
MARKET NOTICEJohannesburg
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Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
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SUBJECT: TREATMENT OF LIGHTHOUSE CAPITAL LTD (LTE) CORPORATE ACTION – CAPITAL
REDUCTION 20 MAY 2020 (EX-DATE)

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Designation: Head - Derivatives Operations - Post Trade Services

Members notice is drawn to section 13 of the contract specifications of Individual Equity Futures and options, which states:

“13. Corporate Events

The JSE reserves the right to adopt any procedure or to adjust any single stock future or option on a single stock future, in a manner it deems fit, to deal with any extraordinary corporate events that may occur from time to time in relation to a share that is the underlying instrument of the equity option and to notify position holders, derivatives members and any other interested parties, of such event and the procedure or adjustment adopted. Such events include, for example, mergers, take-overs, unbundlings, capitalisation issues and rights issues.

The implication of this is that anybody trading in Single Stock futures or options on Single Stock futures in which the underlying stock is the subject of an extraordinary corporate event should be aware that the JSE may make adjustments to the Single Stock futures and options.

Capital Reduction

Lighthouse Capital Ltd (LTE) has declared a capital reduction of **31.7405** cents per share. With regards to this corporate action, the following adjustments will be made to LTE positions on Wednesday, 20th May 2020 (**Ex-date**). The adjustments will be made to positions as at close of business on Tuesday, 19th May 2020 (**LDT**).

Please note:

Adjustments will be made to all contracts where LTE is the underlying share.

Affected contracts:

18JUN20 LTE PHY DN	Dividend Neutral
18JUN20 LTE PHY DN CA1	Dividend Neutral
18JUN20 LTE PHY CA1	Single Stock
17DEC20 LTE PHY CA1	Single Stock
17SEP20 LTE PHY CA1	Single Stock
18MAR21 LTE PHY CA1	Single Stock
17DEC20 LTE PHY DN CA1	Dividend Neutral
18MAR21 LTE PHY DN CA1	Dividend Neutral
17SEP20 LTE PHY DN CA1	Dividend Neutral
18MAR21 LTE CSH CFD RODI	CFD
17DEC20 LTE PHY DN	Dividend Neutral
18MAR21 LTE PHY DN	Dividend Neutral
17SEP20 LTE PHY DN	Dividend Neutral
18MAR21 LTE PHY	Single Stock
18MAR21 LTE CSH CFD SABOR	CFD
18JUN20 LTE PHY	Single Stock
17SEP20 LTE PHY	Single Stock
17DEC20 LTE PHY	Single Stock

1. FUTURES CONTRACTS

The futures position will be increased by the following factor:

Calculation of futures factor:

Spot price / adjusted price

Where:

Spot price = the official closing price of the underlying share on Tuesday, 19th May 2020 (**LDT**).

Adjusted price = Spot price – 0.317405 (capital reduction).

E.g. if the official closing prices of the underlying share on Tuesday, 19th May 2020 (**LDT**) is 7.00 the following would apply:-

Spot price = 7.00

Adjusted price = 7.00 – 0.317405

= 6.682595

$$\begin{aligned} \text{Futures factor} &= 7.00 / 6.682595 \\ &= \underline{1.0474972671} \end{aligned}$$

I.e. Current positions*Factor (rounded to nearest whole contract) = the number of total contracts. Additional contracts will be created at an initial value of zero.

2. OPTION CONTRACTS

- a. The options position will be increased by the same factor as the futures above.
- b. The option strikes will be adjusted by the following factor:

Calculation of options factor (based on the example above):

Adjusted price / spot price

$$\begin{aligned} \text{Options factor} &= 6.682595 / 7.00 \\ &= \underline{0.95465642857} \end{aligned}$$

E.g. if the old strike is 6.00 the following would apply:-

$$\begin{aligned} \text{New strike} &= \text{Old strike} * \text{options factor} \\ &= 6.00 * \underline{0.95465642857} \\ &= 5.72 \end{aligned}$$

Existing positions will be closed out at a 0 value and new positions opened at the new strike with a 0 value.

3. CFD CONTRACTS

Current positions*Factor (rounded to nearest whole contract) = the number of total contracts. Additional contracts will be created at an initial value of zero.

TREATMENT FOR ALLOCATION ON ADDITIONAL CONTRACTS

With the implementation of ITaC, the JSE has enhanced the position adjustment process.

Please see link below to the Guidance Note issued on treatment of corporate actions as distributed in October 2018 and specifically refer to Section 8 for details of the position adjustment process:

<https://www.jse.co.za/content/Guidance%20Notes/ITaC%20Guidance%20Note%20on%20Corporate%20Actions.pdf>

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

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