

MARKET NOTICE

Number: 360/2020
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 17 July 2020

SUBJECT: TREATMENT OF ALEXANDER FORBES GROUP HOLDINGS (AFH) – SPECIAL DIVIDEND AND CASH DIVIDEND – 22 JULY 2020 (EX. DATE)

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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, capitalization 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.

Special Dividend and Cash Dividend going ex on the same day

Alexander Forbes Group Holdings (AFH) has declared a special dividend of **50 cents** per share and a cash dividend of **12 cents** per share. With regards to this corporate action, the following adjustments will be made to AFH positions on 22 July 2020 (**Ex-date**). The adjustments will be made to the positions held as at close of business on 21 July 2020 (**LDT**).

Please note:

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

These contracts include:

17SEP20 AFH PHY DN	DIVIDEND_NEUTRAL
17SEP20 AFH PHY	SINGLE_STOCK
17DEC20 AFH PHY	SINGLE_STOCK
17DEC20 AFH PHY DN	DIVIDEND_NEUTRAL
18MAR21 AFH PHY DN	DIVIDEND_NEUTRAL
18MAR21 AFH PHY	SINGLE_STOCK
17JUN21 AFH PHY DN	DIVIDEND_NEUTRAL
17JUN21 AFH PHY	SINGLE_STOCK

1. FUTURES CONTRACTS

The futures position will be increased by the following factor:

Calculation of factor:

Spot price / adjusted price

Where:

Spot price = the official closing price of the underlying share on **22 July 2020 (LDT) – 0.12 (Cash Dividend)**

Adjusted price = Spot price – **0.50 (Special Dividend)**.

Example: If the official closing price of the underlying shares on 21 July 2020 (LDT) is 4.12 the following would apply:

$$\text{Spot price} = 4.12 - 0.12 = \mathbf{4.00}$$

$$\begin{aligned} \text{Adjusted price} &= 4.00 - 0.50 \\ &= \mathbf{3.50} \end{aligned}$$

$$\begin{aligned} \text{Futures factor} &= 4.00 / 3.50 \\ &= \mathbf{1.14285714285} \end{aligned}$$

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.

IMPORTANT:

- Please refer to **Notice F708** for clarity regarding the allocation of additional contracts.
- In the event of an uneven allocation across all position holders, the position holder with the higher decimal fraction will receive priority above the position holder with the lower decimal fraction.

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

$$\begin{aligned}\text{Options factor} &= 3.50 / 4.00 \\ &= 0.8750000000\end{aligned}$$

Example: If the old strike is 3.98 the following would apply:

$$\begin{aligned}\text{New strike} &= \text{Old strike} * \text{options factor} \\ &= 3.98 * 0.8750000000 \\ &= \mathbf{3.48}\end{aligned}$$

Existing positions will be closed out at an initial value of zero and new positions will be opened at the new strike with 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 please contact Clearops@jse.co.za or +27 11 520-7349.

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