



**JOHANNESBURG STOCK EXCHANGE**

Incorporating BESA & YieldX

# **INTEREST RATE & CURRENCY PRICING STRUCTURE**

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# 1. INTRODUCTION

With the JSE having acquired Besa on 01 July 2009, there are essentially two trading and operating systems at the JSE, namely Yield-X and BTB. To achieve the greatest synergies and efficiencies from the two markets, both systems will continue to operate but with different emphasis, initiatives and products being deployed across the two systems.

With effect from 01 August 2009, the following principles will be applied in the short term:

- All Report Only bonds (spot, carries and repos) will be reported to the JSE on the BTB system.
- All Central Order Book bond s (spot, carries and repos) will continue to trade/execute on the Yield-X system.
- All derivatives (report only and central order book) will be executed on the Yield-X platform.

## **Bonds (Spot, Carries and Repos)**

Should an authorized bond user choose to book report only trades – the user will be required to book the trades on BTB and will be subject to market regulation fees, market access fees and transaction processing fees. All of these fees are itemized separately. When booking report only trades via the BTB platform, the user will be subject to the BESA (BTB) trading rules.

It is important to note that when booking report only trades – the fee structure has remained unchanged to that which the market is familiar with when transacting on the BTB platform.

Should an authorized bond user choose to execute his/her bond trades on a Central Order Book – this will be executed on the Yield-X platform. Market regulation fees are inherent in the Yield-X trading fees and are not itemized separately. The user will be subject to the Yield-X trading rules when trading on the Yield-X platform.

The fee structure offered to the market for Central Order Book trading on the Yield-X platform remains unchanged.

## **Derivatives (Interest Rate & Currencies)**

All derivatives trading, whether it be Interest Rate Derivatives or Currency Derivatives will be booked/executed on the Yield-X trading platform. The authorized user can choose whether to merely report the trades into the exchange, or to execute the trades on the Central Order Book.

The user will not be subject to market regulation fees, and nor will the user be subject to market access fees when trading derivatives. The interest rate derivative fees are set per product and per nominal value traded. The existing sliding scale for Currency Futures remains in place with a cap in place per deal. Currency Options will continue to be charged transaction processing fees per contract with a cap in place per deal.

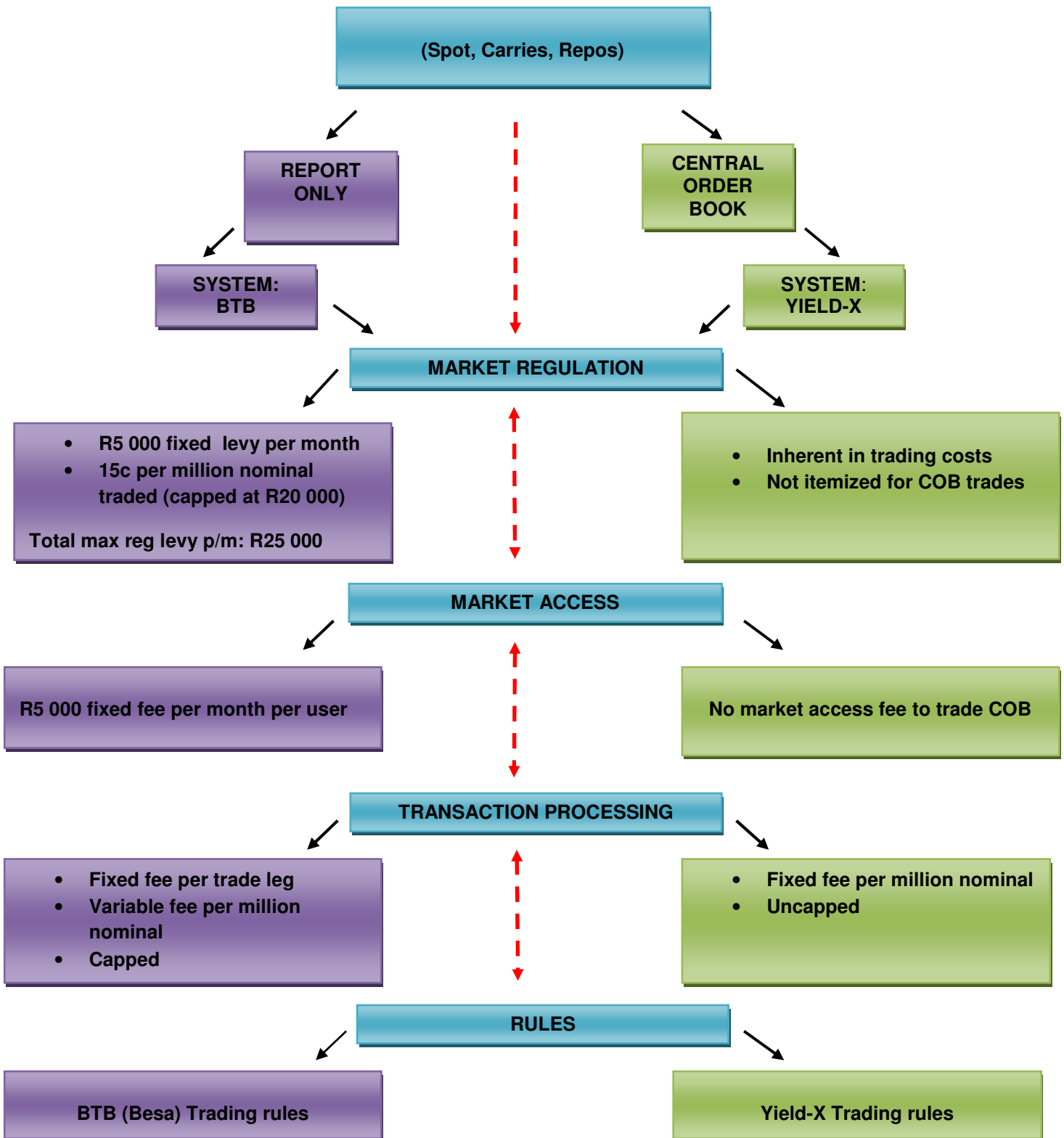
Fees will thus remain the same as what the interest rate derivative and currency derivative market is currently transacting at on the Yield-X platform.

## **Listing fees**

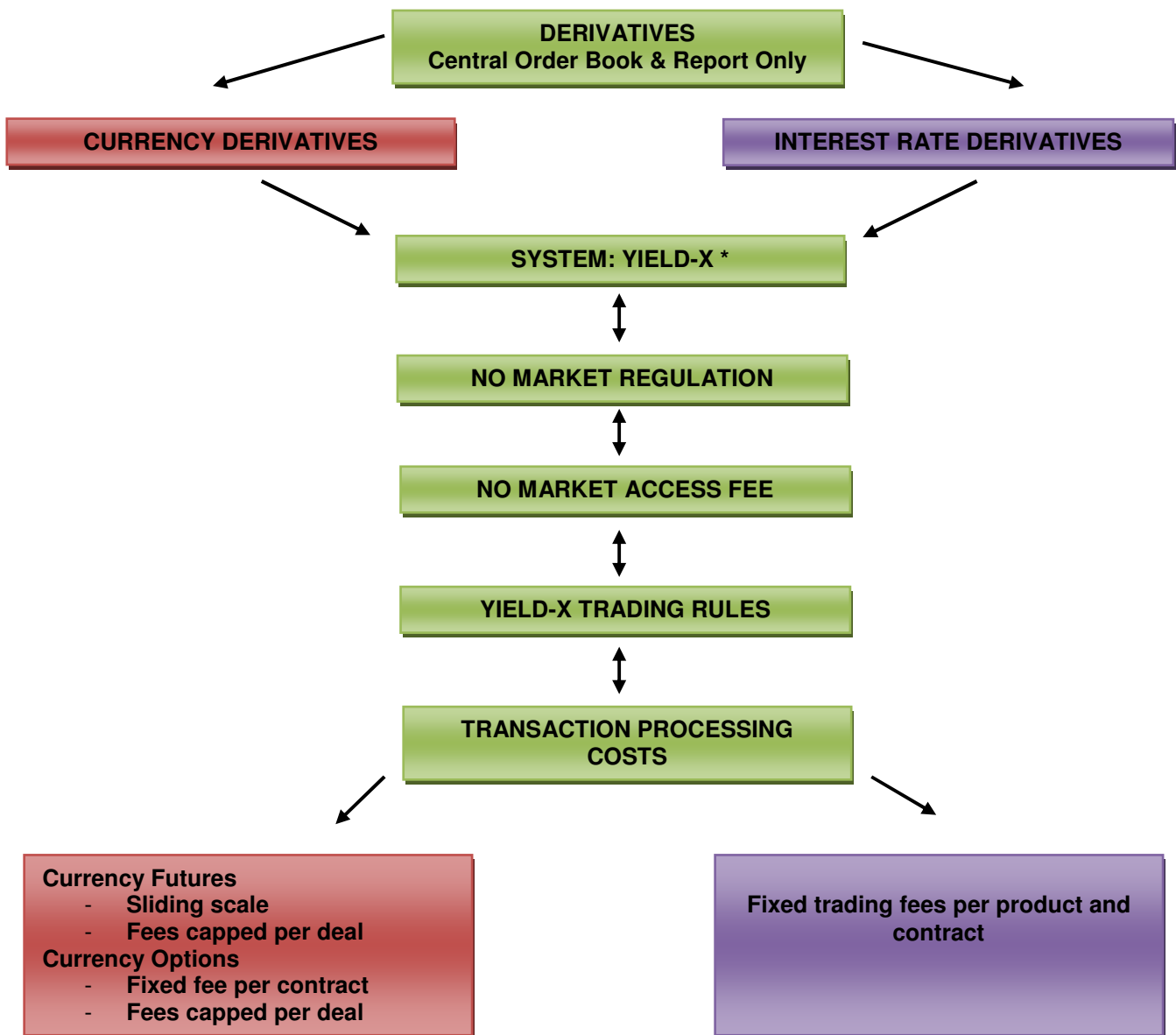
Until such time that the listing requirements have been merged – there will be two separate listing requirements for debt at the JSE namely; the Listing Disclosure Requirements (Besa) and Section 20 (Yield-X). The issuer will be able to choose which listing requirements they wish to adhere to. The instrument will be listed at the JSE and will be available for report only trading on the BTB platform and also available for trading on the Central Order Book of the Yield-X platform.

New listings and issuances will attract a listing fee as per the sliding scale model.

## 2. SCHEMATIC REPRESENTATION OF BOND PRICING



### 3. SCHEMATIC REPRESENTATION OF DERIVATIVES PRICING



## 4a. BOND MARKET REGULATION LEVIES

*These fees are detailed below and are applicable from 01 August 2009. All fees are exclusive of VAT @ 14%.*

### MARKET REGULATION – BOND REPORT ONLY TRADING (BTB)

These fees are already applicable to BESA members from 01 January 2009.

Fixed market regulation levy	:	<b>R5 000 fixed levy per month per authorised user</b>
Variable market regulation levy	:	<b>15c per million nominal traded, capped at R20 000 per month per authorised user</b>

Total maximum regulatory levy per month is R25 000.

For the purposes of calculating the variable levy, the 15c per million charge is applied to all bond transactions executed and reported on BTB. No distinction is made between spot, repo or other trades.

### MARKET REGULATION – BOND CENTRAL ORDER BOOK (YIELD-X)

Central Order Book trades will be executed via the Yield-X platform at the JSE.

The market regulation fee for Central Order Book trading of bonds (spot, carries & repos) is inherent in the trading fees.

## 4b. DERIVATIVE MARKET REGULATION LEVIES

All derivatives trading, whether it be Interest Rate Derivatives or Currency Derivatives will be executed on the Yield-X trading platform.

The user is not subject to market regulation fees when trading derivatives.

## 5a. BOND MARKET ACCESS FEES

*These fees are detailed below and are applicable from 01 August 2009 and already applicable to Besa members from 01 January 2009. All fees are exclusive of 14% VAT.*

### MARKET ACCESS – REPORT ONLY TRADING (BTB)

#### **R5 000 fixed fee per month per authorised user**

All spot, repo and carry Report Only trades will be booked on the BTB platform.

A fixed monthly market access fee is payable by each authorised user firm registered with BESA. This fee entitles an authorised user to access and trade any of the spot products and services offered by the JSE Ltd, and is charged irrespective of the products traded or trading volume.

All market access and participation fees exclude Strate transactional costs. Any direct fees relating to Strate for any transactions are passed on from Strate via the JSE to the Authorised Users concerned, without adding on any additional fees.

### MARKET ACCESS – CENTRAL ORDER BOOK (Yield-X)

If the market participant is not a member of BESA and only a Yield-X member as at 01 July 2009 – the R5 000 Market Access fee will not be levied to the Yield-X member should they wish to trade bonds on the Central Order Book of the Yield-X platform.

## 5b. DERIVATIVE MARKET ACCESS FEES

All derivatives trading, whether it be Interest Rate Derivatives or Currency Derivatives will be executed on the Yield-X trading platform. The authorized user can choose whether to merely report the trades into the exchange, or to execute the trades on the Central Order Book.

The user will not be subject to market access fees when trading derivatives on the Yield-X platform.

## 6a. BOND MARKET TRANSACTION PROCESSING FEES

Two cost structures exist in this model due to the two offerings available for booking/trading bonds (spot, carries & repos) at the JSE.

**Report only trades will be booked on the BTB platform and incur the following transaction processing costs:**

TRANSACTION PROCESSING – REPORT ONLY TRADING (BTB)				
Tier, based on monthly nominal traded / reported		Fixed fee (per trade leg)	SPOT trades (per million nominal)	REPO & other trades (per million nominal)
Min	Max			
0	R5 billion	R10 <sup>(1)</sup>	Free	Free
> R5 billion	R200 billion <sup>(3)</sup>	R24 <sup>(1)</sup>	R1.20 <sup>(1) (2)</sup>	R0.80 <sup>(1) (2)</sup>

- (1) Trades with a nominal size of R1 000 000 and smaller are free of both the fixed trade leg fee and variable per million fee
- (2) With a maximum limit of R1 500 per trade leg
- (3) Monthly nominal traded **above R200 billion** does not incur a fixed fee per trade, and is charged at 30c per million irrespective of trade type (spot or repo)
- (4) Interdealer brokers (IDBs) are only charged on one trade leg per transaction
- (5) If an authorised user trades less than R200bn nominal in a month, but processes more than 5 000 trade legs in that month, they will receive a 50% rebate of the total transaction processing fee due in that month
- (6) An authorised user's transaction processing fees are capped at R180 000 for the month if and when transaction processing fees calculated in accordance with the above model exceed R180 000 in that month

*The above transaction processing fee is charged monthly in respect of Report Only bond trades executed and reported to the JSE Ltd on the BTB platform.*

**Central Order Book trades will be booked on the Yield-X platform and incur the following transaction processing costs:**

TRANSACTION PROCESSING – CENTRAL ORDER BOOK (YIELD-X)				
Based on monthly nominal traded		Fixed fee	SPOT trades (per million nominal)	REPO & other trades
Min	Max			
0	Unlimited	0	R 2.00	R 2.00

- (1) No maximum limit per trade leg.
- (2) All members (authorised users) have the same fee structure in this model.
- (3) An authorised user's transaction processing fees are not capped in this model.
- (4) All fees are exclusive of 14% VAT.

*The above transaction processing fees are charged daily in respect of spot bond, repo & carry Central Order Book trades executed on the Yield-X platform.*

## 6b. DERIVATIVE MARKET TRANSACTION PROCESSING FEES

All derivatives, whether it be interest rate or currency derivatives will be booked on the Yield-X platform going forward.

TRANSACTION PROCESSING – CURRENCY FUTURES	
Sliding Scale – Number of contracts traded	Trading Fee per contract
1 – 1,000	R1.00
1,001 – 5,000	R0.90
5,001 – 7,500	R0.80
7,501 – 10,000	R0.70
10,001 – 15,000	R0.60
15,001 – or more	R0.50

- (1) The fees will be capped at R35 000 per deal.
- (2) The above fees are exclusive of 14% VAT.
- (3) All members (authorised users) have the same fee structure in this model.

TRANSACTION PROCESSING – CURRENCY OPTIONS	
Trading Fee per contract	
	R 0.50

- (1) On expiry of an "in-the-money" contract will be exercised at no fees. The future will be closed out at R1.00.
- (2) The above fees are exclusive of 14% VAT.
- (3) One option contract is based on one futures contract.
- (4) Minimum of 10 option contracts to be traded at a time
- (5) The fees will be capped at R35 000 per deal.
- (6) Fees will be incurred irrespective if opening or closing position.
- (7) All the above fees are exclusive of 14% VAT.
- (8) All members (authorised users) have the same fee structure in this model.

TRANSACTION PROCESSING – INTEREST RATE DERIVATIVES		
Contract	Nominal	Trading Fee per contract
Bond futures	R 100,000	R 0.66
Index futures	Index level * 10 000	R 6.58
Jibar Future	R 1,000,000	R 6.58
Options	1 option on 1 future	R 0.66
Notes	R 1,000,000	R 6.58
Swaps	R 1,000,000	R 6.58

- (1) Bond futures listed on all liquid government bonds.
- (2) All the above fees are exclusive of 14% VAT.
- (3) Fees incurred irrespective if opening or closing position.
- (4) One option contract is based on one futures contract.
- (5) All members (authorised users) have the same fee structure in this model.
- (6) An authorised user's transaction processing fees are not capped in this model.



## LISTING FEES

Debt instruments, including vanilla bonds, note programmes and commercial paper tranches attract initial listing fees at the time of the initial listing on the Interest Rate exchange at the JSE Ltd, and on-going annual fees in order to maintain the listing.

*The fees detailed below are applicable from 1 August 2009. All fees are exclusive of 14% VAT.*

### NEW LISTINGS AND ISSUANCES

All new debt instruments listed, programmes registered, and tranches issued under a programme attract a listing fee as outlined in the table below. These fees are billed in the month in which an instrument is listed.

Nominal Value of Debt Instrument (R)		Fee per new Listed Instrument / Programme (R)	Fee for tranches issued under a programme (per tranche issued) * (R)
Min	Max		
0	250 000 000	5 000	4 500
250 000 000	500 000 000	15 000	4 500
500 000 000	1 000 000 000	25 000	4 500
1 000 000 000	10 000 000 000	35 000	4 500
10 000 000 000	50 000 000 000	45 000	4 500
50 000 000 000	150 000 000 000	55 000	4 500

\* The first 20 tranches issued under a programme in a year is billed at R4 500 per tranche. The next twenty tranches is billed at R2 250 per tranche, and all tranches in excess of 40 under a programme in a year at a cost of R450 per tranche.

\* The above fees are exclusive of 14% VAT.

### ANNUAL FEE ON LISTED DEBT INSTRUMENTS

All instruments in issue, and listed on BTB or Yield-X, as at 1 January each year (and which instruments are not scheduled for redemption before 31 March of that year) will attract an annual fee for maintaining the instrument listing at the JSE, in accordance with the scale of fees in the table below.

Nominal Value of Debt Instrument (R)		Fixed component (R)	Variable charge (bps on amount in issue)
Min	Max		
0	250 000 000	2 000	0.150
250 000 000	500 000 000	4 000	0.100
500 000 000	1 000 000 000	8 000	0.065
1 000 000 000	10 000 000 000	16 000	0.040
10 000 000 000	50 000 000 000	50 000	0.035
50 000 000 000	150 000 000 000	150 000	0.032

- (1) This annual listing fee is charged on 01 January of each year (except those due for redemption before 31 March of that year)
- (2) All the above fees are exclusive of 14% VAT.
- (3) If the legal entity issuing a bond is already listed either on the JSE Main Board or Alt-X – then the issuer will not be charged the annual listing fees for the debt listing, as the issuer is already paying these fees to the JSE. The issuing company must be exactly the same entity that is listed on the Main Board or Alt-X for the above to apply. This company should have been subject to the listings supervision on the JSE in terms of continuing obligations in order for it not to be charged the Annual Listing Fees twice.

## 8. WORKED EXAMPLES – BOND MARKET

### TRANSACTION PROCESSING FEES

The worked examples in this note are intended to illustrate how the new interest rate transaction processing fees are applied in different scenarios.

*Transaction processing fees are charged in respect of all bond trades reported to the JSE and are applicable from August 2009. All fees are exclusive of 14% VAT.*

#### EXAMPLE 1 – REPORT ONLY TRADES (BTB)

An authorised user firm executes the following bond trades, and reports these to the JSE, in any calendar month

Number of trade legs reported	: 1 514
Spot volume	: R2 467 000 000
Repo / other volume	: R1 345 000 000
No individual trades of R1m or less	
No individual trades of R1bn or more	

#### *Transaction processing fee calculation*

Total value traded in the month = < R5bn (R2.467 + R1.345 = R3.812bn)

**Therefore only a trade leg fee applies**

Number of trade legs x fixed fee = 1 514 x R10 per trade leg

Transaction processing fee to JSE = R15 140

#### EXAMPLE 2 – REPORT ONLY TRADES (BTB)

An authorised user firm executes the following bond trades, and reports these to the JSE in any calendar month

Number of trade legs reported	: 3 624
Spot volume	: R22 467 000 000
Repo / other volume	: R41 345 000 000
No individual trades of R1m or less	
No individual trades of R1bn or more	

#### *Transaction processing fee calculation*

Total value traded in the month = > R5bn but <= R200bn (R22.467 + R41.345 = R63.812bn)

**Therefore trade leg and variable fees apply**

Number of trade legs x fixed fee = 3 624 x R24 per trade leg  
= R86 976

Spot volume x variable fee = R22.467bn x R1.20 per million  
= R26 960.40

Repo volume x variable fee = R41.345bn x 0.80c per million  
= R33 076

Transaction processing fee to JSE = R147 012.40 (R86 976 + R26 960.40 + R33 076)

### EXAMPLE 3 - REPORT ONLY TRADES (BTB)

An authorised user firm executes the following bond trades, and reports these to JSE, in any calendar month –

Number of trade legs reported : 6 756  
Spot volume : R122 467 000 000  
Repo / other volume : R74 345 000 000  
No individual trades of R1m or less  
No individual trades of R1bn or more

#### **Transaction processing fee calculation**

Total value traded in the month = > R5bn but <= R200bn (R122.467 + R74.345 = R196.812bn)

**More than 5 000 trade legs reported, therefore trade leg and variable fees apply with rebate**

Number of trade legs x fixed fee = 6 756 x R24 per trade leg  
= R162 144

Spot volume x variable fee = R122.467bn x R1.20 per million  
= R146 960.40

Repo volume x variable fee = R74.345bn x 0.80c per million  
= R59 476

Total = **R368 580.40** (R162 144 + R146 960.40 + R59 476)

Rebate 50% = R184 290.20

Transaction processing fee to JSE = R184 290.20

### EXAMPLE 4

An authorised user firm executes the following bond trades, and reports these to JSE, in any calendar month –

Number of trade legs reported : 4 756 of which 3 456 were in respect of the first R200bn nominal value reported  
Spot volume of : R122 467 000 000 of which R82 467 000 000 was in respect of the first R200bn nominal reported in the month  
Repo / other volume : R174 345 000 000 of which R117 533 000 000 was in respect of the first R200bn nominal reported in the month  
No individual trades of R1m or less  
No individual trades of R1bn or more

#### **Transaction processing fee calculation**

Total value traded in the month = > R200bn (R122.467 + R174.345 = R296.812bn)

**Trade leg and variable fees apply. However, as total volume reported is > R200bn, transaction values and legs are counted by JSE during the month until R200bn nominal threshold is reached. Thereafter, no trade leg fee applies, and all transaction values over R200bn nominal are charged at 30c per million.**

***In respect of trading volume to R200bn:***

Number of trade legs x fixed fee = 3 456 x R24 per trade leg  
= R82 944

Spot volume x variable fee = R82.467bn x R1.20 per million  
= R98 960.40

Repo volume x variable fee = R117.533bn x 0.80c per million  
= R94 026.40

***In respect of trading volume > R200bn:***

Number of trade legs x fixed fee = 1 300 x NIL per trade leg  
= R NIL

Spot volume x **rebated** variable fee = R40bn x 0.30c per million  
= R12 000

Repo volume x **rebated** variable fee = R56.812bn x 0.30c per million  
= R17 043.60

Transaction processing fee to JSE = R304 974.40

**EXAMPLE 5 – CENTRAL ORDER BOOK (Yield-X)**

**An authorised user firm executes the following bond trades, and reports these to JSE, in any calendar month –**

Number of trade legs reported : 1 234  
Spot volume : R20 000 000 000  
Repo / other volume : R35 000 000 000

***Transaction processing fee calculation***

Spot volume x **fixed** fee per million = R20bn x R2.00 per million  
= R40 000

Repo volume x **fixed** fee per million = R35bn x R2.00 per million  
= R70 000

Transaction processing fee to JSE = R110 000