




Clearing Member Working Group

17 March 2017


Agenda



- 
1. Welcome
 2. Conformance Testing
 3. Trading, Deal Management and Clearing
 - Client-facing functions & interfaces
 4. Migration of Clearing specific data
 5. Collateral Management
 6. User Readiness
 - Primary and responsible officer nomination
 - Monthly checkpoint meetings
 - Readiness checklists
 - Training

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Conformance Testing



- A service hotline with links to documents which contain the **minimum technical conformance requirements** for the Post-trade deal management and clearing functions was published on the 14th March 2017
- *Software providers will be able to conform from April depending on their readiness*

Post- Trade Services Documentation

Document	Description
Volume PT201 <i>Guide to JSE Post-trade Services Conformance</i>	<ul style="list-style-type: none">• Guidance note for the Post-trade deal Management and clearing conformance services and test scenarios• Equity Derivatives and Currency Derivatives Markets ITaC test scenarios
Volume PT202 <i>Post Trade Services Conformance Test Report</i>	<ul style="list-style-type: none">• A report that includes the minimum set of Conformance Test Scenarios to be completed for the ITaC project during conformance test execution.• Once completed, this report is submitted to the JSE for review and approval.

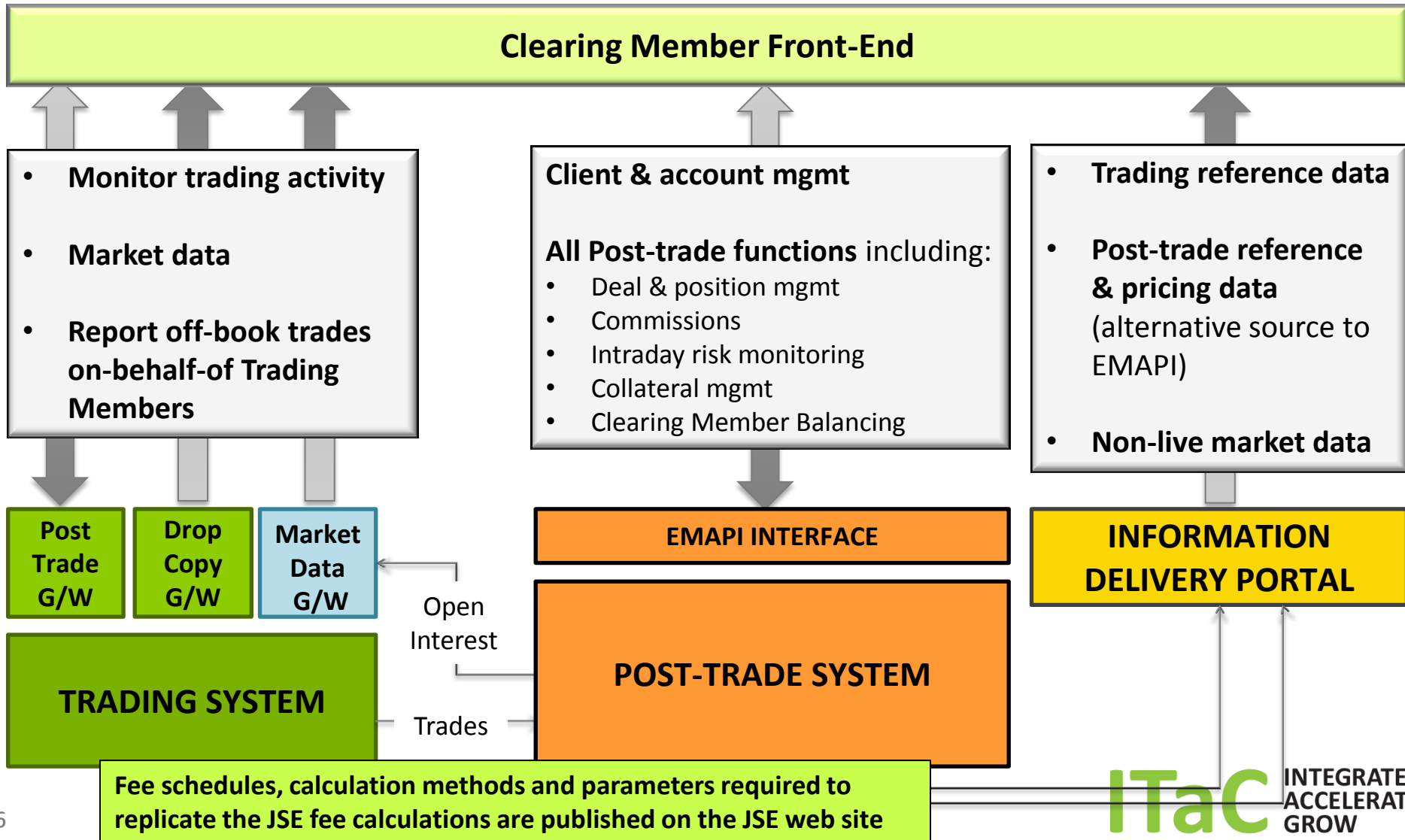
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Trading, Deal Management & Clearing

Client-facing Functions & Interfaces



Trading, Deal Management & Clearing

Client-facing Functions & Interfaces (cont.)



Category	Sub-category	Function	Interface	Availability		
				Trading Member	Clearing Member	Info subscribers
Post-trade	Reference & market data subscription (public)	Post-trade reference data	Post-trade System	Y	Y	Y
		Post-trade reference data	Information Delivery Portal	Y	Y	Y
		Post-trade market data <i>Information required by participants for operational purposes and includes prices (periodic intraday updates, scheduled/early valuations, settlement prices), rates, volatility surfaces, curves, dividends, risk arrays</i>	Post-trade System	Y	Y	Y
		Post-trade market data <i>Information required by participants for operational purposes and includes prices (scheduled/early valuations prices, settlement prices), rates, volatility surfaces, curves, dividends, risk arrays, stressed prices</i>	Information Delivery Portal	Y	Y	Y
	Reference data subscription (private)	Member client updates	Post-trade System	Y	Y	
		Account updates	Post-trade System	Y	Y	
	Reference data management	Member client maintenance	Post-trade System	Y		
		Account maintenance	Post-trade System	Y		
	Deal Management	Receive deal updates <i>Deal updates result from trade executions, deal and position management actions, transfers and corporate actions.</i>	Post-trade System	Y	Y	
		Allocate a trade	Post-trade System	Y	Y (OBO)	
		Correct allocation error	Post-trade System	Y	Y (OBO)	
		Correct principal	Post-trade System	Y	Y (OBO)	
		Modify trade sub account	Post-trade System	Y	Y (OBO)	
		Accumulate trades	Post-trade System	Y	Y (OBO)	
		Assign trade (initiator)	Post-trade System	Y	Y (OBO)	
		Allocate trade (tripartite) (initiator)	Post-trade System	Y	Y (OBO)	
		Cancel assigned or tripartite trade (initiator)	Post-trade System	Y	Y (OBO)	
		Accept assigned or tripartite trade (recipient)	Post-trade System	Y	Y (OBO)	
	Position Management	Reject assigned or tripartite trade (recipient)	Post-trade System	Y	Y (OBO)	
		Receive position updates <i>Position updates result from trade executions, deal and position management actions, transfers and corporate actions.</i>	Post-trade System	Y	Y	
		Modify position sub account	Post-trade System	Y	Y (OBO)	
		Request early exercise of an option position	Post-trade System	Y		
	Commissions	Request abandon of an option position	Post-trade System	Y		
Submit, withdraw, reject commissions		Post-trade System	Y	Y (OBO)		

Trading, Deal Management & Clearing

Client-facing Functions & Interfaces (cont.)



Category	Sub-category	Interface	Availability		
			Trading Membe	Clearing Membe	Info sub-scriber
Trading	Reference data subscription	Trading System	Y	Y	Y
		Information Delivery Portal	Y	Y	Y
	Reference data management	Trading System	Y		
	Order & trade management	Trading System	Y		
		Trading System	Y	Y (OBO ¹)	
		Trading System	Y		
	Order & trade monitoring	Trading System	Y	Y	
Market Data	Live Market Data	Market Data Gateway (of the Trading System)	Y	Y	Y
		Market Data Gateway (of the Trading System)	Y	Y	Y
		JSE Web	Y	Y	Y
	Non-live Market Data	Information Delivery Portal	Y	Y	Y
		JSE Web	Y	Y	Y

¹OBO - On-Behalf-Of. An activity performed by a Clearing Member On-Behalf-Of a Trading Member.

Trading, Deal Management & Clearing

Client-facing Functions & Interfaces (cont.)



Category	Sub-category	Interface	Availability		
			Trading Membe	Clearing Membe	Info sub-scribers
Post-trade	Reference & market data subscription (public)	Post-trade System	Y	Y	Y
		Information Delivery Portal	Y	Y	Y
		Post-trade System	Y	Y	Y
		Information Delivery Portal	Y	Y	Y
	Reference data subscription (private)	Post-trade System	Y	Y	
		Post-trade System	Y	Y	
	Reference data management	Post-trade System	Y		
		Post-trade System	Y		

Trading, Deal Management & Clearing

Client-facing Functions & Interfaces (cont.)



Category	Sub-category	Interface	Availability		
			Trading Membe	Clearing Membe	Info subscribers
Post-trade	Deal Management	Post-trade System	Y	Y	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y	Y (OBO)	
	Position Management	Post-trade System	Y	Y	
		Post-trade System	Y	Y (OBO)	
		Post-trade System	Y		
		Post-trade System	Y		
Commissions	Post-trade System	Y	Y (OBO)		

Trading, Deal Management & Clearing

Client-facing Functions & Interfaces (cont.)



Category	Sub-category	Interface	Availability		
			Trading Membe	Clearing Membe	Info subscriber
Post-trade	Intraday risk monitoring	Post-trade System	Y	Y	
		Post-trade System	Y	Y	
		Post-trade System	Y	Y	
	Collateral management	Post-trade System	Y	Y	
		Post-trade System		Y	
		Post-trade System		Y	
		Post-trade System	Y	Y	
		Post-trade System		Y	
	Clearing Member balancing functions	Post-trade System		Y	
		Post-trade System		Y	
	Settlement	Post-trade System		Y	
		SWIFT		Y	
		Email	Y	Y	

Deal Management

Allowed Actions



Capacity	State of Deal* in RTC	Action allowed
Principal		<ul style="list-style-type: none"> • Accumulate • Deal sub account modification • Position sub account modification • Principal correction • Allocate on exception basis only • Allocation error correction
Agency	Deal is on client suspense account	<ul style="list-style-type: none"> • Accumulate • Allocate • Assign • Tripartite • Deal sub account modification • Position sub account modification
	Deal is on client account	<ul style="list-style-type: none"> • Accumulate • Allocation correction • Principal correction

* A deal is one side of a trade i.e. either the buy leg or sell leg of the trade

Further clarification on Off Book trading vs Deal Management, specifically in relation to Give-up's will be covered in the upcoming ITaC working group

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Migration of Clearing Specific Data



- Clearing Members and Trading Members
- Client Codes
- Member Sub Account Codes
- Positions
- Initial Margin Balances
- Migration approach

Migration of Clearing Specific Data

Clearing Members and Trading Members



- Clearing and Trading Members will be migrated from NUCLEARS to the new central reference data system
- Clearing Members across the different derivatives markets for the same legal entity will be combined into one clearing member
- Trading Members across the different derivatives markets for the same legal entity will be combined into one trading member
- Branches will be migrated from NUCLEARS to the central reference data system in their current state and associated with the new 'integrated' trading member
 - Branches are used for deal management in RTC
- RTC will consume this reference data and make it available via the RTC Interfaces

Migration of Clearing Specific Data

Client Codes



- Member clients from NUCLEARS will be migrated by the JSE to RTC using their existing 6 long alpha numeric code (e.g. ABC123) and linked to the correct trading member entity or branch
- New member client codes created by members in RTC post go live will be generated a new client code using a new code generation mechanism (unique to 5 numeric / alpha with an additional 6th alpha or numeric – e.g. 12345A)

Migration of Clearing Specific Data

Member Sub Account Codes



- Member sub accounts will be migrated by the JSE from NUCLEARS using their existing 5 long alpha numeric codes
- New sub accounts can be added in RTC by trading members and may be up to 9 long
 - e.g. JSE001122

NOTE: On a trading member entity creation the clearing system will automatically create a House Main account, House Suspense (40006) and a Client Suspense (99999) account

Migration of Clearing Specific Data

Positions



- Positions will be migrated by the JSE from NUCLEARS to RTC at the following account levels:
 - Member House Account
 - Member Sub Accounts
 - Client Main Accounts
 - Client Sub Accounts

NOTE – suspense accounts should be empty at the time of migration
- As part of the migration a Market value and Initial value will be populated – for position take on these values will be the same per unique position entry
- The spread volume will be migrated on position take-on for CFD's
- The values will be fully reconciled by the JSE and Clearing Members to ensure accuracy

Migration of Clearing Specific Data

Initial Margin Balances



- Initial margin balances will be migrated from NUCLEARS to RTC at the following levels:
 - Trading Member
 - Client

Migration of Clearing specific data

Initial Margin




- Initial margin will not be returned as part of this exercise – initial margin balances were transferred to RTC as part of migration
- Indicative Initial margin values will be updated and disseminated intraday on go live date as part of the intraday risk monitoring functionality
- End of day initial margin balances will be calculated and disseminated for settlement (along with booking fees, fees, variation margin, etc.) as part of the first end of day on RTC

NOTE: Initial margin for the same entities (Members and Clients) across the Equity and Currency Derivatives Markets will now show as a combined value in RTC post migration. For clients this is only applicable where the same client account is linked in the current solution

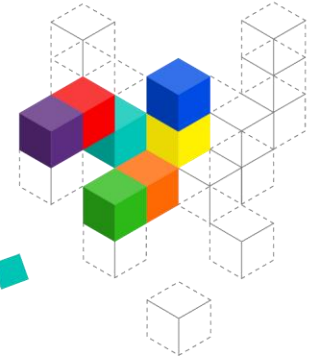
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On-boarding to Strate Collateral Management Services for ITAC non-cash margining

17 March 2017



When?

- On-boarding will take place between May and November 2017
- First come , first serve basis
- 3-5 clients can on-board per business day once all steps are complete

**31 March
2017**

Preparation of
documentation

**02 May
2017**

On-boarding
commences

**30 November
2017**

2017 on-
boarding
closes

**01 February
2018**

2018 on-
boarding
commences

On-boarding – Your part

- 1 Contact JSE Clear or Strate Collateral Management Services
- 2 Open an SDA with your CSD Participant
- 3 *Complete the Strate Collateral Management Services application form
- 4 Complete the Giver allocation eligibility document

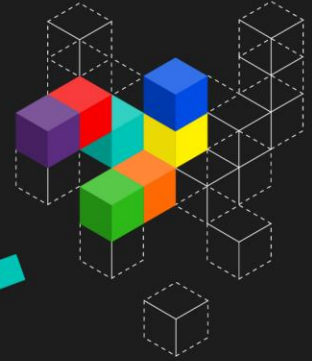
***Legals for ITAC exposures are covered by the JSE rules**

What happens after on-boarding?

- There will be multiple training sessions set up during the course of 2017. Once on-boarded you will be allocated into a suitable training slot
- You will be ready for ITAC exposures once ITAC is live and ready to transact non-cash collateral:
 - The Giver SDA account will be linked to the JSE Clear ITAC non-cash collateral basket
 - Once ITAC is live, a Risknode will be issued

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Thank You.

For further information please contact Strate Collateral: Collateral@strate.co.za



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User Readiness

Market Readiness Programme



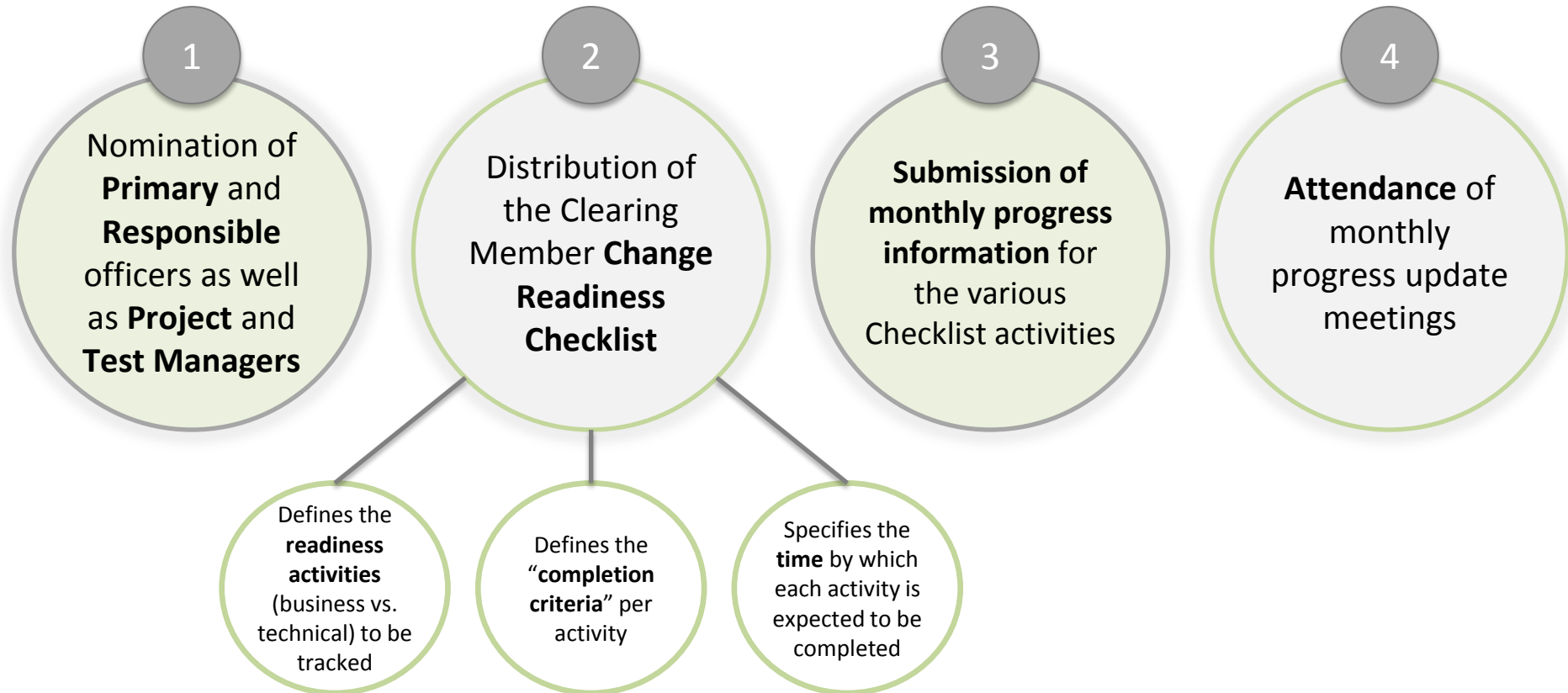
The JSE will initiate a **formal market readiness programme** to ensure that all Clearing Members are correctly positioned for the successful implementation of ITaC Projects 1b&c

The Market Readiness Programme aims to:

- Define the **actions** that will facilitate a successful project implementation – required to be completed per Clearing Member
- Define **appropriate measures** for each of the actions identified
- Define a **feedback and reporting process** via which progress against the agreed actions will be tracked (and in instances of non-performance, escalated)

User Readiness

Overview of the Market Readiness process



"Market Readiness" is one aspect of the ITaC User Readiness effort, in addition to work relating to **Comms** and **Training/Education**

User Readiness

Participation in Market Readiness



- The Primary Officer:
 - An appropriately authorised representative who will act as **an influencer and final decision maker** during the rollout of the market readiness process (*i.e. if any activities were to fall behind schedule, this would be escalated to the "Primary Officer"*).
 - Fulfilled by a “C-Level” representative from each firm
- The Responsible Officer:
 - A representative for the Clearing Member who will be tasked with the **execution and tracking of the of the shortlisted Market Readiness activities**
 - Fulfilled by the Head of Operations
- The Primary Officers and Responsible Officers will attend the committee meetings in order to:
 - Understand the progress being made by their peers in the market
 - Understand in the progress being made by the JSE as it progresses towards the implementation date
 - Share issues and constraints being faced in the execution of the various checklist activities

User Readiness

Defining the Actions – Technical Activities



Activity Type	Details	Measurement Considerations	Completed by the Clearing Member or JSE	Detailed Measurement
Functional Testing UAT 1	Tripartates	<ul style="list-style-type: none"> • Involvement with the mandatory testing by Clearing Members • Results from the formal testing in UAT 1 will be rolled up for each functional area • Sign off by head of operations 	JSE	<p>The JSE will populate this section, based on the testing sign-off received from each of the Clearing Members at the end of UAT 1 (i.e. at the end of XXXX)</p> <p>The "percentage achieved" will reflect the proportion of planned test cases successfully completed at the required pass-rate</p>
	Give up trades			
	Deal Management			
	<u>EOD Balancing:</u>			
	- Initial Margin			
	- Variation Margin			
	- Settlement Margin			
	- Large Exposure add on margin			
	- Liquidation add-on margin			
	- Additional Margin			
	- Currency Collateral			
	- Securities Collateral			
	- Funding Interest (CFDs)			
- Dividends				
- Booking fee's				
- Commissions				
Corporate Actions				
EOD rerun				
<u>Futures Close Out:</u>				
- Normal				
- Anyday				
Portability				
Default of a Trading Member				
Ad hoc intra-day margining	Review and sign-off of the JSE provided Test Pack - completed by the Head of Operations	Clearing Member	This is a once-off activity per UAT test phase. The pack for UAT 1 will be distributed for review in XXX	

User Readiness

Defining the Actions– Technical Activities (cont.)



Activity Type	Details	Measurement Considerations	Completed by the Clearing Member or JSE	Detailed Measurement
Testing BCP & DR	Updated BCP plans	Submission to JSE, with reference to the changes included for ITaC	Clearing Member	Please specify the progress being made on the updating of the DR and BCP docs for your organisation
	Updated DR plans			
Internal Systems Development	Completion of in-house system development to align with ITaC functional changes (SLB messages and uploads - development of software)	Written confirmation by Head of Operations	Clearing Member	Please specify the percentage completion of the work to develop and test your required system updates.
	Updated vendor SLAs where required	Written confirmation by Head of Operations	Clearing Member	Please specify the percentage completion of the work to update your vendor SLAs as required.
Deployment Plan	Defined Crisis management process	Provision of the crisis management plan	Clearing Member	Please specify the percentage completion of the work to provide the JSE with copies of your crisis management plan(s).
	Points of escalation defined	Provision of names and contact details for agreed escalation representatives		Please specify the percentage completion of the work to provide the JSE with names (and contact details) of the parties within your organisation to whom issues may be escalated.
	Key contacts provided to JSE	Provision of names and contact details for agreed key contacts		Please specify the percentage completion of the work to provide the JSE with names (and contact details) of key contacts within your firm.

User Readiness

Defining the Actions– Business Activities



Activity Type	Details	Measurement Considerations	Completed by the Clearing Member or JSE	Detailed Measurement
Process Re-engineering for EOD balancing	One EOD balancing for Equity and Currency Derivatives, non-ZAR cash collateral (Securities and Currencies). Commissions and balancing on Nutron	Written confirmation by head of operations , including assurances that not only have the new processes been defined, but staff have been appropriately trained around the new processes	Clearing Member	Please specify the percentage completion of the work to update your processes for EOD balancing
Process definition and process roll out	Internal migration assumptions	Provision of a list of internal (Clearing Member) and external go-live concerns and mitigations	Clearing Member	This is a one-off activity - feedback on the list of potential go-live issues must be provided to the JSE by XXX
Training - Nominated Trainee	Nomination of appropriate operational-related staff to attend the JSE provided training sessions	Nomination of the necessary internal staff, and provision of the trainee lists to the JSE	Clearing Member	This is a one-off activity - the Head of Operations will be required to provide written confirmation that the correct Operational staff have been sent to attend training.
Conceptual Training Attendance (Phase 1)	Module 1	Attendance of the JSE provided training	JSE	This will be populated by the JSE, based on attendance registers from the training. PLEASE NOTE: attendance will be taken at THE END of each session
	Module 2			
Conceptual Training Attendance (Phase 2)	Module 1	Attendance of the JSE provided training	JSE	This will be populated by the JSE, based on attendance registers from the training. PLEASE NOTE: attendance will be taken at THE END of each session
	Module 2			

User Readiness

Defining the Actions– Business Activities (cont.)



Activity Type	Details	Measurement Considerations	Completed by the Clearing Member or JSE	Detailed Measurement
Client Education & Awareness	Trading Member and their Clients	Written confirmation from the Head of Operations specifying that the Clearing Member has made the Trading member and their Clients aware of the ITaC implementation, and have educated them on the impacts	Clearing Member	Please specify the percentage completion of the work to educate your clients about the ITaC implementation and impacts
Trading member Agreement Amendments	Trading Member	Written confirmation by head of operations that trading member agreements have been amended	Clearing Member	Please specify the percentage completion of the work to update your mandates for non controlled clients
Review of JSE Rules and Directive changes	Review of Rules and Directives	Written confirmation by head of operations that the firm has reviewed the proposed rule changes and have provided comments where required	Clearing Member	This is a one-off activity - feedback on the proposed changes must be provided to the JSE by the date specified by the JSE Surveillance Department

User Readiness

Training



- Conceptual training will be offered in two phases:
 - Phase 1: Prior to User Acceptance Testing
 - Phase 2: Prior to go-live



Questions?

JS



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ACCELERATE
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