**Bond CCP Settlement Management impacts-20241118\_090346-Meeting Recording**

November 18, 2024, 7:03AM

1h 9m 10s

 **Nitesh Kumar** 0:03  
Some of those changes that we have we're gonna discuss today pertaining to that one straight. We have already had a few discussion with straight and we have agreed.

 **Teresa Kloppers** started transcription

 **Nitesh Kumar** 0:13  
Principally on those changes, however, we want to discuss those changes with CSDP participant as well.  
Yep. So before we discuss the agenda for today's session, the few housekeeping things, if you have any queries or feedback or comment during the session, you can raise your hand or put through your comment through the chat window.  
Those we will discuss those queries as we progressing through the presentation.  
We are also recording this session for our future references and for our stakeholders who could not attend the session today.  
These slides and the recordings recorded session will be available in our bond CCP client portal.  
For member or stakeholder to access it in future for future purposes.  
Right then.  
So without any further ado, let's let's look at. Sorry, can you see the slide here? No.

 **Hemash Kala** 1:08  
It's just please share your slide.

 **Nirvana Sewmungal** 1:16  
It.

 **Nitesh Kumar** 1:17  
So so I'm savings.  
Right now.  
Slide now.

 **Vaneshri Chetty** 1:29  
Yes, we can see it now.  
It is. Thank you.

 **Nitesh Kumar** 1:31  
So without further to let's look at the agenda for today's session.  
So what we will do that we will start our today's session with looking at the current trade and settlement flow for the IRC and ETP market.  
We will look at what, how if there is any, what are the impact on those trade flow?  
In the bond CCP solutions, we will quickly go through the settlement timeline for the for the clear CCP clear trades.  
And then on the item four, that is the key item for today's session. We will discuss all the key changes pertaining to straight and CSDP related to the bond CCP solution.  
Yeah. We will also look at the trade cancellation and trade Recon process changes that we.  
Think may have some impact on straight and csdps and at the end we will. Our colleague Ganeshri will take us through the overview of security collateral services that we will be introducing as part of the bond CCP project.  
For IRD and cash bond market and we'll discuss some of the key impact items for the CSDP and straight related to the security collateral services.  
If all good, we can proceed.  
To our slide, yeah, so.  
This is our. So we want to go through this bilateral settlement flow as we all want everyone to be on the same page and let's look at how this current bilateral trade and settlement pro work in the reported market.  
As you know that all the trades traded locally in South Africa.  
Or gets reported.  
To JC trading system called neutron.  
So both member, they submit their trades to the JC system, JSE validate those trade and then the trades get matched trades get sent to Strate for their further validations.  
So straight provide the do the further validation on the trade and once the validation is successful straight generate a straight trade leg number and also they send the acceptance status to the JSE.  
System to JSC straight then also send those.  
Confirmed trade to CSDP for the settlement Allegement.  
So, and all these trades are sent via Mt messages or swift messages, and those swift messages will remain same in.  
What we use currently, they will remain same in the bond CCP solution as well.  
So once the straight once the trade is confirmed by straight and straight by csdps, then CSDP responsibility is to.  
Making sure that as the settlement date approaches for those trade, those dates should get committed and they use back-to-back link process as well to to get those trades committed and and on the settlement day.  
Straight creates a settlement groups and if all the trades are committed in those settlement groups then settlement straight runs the settlement process on the settlement day and those trades get settled.  
And this and the settled status updates gets disseminated to the relevant.  
Stakeholders.  
So this is all overall the current trade flow look like in the bilateral process.  
Let's look at now the trade flow for the ETP market.  
So as you know that this ETP platform is is a central order book trading.  
It's only applicable for all the 9PD members.  
And it's a anonymous trading platform.  
So all any so any trade executed on MTS platform, it is sent to both straight and to JC currently.  
Both the both JC and straight receive those trade once it is matched in the ATP platform. In this case trades.  
Validate again.  
Do certain validation on those trade and then once the trade gets validated successfully, they send the trade confirmation and and along with this trade trade leg number for those ETP trade to JSE as well as those trades are forwarded to CSDPS.  
Yeah.  
And then rest of the settlement process for the ETP trade.  
Is similar to what we have in the reported market. The only difference is here that the ETP trade, since it is guaranteed by National Treasury, they have a higher, they have the higher prioritization in the settlement process.  
So CSDP need to prioritize the settlement of this ETP trade and.  
Yeah, and and and if if they if we will look at the exceptional handling process for ETP trade as well as we go along. But if the trade is, if the Member does not have any, if there is an issue with the settlement process with in any of.  
The other market meet IRC and OTC market CSDP needs to prioritize the settlement of.  
The ETP trade.  
Is there any questions before we move forward on the current settlement trade flow for IREC and ETP trade?  
OK, so from the trade flow perspective, the key impact or key changes in the bond CCP solution?  
Is that going forward?  
Straight will not be receiving the MTS trade directly from MTS platform.  
So that that's the key changes that we see from this, from the trade flow of ETP trade in, in the bond CCP solutions, so ETP trade.  
Will be now forwarded to straight via JC.  
JC clearing system.  
So JC will will be receiving the ETP trade as they do currently, and we will do all the Novation checks as we have discussed in our previous session and once the trade is successfully validated by JC Clearing system, ETP JC will forward the ETP trade to straight W.  
MT541 and and three messages.  
We use the same MT5413 messages for.  
For for the reported market trade, we will use the same.  
Messages for the ETP trade.  
While sending two straight and then straight will.  
We.  
Doing their validations as they do currently.  
And one one upon the successful validations straight will provide generate the straight trade leg number.  
And provide that confirm confirmation status back to JC, and once the trade is.  
Uh, well, it's successful.  
Validated it straight the flow to Csdps will remain same.  
So CSDP will receive that those trade through the same MMT 586 messages that they currently receive from strict.  
So from Cstp perspective, there will be no impact on from the trade flow perspective. However, we will look at some of the field changes.  
Minor field changes.  
On the MT541 and three messages and 586 messages.  
For the ETP trade, we will discuss that in the for the slides.  
I'd like to pause here.  
I want to just give feedback from straight if you if they are fine with that. We already discussed this item with them and then we are in agreement on the trade flow for the ETP trade.

 **Chester Page** 10:09  
Oh yeah, we're in agreement.

 **Nitesh Kumar** 10:11  
OK.

 **Chester Page** 10:12  
Thanks.

 **Nitesh Kumar** 10:14  
Thank you.  
Right. So let's look at the how the settlement and trade flow will look at in the.  
Bond, CCP solutions.  
So as part of bond CCP solution, just to reiterate there, there is no.  
Major impact on the settlement process, right?  
So as part of this CCP.  
CCP solution what we are introducing is this clearing member.  
Or risk management layer through the clearing member.  
So in the in the CCP solutions.  
Is trade will still be reported through neutron and the MTS trade as I I explained earlier that MTS trade is also get feed into the JC trading system and it will we get both the trades will get novated at J at JC clear up in the bond C.  
Solutions and the one trade is validated it will be get forwarded to straight and straight.  
Straight will follow the same validation process as they do currently.  
And they would generate the trade leg number, and once the trade is validated successfully and those trade will be decimated to csdps and the trade status will be, you know, shared with the JC clear system.  
So all the process related to the downstream system straight in between straight and csdps will more or less remain same and also important point to note that the trade that JC will be sending to straight will still be in the gross.  
Basis so JC clear will not be netting those trade. So then that means that there the trade will be.  
Will be sent to CSDP and straight in the gross trade basis as it is currently done and and there is no additional empty messages as part of Monster CP solution.  
So whatever the empty message is currently applicable.  
We'll go through those list of empty messages in the future in the following slide.  
But those empty messages will also remain same. As I mentioned, there are minor changes on some of the empty messages pertaining to the ETP trade will go through it now, but those change are also.  
Very minimal as we understand with our discussion with straight.  
Any comments or questions on the CCP? The trade flow?  
That's another point I wanted to add is that as we're introducing clearing member.  
As part of one CCP solutions, so all the status of that which gets updated here.  
In in our during our settlement process, all those status is direct in real time basis that will be shared to the clearing Member as well. So so clearing Member system will also have the will will be updated with the live real time settlement statuses for all the trad.  
And another important point to mention here is that in a Pont CCP solution, you know theoretically there is no direct link between CSDP and clearing member.  
However, if if a member if if a trading member uses in most of the cases trading member may choose this, their the Member and their respective CSDPS to be the same.  
But theoretically it could be different as well. Clearing member and CSDP, they may.  
They may have, you know.  
Choose to have some kind of.  
Reporting or direct link between CSDP, to facilitate the settlement process.  
However, in in theory in the CCP solution there need not to be a direct link between CSDP and and the clearing member.  
Himesh do you want to add some comment on this?  
This. Yeah. Let's. Let's hear from Beverly Hemash and then we can chat about it.

 **Beverley Furman** 14:48  
Sorry, nitesh. Maybe Hamesh could have gone first.

 **Nitesh Kumar** 14:49  
Yes.

 **Beverley Furman** 14:51  
There's just one question now I wanted to explain for the audience so that there were, if you look at your diagram right at the top, you see that the trading venues, either the JZ or MTS.  
So to explain to the CSD PS, just because I want to make sure that they are aware.

 **Nitesh Kumar** 15:09  
Mm hmm.

 **Beverley Furman** 15:10  
That is, that is then both for IRC and ETP trades.  
So when when that comes down to?

 **Nitesh Kumar** 15:16  
Yeah.

 **Beverley Furman** 15:19  
The CCP.  
And then #2 to straight, can you explain to the audience how they will be able to identify the difference between an IRC trade and an ETP trade?  
Because, as you said, ETP trades have to be prioritized.  
There's different protocols around it, so if you could explain to the audience how they'll be able to identify the difference between RSA and ETP, even though it's not coming through one channel.  
Thank you.

 **Nitesh Kumar** 15:47  
Yeah, thanks, Beverly.  
Yeah, we had for the slide to explain that. But yeah, I can explain in this slide as well.  
Yeah. So.  
So what will happen in the bond CCP solutions?  
So when so bond CCP solution will receive the traits from both neutron and MTS ETP trade.  
And and we will be doing. CCP will be performing the validation checks on both the trade, so and then we will forward that trade on #2 to straight through MT541 messages.  
So in in 541 messages there will be certain fields that we will discuss now. But yeah, those fields are guaranteed flag.  
And the bpid code or the OR the big code.  
Mainly these two fields will be used to distinguish whether it is a ETP or or it's is trade.  
So in MT54 going forward currently for all in the current.  
The current process.  
For ETP trade guaranteed flag in in both 586 messages or MT541 is marked as Y.  
So that's the key field to distribute, whether it is a ETP and RC trade.  
Along with that, as we understand, market participants also use bpid code. Umm uh to distinguish uh. Whether the trade is coming from.  
IFC market or?  
Or the ETP market trading platform?  
So both the fields will be still be applicable will be available in the in the bond CCP solution.  
However, in going forward for the in the IRC market, if a member choose to clear a trade, they will also.  
For those trade those guarantee flag will also be marked as Y.  
So in the RC market market participant will have an option to choose to clear trade or not and if they choose to clear those trade, then for those trade you will see in the MT541 messages the guarantee flag will be marked as Y going forward.  
Yes, amesh seema.

 **Hemash Kala** 18:01  
I think that's correct. Thanks, nitesh.  
I just wanted to sort of emphasize the point, I think in the current model.  
There is a business principle around prioritization of ETP trades. I think the fundamental change that's happening here is that it's not the prioritisation of settlement is not happening for clear trades.  
Etp, all ETP trades will become cleared. So that would remain the same.  
The prioritisation will remain the same, but as Nitesh mentioned, what's happening here is that for the IRC market.  
Trades that are not that are executed bilaterally and reported to the neutron system.  
The Members will have the option of clearing those trades or or continuing to settle that bilaterally.  
So the big difference here is that going forward.  
The prioritization of settlement will be for all cleared trades, not just for ETP trades.  
It'll be for all clear trades and and what he as Nitesh, will go through the presentation, he'll show you that the indicator that we're using the Y indicator, the guaranteed indicator.  
That indicated now to tell us whether the trade is being cleared or not.  
So it's a business principle change rather than a system change.  
It's the understanding of what that guaranteed indicator, yes or no is actually, meaning that's changing, not necessarily system change.

 **Nitesh Kumar** 19:27  
Yes, Beverly, you can go ahead.

 **Beverley Furman** 19:31  
Thank you, Umesh, for that explanation.  
So again, if an IRC trade comes through to a CSDP and it's a cleared RC trade, it too will have the guaranteed indicators.  
Yes. So in the event of failed trades management or potential failed trades management, I assume that the JC has then liaised with National Treasury and the SAB regarding the ETP principles.  
Where ETP trades have to settle by two O clock and if.  
There is a such shortage.  
Is it that the Member or the PD will approach JC clear now and not National Treasury in Saab?  
So I'm assuming that the JC will then manage the land of last resort principles around ETP with National Treasury and SAB because the csdps won't see that.

 **Hemash Kala** 20:25  
That's correct, yeah.

 **Beverley Furman** 20:27  
So that that entire ETP operating model and the changes to that will be something that the JC has discussed with national Treasure in Saab, correct?

 **Hemash Kala** 20:39  
So the fundamental difference is that.  
The well, it's not really a major difference is.  
That in the event that there is today in the ETP market, of course, National Treasury stands as lend of last resort, meaning that if the Member doesn't have stock to cover or short stock or short cash, then they can go to solve and get the stock in cash.  
And the \*\*\* will always national treasure, and so will always be the lend of last resort going forward.  
And that's just for ETP.  
Going forward, that principle will be applied for all clear trades.  
So what'll happen is if there's a member that doesn't have the cash or the script by that 1:00 sort of period, they will be forced to go to firstly their caring member, and if they're clearing member doesn't have the stock, the clearing member will go to a.  
Repo back-to-back repo or the clearing member's desk will go back-to-back repo with sod like they do today.  
And then provide that to their member to their client.  
So the same principle applies.  
And so we have been chatting to solve around this and they will still continue to be the land of last resort to all the clearing members and their PD banks.  
Well, at least they're PD business.

 **Nitesh Kumar** 22:13  
You can go ahead.

 **Botha, Celeste** 22:16  
Hi I just want to make sure that we are all on the same page so.  
We you keep mentioning that there will be priority placed by the CCPs for the settlement process for these transactions. But I think as they've mentioned, it's only if failed trade management kicks off that there's any sort of priority applied to these transactions because in our systems we've got.  
Auto commits and on our side we will commit transactions as they come in.  
We don't commit to ETP or to clearing trades.  
Before all of the other trades that we have in our system.  
Or for example going uncommit to a future try to recommit to something so we just need to be clear on that principle that the csdps do not apply prioritization on these transactions during the commit process.

 **Hemash Kala** 23:10  
It's the prioritization is mainly when in the event of, you know, unsettling those sorry when there's failed groups and we need to make sure that the ETP trades go through.  
That's the time prioritization kicks in.

 **Nitesh Kumar** 23:34  
If you don't have any further question on this slide, let's move.  
Let's move to the next one.  
So again, this is again what Kimesh was explaining earlier.  
So let's look at the settlement timeline for the clear trades from the settlement timeline perspective, there is no impact.  
There's no change as such.  
Responsibility of the CSDPS will remain same to commit the trade before the settlement date of of the trade. So so.  
CP currently they make sure that the trace gets committed before on S -1. If the trade in case is not committed by 7:00 PM on s -, 1 our Settlement Authority team imposed penalty to the trading members, that process will remain same.  
And and on the settlement day.  
Of of as before the settlement get triggered at Strate, the CSDP commits become unconditional.  
And then the settlement process, you know, begins from morning, I think, I think 8:30 at Strate.  
So that process also will remain same.  
And the exceptional handling process, if let's say some of the trade which are not committed by 3:00 by 1:00 PM, there is exceptional handling process.  
Kicks process kicks in where the inbound CCP solution, either cm or the team they need to source those trade.  
Via National Treasury.  
Through certain authority or JC settlement authority so that exceptional handling process kicks in from 1:15. So those all these process will remain same.  
Going forward, as is, only the change will be that now in the prioritization, as Himesh mentioned and we discussed, now CSDP have to make sure that they've been there is required in case of any failed trade of failed group.  
It it will be for all the clear trades rather than on the ATP trade.  
In this, these slides explain what happens during the exceptional handling process.  
So during the exceptional handling process currently.  
If there is any, if there is any unstable group, those groups gets unlinked and and then currently only ETP trade get isolated for settlement. But going forward it will be all the clear trade.  
Will have the prioritization and.  
I'm guessing that.  
Straight creates a new settlement group pertaining to those.  
Etp trades only and making sure that those trades gets prioritized for the settlement in case of exceptional handling.  
In terms of the responsibility for CSDP would be that if there is any covered trade.  
Booked pertaining to those failed, you know, trade to so CSDP will administrate administer those.  
Cover trade and making sure that those trade which are actually a same day trade gets committed as soon as they booked so that the settlement process.  
Straight can run the final settlement run on for those covered trades as well.  
Check in with my colleague Hemant here.  
Hemant, is there anything that you would like to add on this slide?  
Any impact any if there's any impact on CSDP?  
On the settlement exception handling process.  
Or or.

 **Hemant Bhika** 27:39  
Oh, I think you've covered dutation. I think it has also discussed previous comment in terms of the the commit status and what will happen from a cover perspective et cetera.  
So all that was already covered. Thanks.

 **Nitesh Kumar** 27:59  
OK, OK.  
Let's look at before we move on. The key changes on some some of the key changes we will discuss on empty messages. Let's look at.  
We have put a slide together to show that all the empty messages that are relevant.  
In the settlement process for the cash bond market, they will remain relevant for the clear bond market as well.  
So so if you look at.  
All these trade for the trade accept acceptance.  
JC sends this Mt 54123 messages currently two straight that will remain same.  
We discuss the changes with straight on the guaranteed flag.  
And the trade leg number for the for the cleared IRC and the ETP respectively.  
So we'll discuss it a little bit more detail in the following slides.  
Straight will keep sending the same FF548 and 598 messages for acceptance or rejection of any trade messages.  
Trade confirmation.  
The 586 message that straight sends to CSDP also will be the same, that that that will be small changes we'll discuss again.  
So. So what?  
What's the purpose of this slide to just show that all the messages that flow for all these trade status update or cancellation will more or less?  
I mean it will remain same.  
There is no change as such.  
In this diagram, we haven't sown some additional status. Intimation empty messages we just transmitted between, you know the system.  
Those.  
I mean those status messages get suppressed either at JC and straight.  
But yeah, but those will also remain same.  
In the bond CCP solution as well.  
OK.  
Let's move on to the slide that we want to discuss.  
Spend more time today.  
So this is the summary slide for all the changes relevant to csdps and straight.  
We would like to mainly focus on the changes on the CSDP today, so let's jump in now.  
So we have already discussed about the trade flow.  
With for the ETP trade and we have agreed, we have an agreement with straight all the changes required.  
On the ETP trade flow?  
So let's look at this trade trade leg number. So currently straight generates the straight trade leg number for both ETP and IFC trade.  
And there are there is a different logic applied.  
For generating this trade leg number.  
As currently trade receive those trade from MTS and from the JC.  
Respectively.  
So for IC trade.  
Strate generates a trade leg number using a JC Exchange reference number that we that JC generates.  
However, for straight trade leg number straight uses.  
Some logic to concatenate no MTS trade ID and trade date to generate this 10 digit trade leg number.  
So what will happen in the?  
Future state straight will don't need to apply a separate logic to generate the MTS ETP trade. They can use the same logic as they do for the reported trades currently.  
So the trade link number.  
Will be generated using the same logic as straight users for the reported trade.  
And those trade leg number of get assimilated to CSDP in the 586 messages.  
Particularly in the 70 E tag in the 586 messages, the trade leg number gets is it's populated so from from the CSDP perspective as well, there is no technical change as such.  
I'm not sure we we can. I mean CSDP team can confirm if they have a separate logic on using the trade leg number that for the ETP trade that currently sent by STT by a straight, sorry.  
So the question for the for, for CSDP is that do you?  
That's changing the trade trade.  
Does the change in the logic for generating the straight trade leg number has an impact on their side?  
Does it impact any trade Recon process they run with the CR with?  
The trading members or primary dealers?  
We would like to hear from our CSDP participants.  
Yes it is.

 **Botha, Celeste** 33:09  
I'm sure if you wanna go round each ESCP or are you just asking in general, but for RMB there wouldn't be any change there. If Strate changes the logic, we would still just pick up that field and apply the order number.

 **Nitesh Kumar** 33:25  
OK. Yeah.

 **Botha, Celeste** 33:25  
Wouldn't be a parent to us.

 **Nitesh Kumar** 33:34  
Yes, debro, you can go ahead.

 **Billings, Deborah DG** 33:37  
It's the same applies to us as long as that number is unique, it shouldn't have an impact on our systems either.

 **Nitesh Kumar** 33:45  
OK, that has been our understanding as well on the straight deadline number should not have any major impact to CSCSD PS:.  
Yes, you can go.

 **Fransman, Fagmieda [SVCS]** 33:59  
At the same time, the fly from a city back perspective.

 **Nitesh Kumar** 34:02  
OK, OK.  
So overall yeah, that's it. Looks like that there should not be any impact on as such on the change on the trade leg number logic, OK.  
Let's move on to the next field.  
It's a guaranteed field as you mentioned. Going forward, the guarantee flag field will be populated with Y for both IRC clear trade as well As for the ETP trade as it is currently populated with.  
Yeah. So we just wanted to understand from CSDP whether I'm, I'm sure that you would be consuming this flag and I'm not sure whether this flag currently being used for any prioritization purpose or do you use any other field currently to?  
Or prioritize ETP trade?  
We would like to hear from Csdps member as well.

 **Speaker 1** 35:10  
Great. Apologies.

 **Nitesh Kumar** 35:11  
Yes, it did. Yeah.

 **Speaker 1** 35:13  
Sunday. So I'm I'm not 100% sure, but I think the team actually work on the order.  
Idi think it's a bit different and I think that's what they use in in the event that they need to uncommit to something to recommit. Thanks.

 **Nitesh Kumar** 35:29  
When you say order ID, is it a straight trade leg number, right?  
So that's what I mean. Yeah, OK, but yeah, but going forward, I think the key changes would be from the business operating process for csdps that they should rather use the guarantee flag. Why?

 **Speaker 1** 35:33  
Yes, yes.

 **Nitesh Kumar** 35:49  
Or yeah, to to in the prioritization processes.  
So that would be perhaps within a minor impact from the to the Csdps going forward because the order ID will be going forward will be saved for both ISC and ETP trade.  
So if you have to do, you have to use the guarantee flag.  
Going forward.

 **Speaker 1** 36:18  
So, so that might not be a a change in reading or consuming the message, but it's going to be a change if you require us to actually use it as a priority and that'll be a a huge change.

 **Nitesh Kumar** 36:36  
Yeah, I mean, I'm not.  
Yeah, I mean that's the I think the one change that we envisage, I mean part of this solution.  
Is there any other way we can identify a trade ETP or clear trade in the system that we can discuss it?  
But yeah, but going forward guarantee flag will be the key field for distinguishing whether that the trade should be prioritized for clearing or not.  
Yes, debro.

 **Billings, Deborah DG** 37:10  
Just from standpoint of you, we do use the guaranteed flag. You know in our calculations for our back to backs.  
So, you know, in terms of the priorities, if the trades are guaranteed, it will definitely go into our back-to-back link.  
As opposed to trades? That's not guaranteed.  
That's the impact from our side.

 **Nitesh Kumar** 37:39  
OK, so as I understand there could be some impact on CSDP on the prioritization and that's the only impact that we as part of bond CCP we have normally discussed many times.  
So yeah, CSDP have to.  
Assess this impact on their side and and do the relevant changes in their system as well as the in the operating process on on the prioritization of the clear trade.

 **Hemash Kala** 38:06  
I think we must just be clear here.  
I think the prioritization.  
The way prioritization works today will remain the same.  
Meaning that ETP trades today are prioritising.  
Maybe at 2 levels one can say the first level is certain.  
Csd PS may be prioritising it prior to.  
The sort of exceptions handling process at 10 clock.  
Others may not be doing as sort of, as Celeste mentioned, the armies are.  
They don't do anything until.  
That sort of 1:00 period comes in way straight off. Seems to break links and then regroup all the clear trades or trades marked with the Y.  
Guaranteed indicator Y so.  
What we are not saying is that there should be any major changes, whatever process you follow today, that should be sufficient.  
The only difference is we saying for trades that are marked as Y going forward they would still have the same level of prioritization as you do today.  
And that will include both ETP trades and a certain subset of RSA reported trades.  
That's what we say.  
So I think.  
Each team must just go back and look at that and how they do today.

 **Nitesh Kumar** 39:21  
Yep, exactly. Yeah.

 **Hemash Kala** 39:22  
But there shouldn't be any changes to how you prioritize trades. It's just.

 **Nitesh Kumar** 39:37  
OK. Is there any other further comment on this item or feedback?  
Yeah.  
And then yeah, the next item.

 **Botha, Celeste** 39:47  
Think, sorry, I didn't mind it, but I think it's just important luck in my ship.  
We need to go and investigate.

 **Nitesh Kumar** 39:52  
Yes, exactly.

 **Botha, Celeste** 39:53  
We can't make a call now in the meeting.

 **Nitesh Kumar** 39:56  
OK.  
Yeah, that's that's what something we also wanted to raise in today's session. I think the changes to back to CSDP is actually the pertaining how they use this guarantee flag and then CSDP needs to assess that impact on their side.  
Yeah. On the settlement priorities.  
That's also cover over the third item, the settlement priorities as we discuss.  
Then and the and the other two item BP ID and big code we just have. We have included here just to mention that those will remain same as they are currently being used in the RC and ETP market.  
So there is no change.  
We'll still be using two different BP ID code for IRC and ETP trade.  
And same with the big code that's being gets populated in the Mt messages.  
It will be remain.  
Same for ATP and IRC trade.  
And we have discussed this change as well with the straight and then we all are in the agreement with the, with the BPID and the big code as well.  
So let's look at the trade cancellation process.  
So there is this minor changes on this impact on straight, which we have already discussed with them in our previous session with them separately now for the ATP trades since there will not be any link between MTS and straight, any trade cancellation process.  
On the ETP will be processed.  
By JC there is there is already a rule for how the trade cancell should will.  
Is cancelled today, which requires umm approval from our market regulation team, UMM. And once the market regulation team approves the cancellation, umm for the ETP trade, those.  
Cancellation status gets those.  
Cancellation status gets processed at MTS and JC.  
So going forward, JC will have a slide for yeah.  
So JC will be sending pipeline 8122 message to straight for ETP.  
It cancellation request straight will process those cancellation request uh and then they will either.  
Cancellation is successful and then the cancellation status messages will be sent back to JC and the same message is scheduled. Status will be get disseminated to csdps forward.  
So CSDP should not have any impact, however, from the straight side.  
They will be receiving the cancelled status for the ATP trade from Jac in the bond CCP solution.

 **Speaker 1** 42:47  
Sorry, please go back to the previous slide quickly if you don't mind.

 **Nitesh Kumar** 42:50  
Yeah.

 **Speaker 1** 42:51  
All right.  
Sorry the the one before I had mentioned that there's a change in the order Idi mean to say the bpid.  
Apologies. That's how we determine. Thank you.  
The difference between the ETP? Thanks.

 **Nitesh Kumar** 43:04  
Yeah, yeah.  
OK.  
So yeah, I mean straight.  
I mean, we have discussed this thread cancellation process impact and there is no such concern from Strate for this process and there is no impact on CSDP as such.  
Let's look at the trade record process.  
That's we want to spend way of few minutes on that.  
So straight currently.  
You know for the ETP market, we run.  
A three-way Recon process between JC and MTS.  
Straight and JC and MTS and and straight. So going forward since.  
Straight will not be receiving those straight from ETP, from MTS platform, then that there's no need for doing the trade trick on process between MTS and straight. The Recon process between MTS and JC and Jason State will continue to run.  
We have there is small minor changes that we discussed with straight on on adding a clear flag to the straight file that.  
Being shared with Jac currently, and we have agreed with those changes.  
And these and the rest of the trade to composes, should run as it is from the CSDP side, we would like to understand their current trade Recon process with the PD members.  
Especially for the ETP trade, do they use the order ID currently for the ETP trade?  
That, no, there's a separate logic for ETP trade or trade leg generation.  
Do you do CSDP use that use that?  
A field for the trade Recon with PD members will have any impact you would like to hear from our CSDP member.  
As well.  
I don't see any hand, but yeah, I mean I would we would like to request you to just look at your the trade record process that you currently run with the PD member and please confirm with us if if there is any impact on their your side in.  
Terms of using.  
Particular trade ID that being currently used will have any impact on the trade Recon process, but from the csccp perspective.  
In this slide, what I have, we have shown that.  
The various IDs that being shared among the members as part of one CCP solution that can be use it for the trade Recon process. So in at MTSMTS they generate their own trade IDs and and and the trade timestamp that being that that.  
We shared with the bond, CCP, JSE we use.  
We'll be using that ID for trade Recon process between.  
MTS and and JC.  
Between between JC and straight, we.  
We we use.  
We will be using the straighted number for our trade for our trade Recon processes that J straight that generates that trade leg number we that will be used between state and CSDP. Again trade leg number gonna be the key for trade Recon process that can be used and.  
As part of Bond CCP, we will be publishing these I DS to clearing member as well as the trading member. Being this call is JC Exchange reference number.  
We will be also sharing the MTA straight ID as well as the straight red leg number to our clearing member, so if any trade Recon process needs to happen between the Members, these IDs can be used can be used.  
SLS.

 **Botha, Celeste** 47:03  
I I think and I might be wrong here, but I think.  
The impact with Mobi on the member side because the Recon is done by them, so we would send what we have and they would reconcile back to whatever trade legs they've published or whatever they received back as flow.  
So have you checked with them that there's no impact on the east side for recons or is that still in your pipeline?

 **Nitesh Kumar** 47:32  
So we have discussed this Recon process in one of our previous market working group session, but we haven't discussed directly with any of the trading member yet how this their process will run.  
But yeah, we can engage with them and see if there is any potential concern or an impact on their side.

 **Botha, Celeste** 47:48  
No.  
OK.  
I think that's important because the Recon would would be done by them. We would just feed them the trade we received from Strate.

 **Nitesh Kumar** 47:52  
No.  
OK. Yeah.  
We will check with them as well in our new one to one meeting. If you have with them. Yeah. Thanks, Alice.  
That's bringing us to the end of the 1st, 6th item point.  
I will hand it over quickly to our colleague Vaneshri.  
I see we are running out of time, but let's see if we can pull it off.  
Rest of the slide in 10 minutes or else we'll have a separate session to discuss this collateral security collateral service. Yes, vaneshri, I will hand it over to you now.

 **Vaneshri Chetty** 48:33  
Thank you, nitesh. Good morning, everyone.

 **Nitesh Kumar** 48:34  
Yeah.

 **Vaneshri Chetty** 48:35  
I'm going to go through the Securities collateral service.  
Just a note that this is an existing service that JSE clear offers to trading members and clients that has positions on the derivatives markets.  
So there shouldn't be any impact from acsdp perspective, because we don't foresee any changes in respect of the messages that straight users to send the trades to CSDP.  
In the further on in the slides, we'll go through those messages which you would receive during the process as well.  
Where? So don't foresee any changes from a straight perspective in respect of their systems, because as I mentioned, this is an existing service. If it just go to the next slide, Nitesh. So just some background in respect of what the Security Service entails. So currently on the D.  
Markets.  
JSC clear will calculate an initial.  
Margin requirement per client and per trading member.  
This requirement is calculated as part of our end of day process and during this end of day process we then balance back to the clearing member to ensure that we are aligned with them and they aligned with us.  
This initial margin requirement is paid in cash currently for the interest rate derivatives market and payment needs to be made on t + 1.  
So with the acceptance of securities collateral now by JSC clear, when bonds CCB go live for the interest rate derivative?  
Market and those bonds, which are cleared via the CCP plans will be able to meet the initial margin obligations using a combination of ZAR cash and liquid South African government bonds later on in the slides, I will go through the list of government bonds that will be accept.  
The value proposition to clients is that it will reduce liquidity pressures and funding costs for derivative market participants.  
In an environment where capital requirements and other cost pressures arise, it also will alleviate liquidity pressures in times of market stress when margins increase and it sets a mitigation.  
Factor in respect of the concentration risk that arises by the CCP when we invest margins, that is.  
That that the clear remember provides to the CSDP and we investors margins.  
To the same institutions.  
If you can go to the next slide, Nitesh. So in phase one for bond, CCP, we would only be accepting liquid South African government bonds and we will consider equities later on the obligations for which securities collateral will be accepted is only on initial margin and this will.  
Include add on margin so there are other margins that.  
The CCP calculates, but we would only accept securities collateral.  
But an initial margin obligation for client or trading member for go live of one CCP will be only accepting 35% of the initial margin obligation in securities, which means that the client or trading member was pledging securities needs to ensure that 65% of the.  
Initial margin obligation is paid in zarc cash to JSE clear.  
I'm suggesting respect of the primary stakeholders, so this is the flow.  
So in flow one between the clients and and trading members.  
A client or trading member who actually wants to take up the service would need to open an account with straight via the CSDP in order to pledge securities in flow B between the clearing house and and the clearing members at end of day.  
Once JSE calculates the initial margin obligation, we would then confirm with the clearing members that they align to the initial margin obligation inflow see between the JSE clear and straight. Once once the initial margin obligation between the clearing Member and JSC clear has been confirmed, we will then.  
Send the allowable securities that a client or trading member can.  
Can pledge to JSE.  
Yeah, in floaty we mentioning that straight as the tripartite securities agent will then release or allocate securities based on the allowable amount of securities we've instructed straight to either pledge or release and then inflow E between straight and cstps. The CS straight will send trade messages to the.  
Csdp and the CSDP will then need to commit.  
Particular trade messages, as we understand from previous discussions with csdps, this process is mostly automated by all csdps and then inflow F between JSE clear and the settlement banks.  
That's when JSE clear would then determine the amount of cash that needs to be paid.  
By the clearing members, we will then sent a settlement message to the clearing members settlement bank in order for the cash to then be paid.  
Hey, move over.  
So in respect of the pledging mechanism, clients and trading members who take up the service will pledge securities to JSE clear, which means that they will still be the beneficial owners of the securities JSE clear will not take ownership of the securities. The clients will still receive.  
Their coupon payments as well. And just to note that the only time.  
Those securities will be transferred into JSA clears account is if there is a default.  
OK.  
Next slide, Nitesh. Thank you.  
I'm just going to hand over to Marlon to go through the process in respect of the messages that sent between straight and the CSDP Marlon.

 **Marlon van Dorsen** 55:12  
I think so, thinks Niteshri.  
Good morning, everyone.  
So in terms of the?

 **Vaneshri Chetty** 55:16  
I just send his hand is up. Cindy, you can go ahead.

 **Marlon van Dorsen** 55:19  
OK.

 **Speaker 1** 55:20  
Apologies, any reason that the collateral can only be 35% and not higher.

 **Vaneshri Chetty** 55:28  
So at the moment, that's the current percentage we are allowing.  
What happens is that we do do a review quarterly so our rest team doesn't review just and and when they do that review, they can actually increase that amount so that reviews are done quarterly.  
But Matt says it end up match. You can go.

 **Matthias Kempgen** 55:51  
Morning everyone.  
Yeah. At the moment, everything we've modeled on is basically 5%.  
Based on the take up that we potentially could see once we introduce a service on this market, there's definitely room to to relook at that. And like Vanisha said, we would review over time.  
But again, there's a lot of work involved obviously, in doing the modelling in terms of of the service.  
So we will, we will definitely revaluate that as we see what the take up is on this mark in terms of securities collateral.

 **Marlon van Dorsen** 56:19  
You got 18, yeah.

 **Speaker 1** 56:25  
Thank you.

 **Marlon van Dorsen** 56:28  
OK. Can I can I go over next week?  
Yeah, but thank you.

 **Vaneshri Chetty** 56:30  
Yes, you can go Marlin.

 **Nitesh Kumar** 56:31  
Sorry, Marlon. Before we go, I may see that we are running out of time, but we let's continue this session for next 5 minutes to complete this session for the participants who have to dial off.

 **Marlon van Dorsen** 56:40  
No problem.

 **Nitesh Kumar** 56:42  
I mean, you can do that, but we will be since we are recording this session, you can go through this session as the recorded version of this session. And please provide any feedback if you have any queries or any other questions related to the security collaborative services.  
Yeah, S model.

 **Marlon van Dorsen** 56:59  
Thanks. Thanks.  
So I think that in the presentation or the flow that we're gonna do now, it was presented at one of the workshops JSC had with the market. We made slight changes and we've added more more details like in terms of getting the actual messages that we will send.

 **Nitesh Kumar** 57:06  
Yes.

 **Marlon van Dorsen** 57:16  
To the the csdps.  
So what you guys saw on the screen is a different stakeholder.  
So we have JSE clear.  
It will do the initial margin calculation for report those exposures through to string.  
Then we've got our.  
Our students, so appointed by client trading member and by by JSC Clear and they will be the role for this, will be to commit to the to the collateral trades and then.  
Straightward perform the settlement on those fields on so. The first step there would be for the JSA to do the initial marginal location.  
So, Nitesh, if you can just click on the item there.  
So to start off, if you just go one bit please.

 **Nitesh Kumar** 58:01  
Sorry, one back.

 **Marlon van Dorsen** 58:03  
Go on. Because so I just need to show the csdps the actual position before we start.  
Just go pick.  
K so.

 **Nitesh Kumar** 58:11  
Sorry.

 **Marlon van Dorsen** 58:14  
So maybe just go and Mike, you so let's go.  
Right. So as you can see the position before the collat was actually placed.  
So we we have all three positions there in either be a client or trading member. We've got the all three R, 180 sixes and R2, Thirties 800 and 700,000.  
So next one would there.  
So before inactivity takes place, the CSDP will place a sale there.  
400 our system will then preserve.  
You can donate if our system will reserve with 100 and it will then update the position, showing that there's only.  
A 700,000 available next year.  
So the first debate the JSO will do is they will report the margin trade from their side and it will be done in terms of MT5 to seven on T + 1.  
Once Strate receives it message, we will do auto match and the locations. The locations that that we do are now in there will be based on the eligibility criteria set up by the JSC clears the collateral receiver. Once we've identified the stock that's available, we will send M.  
Five to four pledge instructions to that, OK.  
See with the Pscsdps will want to commit to check in, commit on on their side, also in the form of MT54 message.  
Once we receive both messages, we will then send the settlement confirmation through to.  
Csdps. And if we look at the positions at the bottom, once we've settle the the collateral trades, we will then reflect Glitch 2 holding on the SDF on top of the the client or trading member and then upload from for JSE Clear and at our end of day.  
We would share a statement which is clear that just the statement showing what JSE clear received is collateral.  
Can you tell?  
And then likewise to our clients, we will also share the.  
Also, share the statement and with our CSD 'cause, we will share the end of day statements or us to reconcile as they account.  
Again in terms of.  
Substitutions we normally perform substitutions when the stock gets placed as collateral and the client sells the securities when there's a poor protection.  
Our system will then trigger that substitution and basically replace the stock that's being repaid with another eligible stock.  
Think some dish.  
Likewise with top up in a withdrawal.  
So it's basically just an exposure is under or over collateralized. Our system will then do the necessary calculations on our side.  
So in terms of top up, our system will in place additional collateral to make sure the exposure is is fully collateralized. Likewise when the exposure is.  
I think we can go with the next one if the exposure is over, collateralize our system will automatically withdraw the necessary security. Again making sure that the exposure is fully fully collected and not over.  
FYI.  
No, it's not.  
I think that's it from my side.

 **Vaneshri Chetty** 1:01:33  
Thank you, Marlon.

 **Marlon van Dorsen** 1:01:34  
I don't need this. Any questions?  
Sorry, I rushed through there just because of the time.  
Sensitive, overdue things, things that we should.

 **Vaneshri Chetty** 1:01:42  
No. Hands off, Marlon. Thank you.  
I'm just a notice.  
Well, that withdrawals will only be processed once a day during our start of day collateral process.  
And our JSE clear start of day collateral process starts at 80 clock. So if a client sends through a withdrawal and it's not committed to by 80 clock, it means that that would need to be processed the next day.  
We, when we have been chatting to clients regarding the service we have made them aware that they need to.  
Ensure that they manage their withdrawals timelessly to ensure that when they do have a withdrawal, it is processed timelessly for in order for them to receive the stock.  
And move on it is.

 **Nitesh Kumar** 1:02:29  
Yeah.

 **Vaneshri Chetty** 1:02:31  
So this is the indicative timelines for the start of day securities collateral process.  
I'm not going to go through the entire timeline because we out of time, but what I wanted to mention is on step #5 between 7:00 and 7:59.  
Once straight sends out the instructions to CSDP, SCSD PS: have up until 7:59 in the morning to commit to those instructions.  
Jse.  
Clear Will then start our start of day process at 8:00 which is step #7. If any trades has not been committed to.  
By 7:59 it means that those trades will not be part of our start of day process. However, once our start of day process has completed and the arm work and those commits are then been committed to, it will be taken.  
Taken into account as part of our end of day.  
Process here we can move over.  
And then just to mention as well, in our end of day process, currently JSE clear sends out a price file, an exposure file to STRATE for our equity derivatives and currency derivatives market which runs on our RTC platform for bonds. CCP Straight will receive an additional price file.  
An additional exposure file. The exposure file would.  
Include.  
The interest rate derivatives market and the bonds market for bonds that has been cleared, so less you can put your you can go.

 **Botha, Celeste** 1:04:15  
Question. Yeah. If you're saying that if we haven't committed by 7:59, that transaction forms part of the next, your end of day process.  
So are we saying that?

 **Vaneshri Chetty** 1:04:29  
Will be taken into account at the end of day.

 **Botha, Celeste** 1:04:30  
Collateral. Yeah, but yeah, but that means that position sits as committed.  
It's a plage that we've committed to for the entire day.  
It doesn't move to the actual pledged position, and in the meantime we are getting same day trades coming through.  
For commits, so usually in the collateral system.  
Our trades are processed within a couple of minutes if we if we've committed.  
We don't leave it for several hours.  
In that status.

 **Vaneshri Chetty** 1:05:03  
Alright, yes.

 **Botha, Celeste** 1:05:05  
And I think we might run into issues, Steve. We start doing that.

 **Vaneshri Chetty** 1:05:11  
No. So So what was, yeah.

 **Botha, Celeste** 1:05:12  
So.  
I'm I'm just trying to work out of my head how we going to keep these potential bleachers because it's not now bleached. It's a potential bleach, and it's only gonna move into pledge at the end of day.

 **Vaneshri Chetty** 1:05:29  
No, say it will be placed to JSE clear, but we take it into account in our calculations during our end of day process 'cause we only run two processes, so one at 8:00 in the morning.

 **Botha, Celeste** 1:05:35  
Kind.  
Hello.

 **Vaneshri Chetty** 1:05:40  
So anything that's converted to before 8:00 will form part of our Saturday process and anything.

 **Botha, Celeste** 1:05:46  
Anything committed?

 **Vaneshri Chetty** 1:05:46  
Let's go.

 **Botha, Celeste** 1:05:47  
Sorry, anything committed for the collateral process, right?

 **Vaneshri Chetty** 1:05:51  
Yes, correct 100%.

 **Botha, Celeste** 1:05:52  
OK. Yes.

 **Vaneshri Chetty** 1:05:53  
So if a client come, if a client has.  
Has a. If straight sends through a tray to the CSDP and buy some odd reason that trade hasn't been committed to at 80 clock and it's only committed to at 5 past eight and it's for pledge a straight record straight records.  
It is a pledge at 5 past eight. However, we would only use that pledge in our end of day process.  
In respect of what cash would then need to be returned to the client based on the initial margin on T + 1 so we don't have another process during the day to say oh, now you have more pledges. Now we need to return cash to you because now.

 **Botha, Celeste** 1:06:29  
OK.

 **Vaneshri Chetty** 1:06:36  
We have more pledges.  
That's come through and we need to return your cash.  
So. So that's the process that will be followed.

 **Botha, Celeste** 1:06:43  
OK.  
So the pledge itself, that collateral pledge will settle at 5 past 8.  
It's just you. OK. OK. Awesome. Thank you.

 **Vaneshri Chetty** 1:06:48  
100% yes. Yeah, thank you.  
Any other questions?  
Everything move over.  
Then these are the list of government bonds that that is eligible that can be pledged, and the list of eligible bonds are actually reviewed quarterly. And there might be some bonds that's added or removed based on the eligibility criteria.  
Nitesh, we can move over and that's it.  
Are there any questions in respect of any of the slides?  
OK.  
Thank you so much, Nitesh.  
I'll head back to you.

 **Nitesh Kumar** 1:07:37  
Yeah. Thank you, Vaneshri, and thank you everyone for joining today's session.  
We understand.  
We rushed through some of the item today given the.  
We have only one hours to go through all the all the item to to be to be discussed today.  
As we have recorded the session and we'll share this slide with the rest of the team.  
If you have any further.  
Questions or queries or you come across any potential impact on your site.  
Please get in touch with us and our team.  
We are happy to set up a session with you to understand.  
Any potential impact from your side?  
Yeah. And if we need a further discussion on the security collateral service, as we only spend only 10 minutes on it today, we'll happy to set up a separate session with CSDP, if they have any further queries on on any of the item today.  
Thank you everyone.  
And yeah, I mean, this is the our final session for this year if we need any further session 1 to one session, we're happy to have it before the end of this year.  
Otherwise we will have.  
A session on on the New Year when we come back from holiday, yeah.  
Yes, thank you.

 **Vaneshri Chetty** 1:08:59  
Bye.

 **Nirvana Sewmungal** 1:09:00  
Thanks.