

MARKET NOTICE

Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

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Relates to: ☐ Equity Market
☒ Equity Derivatives
☐ Commodity Derivatives
☐ Interest Rate and Currency Derivatives
Date: 24 May 2019

SUBJECT: TREATMENT OF LIGHTHOUSE CAPITAL LTD (LTE) CORPORATE ACTION – CAPITAL
REDUCTION 29 MAY 2019 (EX-DATE)

Name and Surname: Matthias Kempgen
Designation: Head - Derivatives Operations, Post Trade Services

Members notice is drawn to section 13 of the contract specifications of Individual Equity Futures and options, which states:

“13. Corporate Events

The JSE reserves the right to adopt any procedure or to adjust any single stock future or option on a single stock future, in a manner it deems fit, to deal with any extraordinary corporate events that may occur from time to time in relation to a share that is the underlying instrument of the equity option and to notify position holders, derivatives members and any other interested parties, of such event and the procedure or adjustment adopted. Such events include, for example, mergers, take-overs, unbundlings, capitalisation issues and rights issues.

The implication of this is that anybody trading in Single Stock futures or options on Single Stock futures in which the underlying stock is the subject of an extraordinary corporate event should be aware that the JSE may make adjustments to the Single Stock futures and options.

Capital Reduction

Lighthouse Capital Ltd (LTE) has declared a capital reduction of 24.0536 cents per share. With regards to this corporate action, the following adjustments will be made to LTE positions on Wednesday, 29 May 2019 (**Ex-Date**). The adjustments will be made to positions held in LTE as at close of business on Tuesday, 28 May 2019 (**LDT**).

Please note

Adjustments will be made to all contracts where LTE is the underlying share.

Affected contracts:

20JUN19 LTE PHY	SINGLE_STOCK
19DEC19 LTE PHY DN	DIVIDEND_NEUTRAL
20JUN19 LTE PHY DN	DIVIDEND_NEUTRAL
19SEP19 LTE PHY DN	DIVIDEND_NEUTRAL
19DEC19 LTE PHY	SINGLE_STOCK
19SEP19 LTE PHY	SINGLE_STOCK
19MAR20 LTE PHY	SINGLE_STOCK
19MAR20 LTE PHY DN	DIVIDEND_NEUTRAL
19MAR20 LTE CSH CFD RODI	CFD
19MAR20 LTE CSH CFD SABOR	CFD

1. Futures Contracts

Futures position adjusted using the following factor:

Calculation of futures factor:

Spot price / adjusted price

Where:

Spot price = the official closing price of the underlying share on Tuesday, 28 May 2019 (**LDT**).

Adjusted price = Spot price – 0.240536 (capital reduction).

E.g. if the official closing prices of the underlying share on Monday, 31 December 2018 (**LDT**) is 8.24 the following would apply:

Spot price = 7.03

Adjusted price = 7.03 – 0.240536

= **6.7894**

Futures factor = 7.03 / 6.7894

= **1.03543759389**

I.e. Current positions*Factor (rounded to nearest whole contract) = the number of total contracts. Additional contracts will be created at an initial value of zero.

2. Option Contracts

- a. The options position will be increased by the same factor as the futures above.
- b. The option strikes will be adjusted by the following factor:

Calculation of options factor (based on the example above):

Adjusted price / spot price

$$\begin{aligned}\text{Options factor} &= 6.7894 / 7.03 \\ &= \underline{\underline{0.96577524893}}\end{aligned}$$

E.g. if the old strike is 6.50 the following would apply:-

$$\begin{aligned}\text{New strike} &= \text{Old strike} * \text{options factor} \\ &= 6.50 * 0.96577524893 \\ &= \underline{\underline{6.27}}\end{aligned}$$

Existing positions will be closed out at a 0 value and new positions opened at the new strike with a 0 value.

3. CFD Contracts

Current positions * Factor (rounded to nearest whole contract) = the number of total contracts. Additional contracts are created at an initial value of zero.

TREATMENT FOR ALLOCATION ON ADDITIONAL CONTRACTS

With the implementation of ITaC, the JSE has enhanced the position adjustment process.

Please see link below to the Guidance Note issued on treatment of corporate actions as distributed in October 2018 and specifically refer to Section 8 for details of the position adjustment process:

<https://www.jse.co.za/content/Guidance%20Notes/ITaC%20Guidance%20Note%20on%20Corporate%20Actions.pdf>

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

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