



The Johannesburg Stock Exchange (JSE) has a well-established history operating as a market place for trading financial products. We are a pioneering, globally connected exchange group that enables inclusive economic growth through trusted, world class, socially responsible products and services for the investor of the future. We offer secure and efficient primary and secondary capital markets across a diverse range of securities, spanning equities, derivatives and debt markets. We pride ourselves on being the market of choice for local and international investors looking to gain exposure to leading capital markets on the African continent. We are currently ranked in the Top 20 largest stock exchanges in the world by market capitalisation, and are the largest stock exchange in Africa, having been in operation for 130 years.

As a leading global exchange, we co-create, unlock value and make real connections happen.

## JIBAR Futures

In the South African financial markets, the **Johannesburg Interbank Average Rate (JIBAR)** is used as the barometer for short-term interest rate movements. JIBAR represents the average yield on bank negotiable certificates of deposit and is independently derived from quotes obtained from a number of banks for one, three, six and twelve month terms. In particular, the 3-month JIBAR rate is used as a benchmark and is quoted as a yield.

The Johannesburg Stock Exchange ("JSE") has listed a **Short Term Interest Rate (STIR)** derivative contract based on 3-month JIBAR which provides an efficient tool for **managing short-term interest rate risk**.

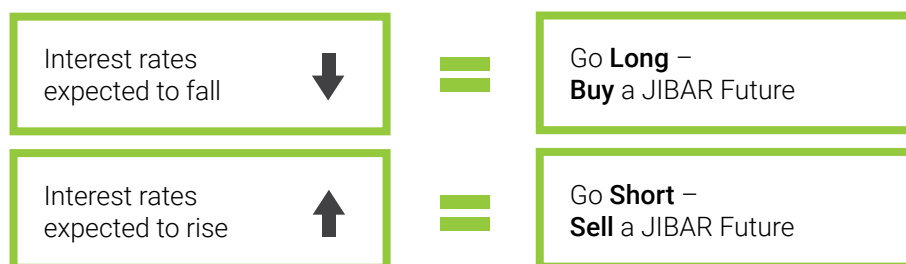
## Defining the JIBAR Future

The 3-month JIBAR futures contract is quoted on a **yield basis**. The **standard contract size** is ZAR 100,000 and the contract value changes by a fixed amount of ZAR 2.50 per basis point (1/100 of 1 percent) per contract. The future has 12 standardised expiry dates on the March, June, September and December quarterly cycle extending 8 quarters ahead plus the 4 nearest serial months such that the 6 nearest months are available for trading. The future is **cash-settled** with the final settlement rate being the 3-month JIBAR fixed rate on the expiry date.

The JSE offers continuous electronic trading with immediate disclosure of competitive prices in real-time via a central order book on the JSE's **interest rate market trading system**. **Market practitioners have access to bid and offer prices on the individual contracts**. This system is responsible for the display of prices, trading and matching of transactions. Subject to certain conditions, transactions may be dealt off-screen and reported to the exchange as report-only trades.

## Trading the JIBAR Future

The JIBAR Futures contract represents an efficient way to obtain exposure to the South African interest rate markets or to hedge against interest rate movements. The behaviour of the contract can be summarised as follows:



A futures position can be closed out by entering into an opposite trade. Thus, a long position can be closed by selling an equivalent contract or letting it expire. The difference between the purchase and sale price represents the profit or loss of the position.

## Hedging rates

Implementing a futures hedge implies entering into a futures position to generate profits in order to offset or cover any losses associated with an adverse movement in interest rates (by implication, a hedge can also generate losses that will offset a beneficial interest rate move). Thus, as an example, a borrower with a floating rate exposure could sell futures to protect against an interest rate increase. Likewise, a lender could buy futures to protect against an interest rate decrease.

## Trading a spread

Futures can also be used to implement yield curve strategies. By simultaneously buying one contract and selling another contract, a trader can look to take advantage of a shift in the relative levels of the yield curve.

## Benefits

- Market provides trading access to the STIR market for hedging, spreading, arbitrage and trading opportunities
- Trading in standardised contracts
- Price transparency within a fair and anonymous market
- Two-way prices provided by liquidity providers on a central order book screen
- All positions explicitly marked-to-market daily. The clearing house calls for initial and variation margin to mitigate the risk.

**For additional information on the Johannesburg Stock Exchange's Interest Rate Products, contact:**

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