

## MARKET NOTICE

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Stock Exchange

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**Number:** 131A/2019  
**Relates to:** ☐ Equity Market  
☐ Equity Derivatives  
☐ Commodity Derivatives  
☒ Interest Rate and Currency Derivatives  
**Date:** 24 April 2019

**SUBJECT:** APPROVED AMENDMENTS TO THE INTEREST RATE AND CURRENCY DERIVATIVES RULES  
AND DIRECTIVES – ITaC 1(B) AND (C)

**Name and Surname:** Shaun Davies  
**Designation:** Director - Market Regulation

Members are referred to Market Notice 375/2018 dated 2 October 2018, which contained proposed amendments to the interest rate and currency derivatives rules and directives.

The amendments were made necessary by the imminent completion of phases 1(b) and 1(c) of the ITaC project, which will deliver enhancements to the equity derivatives and currency derivatives markets, and includes the addition of new trade types. While the proposed amendments in Market Notice 375/2018 included rule additions and amendments that sought to enable the JSE to accept certain listed securities as collateral, these amended and additional rules have not been advanced for approval by the FSCA at this time and the JSE will engage further with the FSCA in this regard.

The FSCA has, in terms of section 71(3)(c) of the Financial Markets Act, approved the amendments to the interest rate and currency derivatives rules with effect from 29 April 2019.

The amendments that have been approved are as follows:

The principle of best execution is set out in rule 7.80 (Trading with or on behalf of clients), with which members are already familiar. This principle is enhanced with the addition of rule 7.80.3.2, which requires that members act in the best interests of their clients at all times, while adhering to the terms and conditions of the mandate or agreement in place between them. To achieve this, members must conduct all transactions in derivative securities 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 in terms of the off book trade types set out in new rule 7.120 (Off book trading) and the off book trade criteria set out in updated rule 7.121 (Off book trading criteria).

The functionality of the system has facilitated the introduction of two new proposed reported trade types, being Roll Trades and Strategy Trades. Roll trades will enable members to close out a position in a futures contract for an expiry date and to open a position on the same terms for a later expiry date, provided that the rolling of the position in this way is in the best interests of the client. Strategy Trades will provide members with the ability to link two or more transactions in options or futures in one or more underlying instrument 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 completed and submitted to the JSE by members when registering a client account.

Rule 7.130 (Correction trades) has been renamed 'Trade cancellations' and has been amended to reflect the manner in which erroneous trades will be cancelled when the new system is implemented. The updated processes to be followed in respect of the cancellation of a trade, which has been sanctioned by the Director: Market Regulation, are set out in the proposed new Directive CG (Trade cancellations).

The ITaC system now provides a new billing module that allows for the separate accounting of fees in respect of agency trades and, as a result, rules 7.70.4 and 7.80.2 now require that fees be separately itemised and that the fees charged for agency trades may no longer be included in the price of the transaction. All references to principal assignment trading have also been removed as a result, because the new billing functionality does away with the need for members to trade as principal and make use of designated principal assignment accounts in order to allow for the inclusion of fees, when fulfilling the agency trading requirements of their clients.

The terminology in respect of "off book" transactions, which previously referred to "reported" transactions in the IRC rules and directives, has been harmonised with the equities and derivatives rules and directives; and references to the systems of the JSE, which previously referred to the specific markets on which particular securities were traded, now reference the JSE trading system.

We attach hereto the following documents:

- Board Notice 70 of 2019 containing the FSCA's approval.
- The approved amendments to the JSE interest rate and currency derivatives rules and directives.

Should you have any queries regarding this notice, please contact Paul Hartzenberg on (011) 520 7584 or at [paulh@jse.co.za](mailto:paulh@jse.co.za)

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