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ITaC Project Forum

30 May 2018

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Agenda

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- Derivatives Rules and Directives
- Timeline
- Questions?

Main reasons for the changes



- The proposed amendments are necessitated by the anticipated completion of phases 1(b) and 1(c) of the ITaC project
- Deliver enhancements to the Equity Derivatives and Currency Derivatives markets, which include:
 - the addition of new trade types; and
 - The ability for the JSE to accept certain listed securities as collateral

High level overview of changes



- Best execution and off book trades
 - The principle of best execution is set out in new rule 7.15 (Trading with or on behalf of clients – best execution)
 - members must act in the best interests of their clients at all times
 - all transactions in derivative securities must be conducted through the order book of the JSE, unless
 - the negotiation of a transaction and its reporting to the JSE trading system is in the best interests of the client, and
 - the transaction qualifies as an off book transaction
- Securities collateral
 - Amendments to permit members, subject to their adherence to the agreements, risk policies and associated processes of the JSE to pledge, in addition to cash, JSE listed securities as initial and additional margin
 - Amendments to the default section of the rules set out the consequences of a default in respect of such securities collateral held, and give the JSE the ability, in the event of the default of a client, trading member or clearing member, to sell any securities pledged in accordance with the rules, within three days of an event of default to ensure a fair and orderly market

High level overview of changes



- The functionality of the system has facilitated the introduction of two new proposed reported trade types, being Roll Trades and Strategy Trades
 - Roll trades - members will be able to close out positions in a futures contracts for an expiry date and to open positions on the same terms for a later expiry date, provided that the rolling of the positions in this way is in the best interests of the clients
 - Strategy Trades - members will be able to link two or more transactions in options or futures in one or more underlying instruments in the JSE trading system and in so doing give effect to the investment strategy of the member or its client
- Rule 7.60.2 that deals with client registration has been expanded to include all of the mandatory details that are required to be submitted to the JSE by members when registering a client account
- Rule 7.181 (Trade cancellations and price adjustments) has been amended to reflect the manner in which erroneous trades will be cancelled when the new system is implemented and the associated processes are set out in the proposed amendments to the directives

High level overview of changes



- The terminology in respect of “on book” and “off book” transactions has replaced the references to “on-ATS” and “off-ATS” transactions and references to the various systems of the JSE, which previously referred to the specific markets on which particular securities were traded, now refer to the JSE trading system
- Rule 4.10.5 has been inserted to cater for trading in the so-called global market securities which are available to trade in both the equity derivatives and commodity derivatives markets. These securities will continue to trade on the Nutron trading platform utilised by commodity derivatives members but equity derivatives members will be granted access to the Nutron trading platform to trade specifically in these global market securities

Timelines



- Proposed amendments to the IRC rules and directives that give effect to the above in respect of currency derivatives will follow shortly
- Comments on an informal basis have been requested by Friday, 1 June 2018, thereafter the formal consultation process in accordance with the rules will begin

Questions?



Please refer all queries to the
JSE Client Service Centre (CSC)



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