

**INTEGRATED TRADING AND
CLEARING (ITAC)
GUIDANCE NOTE ON
TRADE CANCELLATION**

SEPTEMBER 2018

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1. REVISION HISTORY

Version	Description	Date
1.0	Initial draft	19/09/2018

2. INTRODUCTION

The purpose of this document is to assist with the cancellations of trades.

3. TRADE CANCELLATIONS

3.1 ON BOOK TRADE CANCELLATIONS

A key component of market integrity is the assurance that once executed; a trade will stand and will not be subject to cancellation. However, if an onscreen trade is executed as a result of an error by a member or its client, there may be significant adverse consequences for the affected member or client and therefore it is appropriate in certain circumstances to correct such errors.

Therefore, the Director: Surveillance may, where a trade has been matched as a result of a clear error, and should the criteria be met, instruct the affected member or members to execute a trade cancellation.

Parameters:

1. Request for cancellation must be submitted to Market regulation within 20 minutes of erroneous trade execution
2. Minimum loss potential R50 000.

Equity Derivatives Market - No Cancellation Range:

Instrument	Futures - % of reference price	Options – volatility %
Index Futures	3%	3%
Single Stock Futures / CFDs	5%	6%
IDX	5%	6%
Foreign Commodity Derivatives	4%	4%
Can Do	10%	10%

Note:

The trade cancellation criteria for the Currency Derivatives Market is currently under review by JSE Surveillance in consultation with the market and will be communicated once confirmed.

Process Flow for Trade Cancellations:

Each counterparty to a trade submits a trade cancellation request independently. Each member firm is required to submit its own cancel request via the Post Trade Gateway. This means that the buyer of the trade submits a cancel request as well as the seller of the trade. The system will wait for both messages to be received before processing the cancellation request. As a trade is owned by the trader who originally entered the order, a trade can only be cancelled by that owner. This means that the system will only accept a cancellation request from the original trader group and trader id combination.

3.2 OFF BOOK TRADE CANCELLATIONS

Off Book trades can be cancelled at the mutual agreement of members and do not require approval by JSE Surveillance. Only same day cancellations are permitted, next day cancellations can be done through an equal opposite reported trade.

Mandatory Fields required for On Book and Off Book Trade Cancellations:

The details listed below are required to be submitted in an On Book or Off Book Trade Cancellation request.

1. TradeID (Trade ID of the original trade)
2. TradeReportType (6)
3. TradeReportTrans Type
4. SecurityID
5. Order Capacity (Agent/Principle)

6. NoSides

- Side (buy/sell)
- NoPartyIDs (Trader, Trader Group, Firm)
- PartyID
- PartyID Source (Proprietary/Custom Code)
- Party Role (TraderGroup, Trader ID, Executing Firm).

Note:

Please liaise with your Software Provider on how they have catered for Trade cancellations.

4. DEAL MANAGEMENT AND CANCELLED TRADES

- If a trade was deal managed before it was cancelled, the equal and opposite trade created by the cancellation can be deal managed to 'undo' the effects of the original trade
- A same day trade cancellation performed on the Trading System will result in a system generated equal and opposite trade in the JSE Clearing System. It is this equal and opposite trade that can be deal managed to reverse the effects of the original trade
- For example if the initial trade was allocated to a client account, the equal and opposite trade resulting from the initial trade cancellation should be allocated to the same client account to ensure a net zero effect on the client's position.

For additional information please contact the Customer Support team on:

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