

**Integrated Trading and Clearing (ITaC)
Equity Market Trading and Information Solution**

Equity Market Enhancements

2016

The logo for ITaC, featuring the letters 'ITaC' in a large, bold, green font. To the right of 'ITaC' is the tagline 'INTEGRATE ACCELERATE GROW' in a smaller, bold, black font. The background of the entire page features a green and white concentric circular pattern with a central crosshair and several small green dots.

1. Contact Details

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2. Introduction

As part of the Integrated Trading and Clearing (ITaC) Project 1a, the JSE will be implementing a series of enhancements to the JSE Trading and Information Solution for the Equity Market in 2016.

In an initiative to keep up with market development and also to meet market and client needs and requirements, the following enhancements will be introduced:

- Introduction of Closing Price Cross (CPX) Session for trading segments ZA02, ZA03 and ZA06
- Ability to perform Central Order Book Cross Trades
- Enhancements to Hidden Order functionality through Pegged Hidden Orders
- End of Day Volume Auction that will introduce the non-visible uncrossing of large orders after the CPX Session

This document serves as a summary and quick guide to the new functionality introduced. For a detailed overview and worked examples, please refer to Volume 00 – Trading and Information Overview v3.00 at the following link: <https://www.jse.co.za/services/itac>

Introduction of the CPX session for segments ZA02, ZA03 and ZA06

The trading segments ZA02, ZA03 and ZA06 will join the trading segment ZA01 in offering a Closing Price Cross (CPX) session. This session follows the Closing Price Publication session which follows the Closing Auction session. This session enables clients to trade at the closing price for a brief period before entering into the Post Close session. This enhancement guarantees execution at the closing price for an instrument should sufficient volume be available.

3. Functionality

3.1 Central Order Book Cross Trade

The Central Order Book Cross functionality will provide for the reporting of trades without any impact by market forces. This is an Internal/Single Sided cross where the pre-negotiated trade is entered within a single member firm on the central order book. A trade resulting from the submission of a Cross Order by market participants results only in a Cross Trade (XT) and has no impact to orders.

Trades resulting from Cross Orders will only be matched within the visible Best Bid and Offer (BBO). No order information will be published through the market data gateway; however Cross Trades will be disseminated to the market via the market data gateways and will be clearly identifiable.

3.2 Pegged Hidden Orders

Pegged Orders are non-visible orders that allow for improved execution of large orders at prices that are relative to the best executable spread of the instrument.

The introduction of Pegged Orders will enhance the current hidden order functionality. Orders will remain hidden as per current functionality, yet will be able to track market movements and increase the possibility of execution. Orders can be pegged to the following:

- Mid-point of Best Bid and Offer (BBO)
- Best Bid (for Buy Orders only)
- Best Offer (for Sell Orders only)



All orders are still subject to a Minimum Reserve Size (MRS) at an instrument level, maintaining the criteria of large orders. Pegged Orders must also continue to be specified with a Minimum Execution Size (MES), which will be considered when executing Hidden Orders. The MES must remain greater than or equal to the MRS of the instrument

The functionality that allows visible orders to not execute against any Hidden Order will be maintained as part of the current Excluding Hidden Limit (EHL) orders functionality.

Pegged Orders are further able to be submitted with a limit price. The Hidden Order is still pegged to the BBO, Best Bid or Best Offer and will be known as a Pegged Hidden Limit Order. This introduces a limit to the possible execution price of the order above or below which no execution will take place.

Pegged Hidden and Pegged Hidden Limit Orders can reside in an active or inactive state. During an inactive state these orders will not be considered for execution nor lose time priority in the system.

Any hidden order execution will be subject to price improvement logic. This ensures that no execution can take place at the best visible price whilst placing a visible order at a disadvantage. The price improvement will be set at half a tick i.e. 0.5 ZAC.

3.3 EOD Volume Auction Call

The EOD Volume Auction will introduce the non-visible uncrossing of large orders at the closing price, without impact by market forces. A new trading session with a start and end time will be added after the Closing Price Cross (CPX) Session. A new Time in Force (GDX) will be introduced to accommodate these orders.

Pegged orders can participate in this session if they have a hard limit specified and have opted in to participate in this session. At the start of the CPX Session all eligible pegged limit orders will be injected at the bottom of the GDX Container. Pegged Limit orders that are at or better priced than the closing price will be eligible to participate in the EOD Volume Auction.

A single Auction Trade message with trade sub type VT will be generated and disseminated via the Market Data Gateways at the uncrossing of the EOD Volume Auction. This message will include total volume traded at the closing price. Throughout the EOD Volume Auction no indicative price or volume information will be disseminated, making the auction completely dark.



Please see below for a summary of changes applicable to the gateways:

Enhancement	Fix Trading Gateway	Native Gateway	Post Trade Gateway	Drop Copy Gateway	Market Data Gateway
Central Order Book Cross	New message will be introduced New fields will be added to the Execution Report Message	New message will be introduced New fields will be added to the Execution Report Message	Additional fields will be added to the Trade Capture Report messages	New fields will be added to the Execution Report Message	New Enums to identify Cross Trades
Pegged Orders	New fields will be introduced to the new order message	New fields will be introduced to the new order message	Execution Report will have additional enumeration to an existing field	Execution Report will have additional enumeration to an existing field	
EOD Volume Auction	New fields will be introduced to the new order message	New Time Qualifier	New trade sub-type & Trading Session Sub ID	New trade sub-type & Trading Session Sub ID	Single Auction Trade Message & New Enums

