

Delta Option Trades (DOT)

Please note these transactions do not relate to trades matched on volatility where each party automatically receives the delta equivalent futures. Due to the risk that the futures price may move significantly after the option writer has secured the necessary deltas, resulting in the current quoted option premium being away from the agreed premium levels. The two parties are then exposed to the risk of being able to execute the option strikes at the original agreed price without a third party matching one of the legs to the structure. This risk increases as more automated systems enter the market and dynamically re-price options as the underlying moves.

To address this specific risk the JSE provides participants with the reported trade type namely "Delta Options Trade" (DOT), which will require participants to comply with the below requirements:

1. The request will only be considered provided one of the participants to the option structure can clearly isolate the futures traded on the day, or previous day, to cover the delta to the option strategy
2. The futures level traded and reported will be used as the basis to value the reported option trade
3. The DOT may involve multiple option strikes
4. There is no minimum volume requirement for a DOT trade
5. DOT trades that are processed by the JSE and not matched via the central order book will not be considered for daily mtm volatility purposes
6. The JSE will process the request, no members may process this themselves
7. One member will be required to submit the request via the prescribed template <https://www.jse.co.za/content/JSETemplateItems/Report%20Only%20Template.xls> by the latest 30 minutes before the close of trade (11h30 in the case of physically settled grain options)
8. DOT trades must be reported to the Division by email (cdmtrading@jse.co.za) – a confirmation note will be issued by the JSE acknowledging that the DOT was received, all information specific to the reported trade will be published to the market via the trading front end.

The Exchange reserves the right to remove the above trade type at any time without prior notice.

Please ensure all queries or requests including supporting documentation are emailed to Cdmtrading@jse.co.za