

## Settlement-based reporting on non-resident transactions in the listed bond market

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## Introduction of Settlement Reporting

The JSE has introduced a new suite of non-resident reporting for the bonds market that will focus on settled trades rather than reported trades. This complements the existing transaction reporting approach by aggregating the total non-resident purchases and sales of bonds that settle on any given day, regardless of when the original trade was confirmed or reported.

### Trading Activity

Trades in bonds are negotiated bilaterally in the South African market and then reported to the JSE, where they are captured in the JSE's trade reporting system.

This reporting is done by JSE registered brokers of the JSE bond market who also capture the details of their clients should the bonds be traded on behalf of an investor. The investor details include a nationality flag which indicates whether the investor is a South African resident or foreign investor.

### Settlement Activity

Transactions typically settle three days after the trade date, although trades can also be booked for same day or next day settlement. The JSE monitors the settlement process to ensure that for successfully settled trades there is an exchange of the consideration for the traded bonds.

Not all trades settle successfully, and some settlements can be rolled or failed. In this case, there isn't a corresponding trade cancellation reported in the trade reporting system.

## Transaction Reporting

The JSE publishes daily market statistics on all trades that are booked through the trade reporting system. The daily reports reflect all the trades that were reported on the particular day, and include views on individual trades, instrument and market summary views, and non-resident reporting. The non-resident statistics include the total purchases by non-residents, the total sale of bonds by non-residents, and the net amount (i.e. purchases less sales).

## Source of Funds

Non-residents who sell South African listed bonds can choose to reinvest the proceeds into the debt capital markets, switch to a different asset class or an unlisted instrument, or to re-patriate their proceeds out of South Africa. Similarly, a purchase of bonds by a non-resident does not necessarily imply an inflow of investment funds into the country.

## FAQ

Q: Are the transaction-based non-resident reporting numbers incorrect?

A: No. The transaction-based reporting remains the most accurate reflection of trades that are reported on the JSE's markets on a daily basis. Trades reported on the standard spot settlement cycle of T+3 will reflect in the transaction-based reporting on trade date, but in the settlement-based reporting only three days later.

Q: Why do some trades not settle?

A: Trade clearing and settlement is a structured process that requires the various parties to provide commitments around physical bonds or cash delivery. Where it is not possible to confirm these commitments within the framework, counterparties may roll or fail their settlements. The number of impacted trades is insignificant compared to the total activity of the market. However, those trades involving a non-resident counterparty have a far higher likelihood to be rolled and, therefore, the impact on non-resident statistics in particular is significant.

Q: What is the difference between the transaction and settlement reporting?

A: The primary driver is trades that do not settle and are, therefore, counted in the transaction-based statistics and not in the settlement-based statistics. In fact, a trade that rolls settlement may be re-reported on the trade reporting system the next day, effectively resulting in “doubled-counting” in the transaction-based reporting.

The second difference is one of timing – transaction-based reporting is aggregated based on the date that each trade is reported, whereas settlement-based reporting is aggregated based on the date that each trade settles.

The third difference relates to back-dated transactions, and back-dated cancellations in particular. Transaction-based reporting can reflect trades that have been booked but may potentially be cancelled prior to settlement. These trades would only be included in the settlement-based reporting on the date that the bonds and the consideration change hands, where after it cannot be cancelled. As such, settlement-based reporting cannot have any back-stated changes or restatements of historical data.

Q: Who captures the nationality of the investor?

A: An investor is a client of the JSE member, who is responsible for the accurate capturing of that client's residency status in the JSE trade reporting system.

Q: Which data series should I use?

A: Traders and market participants that want to track trading activity should continue to use the existing transaction-based reporting. Analysts, policymakers, economists and market participants that are concerned with longer term trends on non-resident activity in South African markets should use the new settlement-based reporting.



The new settlement reports will provide total non-resident purchases, sales and net purchases for the total market and individual bonds. The data is available on a subscription basis from the JSE and will be produced in daily, weekly, monthly and year to date variants. Totals are provided for all trade types together, and separately for standard trades.

Sample files and history are available on request. For additional information on the non-resident settlement reporting contact:

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