



JOHANNESBURG STOCK EXCHANGE
International Derivatives

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"Ever dreamed of owning Nokia, BP or Coca-Cola?"

November 2008



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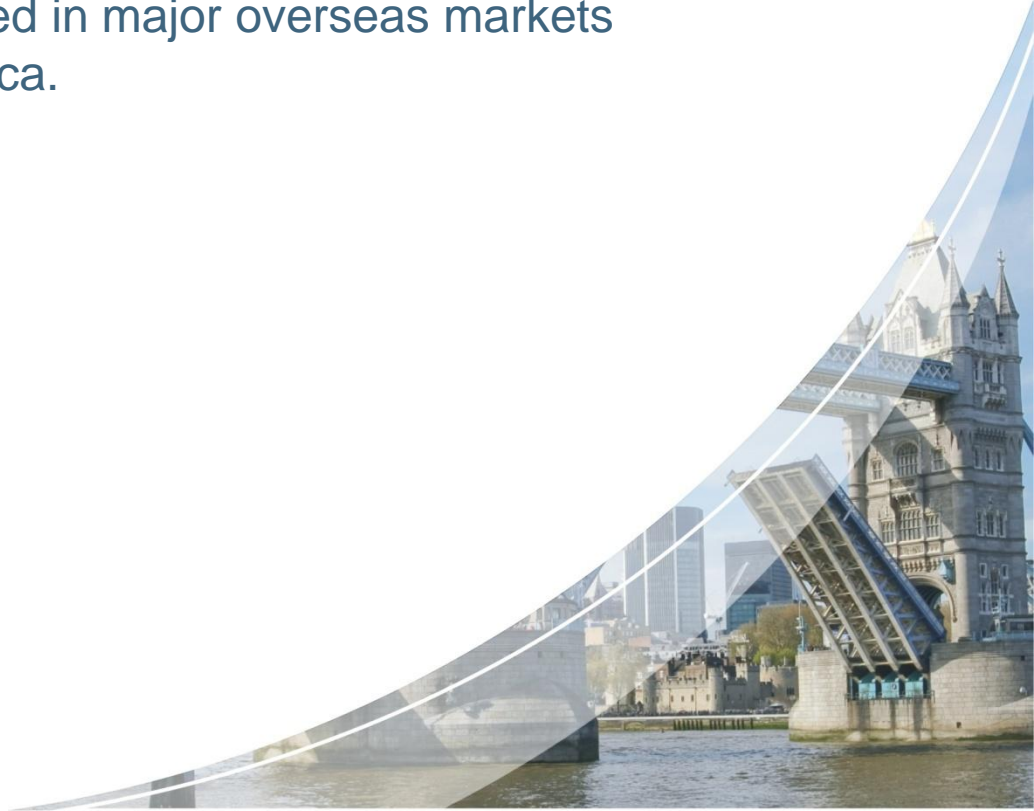
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What are International Derivatives?

- International Derivatives (IDX) are Cash Settled Single Stock Futures on international shares listed in major overseas markets that are not also listed in South Africa.



10000 4/76, 10 10000 56.3 10000 15/7/10 ↓ 10000 11/2 10000 1/1

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What is a Single Stock Future?

- Single Stock Futures (SSFs) are futures contracts on individual shares (stocks). A futures contract is a legally binding agreement that gives you the obligation to buy or sell an underlying asset at a fixed price on a future date.



10/04 4/6, 11 10/04 56.3 10/04 15/7 10/04 14/2 10/04 1/5

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Cash Settled?

- A cash settled futures contract is never physically settled. eg, you don't ever receive the underlying stock.
- The counterparties merely exchange the difference in price between the opening and closing price of the trade.



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SSF's VS IDX SSF's

- What are the similarities and differences between local SSF's and IDX SSF's?
- Margining – very similar with the currency fluctuations added on top.
- Currency exposure is a big difference between the two types of SSF.
- Nominals 1 to 1 versus 100.



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Clearing House and guarantees

- All trades on the JSE's Equity Derivatives Market are:
 - M-t-M, margined daily and guaranteed by the clearing house.
 - Due to the clearing house guarantee and our regulatory framework, investing on the JSE exposes the investor to less counterparty risk than investing in over-the-counter products. The clearing house guarantee and the daily margining process ensures that investors' margins are safer from the risk of a defaulting counterparty.



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Contract specification example

Product	International Derivative (Single Stock Future)
Underlying Equity	Vodafone Group PLC
Underlying Listed Exchange	London Stock Exchange (LSE)
Underlying Sector Code	Telecommunications
Part of Underlying Index	FTSE100
Underlying ISIN	GB00B16GWD56
JSE Nutron Code	VODG
Contract size / Nominal	1 x The underlying equity price in ZAR
Expiry dates and times	16h30; 2 days prior to the third Wednesday of March, June, September and December or the previous business day if a public holiday.
Quotations	Price per underlying equity to two decimals in ZAR.
Minimum Price Movement	0.01 ZAR
Expiry Valuation Method	The official close out price determined by the JSE will be used.
Settlement Method	Cash settled
Trading Hours	08h30 – 17h30
JSE Fees	2 Basis points of nominal value
Daily M-t-M closing price	The official daily closing price will be determined by the JSE between 17h00 and 17h15.



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Contract Specifications

- What does a fee of 2 basis points mean – R20 booking fees per R100,000 invested.
- Closeout pricing?
- Snapshots and the currency futures closing price.



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General Reasons to trade SSF's

- SSFs offer you an opportunity to protect/hedge your share portfolio by selling SSFs in the same underlying share.
- SSFs incur lower brokerage costs than actually trading in the underlying shares.
- Your initial margin earns interest for the duration of your contract.
- Corporate actions affecting the underlying shares are taken into account on the futures contract.
- With margin requirements of approximately 10% – 15%, SSFs provide a highly capital efficient way to participate in shares.
- The JSE independently calculates the closing price on all listed SSFs.
- You can sell short futures, benefiting from a downward price movement.



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Value proposition

1. Diversify your investment portfolio
2. Investment opportunities
3. No exchange control limits
4. Protect yourself against rand fluctuations
5. Convenient access to the offshore market
6. Invest offshore at low cost
7. Buy and sell real time through your broker



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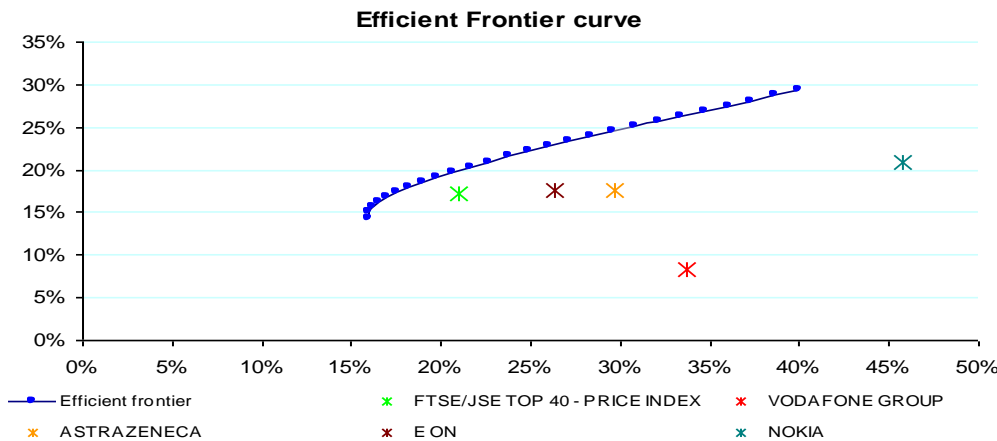


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Diversify offshore

- Investing internationally is an important part of building a diversified investment portfolio.
- By investing in IDX SSFs investors can not only share in the growth of the world's largest and profitable companies but also reduce overall investment risk



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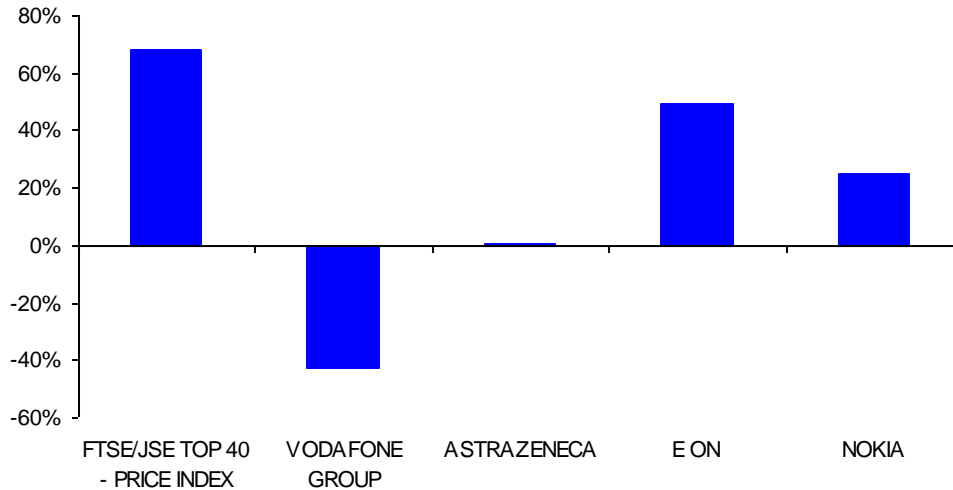
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Diversify offshore (cont)

- The ability to short futures allows you to achieve a more optimal portfolio than a long only portfolio.



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Investment opportunities

- Exposure to sectors you can not access in South Africa:
 - Electricity
 - Software
 - Gas
- Hedge sector specific risks:
 - Long Xstrata – short Anglo American PLC
 - Long Sasol – short BP



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Investment opportunities

➤ Expanded opportunity set:

- DB Buy recommendations

- Bayer - PT 60 EUR (ZAR780) – upside 54%
- BG Group – PT 10.75 GBP (ZAR166) – upside 33%
- BP – PT – 5.85 GBP (ZAR91)- upside 18%
- E.ON – PT – 42.2 EUR (ZAR549) – upside 57%
- ENI – PT 21.5 EUR (ZAR 280) – upside 22%
- SAP – PT 45 EUR (ZAR 585) – upside 69%
- Telefonica – PT 20.5 EUR (ZAR267) – upside 40%
- Tesco – PT 4.85 GBP (ZAR75) – upside 55%
- Total SA – PT 50 EUR (ZAR650) – upside 25%
- Vodafone – PT 2.00 GBP (ZAR31) – upside 61%
- X-strata – PT 42.21 GBP (ZAR654) – upside 540%

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Invest offshore without using your Offshore Allowance

Exchange Control Circular 10/2007 “Inward Listing of Derivatives with Foreign Reference Assets”.

- As an individual or corporate entity investing in
 - International Derivatives does not use any of your offshore investment allowance.
- As a registered asset manager,
 - IDX products do not require Reserve Bank permissions but they do fall under your prudential foreign portfolio limits.



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Protect yourself against Rand fluctuations

- On average the Rand has fallen 8% against the pound over the last 13 years
- If you don't have offshore assets you have lost 30% of your net worth measured in Euro's in the last year



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Convenience

- IDX SSFs provides a convenient entry point into foreign markets:
 - without the restrictions and paperwork of exchange control regulations, or
 - the expense of setting up a foreign trading account, or
 - Wide currency doubles
- In addition
 - When investing directly into a foreign market there are complicated securities laws, levies and taxes.
 - If you go through a third party manager there are additional costly management fees.



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Market making

- **e.g. Client takes long positions in Vodafone**
- The IDX liquidity provider Deutsche Bank AG acting through its agent, Deutsche Securities (Pty) Ltd (DB) borrows pounds
- DB utilises the pounds to buy the underlying shares using their offshore balance sheet.
- DB sells ZAR (received from client) buys GBP to hedge the currency risk



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Low cost

OPENING LONG

Underlying	Vodafone Group PLC
Bloombergs code	VOD LN Equity
Reuters code	VOD.L
Spot - GBp	122
Dividend - GBp	0
Expiry	15-Dec-08
GBP Funding rate	3.25%
Fair Value	122.30
Commission	0.50%
Trade Price (Fair Value + Comm)	122.92
USDZAR	15.4000
ZAR Trade Price	18.93

OPENING SHORT

Underlying	Vodafone Group PLC
Bloombergs code	VOD LN Equity
Reuters code	VOD.L
Spot - GBp	122
Dividend - GBp	0
Expiry	15-Dec-08
GBP Funding rate	2.95%
Fair Value	122.28
Commission	0.50%
Trade Price (Fair Value + Comm)	121.66
USDZAR	15.1000
ZAR Trade Price	18.38

➤ Cost includes:

- Market making spread 50bps
- Interest rate double (incl borrow) – 30bps
- Currency double 200bps.

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Risks

- Impact of currency fluctuations.
- Gearing offers significant returns but can also result in significant losses if the market moves against your position. Only experienced investors or investors with the help and advice of an experienced adviser should participate in this market. It is important for investors entering this market to be aware of the risks involved.
- SSFs are not capital protected. Investors may not get back the amount invested.
- The value of any investment involving exposure to foreign currencies can be affected by exchange rate movements.



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Dividend Futures

- When a company pays a dividend its share price usually declines by a corresponding amount. The reason for this price decline is that part of the company's available capital has now been paid back to shareholders.
- Deutsche Bank will require you to trade a dividend future at zero cost when purchasing an IDX SSF. This ensures that neither party loses out on the transaction due to incorrect dividend estimations.
- Effectively IDX investors can benefit from currency movements and stock price movements but will not benefit or lose out on dividends



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Future developments

- Launch of futures on sectors i.e.
 - Resources
 - Telecoms
 - Oil & gas
- US stocks (Q1 2009)
- Asian stocks (Q2 2009)



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