



Dividend Futures Contract Specifications (F-Contracts)

1. Definitions

In these contract specifications, unless the context clearly indicates otherwise, the following words and expressions have the following meaning –

“Declared Dividend”	means a dividend officially declared by the respective company.
“Assumed Dividend”	means a dividend predicted by looking at the history of the respective company’s declared dividends for a specific period or obtained from market consensus.
“Future Value”	means the calculated fairvalue of the dividend at expiry, taking interest into account.
“Ex Date”	means the day on which all underlying shares bought and sold no longer come attached with the right to be paid the most recently declared dividend.
“Pay Date”	means the day when the dividend cash is received by the shareholder.



JSE Limited Registration Number: 2005/022939/06

One Exchange Square, Gwen Lane, Sandown, South Africa. Private Bag X991174, Sandton, 2146, South Africa. Telephone: +27 11 520 7000, Facsimile: +27 11 520 8584, www.jse.co.za

Executive Directors: RM Loubser (CEO), NF Newton-King, F Evans (CFO), JH Burke, LV Parsons **Non-Executive Directors:** HJ Borkum (Chairman), AD Botha, ZL Combi, MR Johnston, DM Lawrence, W Luhabe, A Mazwai, NS Nematswerani, N Nyembezi-Heita, N Payne, G Serobe **Alternate Director:** J Berman

Company Secretary: GC Clarke

2. Price of dividend futures contract

The price of a dividend future contract (pc) is expressed in Rand to two decimal places.

This will be the expected dividend forward valued to the expiry of the contract.

For example: If the dividend is expected to be R5.00, and the time to expiry from pay date is 12 month with a rate of 10% per annum the future value can be calculated as follows.

$$pc = 5.00 * (1 + 10\%)^1 = R5.50$$

On Ex-Date of the dividend will no longer be taken into consideration for the F-Contract value

3. Contract value

The value or worth of a dividend future contract in Rand exposure is the price multiplied by the nominal of the underlying single stock future.

For example: If the price of the dividend future contract is R5.50 and the nominal of the underlying single stock future is 100; then the value (vc) of one contract is

$$vc = pc * 100 \text{ therefore}$$

$$vc = R5.50 * 100 = R550.00$$

4. Value of a position

The value of a position (vp) in a dividend future contract is the value of one dividend future contract multiplied by the number of contracts comprising the position (nc) namely;

$$vp = nc * vc$$

For example: The value in Rand of a position of 100 contracts in a particular dividend future contract at a price of R5.00 would be:

$$vp = 100 * R550 = R55,000.00$$

5. Expiry dates and times

6.1 The standard expiry months which may be specified for the dividend future contracts are the months of March, June, September and December.

6.2 The dividend future contract shall expire on the same day as the corresponding single stock future or IDX future.

6. Expiry prices

All dividend futures contracts close out at a value of zero.

7. Exchange fees

There are no trading fees levied for dividend future contracts

8. Cash Settlement

The purpose of dividend future contracts is to hedge against dividend risk that accompanies trade in Single Stock Futures (SSFs). The only cash that will be received is when there is a difference between the assumed dividend and the declared dividend future value. Therefore dividend future contracts are cash settled.

9. On Ex date

On the day that the corresponding dividend goes ex, three actions will take effect:

10.1 The future value of the dividend going ex will be taken out of the single stock futures (Q-contract) fair value calculation.

10.2 The corresponding dividend future fair value will be reduced by the future value of the dividend at expiry because it will no longer go ex in the time to expiry.

10.3 An accounting entry is made to offset the drop in the dividend future price. This is done to ensure that there is a net zero profit and loss occurring as a result of the dividend being removed. The dividend future price will only include future assumed dividends.

10. Summary Contract Specifications:

Name	Dividend Future contract.
Futures Code	The suffix of the contract code will be an "F" for dividend futures based on a single stock future or a "D" for those based on an IDX future.
Underlying instrument	Dividend of a share.
Contract size	Nominal of the underlying Single Stock Future or IDX Future.
Expiry dates & times	The dividend future contract shall expire on the same day as the corresponding single stock future or IDX future.
Quotations	Dividend amount quoted in rand to the nearest cent.
Minimum price movement	0.01
Expiry valuation method	Contract always expires a zero value.
Settlement method	Cash settled.
Exchange fees	There are no trading fees levied for dividend future contracts.
Dividend ex date mechanism	An accounting entry is made to offset the drop in the dividend future price. This is done to ensure that there is a net zero profit and loss occurring as a result of the dividend being removed. The dividend future price will only include future assumed dividends.