

# Key performance indicators 2016

In each of the four performance areas on the corporate scorecard, the JSE has recorded notable successes during the course of 2016. These are set out below in the corporate scorecard focus areas for 2016.

## Financial performance



### Objectives

Deliver financial performance in line with the annual Group budget approved by the Board (revenues and expenditures under control of management carry a higher weight than those not under management control).

Identify operating efficiencies that will result in a real reduction in costs at exchange level over the next two years.

These objectives are the product of the JSE's entire strategy.

### How the JSE performed

Performance exceeded budget even after a number of strategic fee reductions (20% price reduction in BDA; zero fees for certain report-only trades).

#### Actual results for the 2016 year:

##### Above-target performance

- Group earnings after tax up 2% to R920 million (2015: R899 million).
- Operating expenditure rose 12% (2016: R1.41 billion, 2015: R1.26 billion).
- EBIT down 5% to R975 million (2015: R1 billion).
- Group remains strongly cash generative.

#### Identified operating and other cost reduction opportunities:

##### Slightly below-target performance as would have liked to achieve further cost savings

- Operating efficiencies achieved through restructuring part of the JSE business.
- Introduction of T+3 brought significant operational and market efficiencies.
- In IT, various cost savings have already been realised.
- Efficiencies have already been achieved in HR.

### Objective for 2017

- Deliver financial performance in line with the annual Group budget approved by the Board (revenues and expenditures under control of management carry a higher weight than those not under management control).

## Strategy and new business



### Objectives

Implement new trading functionality in response to competition according to the timeline and budget agreed with the Board.

- To drive the JSE's strategy of building on innovative products and services.

Finalise short- and medium-term JSE Group capital requirements given regulatory and economic capital regulations and meet regulatory capital requirements during 2016.

- To drive the JSE's strategy of being capital efficient. Settle approach to Equity Market risk management in a manner that enables clear decisions on BDA and Equity Market surveillance.
- To drive the JSE's strategy to maintain regulatory and market credibility.

Identify new trading and data products or initiatives that will result in net new revenue in 2017.

- To drive the JSE's strategy of building on innovative products and services.

### How the JSE performed

#### New trading functionality:

##### On-target performance

- Equity Market enhancements delivered on budget and according to original Integrated Trading and Clearing Project timeline.

#### JSE Group capital requirements:

##### On-target performance

- Group capital figures have been updated following the revised FMA regulations. The JSE holds sufficient capital to meet both the revised regulatory capital and its own economic capital requirements.

#### Approach to Equity Market risk management:

##### Slightly below-target performance

- Work to redefine the risk model for the clearing of cash equities in the South African market has progressed well and is being discussed with market participants, but has not been completed.

#### New trading and data products or initiatives:

##### On-target performance

- A number of trading and data products and initiatives have been launched or are under way (please see CEO review on page 26 for further detail).

### Objectives for 2017

- Ensure that critical client facing vulnerabilities in the core services offered by the JSE are properly addressed.
- Maintain a market share in line with other global exchanges operating in a multi-exchange environment.
- Get Board sign-off on proposal regarding JSE Group black ownership scheme.
- Progress development of independent clearing house to a stage where approach, budget and timeline can be approved by the Board.
- Progress Equity Market risk management model to a stage where approach, budget and timeline can be approved by the Board.
- Demonstrate achieved new business, including growing index business.

# Key performance indicators 2016

(continued)



## Technology

### Objectives

Progress T+3 phase 3 against the project timelines and budget agreed with the Board.

- To drive the JSE's strategy to maintain regulatory and market credibility.

Progress the Integrated Trading and Clearing Project against the project timelines and budget agreed with the Board.

- To drive the JSE's strategy to become an integrated trading, settlement and clearing environment.

Progress the implementation of JSE related changes to enable Strate's debt instrument solution (DIS), against the timelines agreed with Strate.

- To drive the JSE's strategy of building on innovative products and services.

### How the JSE performed

**T+3:**



**Highlight – significantly above-target performance**

- Delivered on time and under budget with minimal market disruption.
- No rolled or failed trades, something for which no international precedent can be found.



**Integrated Trading and Clearing Project:**

**On-target performance**

- Project 1a (including the Equity Market enhancements) was implemented within the agreed timelines and budget.
- Project 1b and c (Equity and Currency Derivatives Market functionality and changes to related systems) continues apace.



**JSE related changes to enable Strate's DIS:**

**On-target performance**

- JSE development and internal testing progressed as planned on time in Q3 2016, although Strate's implementation timeline has moved to later in 2017 than anticipated.

### Objectives for 2017

- Progress the Integrated Trading and Clearing Project against the project timelines and budget agreed with the Board.
- Deliver electronic trading platform for government bonds in line with project timelines agreed with the National Treasury and budget agreed with the Board.
- Progress the implementation of JSE related changes to enable Strate's debt instrument solution, against the timelines agreed with Strate.



## Stakeholder focus

### Objectives

Implement staff engagement strategies, including progressing the implementation of a new HR system in accordance with the timeline and costs agreed by Exco.

- To drive the JSE's strategy of having a diversified, capable, respected workforce.
- Retain strong relationships with regulatory bodies and the government and strengthen the JSE's role in business-government dialogue.
- To drive the JSE's strategy of maintaining regulatory and market credibility.

### How the JSE performed

**Staff:**



**On-target performance**

- Identified and have started work on implementing the preferred HR system.
- Extensive work on staff engagement throughout JSE divisions.

**Strong stakeholder relationships:**



**On-target performance**

- Certain regulatory relationships are more stressed than desired but this is to be anticipated given the extensive nature of regulatory discussions in 2016.
- NPS survey showed some strains among parts of the JSE's client base, but provides a good basis for focused future engagement.
- SA Inc. engagement was a highlight (Detail in CEO review, on page 26).



### Objectives for 2017

**Staff:**

- Implement strategies to improve staff transformation and to drive culture and behaviour that improves the manner in which clients experience the JSE.

**Stakeholders:**

- Improve JSE relationships with key regulators; build on and strengthen the JSE's role in facilitating dialogue between JSE clients and the relevant government and international stakeholders.