

MARKET NOTICE

Number: 11/2018
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 16 January 2018

SUBJECT: TREATMENT OF FUTURES ON ES33 AND ES42 BONDS

Name and Surname: Terence Saayman

Designation: Head of Risk

Dear JSE Stakeholder

As per the SENS announcement sent at 15/01/2018 09:30:00, the JSE may suspend debt securities issued by Eskom Holdings SOC Limited (alpha code: BIESKM), if the issuer fails to submit its interim report on or before 31 January 2018. The aim of this notice is to advise market participants of the potential impact on the derivatives listed on such debt securities.

The JSE's chosen course of action with regards to derivative positions on a suspended security depends on the timing and nature of the suspension. In the past, however, the JSE has halted trading on the associated derivative contracts without suspending those contracts – i.e. continue to perform the contract lifecycle management with the only difference being that participants would not be able to trade the contract. Typically, the JSE would:

- Halt trading on the particular derivative contracts;
- Continue to perform the normal lifecycle management activities associated with all contracts until their expiry dates (i.e. daily variation margin (VM) and initial margin (IM) runs).
- Continue a daily marked-to-model process, using the government bond curve and the current spread to the government curve;
- Allow participants to roll their exposures to the next FCO (the nearest FCO is 1 February 2018);
- At FCO, allow participants to exchange physical after receiving the relevant approval from Market Regulation to do so;
- Allow participants, after consultation with Market Regulation to reduce their position (if both parties to a transaction reduce their position in the instrument).

It should be noted that whilst an underlying security is suspended, the JSE could choose to update the IM parameters of derivatives listed on the security, based on a view of how the market-risk profile of the underlying security could change upon its unsuspension.

Should you have any queries regarding this notice, please contact risk@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>