

## MINUTES

### FINANCIAL DERIVATIVES ADVISORY COMMITTEE MEETING NOTES

Date: 06 June 2018  
Time: 11h00  
Venue: Ubuntu Conference Room – 1st Floor, JSE Offices, Sandown

Present: Donna Nemer (DN), Leanne Parsons (LP), Ved Somera (VS), Aveshen Pillay (AP), Langa Manqele (LM),  
Andre Koen (AK), Cameron Petersen (CP),

Apologies: Eben Mare (EB), Zweli Vonya (ZV), Godfrey Matjuda (GM), Phillip Dube (PD),  
Dialled In: Gavin Betty (GB), Shiran Samuels (SS), Petrus Bosman (PB), Naval Singh (NS), Matthew Arnott (MA),  
Bryan MacCallum (BM), Bryan Hatty (BH)

#### 1. WELCOME AND APOLOGIES

DN welcomed all the attendees to the Financial Derivatives Advisory Committee (FDAC) meeting for ITAC and Old Mutual Corporate Actions discussion.

#### 2. CONFIRMATION OF PREVIOUS MINUTES

The minutes of the previous advisory committee were confirmed as correct.

#### 3. OLD MUTUAL CORPORATE ACTION TREATMENT

The outline information relating to the Old Mutual corporate actions flow and related ratios was as follows:

▪ **Suspension of Old Mutual (OML) and Listing of Quilter plc (QLT) on Monday, 25 June 2018**

Demerger and Listing of Quilter PLC (formerly Old Mutual Wealth)

(Primary listing = LSE; Secondary = JSE)

- Alpha code: QLT
- Ratio: 1 QLT for every 3 OML held as at LDT

▪ **Listing of Old Mutual Limited (OMU) on the Tuesday, 26 June 2018**

Listing of Old Mutual Limited (The new holding company of Old Mutual plc)

(Primary listing = JSE; Standard = LSEG; Secondary = MSE, NSX, ZSE)

- Alpha code: OMU
- Ratio: 1 OMU for every 1 OML held as at LDT

### 3.1 Index Treatment and Event Impact

The treatment of Old Mutual on listed JSE Equity Indices was summaries as follows:

Event	Date
Informative Notice Published	Friday, 25 May 2018 (EOD)
Capital reduction applied to OML based on estimated price Quilter added to all indices where OML is a constituent <i>Free float inherited from OML, shares based on offer terms</i>	Monday, 25 June 2018 (SOD)
Evaluation of Quilter opening price vs. index estimated price <i>10% hurdle vs. estimated price</i>	Monday, 25 June 2018 (i/day)
OML included at stale price: previous close less capital reduction Re-ranking of indices with a fixed number of constituents <i>SWIX Free Float considered for Quilter</i>	Monday, 25 June 2018 (EOD)
Replacement of OML with OMU in all indices	Tuesday, 26 June 2018 (SOD)
Removal of lowest ranking constituents Quilter free float adjustment	Wednesday, 27 June 2018 (SOD)

### 3.2 Derivatives Treatment and Positions transfer:

On 25 June 2018, when QLT lists and OML is suspended at the JSE the following actions will be taken:

Create a basket OMAQ with the basket future receiving 1 OML and 1/3 QLT booked at zero price

- List new Single Stock and Dividend Future and Options to be created QLTQ, QLTF and QLTS

On the 26<sup>th</sup> June 2018, when OMU lists at the JSE, the following will be implemented:

- Create a basket OMUQ with the basket future receiving 1 OMU and 1/3 QLT booked at zero price
- List new Single Stock and Dividend Future and Options to be created OMUQ, OMUF and OMUS

With regards to CFD, the new OMU and QLT CFD's are to be created with the same base rate effective the 25 June 2018 and 26 June 2018 respectively. As result, position transfers will be as follows: for every 3 CFD contract the new CFD's would have received 3 OML (OMU) and 1 QLT.

## 4. ITAC DRESS REHEARSALS 14 JULY 2018

LP informed the committee about the upcoming dress rehearsal on Saturday, 14<sup>th</sup> July 2018 and mentioned that it was Mandatory for:

- All Clearing Members

- All Equity Derivatives and Currency Derivatives Trading Members that have not successfully passed 2 Dress rehearsals
- Letters confirming the overall Firm's dress rehearsal results and required participation for 14 July 2018 are to be issued to compliance officers in the following week.
- All software providers (trading, deal management and clearing)
- All Shared Infrastructure Providers (SIPs)

#### **4.1. SUCCESS CRITERIA**

The JSE measures the success of dress rehearsals for the below activities;

- Trading
- Market data
- Deal Management
- Clearing

Feedback from clients to simplify the dress rehearsal functional test checklist:

- JSE revised the trading and post-trade business test checklists to be more meaningful and relevant to traders and/or back office staff and guide important scenarios for testing
- For trading members, The JSE to allocate trading counterparties for the dress rehearsals
- For clearing members, JSE was to agree with clearing member, the trading members to be used for On-Behalf of Off Book Trade Reporting
- Dress rehearsal checklists do not need to be completed and returned to JSE but Members will need to confirm what business functionality is NOT APPLICABLE to their business
- JSE will use transaction data from the systems to evaluate results for pass criteria
- Business functionality that was NOT APPLICABLE to their business was to be excluded when deriving dress rehearsal results if this had been provided to the JSE
- Technical system test criteria will not change from previous dress rehearsals and measurement of technical transactions will remain as is – this applies to trading, market data and post-trade
- Measurement criteria for 18 August 2018 Dress Rehearsal were to be increased to cover go-live readiness aspects.

#### **4.2. OTHER CONSIDERATIONS**

Even though it is not mandatory for International Access Point clients subscribing directly to the JSE (for ITaC EDM and FXM services) to test – it is highly recommended

Non Live Market Data subscribers do not participate in the dress rehearsal – they can participate in End-To-End testing.

##### **4.2.1. PREPARATION FOR DRESS REHEARSAL**

- Verify all software bugs, configuration and setup issues reported during the last dress rehearsal(s) with your software provider have been resolved and are tested in ETE or the CTS environment prior to the 14 July dress rehearsal
- Confirm all final ennoblements are in place – REMINDER that Dress Rehearsals are conducted in the production environment and therefore trading connectivity is different to the ETE testing environment

- Attend training on your front-end functionality with your software providers prior to the dress rehearsal

## 5. ITAC END TO END TESTING

End-To-End (ETE) testing is an opportunity for clients to test in an integrated environment that closely mirrors production. The environment is available to the Equity Derivatives and Currency Derivatives members.

- Clearing Members - mandatory
- Trading Members - mandatory for some (JSE will give guidance); optional for others
- Software Providers - mandatory for some (JSE will give guidance); optional for others
- Information subscribers - mandatory for some (JSE will give guidance); optional for others

Two phases of End-to-end testing is envisaged:

- **Structured ETE testing** - test specific identified scenarios and events on specific days
- **Scripted ETE testing** - ring fenced with specific data and functionality on specific days with specific expected outcomes as well as other testing along side

Structured ETE testing is to start on the 25 June 2018:

- Full Direct participation - connect and execute throughout Cycles; EOD reports checked by clearing members, trading members and clients
- Partial Direct participation - trade packs submitted by JSE; deal management executed by trading members; EOD reports checked by clearing members, trading members and clients
- Indirect participation - trading packs submitted by JSE; deal management executed by clearing members; EOD reports checked by clearing members trading members and clients; Non-Live Market Data products checked by subscribing clients

LP encouraged members and clients to conduct as much testing as possible and ensure resolution of all issues prior to the next market dress rehearsal on 14 July 2018. In addition, clients can make use of the Customer Test Service (CTS) and engage software providers to ensure that adequate front-end training is provided.

### Non-Live Market Data Testing

The JSE Non-Live Market Data User Acceptance Test (NLMD UAT) has now been completed. Clients wishing to continue testing the Non-live Market Data files are encouraged to download the files that will be made available during End-To-End testing.

## 6. ITAC TIMELINES AND KEY-DATES

LP informed the committee that the JSE has issued a market notice communication relating to the end-to-end testing and ITAC targeted timelines. LP informed the committee that a consensus has been reached and a commitment to a targeted go-live date with a closed scope. The go-live was subject to certain critical milestones and success criteria being met.

In addition, a Market Steering Committee has been established comprising representatives from the JSE, Clearing Members (and their software provider), Strate and some Trading Members. This committee will:

- Agree scope changes

- Review the success of End-To-End (ETE) testing and dress rehearsals
- Agree market go-live readiness criteria and monitor progress against these
- Recommend to JSE Executive Go/No-Go at Go-Live

Minutes of the Market Steering Committee meetings are to be made available to all ITaC Primary and Responsible Officers.

The key dates reflected below which targets a Go Live Date of 8 October 2018 (with deployment on Sat, 6 October 2018) and a Go-Live Contingency Date of 12 November 2018 (with deployment on Sat, 10 November 2018).

Date	Milestone
11 Jun – 22 Jun 2018	Clearing Member & Software Provider Testing in ETE environment
25 Jun 2018	Start of End to End Testing in ETE environment
<b>25 Jun – 6 Jul 2018</b>	<b>ETE Testing – Cycle 1 Structured</b>
9 Jul – 13 Jul 2018	Prep for MMDR; data clean up and full position take on
<b>14 Jul 2018</b>	<b>Mandatory Market Dress Rehearsal (MMDR)</b>
<b>16 Jul – 26 Jul 2018</b>	<b>ETE Testing – Cycle 2 Structured</b>
<b>30 Jul – 10/13 Aug 2018</b>	<b>ETE Testing – Cycle 3 Scripted</b>
14 Aug – 17 Aug 2018	Prep for Dress Rehearsal; data clean up and full position take on
<b>18 Aug 2018</b>	<b>ETE Dress Rehearsal – Mandatory for all clients</b>
<b>20 Aug – 4 Sep 2018</b>	<b>ETE Testing – Cycle 4 Scripted</b>
<b>15 Sep 2018</b>	<b>Go-Live Ready Dress Rehearsal – mandatory for all clients</b> JSE will take RTC live into production
<b>8 Oct 2018</b>	<b>Targeted Go-Live Date (could also use 15 Oct 2018)</b>
<b>12 Nov 2018</b>	<b>Contingency Go-Live Date</b>

PLEASE NOTE:  
Mandatory for CMs and those TMs & live Information subscribers that have not passed two dress rehearsals

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Mandatory for all clients (CMs, TMs and line Market Date subscribers)

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## 7. ITAC GO-LIVE READINESS AND GENERAL

### JSE Services Agreement (JSA)

- Signed JSA was required to enable access to all production and test services including the End-To-End environment
- JSA was to be signed by Friday, 27 July 2018 which was prior to the start of Scripted End-To-End testing on Monday, 30 July 2018

### JSE Data Agreement (JDA)

- Signed JDA are required to enable access to all real-time market data (production and test) and non-live market data (production and test)

- JDA need to be signed by Friday, 27 July 2018 for clients wishing to participate in Scripted End-To-End testing which starts on Monday, 30 July 2018
- JDA must be signed by 31 August 2018 for all other clients not participating in ETE testing

**DN thanked everyone for their commitment and for attending the meeting.**