
Donna Oosthuysen	(JSE)

**Apologies** Alan Yates, Nicky Newton-King, Ross Hooper, Dianne Bates, Lourens Harmse

**Secretary** Desray Naidoo

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Minutes:

No	Items	Action Item
1.	<p><b><u>WELCOME:</u></b> Mr. Geers welcomed the committee members to the meeting and thanked them for their attendance at this meeting. He also introduced Donna Oosthuysen, Director of Capital Markets.</p>	
2.	<p><b><u>CONFIRMATION OF MINUTES:</u></b> The minutes of the meeting of the Currency Advisory Committee held on 24 July 2014 were approved.</p>	
3.	<p><b><u>ACTION ITEMS FROM PREVIOUS MEETING MINUTES</u></b> It was <b><u>NOTED</u></b> that all action items from the previous meeting have been addressed by the JSE and therefore closed.</p>	
4.	<p><b><u>JSE RESTRUCTURE: CAPITAL MARKETS DIVISION</u></b> Mrs. Oosthuysen introduced herself and spoke of her working experience in the industry. She had mentioned to the committee of her relocating to South Africa twenty years ago and started at the JSE in August 2014. She looks forward to working with everyone and would like to find more ways to build everyone's business.</p> <p>Mrs. Oosthuysen mentioned that the JSE are very focused on Customer service and Innovation.</p>	
5.	<p><b><u>CURRENCY DERIVATIVES ADVISORY COMMITTEE MANDATE – REVIEW/UPDATE.</u></b> Mr. Geers mentioned that they are busy reviewing the Advisory Mandate across the JSE and to make sure that the correct attendees are a part of the committees, and what the aim of the relevant committees are. Mr. Geers further advised that the JSE views the committee as a place where the focus is predominantly on the following:</p> <ul style="list-style-type: none"> <li>• Foreign Exchange.</li> <li>• Structure and enhancement of the JSE's Currency Derivatives market for the benefit of the greater financial market.</li> <li>• Participants are to represent the market and not that of the individual firms.</li> <li>• Bringing new ideas and exchange traded products for the benefit of the financial market.</li> <li>• Futures, Options and any derivative style products.</li> <li>• Building relationships between the JSE and market participants to grow the Currency Derivatives Market together in the interests of the South African Derivatives market as a whole.</li> </ul>	
	<p>Mrs. Oosthuysen asked the committee if there are any enhancements that they would like to suggest that would make the forum worthwhile and more meaningful to the committee's business.</p>	

No	Items	Action Item
5.	<p><b><u>CURRENCY DERIVATIVES ADVISORY COMMITTEE MANDATE – REVIEW/UPDATE.</u></b>  <b><u>(Contd)</u></b></p>	
	<p>Mr. Justin Kightley commented on the Japanese Yen inverted contract, and that it is not market quality and standard. Mr. Kightley also mentioned that the December 2014 expiry date was not calculated according to market convention, where the third Wednesday was a holiday and the exchange were using the incorrect method.</p>	
	<p>Mr. Geers indicated to the committee that guidance was taken from the Banks as to what the correct date should be and loaded accordingly. In retrospect, this expiry should have been prior to the public holiday. Once this contract had been traded the contract expiry date could not be corrected due to existing open positions. This will however be corrected going forward, in that the correct methodology will be applied.</p>	
	<p>The Japanese Yen contract was approved, but suspended due to no trade taking place. It was mentioned that if the client who requested the product changes their mind, and would like to trade again, then the contract will be activated again.</p>	
	<p>Mr. Steve Greenstein advised that there is a forum within the OTC Foreign Exchange market, where discussions around the governance and regulation of the OTC market are discussed, and Mr. Greenstein suggested that should there be any decisions this committee needs to make or advice is required, then this committee should contact the Financial Markets Liaison Group (FMLG) as its first point of call.</p> <p>Mrs. Oosthuysen agreed that the FMLG is a committee that the JSE Advisory committee should engage with on general market issues. The JSE should request to be a part of the FMLG.</p> <p>Mr. Justin Nichols clarified the mandate of the FMLG.</p> <p>Mr. Greenstein advised that if there are issues that are common between the two committees a consultation will make the process more efficient.</p>	<p><b>Warren Geers</b></p>
	<p>Mr. Greenstein stated that this is a good committee; there have been many issues that were brought up and resolved over the years.</p>	
	<p>Mr. Geers mentioned that even though discussions and consultation takes place at the Advisory committee meeting, the JSE Executive committee still makes the final decision. Mr. Geers stated that no final decisions are made at the Advisory Committee meeting as broader market consultation is still required in some instances.</p>	

No	Items	Action Item
5.	<b><u>CURRENCY DERIVATIVES ADVISORY COMMITTEE MANDATE – REVIEW/UPDATE.</u></b> <b><u>(Contd)</u></b>	
	Mr. Geers advised that the Advisory committee forum is not a feedback session; it is rather a consulting process, between the JSE and the Advisory committee members, as the members are acting on behalf of and representing all the members in the market.	
6.	<b><u>AMENDMENTS / ADDITIONS / RESIGNATIONS</u></b>	
	Mr. Geers advised that only one person per entity can cast a vote (when required) and should someone resign, a currency specialist is required to step in and this is not necessarily a person from the same organisation.	
	Mr. Greg Kennelly suggested that all Banks must be represented on the committee, and as such the JSE should consider inviting all Banks to participate on the committee. Mr. Geers mentioned that that all banks actively involved in the Currency Derivatives market are already committee members.	
	Mr. Geers further mentioned that the South African Reserve Bank (SARB) did not feel it necessary to attend every meeting, but only when an agenda item requires input from a Reserve Bank perspective.	
	Mr. Geers informed the committee that in some cases an additional representative from an entity may attend as a specialist on an agenda item. In these cases the specialist will attend the meeting only as an attendee for the specific meeting. Mr. Tom Anderson suggested that in these cases, the committee should be notified ahead of the time to allow for specialists in the same field from different entities to attend as well. This would create a broader discussion and view on the relevant item. The committee agreed on this request.	
	<p>It was agreed by the committee that:</p> <ul style="list-style-type: none"> <li>• The committee will consist of members who attend every quarterly meeting and attendees who attend a meeting for input on a specific agenda item.</li> <li>• A bank/market maker that is an active member and trading on the exchange, should be present at all the Advisory meetings.</li> <li>• Another clearing member is required to attend the Advisory meetings going forward, and the JSE is to invite another accordingly.</li> <li>• If a member does resign from an entity and leaves the financial market, they will be considered to have left the committee.</li> <li>• IT representation is only required if an agenda item requires input from the IT service providers and vendors. The representative will attend as an attendee of the specific meeting and not a member of the committee.</li> </ul>	<b>Warren Geers</b>

No	Items	Action Item
6.	<b><u>AMENDMENTS / ADDITIONS / RESIGNATIONS (Contd)</u></b>	
	<ul style="list-style-type: none"> <li>Where members have not attended the quarterly meetings, it will be raised with the relevant member accordingly. This may result in a resignation of the individual from the committee but they may be invited to attend as an attendee of the committee meeting but not as a member.</li> </ul>	
	Mr. Geers introduced a new member of the committee as approved at the previous Advisory meeting; Mr. Jan Badenhorst from Robinson Mulder and De Waal.	
7.	<b><u>REGULATION: UPDATE BLOCK TRADE RULE AMENDMENTS - 201 DOLLAR/RAND RULE</u></b>	
	Mr. Geers advised that changes were made to the 201 Rule and is currently under review by the Financial Services Board (FSB). Once the FSB have approved and signed off the amendments only then will the changes be published in the Government Gazette. Mr. Geers further advised that at this point it is not clear if the amendment will be effective before the end of the year and acknowledged that this has been an ongoing issue since August 2012. Mr. Geers apologized to the Committee members for the delay in finalizing this issue, stating that he has highlighted this to Mrs. Oosthuysen as inefficiency.	
8.	<b><u>THOMSON REUTERS DEALING 3000 UPDATE</u></b>	
	Mr. Geers commented on the Markets Valuation Methodology, and on the 15 August 2014 the contract was signed with Reuters to provide the spot closing price, and this item is now closed. No comments from the committee	
9.	<b><u>NEW PRODUCTS: SHARIAH AND EXCHANGE</u></b>	
	Mr. Geers mentioned the approval was given from the Reserve Bank in October 2014 for the Shariah Product and he would like to thank the SARB and Mrs. Nongcebo Mthembu and her team for approving the product.	
	Mr. Geers stated that there will be a lot of value add to the Brokers in this product, but he does acknowledge the concerns raised by some of the Banks. After much debate between the committee members it was decided that the JSE will endeavor to explore ways to implement the product. Mr. Geers acknowledged that if the banks do not get involved then the product will not take off. Mr. Geers and the team will consult with market participants on a one on one basis to find a meaningful way of delivering this product.	

No	Items	Action Item
<b>10.</b>	<b><u>AFRICAN CURRENCY PAIRS</u></b>	
	<p>Mr. Geers mention that the African Currency Pairs were launched on 03 October 2014, Well done to the following participants:</p> <ul style="list-style-type: none"> <li>• Barclays ABSA Bank</li> <li>• Tradition SA</li> </ul>	
	<p>Trade took place on the first day of listing with R705 million exposure on the three African Currency pairs namely:</p> <ul style="list-style-type: none"> <li>• Nigerian Naira</li> <li>• Kenyan Shilling</li> <li>• Zambian Kwacha</li> </ul> <p>The JSE hopes to see this product grow and hopes that all the Banks will see this as a tradable product for them in the foreseeable future.</p>	
	<p>Mr. Geers mentioned that there have been requests for other African currencies to be launched, but as usual this will depend on Banks providing live prices and client demand. The appropriate vendor for Mark to Market will be discussed at the committee prior to these listings (e.g. Reuters and Bloomberg etc.).</p>	
<b>11.</b>	<b><u>BILLING MODEL: STRATEGIC VIEW FOR 2015</u></b>	
	<p>Mr. Geers mentioned that fees have been reduced since July 2014. As from 1 August 2014, the JSE had stopped paying back rebates to members who are not Market makers. All brokers were consulted and agreed that the rebates paid to them can be discontinued.</p>	
<b>12.</b>	<b><u>ANY DAY TRADE FEES</u></b>	
	<p>The committee agreed that the following requirements and fees will be applicable to Any Day Contracts:</p> <ul style="list-style-type: none"> <li>• A Minimum of 200 contracts or more is required to list an Any Day expiry.</li> <li>• The initial listing fees would carry a minimum of R1000 per deal and this is in line with the “Can do Structure’.</li> <li>• Once an expiry is listed and the minimum fees earned, the other participants can trade on the same expiry applying the normal sliding scale fees.</li> </ul>	
<b>13.</b>	<b><u>MEMBERSHIPS</u></b>	
	<p>The following Membership changes have taken place:</p>	
	<p><b><u>New Member:</u></b></p> <ul style="list-style-type: none"> <li>• Avior Capital Markets (Pty) LTD</li> </ul>	

No	Items	Action Item
13.	<b><u>MEMBERSHIPS (Contd)</u></b>	
	<b><u>Resignations:</u></b> <ul style="list-style-type: none"> <li>• None</li> </ul>	
	<p>Mr. Geers advised that the JSE has started liaising with all inactive members to see how they can become active; alternatively where appropriate the JSE might persuade the member to cancel their membership.</p>	
14.	<b><u>STATISTICS</u></b>	
	<b><u>CURRENCY FUTURE STATISTICS: JANUARY – OCTOBER 2013 COMPARED TO JANUARY – OCTOBER 2014</u></b>	
	<p>The committee <b><u>NOTED</u></b> that statistics relating to the Currency Futures markets for the period January to October 2013 compared with January to October 2014 as follows-</p>	
	<b><u>January to October 2013:</u></b>	
	Value Traded – R201 988 227 960	
	Volume Traded – 20 204 294	
	<b><u>January to October 2014</u></b>	
	Value Traded – 307 371 265 995 (52% increase compared to YTD 2013)	
	Volume Traded – 27 085 927 (34% increase compared to YTD 2013)	
	<b><u>CURRENCY OPTIONS STATISTICS: JANUARY – OCTOBER 2013 COMPARED TO JANUARY – OCTOBER 2014</u></b>	
	<b><u>January to October 2013</u></b>	
	Value Traded – 77 711 324 168	
	Volume Traded – 9 258 084	
	<b><u>January to October 2014</u></b>	
	Value Traded – 102 209 816 942 ( 32% increase compared to YTD 2014)	
	Volume Traded - 8 557 752 ( -8% decrease compared to TYD 2014)	

15.	<b><u>GENERAL</u></b>	
	Mr. Geers closed the meeting at 12.40pm and invited all committee members to the join the JSE for lunch in the Dining room.	