
MARKET NOTICEJohannesburg
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Number: 220/2016
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
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SUBJECT: NEW REPORTING FIELD REQUIREMENTS - BONDS

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Dear JSE Stakeholder

With regards to the two previous market notices; Market Notice 35 of 2016 and Market Notice 171 of 2016, relating to the new reporting fields requirements as communicated to the market on 23 January 2016 and 24 March 2016, the JSE wishes to hereby inform all market participants that the implementation date for these changes has been moved further out to 20 June 2016. A number of Market Participants who previously were expecting to meet the deadline have indicated that they will not be able to meet the revised date but have committed to the new date. As the change impacts the entire market, it cannot be implemented on an exception basis and will therefore be further delayed.

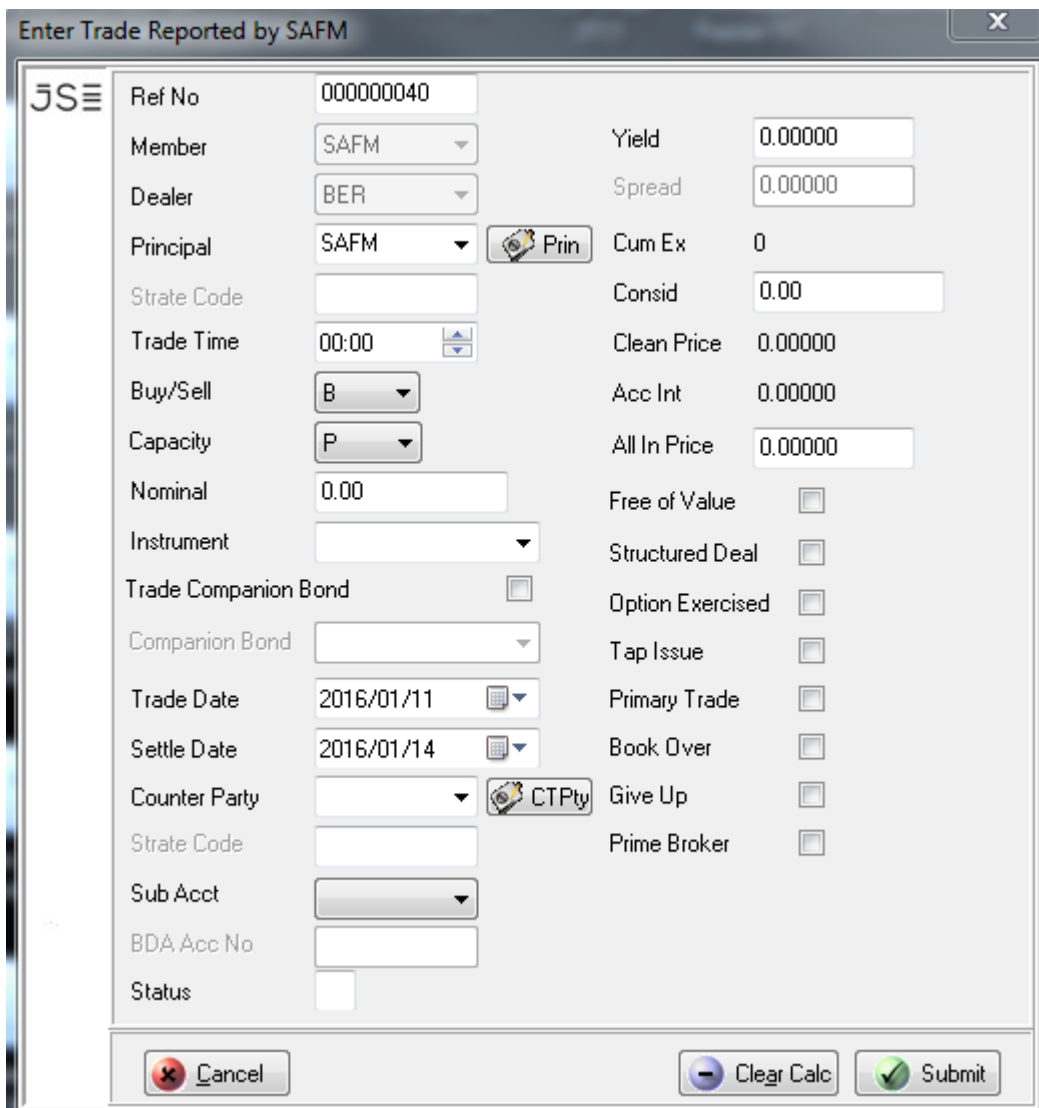
Should you have any further questions please feel free to contact the JSE.

Late in 2015 the JSE implemented changes to the Nutron platform in order to facilitate capturing of additional data when members were reporting bond transaction to the JSE. The changes are aimed at improving the end of day transactional statistics as well as enhancing the valuation process for instruments that are traded at a spread to other instruments.

In total there are seven new reporting fields:

- Companion Bond
- Spread
- Tap Issue
- Primary Trade
- Book Over
- Give Up
- Prime Broker

All of the new fields will become mandatory capturing fields on the 9 May 2016 and will be matching fields that will require both counterparties to capture identical values.



The screenshot shows a software window titled "Enter Trade Reported by SAFM". It contains a grid of input fields for trade details. The fields are organized into two columns. The left column includes fields for Ref No (000000040), Member (SAFM), Dealer (BER), Principal (SAFM), Strate Code, Trade Time (00:00), Buy/Sell (B), Capacity (P), Nominal (0.00), Instrument, Trade Companion Bond, Companion Bond, Trade Date (2016/01/11), Settle Date (2016/01/14), Counter Party, Strate Code, Sub Acct, BDA Acc No, and Status. The right column includes Yield (0.00000), Spread (0.00000), Cum Ex (0), Consid (0.00), Clean Price (0.00000), Acc Int (0.00000), All In Price (0.00000), and several checkboxes: Free of Value, Structured Deal, Option Exercised, Tap Issue, Primary Trade, Book Over, Give Up, and Prime Broker. At the bottom, there are three buttons: "Cancel", "Clear Calc", and "Submit".

The above extract shows the new fields that have been included on the capture screen.

Explanation of Each Field

1. Companion Bond (**New Field**)
The companion bond represents the reference instrument over which the bond was traded. Each listed instrument is available as a companion bond as well as JIBAR. Should an instrument be a floating rate note the JIBAR value should be used as a companion bond.
2. Spread (**New Field**)

The spread field represents the traded spread value over the companion bonds YTM. In the case of a floating rate note the spread represent the traded spread above JIBAR. In both cases users will still be required to capture the spread and the yield values. All calculations will be based off of the yield value and will not consider the spread value.

3. Free of Value

Instruments which are captured Free of Value will not settle on a DvP basis at Strate. Only scrip will settle and no cash will be settled for these deals.

4. Structured Deal

The Structured deal flag is used to report transactions where the YTM of the trade is significantly away from the market as a result of an asset swap or another structured type reason.

5. Option Exercised

This field is used when a transaction is reported to the JSE for matching purposes as a result of an Option trade. The strike level of the option is used as the yield value for these transactions. These trades are flagged accordingly as the Strike level is likely to be away from the current traded levels.

6. Tap Issue (**New Field**)

This field will need to be checked when a member is transacting as a result of the placement of a tap issue. This will include trades allocated from the SARB on behalf of National Treasury for the weekly auctions in nominal and inflation linked instruments. If this trade is then allocated to a client the resulting client trade will also need to be flagged as a Tap Issue. The introduction of this flag will assist in determining primary market flow as well as assist in Index selection.

7. Primary Trade (**New Field**)

This field will need to be checked when a member is transacting as a result of the placement of a new issue. This will include trades allocated from the SARB on behalf of National Treasury for newly listed instruments. If this trade is then allocated to a client the resulting client trade will also need to be flagged as a Primary Trade. The introduction of this flag will assist in determining primary market flow as well as assist in Index selection.

8. Book Over (**New Field**)

This field will need to be checked when an internal book over type transaction is reported to the JSE for matching purposes. There are numerous scenarios where this field is applicable:

- A member Asset Manager moves instruments from one portfolio to another as a member. In this instance, the member asset manager will be required to flag the deals accordingly.
- A non-member Asset Manager moves instruments from one portfolio to another through a member of the JSE. In this instance, the member broker\intermediary will be required to flag the deals accordingly.
- In instances where the member moves stock to an international balance sheet for risk purposes these transactions will need to be flagged as book over transactions. This includes transactions that are booked on a trade by trade basis as well as trades that are bulked at the end of the day. When the position returns from the international balance sheet this trade must also be flagged as a book over.

9. Give Up (**New Field**)

The give up field needs to be flagged when a non-member intermediary is used to facilitate a transaction. This typically includes deals with non-member interdealer brokers or transition managers as well as other similar market participants.

10. Prime Broker (***New Field***)

The Prime Broker field is used when a member prime broker reports a deal to the JSE with a non-member client. It is also used when a member trades with a prime broker as a give up trade to that prime broker.

Examples:

Prime Broker trades with non-member hedge fund

Member trades with a prime brokered non-member hedge fund and passes this trade onto the prime broker.

Both the member and the prime broker will need to identify this trade as a prime broker trade.

Summary

In order for these deals to match all members are requested to report deals in accordance with this notice from 20 June 2016.

Should you have any queries regarding this notice, please contact irc@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>