

## MARKET NOTICE

**Number:** 799/2015  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives  
**Date:** 15 December 2015

**SUBJECT:** Equity Derivative Market - Can-Do Billing for 2016

**Name and Surname:** Paolo Govetto  
**Designation:** Head – Structured Products, Capital Markets

The JSE will be implementing new billing for Equity Derivative-based (ED) Can-Do Products.

### Value Proposition

The Can-Do market relies on the establishment and maintenance of a specialised platform that facilitates the listing, trading, valuation and clearing of ad-hoc, bespoke, non-standard derivative products. The activities include the modelling, ongoing margin adjustments and systems integration of operational, risk and clearing functionality. This unique proposition has been developed in conjunction with the marketplace.

### Principals of the New Billing

The Can-Do products are split between AnyDay (Vanilla) and Exotic (non-Vanilla) type transactions. The main aim is to reduce some fees for the simpler, Anyday products, simplify the model for complex Exotic products, remove the allocation inconsistency and account for the extra effort and resources required to maintain the Can-Do platform.

In particular:

### AnyDay/Vanilla

- Keep current Fee Model
- Maintain basis point fees on AnyDay Futures
- Lower basis point fees for AnyDay Options
- Increase the fee cap on Single Stock Anyday contracts

### Exotic/Cando

- Replace the Matrix fee model with an Underlying Value-Based model (using same Value-based model as that used for AnyDay market – see equation below)
- Increase basis point fees to compensate for the extra effort and complexity required
- Implement a fee Cap to cater for a wide range of transaction sizes
- Charge some Give up activities at a discount
- Allocate fees to client trades on a Pro-rata basis

The new Exotic Fee model is as follows:

**New Exotic Fee Model:**

**Trading Fee = Underlying Spot (at end-of-day) x Nominal x Quantity Traded x Basis Points/10,000**

*Note: This is the same model as used for EDM AnyDay fee model, and on STT, the Fee Type is termed:  
“Fee Type Percentage Of End Of Day Deal Value Based On Spot Price (No Rounding)”*

### Effective Date

The effective date for the Billing change will be **1 February 2016**.

All current AnyDays will inherit the new fee model.

All new Exotics contracts will use the new fee model and no new expiries will be added to the older Exotic contracts.

### Fee Tables (see next page)...

The Current (grey table) and New Fee tables (green table) are shown on next page

### AnyDay/Vanilla Can-Do

Current AnyDay/Vanilla			
	Futures	Options	Cap
Current AnyDay Index	0.33 bp	0.33 bp	No Cap
Current AnyDay Single Stock	1.5 bp	1.5 bp	R18k / leg

New AnyDay/Vanilla			
	Futures	Options	Cap
New AnyDay Index	0.33 bp	0.22 bp	No Cap
New AnyDay Single Stock	1.5 bp	0.98 bp	R23k / leg

### Exotic Can-Do

CURRENT Exotic Fee Models				
	Fee Model	Futures bp	Vanilla Options bp	Floor per trade leg
All Exotics	Matrix Model (based on Total Price & Term)	Range (0.33-0.75bp of Total Price over 12m period)	Range (0.33-0.75bp of Total Price over 12m period)	min R1683 / leg

New Exotic Fee Models							
	Fee Model	Futures bp	Vanilla Options bp	Cap / Trade leg	Give-Up Futures <sup>2</sup>	Give-Up Options <sup>2</sup>	Give-Up Cap / Trade leg
					* Assign Send & Tripartite Send only	* Assign Send & Tripartite Send only	* Assign Send & Tripartite Send only
Exotic Futures incl. baskets, quantos, complex underlying (eg: long/short basket)	BP of Underlying Notional	1.5 bp	0.98 bp	R50k	1.05 bp	0.69 bp	R35k
Exotic Options incl. exotic options & multi-leg wrapped structures booked as futures	BP of Underlying Notional	1.75 bp	n/a	R50k	1.23 bp	n/a	R35k
Variance Futures	BP of Variance Notional	3.0 bp	n/a	no cap	2.1 bp	n/a	no cap

Note:

1. Vanilla Option lower than Futures fee
2. Give-Up Fee applies to executing member for Assigns and Tripartite deals
3. Cap will be removed over time as systems allow for alternative fee models

**For clarity:**

**Exotic Types**

The Exotics are split into 3 general categories (to be stipulated in the specific instrument market notice):

- Exotic Futures include quanto, baskets, some complex underlying and other futures. Vanilla options can be listed on these futures
- Exotic Options include barriers, complex options and multi-leg option structures (listed as futures), no vanilla option can be listed on these Exotics options
- Variance Futures

**Caps**

Caps are implemented to allow for larger deal sizes. The intention is to remove caps as soon as systems allow for alternative pricing structures.

**Pro-Rata Allocations**

In the current matrix fee model for Exotics, the fees charged on allocations are calculated on every leg which results in a minimum fee being charged on every client leg where the deal is under a specific size. Using the new fee model, the transaction fee (allowing for any cap adjustments) will be allocated on a pro-rata basis to the client leg. (This is also known as a div transaction). This removes the multiple minimum fee being charged on client allocations.

**Underlying Spot Level**

The underlying spot level is represented by the index level or share price level. However, certain exotics have complex underlying references. Depending on the complexity, the JSE will use the following guidelines:

- The underlying for a portfolio structure of exotic options (wrapped into one instrument) will reference the underlying instrument, and
- The underlying for Long-Short baskets or Pairs will reference the greater of the Long or Short position

**Give Up Fees**

Specific Give-Up transactions (where the origin is Assign Send or Tripartite Send) will be charged at a different fee for the Executing member ("Send Leg").

Should you have any queries, please contact [structuredproducts@jse.co.za](mailto:structuredproducts@jse.co.za) or 011 520-7812/7981.

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