

## MARKET NOTICE

**Number:** 255/2016  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives  
**Date:** 12 May 2016  
**SUBJECT:** T+3 MARGIN CALLS  
**Name and Surname:** Leila Fourie  
**Designation:** Executive Director

Dear JSE Stakeholder

On 11 July 2016, the equity market will move from the current 5 day settlement cycle to a 3 day settlement cycle. This market notice addresses the potential impact that T+3 might have on margin for certain members. Under the current T+5 cycle, margin is calculated and called for at the end of day T+3 and the cash flows occur early on T+4. In the new T+3 settlement cycle the margin calculation will take place 2 days earlier (at the end of day T+1, with monies flowing on T+2) and returned on T+3 unless involved with Failed Trade Management.

While margin methodology will not be changing, the shorter settlement cycle means that margin will be called earlier in the cycle and failure to change behavior might increase the financial burden on members that do not have the funding or balance sheet to honor this margin obligation. As we approach the last phase of the project, there are growing concerns that failure to process allocations, settlement instructions and CSDP commits in time will result in an increase in margin which could have a material financial impact on certain members.

The shorter settlement cycle requires a significant change in behaviour, and the JSE requires that all affected parties make these changes before the project goes live in July 2016. The following behaviour change is required to avoid an increase in margin:

- Allocations must be done real-time (using BDA functionality) or at the latest by COB trade date;
- Clients must send settlement instructions on T+1; and
- CSDPs must be put in a position to commit before EOD T+1.

In an effort to entrench behavior before go-live and to prepare the market for the new shorter settlement cycle, the JSE has set a gradually increasing target over the past 3 months for behaviours that need to change before the implementation of T+3. At this stage of the project we require the market to commit to 95% of trades by end of day T+1. A number of parties are falling short of this target and the JSE will be in contact to discuss the situation with those parties directly.

The JSE would like to strongly urge all members and CSDPs to communicate with their clients to ensure that settlement instructions and therefore commits take place on T+1. Failing that, members will have to ensure that sufficient funds or facilities are in place to cater for the peak margin call figures reflected in the commit analysis distributed to members on a weekly basis.

The JSE will be conducting a roadshow in London to discuss this behaviour change with overseas clients and transfer secretaries next week, followed by a local roadshow with local clients. We will also be scheduling one-on-one discussions with those members who (based on our commits analysis) are most likely to be impacted, in order to determine where we can facilitate the necessary behaviour change required to ensure successful implementation of the T+3 project.

Any queries or concerns can be emailed to [T+3@jse.co.za](mailto:T+3@jse.co.za) or contact Brett Kotze on 011 5207587

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