

MARKET NOTICE

Number: 617/2016
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 7 November 2016

SUBJECT: REDUCING THE PERIOD FOR EQUAL AND OPPOSITE TRANSACTIONS

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Designation: Head: Interest Rates and Currencies

The JSE introduced new trade reporting requirements on the 20th June 2016 in order to improve the accuracy of daily statistics. Further to these requirements, the JSE is proposing a change to the current equal and opposite functionality.

Currently members are permitted to reverse transactions at any point in time up to the day prior to Settlement. In certain instances these reversals are happening up to 30 days after the original trade was reported. This significantly distorts trade statistics in the listed debt market as well as contributes to the misrepresentation of non-resident activity.

Post an internal analysis of equal and opposite transactions reported during the first half of 2016, the following has been evidenced:

- 33 Members have reported equal and opposites on the day after or subsequent days after reporting the original transaction
- 27 Members have performed more than 10 equal and opposite transactions on the day or subsequent days after reporting the original transactions
- Roughly 3200 Equal and opposite transactions were reported on the day after or subsequent days after reporting the original transaction in the first half of the year
- This equates into roughly 800 a month or 40 a day
- The nominal reversed in this manner equates to roughly R260billion or slightly less than R40 billion a month.

While the majority of reversals are linked to corrections, there are situations where market participants are reversing reported transactions at a later date in order to report new details of the trade which were not previously available (Such as inflation numbers).

In order to improve the reported volumes and non-resident activity the JSE is proposing the following:

- Equal and opposite transactions will only be permitted on the day of trade
- The trade date of any transaction may not be backdated
- Equal and opposite transactions and the respective trades that they reversed will continue to remain fee exempt.

The JSE raised this matter at the Trading Advisory Committee on the 23rd September 2016 and would like to obtain market wide feedback from all stakeholders in relation to this matter.

Kindly supply the JSE with any written concerns relating to the implementation of this proposed change by no later than the 1st December 2016.

Any queries can be directed to IRC@jse.co.za or alternatively contact:

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

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