Integrated Trading and Clearing (ITaC) Project
Market Communication Session
12 April 2017

Agenda

- ITaC Client Engagement and Readiness Feedback

- ITaC Project Status Update

- ITaC Project Timeline and Key Dates

- Overview of the new JSE Services Agreement (JSA)

ITaC Client Engagement and Readiness Feedback

Leanne Parsons

ITaC Client Engagement
Executive Summary – Statistics

Stakeholder Group	# Participants
Overall Totals	**146**
1	Clearing Members	10
2	Software Providers	17
3	Trading Members	89
4	Info Subscribers - Real-time LIVE	14
5	Info Subscribers – NLMD (covered during sessions/calls held with clients)	16

ITaC Client Engagement
Executive Summary – Key outcomes

- Good general awareness of the ITaC project as well as what needs to be done and recognition that the solution has many complex aspects to it

- No concerns raised w.r.t. the overlapping initiatives for DIS, ETP and ITaC - as long as these timelines don't change and clients expect the JSE to meet any confirmed timeline

- Happy with the JSE's proposed approach for UAT / Dress Rehearsals / Deployment

- Parallel run versus scripted testing process for clearing member UAT needed to be resolved

- Clarification required on the distinction between Off Book trades, Deal Mgmt and Clearing functionality

- Understanding of the proposal to reduce go live risk by going live with like-for-like functionality and introduce new enhanced functionality later i.e. RFQs

- There were differences between Trading and Clearing Members on the timing of when to implement non-cash collateral

- Clients are relying very heavily on software providers

- Limited number of clients had confirmed Software Provider choice

  - 5% had NOT STARTED the front-end replacement process and requested assistance from the JSE

- Clients have not yet had exposure to Software Provider functionality

ITaC Client Engagement
Executive Summary – Risks raised by clients

- Some Trading Members raised risks regarding their Software Provider's ability to meet the overall delivery timelines and functional requirements
- Insufficient information available from software providers to conclude on Nutron replacement decision (functionality and costs)
- Some clients raised a concern about concentration risk if Software Providers fail to deliver
- If there is any slippage of ITaC timelines, clients may not be able to implement in 2017 due to other commitments
- Slippage of timelines for DIS or ETP may have a knock-on impact to clients' ability to implement ITaC
- Late discovery of functional issues as clients are relying on their Software Providers to conduct all testing i.e. may only get involved just prior to dress rehearsals

ITaC Client Engagement
High level themes – stakeholder groups

- **Software Providers:**
  - Require clarity on what is optional vs. mandatory functionality
  - Request clarity on differences between trading, deal management and clearing functions
  - Request conformance documents and process ASAP
  - Dependent on JSE to resolve approach to Clearing Member UAT
  - Require deeper understanding on how to replicate the booking fee process
  - Request for more production like reference data
  - Need clients to make Software Provider decisions

- **Trading Members:**
  - Some prefer non cash collateral management to go live with ITaC
  - Agree that commissions functionality goes live with ITaC
  - High focus on MiFID implementations will limit JSE's implementation window
  - Incomplete information on Software Provider functionality and costs

ITaC Client Engagement
High level themes – stakeholder groups

- **Clearing Members:**
  - Most indicated they were in a request for proposal (RFP) process however expected to finalise by end March/April
  - In process of confirming their internal pre-requisites required for ITaC
  - Finalise choice of scripted testing vs. a parallel run for UAT testing (all participants keen to actively define UAT scenarios/preparation)
  - Preference to implement non cash collateral post go live (i.e. after agreed bedding down period)
  - Agree that commissions functionality will go live with ITaC

- **Information Subscribers:**
  - Requested conformance documents/process
  - Some have confirmed real-time subscriptions, others still need to do this
  - Review of NLMD specifications is in progress and keen to attend the market data working group session
  - High focus on MiFID implementations will limit JSE's implementation window

ITaC Status Update

Leanne Parsons

ITaC project status update

Closing out issues raised during client engagement

- Conformance documentation for trading and market data published 24 February 2017

- Conformance documentation for post-trade services published 14 March 2017

- Trading/deal management/clearing functionality clarified and matrix published during March 2017

- Final versions of the Post-trade Services documentation including EMAPI specifications published during April 2017

- Conformance Service for trading, market data and post-trade launched 3 April 2017 in Customer Test Service (CTS) environments

- CTS instrument reference data refreshed and client csv reference data files aligned on 7 April 2017

- Clearing Member UAT approach agreed with Clearing Members (scripted testing)

ITaC project status update

JSE Testing Status

- JSE Testing of all individual systems associated with ITaC completed
- JSE integration testing (i.e. testing how the systems work together) is well underway
- JSE performance and resilience testing of RTC on new production infrastructure successfully completed

Software Provider/Client Testing Status

- Software providers are busy with trading development and testing in CTS and most expected to commence deal management development and testing soon
  - 6 clients connected to Trading CTS
  - 7 clients connected to Post-trade CTS

ITaC Project Timeline and Key Dates

Leanne Parsons

ITaC Activities for Clients

- Taking into consideration client readiness engagement feedback/risks, the JSE reviewed the intended processes and timelines for testing and functionality signoff by clients to address the:
    - Need to allow sufficient time for clients to receive and test initial software versions from software providers before joining mandatory JSE testing
    - Need to bring clients into functional testing as early as possible rather than just at the end during mandatory JSE testing
        - Introduce a space for voluntary clearing member testing phase prior to mandated clearing member scripted testing
        - Allow for software providers to have their own dedicated dress rehearsals during which they can prove their deployment, rollout and functionality
    - Focus on early-deployment of certain components into production where possible to reduce risk on final go-live weekend
    - Focus on providing more production like data and include several iterations of client csv files and data take-on data files for key testing phases and incremental build up of data prior to go live

ITaC Timeline Finalisation

- JSE has communicated that Q4 2017 is being targeted for go live
- Strate DIS Project is now targeted for Jul 2017 go-live (subject to their project quality control criteria being met)
- Bond ETP Project is targeting Sep/Oct 2017 go-live (subject to their project quality control criteria being met and the successful implementation of Strate DIS Project)
- Swift SRG which does have an impact on the market is set for 18 Nov 2017
- JSE also considered feedback from client engagement sessions held during Feb/March 2017
  - Specifically concerns w.r.t. risks raised by clients
  - Lack of progress on selection of software providers
  - Timing of exposure to software provider functionality

- Taking the above into consideration, the very full market delivery schedule and the JSE's own risk appetite we have in consultation with core stakeholders decided to:
  - Complete all the project activities in 2017
  - Target a go-live date of early Q1 2018 (final date will be agreed with core stakeholders)
  - All dates will be subject to passing of relevant quality control criteria
    - e.g. JSE testing pass rates, conformance, clearing member sign off, successful market dress rehearsals, position take-on confirmation, etc

ITaC Project Timeline
High Level Key Dates

Voluntary Client Testing

- Customer Test Service (CTS) is currently available to clients for testing and proving their trading, market data and post-trade service interfaces
- Jun – Aug 2017 - Regression testing of legacy derivatives markets decommissioning

- Voluntary Clearing Member Testing (VCMT) (TB50)
  - 3 Apr – 14 Jul 2017: conformance to enter into voluntary clearing member scripted testing (for clearing)
  - 14 Jul 2017: conformance cut-off date
  - 15 May – 14 Jul 2017: client enablement and Technical Readiness Tests (TRT)
  - 14 Jul – 27 Jul 2017: final prep activities for reference data and environment setup
  - 28 July – 25 Aug 2017: execution of voluntary clearing member testing (scripted)

- Entry into all voluntary testing will be subject to meeting the minimum appropriate quality controls (at relevant stages)

High Level Key Dates

Mandatory Client Testing

- Mandatory Clearing Member UAT (scripted) (TB50)
  - 3 Apr – 25 Aug: conformance to enter into Mandatory Clearing Member UAT scripted (for clearing)
  - 25 Aug 2017: conformance cut-off date
  - Jun – Aug 2017: define and agree the scripted test scenarios and conditions
  - 10 May – 25 Aug 2017: client enablement and Technical Readiness Tests (TRT)
  - 28 Aug – 8 Sept 2017: final prep activities for reference data and environment setup
  - 4 Sept 2017: distribution of final Mandatory Clearing Member trade test packs
  - 11 Sept – 6 Nov 2017: execution of Mandatory Clearing Member UAT (scripted)

- SW Provider Dress Rehearsals (Prod and pre-Prod)
  - 3 Apr – 22 Sept: conformance to enter into SW provider dress rehearsals (for trading, market data, deal mgmt and clearing)
  - 22 Sept 2017: conformance cut-off date
  - 28 Aug – 29 Sept 2017: client enablement and Live Connectivity (LCON) tests
  - 7 Oct and 21 Oct 2017: execution of SW provider dress rehearsals

ITaC Project Timeline
High Level Key Dates

Mandatory Client Testing

- Mandatory Market Facing Dress Rehearsals (MMDR) (Prod and pre-Prod)
  - 3 Apr – 27 Oct 2017: conformance to enter into Mandatory Market facing Dress Rehearsals (MMDR) (for trading, market data, deal mgmt and clearing)
  - 27 Oct 2017: conformance cut-off date
  - 2 Oct – 3 Nov 2017: client enablement and Live Connectivity (LCON) tests
  - 11 Nov & 25 Nov 2017: execution of Mandatory Market facing Dress Rehearsals (MMDR)

- Final cut-over and Go-Live
  - Early Q1 2018: Target a go-live date (final date will be agreed with core stakeholders)

- Entry into all mandatory testing will be subject to the minimum appropriate quality controls (at relevant stages)
- Additional quality control criteria will be defined to confirm final go-live readiness as well as the go/no go decision criteria

ITaC INTEGRATE ACCELERATE GROW

JSE Services Agreement (JSA)

Maria Dalle Ave

Background of the JSE Services Agreement (JSA)

- JSA has been in place since January 2002 and was implemented under a different landscape

- There has been recent and impending legislative changes

- Through ITaC, the JSE is implementing new trading, market data and post-trade services for the Equity Derivatives and Currency Derivatives markets and has used this opportunity to revise the existing JSA to align it to industry standards (service levels and service credits) and at the same time take into consideration previous comments received from Customers on the existing JSA

- The improved JSA has a similar structure to the existing agreement consisting of a master agreement with underlying Order Forms for the various Services as elected by the Customer

Revised existing Order Forms and Elected Services

- Revised **Trading and/or Information Services** order form for the **Equity Market**
  - Production Service - Service Level Guidelines converted to Service Levels and Service Credits added for missing the Trading Availability Service Level calculated on a sliding scale
  - Customer Test Service – Service Levels guidelines converted to Service Levels
- Revised **Colocation Services order form**
  - Clarification w.r.t the adding of additional Hosting Units during the Service Term
  - Service Level Guidelines converted to Service Levels and Service Credits for missing Network Round Trip Latency Service Levels (currently equity and derivatives will be included from ITaC go-live) calculated on a sliding scale
- Revised the **Shared Infrastructure Provider Services** order form – minor changes to add Deal Management and Clearing Gateway to the Order Form
- Revised the **London PoP Services** order form - Service Level Guidelines converted to Service Levels

New Order Forms and Elected Services

- New **BDA Services** for the **Equity Market**
  - Production Service Levels added
  - Service Credits for a miss of the BDA Availability Service Level calculated on a sliding scale

- New **Trading and/or Information Services** order form for the Derivatives Market
  - Production Service Levels added
  - Service Credits for a miss of the Trading Availability Service Level calculated on a sliding scale
  - Customer Test Service (CTS) – Service Levels added

- New **Deal Management and Clearing Services** order form for the Derivatives Market
  - Production Service Levels added
  - Service Credits for a miss of the Deal Management and Clearing Availability Service Level calculated on a sliding scale
  - Customer Test Service (CTS) – Service Levels added

Roll out

- Any new services will be rolled out using the improved 2017 JSA
  - All market participants to sign the improved JSA and the applicable Order Forms for using the JSE testing or production services and return same to us asap

- May 2017 - distribute the final JSA to clients

- During May - June 2017 existing customers will be assisted to migrate the old services to the improved 2017 JSA
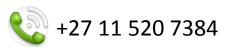
- The existing JSA will be phased out end 2017

Questions?

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