

Integrated Trading and Clearing (ITaC) Clearing Member Forum

25 May 2016



Agenda



- Purpose of ITaC Clearing Member forums
- ITaC Project status
- ITaC Post-trade Services documentation
- Collateral management
- Clearing Member readiness
- User acceptance testing process and signoff
- Queries raised by Clearing Members
 - On behalf of activities
 - Client reference numbers
- All other business

ITaC High Level Timeline



- A reminder of the ITaC Project high level timeline
 - **ITaC Project 1a** - Equity Market upgrade and enhancements scheduled for **go live 26 September 2016**
 - **ITaC Project 1b** - Equity Derivatives migration to new trading and clearing systems go live during **Q2/Q3 2017**
 - **ITaC Project 1c** - Currency Derivatives migration to new trading and clearing systems will follow approximately **2 months after ITaC Project 1b**

Project 1a

- Equity market upgrade and enhancements is on track for go-live in September
 - One on one checkpoints being held with clients

Project 1b & c

- Technical Integration Testing completed
- System Integration Testing (SIT) started 23 May 2016
- Post-trade Services documentation published 13 May 2016
- ITaC Post-trade Services position papers published 24 May 2016
- Connectivity and bandwidth requirements are being finalised

Key Upcoming Events and Milestones



- Vendor showcase day
 - Targeting two dates in July – JSE liaising with software providers and dates to be confirmed in due course
- Customer Test Service (CTS) for post-trade functions available Q3/Q4 2016
- One on one client checkpoints for Project 1b & c to follow those of Project 1a

Post-trade Services Documentation



Business / Functional Overview Documents

Volume 00 – Post-trade Services Overview

Provides an overview of the deal management and clearing/settlement functionality available for the Equity Derivatives and Currency Derivatives markets

ITaC Position Papers

Provide an overview of the new and changed functionality and services that will come into effect on the go live of ITaC Project 1b & 1c

Volume 01 – Post-trade EMAPI Common

Describes the semantics and syntax of the common or session/admin EMAPI protocol messages

Volume 02 – Post-trade EMAPI Clearing

Describes the semantics and syntax of the clearing or application messages of the EMAPI protocol

Volume 03 – Post-trade Margin Methodology Specifications

Describes in detail the JSE margin methodology including all calculations used in deriving margins

Audience:

Post-trade Services Documentation

Business & Technical

Technical

End of Day (EOD) Services Documentation

Technical

To be published in due course

Technical Specification Documents

EmapiTransactionsForMembers.html

HTML file describing the syntax of all EMAPI protocol messages for market participants i.e. clearing and trading members

EmapiTransaction.xsd

XML schema that EmapiTransactionsForMember.xml conforms to

EmapiTransactionForMembers.xml

XML definition of all EMAPI protocol messages for market participants

EMAPI TagWire.pdf

Describes the syntax of the TagWire encoding of EMAPI messages body

Data Service Product Specifications

Describes the format and definitions of the data products

Information Delivery Portal (IDP) User Connectivity

Describes how to connect to IDP and download data using FTP

Post-trade Services Documentation

Business / Functional Overview Documents: Position Papers



Position Papers		
Document Name	Format	Description
ITaC Position Paper - Post Trade PP01 - Integrated Clearing Overview v1.0	PDF	An overview of the key business and technology changes within the JSE derivative post trade services, that are to be delivered as part of the JSE ITaC project
ITaC Position Paper - Post Trade PP02 - Risk Management v1.0	PDF	Details of the key changes and new derivative risk management capabilities to be delivered as part of the JSE ITaC project
ITaC Position Paper - Post Trade PP03 - Securities and Foreign Currency Collateral v1.0	PDF	Details of the new securities and FX collateral services to be delivered as part of the JSE ITaC project
ITaC Position Paper - Post Trade PP04 - Commissions v1.0	PDF	Details of the new broker commissions capabilities to be provided as part of the JSE ITaC project

Collateral Management

Principles for acceptance of non-cash collateral



- Securities collateral accepted for
 - Initial margin including add-ons (liquidity and large position)
 - Settlement margin
 - Default fund contributions – to be confirmed
- Securities collateral not accepted for
 - Additional margin – legal constraint
 - Variation margin – this is always cash
- Minimum percentage of collateral in ZAR cash
 - Set by the Clearing House against all accounts
 - Clearing Member can set a higher % on Trading Member and clients
 - Trading Member can set a higher % than Clearing Member on their clients

Collateral Management

Principles for acceptance of non-cash collateral (cont.)



- Securities (potential) to be accepted
 - Equities Top 40
 - Liquid Government Bonds
 - Other securities will be considered in future
- Haircuts on securities collateral
 - Calculated using a stress testing methodology
- Valuation of collateral
 - Valued daily according to current market convention

Collateral Management

Principles for acceptance of non-cash collateral (cont.)



- Pledge mechanism will be used for collateral management
- Trading Members and clients will pledge directly to the Clearing House
- Committing by CSDPs
 - It is envisaged that the CSDPs will need to auto-commit to the pledge instructions

Collateral Management

Principles for acceptance of non-cash collateral (cont.)



- The solution caters for the portability of Trading Member and Client accounts
 - Trading Member
 - Transfer Trading Members and their portfolio positions and collateral from one or several Clearing Members to one or several Clearing Members
 - Client
 - Transfer a Client and all its portfolio positions and collateral to a new Trading Member

The previous Trading Member or Clearing Member will be responsible until the morning of the effective date after which the new Trading Member or Clearing Member will be responsible. That EOD the collateral will reflect under the new Trading Member or Clearing Member

Collateral Management

Principles for acceptance of non-cash collateral (cont.)



- JSE Rules and Directives will be updated to cater for the acceptance of non-cash collateral
- CMS agreements will have to be signed by the parties
- Client enablement
 - A Segregated Depository Account (SDA), which is an account at the Central Securities Depository (CSD) - Strate, will be loaded against either the Clearing Member, Trading Member or Client account.

Collateral Management

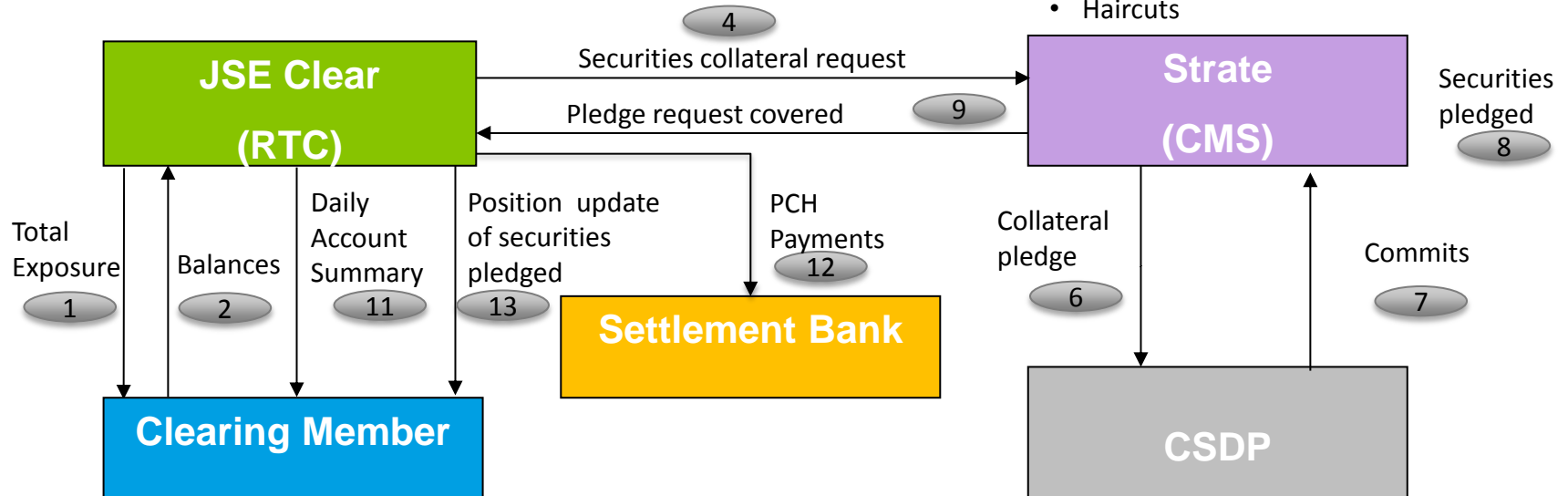
Processes - EOD Flow



- 1 - Margin requirements calculated
- 3 - Value of securities collateral is calculated
- 10 - Calculates ZAR Cash

JSE Collateral Rules applied for calculation & allocation of collateral:

- Eligibility criteria
- Max per type 5
- Haircuts

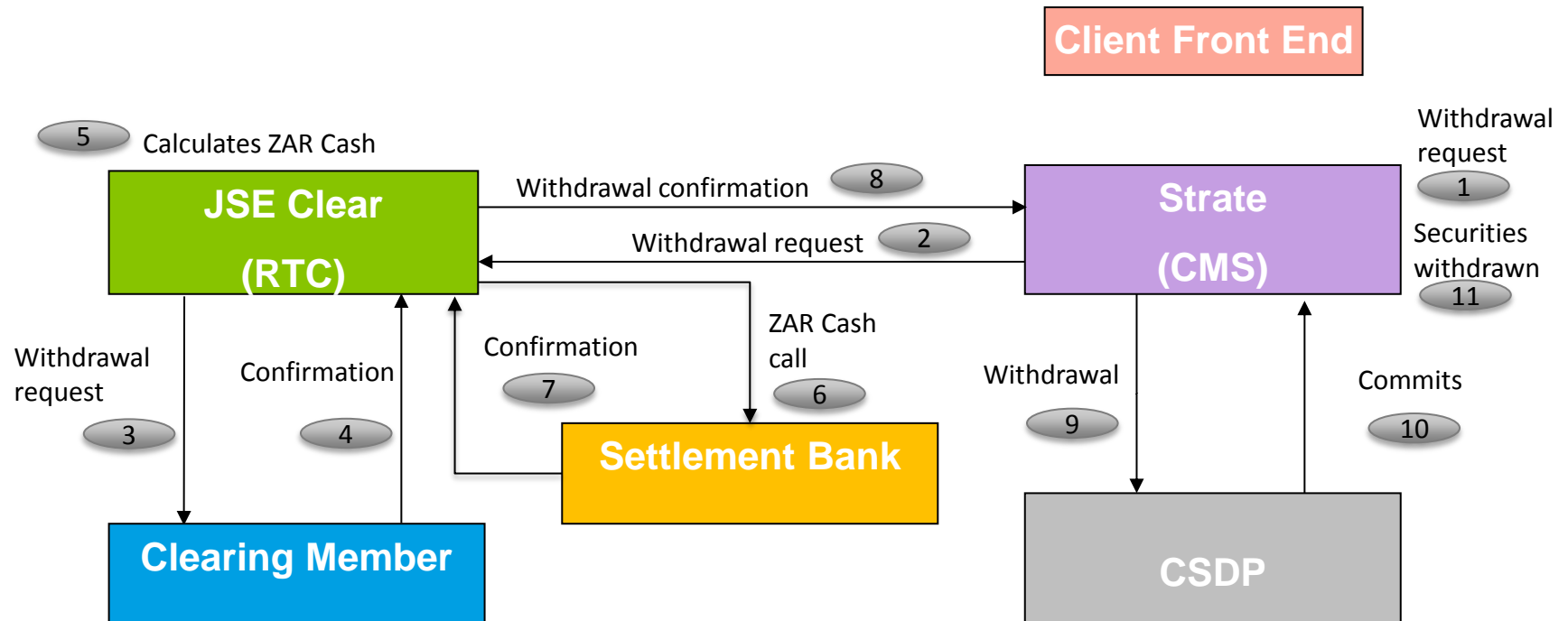


Note:

Exposures recalculated and resent daily

Collateral Management

Processes - Withdrawals (Proposed)

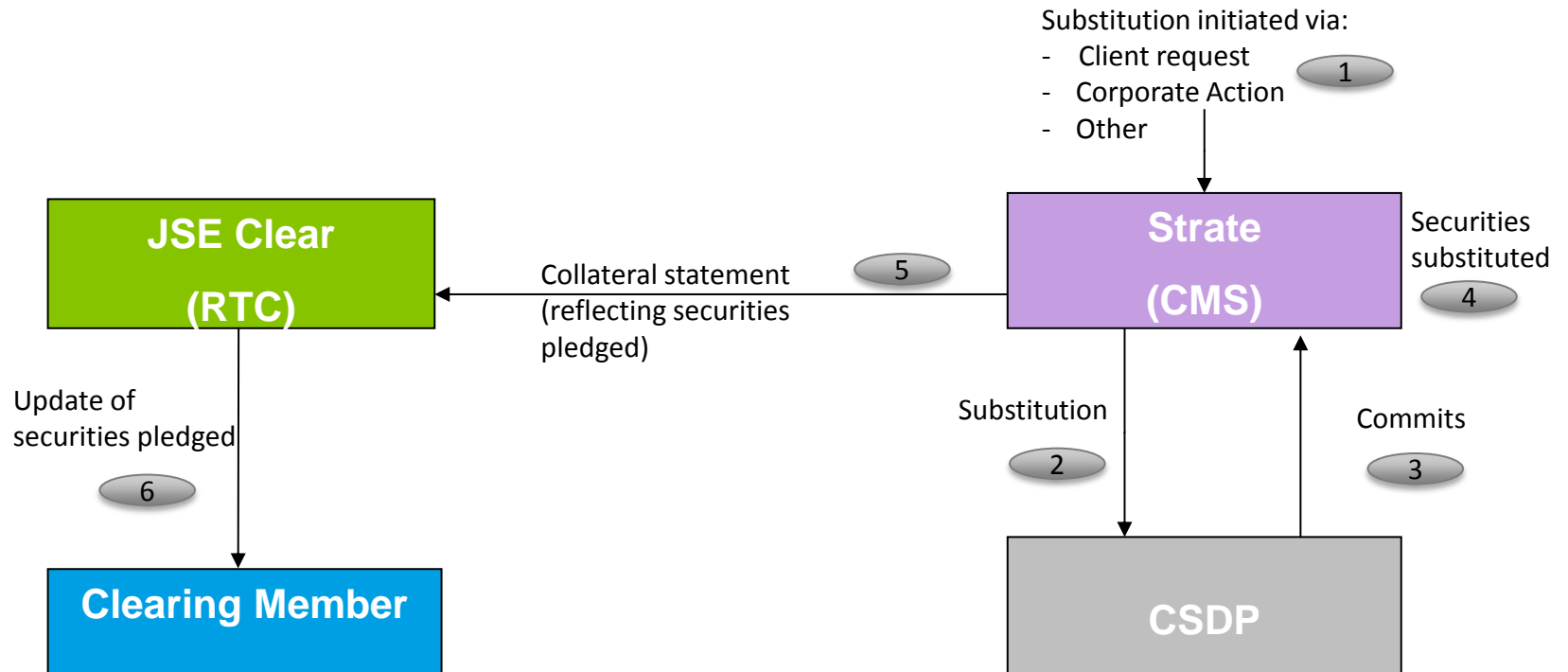


Note:

1. Need to agree timing – cut-off times
2. Proposing 11h00 to allow cash to flow in Central Bank Funds

Collateral Management

Processes - Substitutions (Proposed)

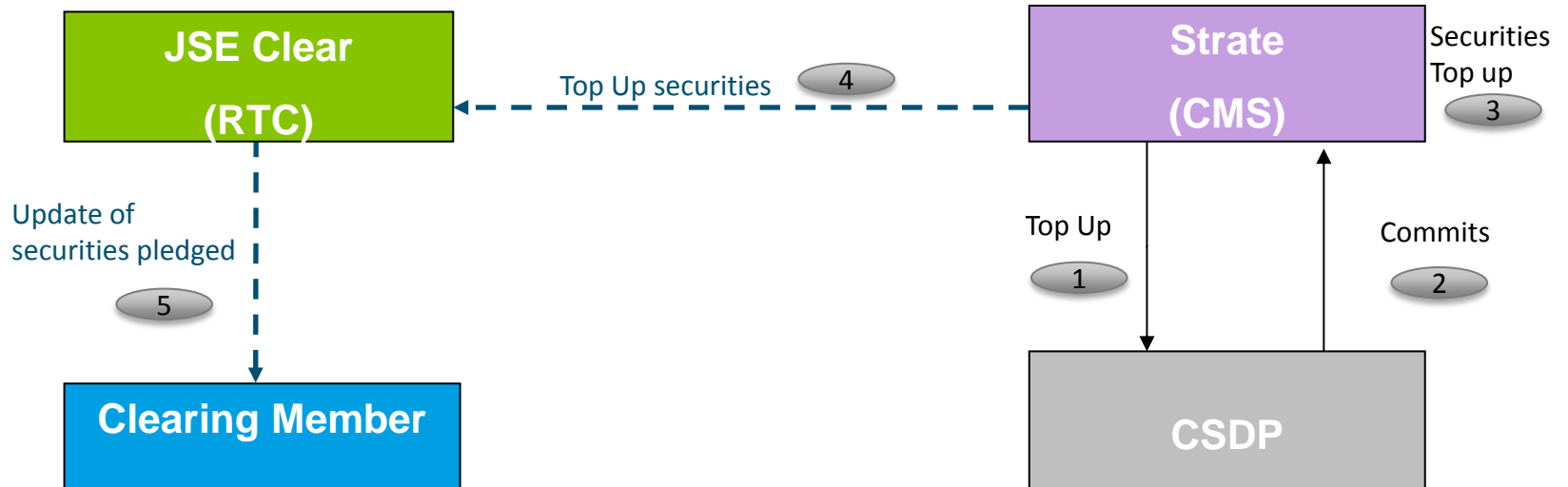


Note:

- 1. Exact value has to be substituted
- 2. Still clarifying design

Collateral Management

Processes - Top Up (Proposed)



Note:

1. Still clarifying design

Clearing Member Readiness

Checklist and pre-requisites for go live



- June has been dedicated to one on one client checkpoints for Project 1a
- Thereafter the JSE will look to schedule one on one client checkpoints for project 1b & c
- JSE is scheduling a visit to London based clients in the last week of June for a detailed checkpoint on Project 1a and provide high level 1b & c status feedback
- Software provider showcase day scheduled for July. Key target audience is the derivative markets client. JSE recommends attendance by all clients.

Clearing Member Readiness

Checklist and pre-requisites for go live (cont.)



- As part of the project the JSE will be providing a checklist to clients indicating all activities and by when they need to be completed e.g. Front End decision by end November 2016
- JSE will provide key dates for project 1b & c once the detailed project timeline is confirmed
- JSE will also confirm any contractual, regulatory and other obligations e.g. Clearing Member agreements, JSA, JSE rules and directive changes, connectivity and bandwidth requirements
- JSE and Strate will provide details around the client on-boarding process for the new securities collateral management services and JSE will provide details relating to setting up and enabling FX collateral management services

User Acceptance Testing Process and Signoff



- JSE is finalising the user acceptance criteria and process for Project 1b & c
- A session with clients will be scheduled in due course to cover the proposed approach, processes and acceptance criteria

Queries raised by Clearing Members

On-behalf-of activities



- Deal management
 - Clearing Member users will be able to log-in once to RTC and perform all deal management activities on-behalf of all their trading members
- Reference data management
 - To maintain clients, position accounts and cash accounts on behalf of all their Trading Members, Clearing Member user will need to logon as the Trading Member
- Reported trades
 - The JSE will be working with Clearing Members to get a better understanding of how they will capture reported trades on behalf of their trading members

Queries raised by Clearing Members

Client reference numbers



The following client specified reference fields available in the new Trading and Deal Management/ Clearing systems to be assessed against client needs

System	Gateway	Messages	Field	Length, Type	Notes
Trading	Trading – Native Gateway	New Order, Order Cancel Request, Order Cancel/Replace Request, Order Mass Cancel Request Execution Report	Client Order ID	20, Alpha Numeric	<ul style="list-style-type: none">Native Trading uses the Client Order ID field to uniquely identify each orderThis must be unique per Comp ID across days as there are GTD and GTC orders
Trading	Post Trade Gateway	Trade Capture Report	Firm Trade ID (1041), Trade Report ID (571)	No length limit, Alpha Numeric	<ul style="list-style-type: none">For Trade Reporting on Post Trade, Client submits a Trade Capture Report message specifying Firm Trade ID (mandatory) and Trade Report ID (optional)
Deal Mgt/ Clearing	EMAPI Gateway	Deal mgt requests including Allocation, Assign, Tripartite	Reference	256, String	

Questions?

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