

CCP clearing for the South African bonds and repo markets

Market workshop – Session 7
05th Dec 2023

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JSE | CLEAR

- **Introduction and project update**
- New JSE Repos Project
- Impact on Bonds CCP Project
- Conclusion and next steps

Primary drivers for Bonds CCP

- CCP clearing is a critical service required to scale and increase trading activity in the Bonds ETP market, that is currently limited in access to the 10 Primary Dealers and represents only 1% of the total bonds and repo trading activity in SA. Electronic trading and CCP clearing of repos in European markets is close to 40% (and rising) of total trading activity.
- The three primary objectives and market benefits of Bond and Repo CCP clearing include:
 - i. broadened access to ETP and repo markets and increased trade liquidity;
 - ii. reduced counterparty credit risk and increased operational efficiency for banks; and
 - iii. improved market protection and price transparency.

Why JSE Clear?

- JSE Clear is a fully independent and internationally recognised CCP.
- It is well positioned to leverage its existing CCP clearing infrastructure and integration with clearing member banks to provide a timeous and cost-effective domestic bond and repo CCP clearing service for SA.



Primary objectives of the Bonds CCP market workshops:

- I. **Consulting and collaborating with market participants** including trading members, clients, clearing members, Strate and CSDPs around the detailed design and requirements of the CCP clearing service.
- II. **Discussing and understanding the change impact and interdependencies** across the various market participants' business processes and IT systems.
- III. **Providing necessary project status updates** including updates to project timelines and key milestones.
- IV. **Providing the required training and support** to operational teams prior to market testing and go-live.

Who should attend these workshops?

Business managers, Business operation leads/managers, IT leads/ managers, Project managers

MARKET WORKSHOP DATES FOR 2023:

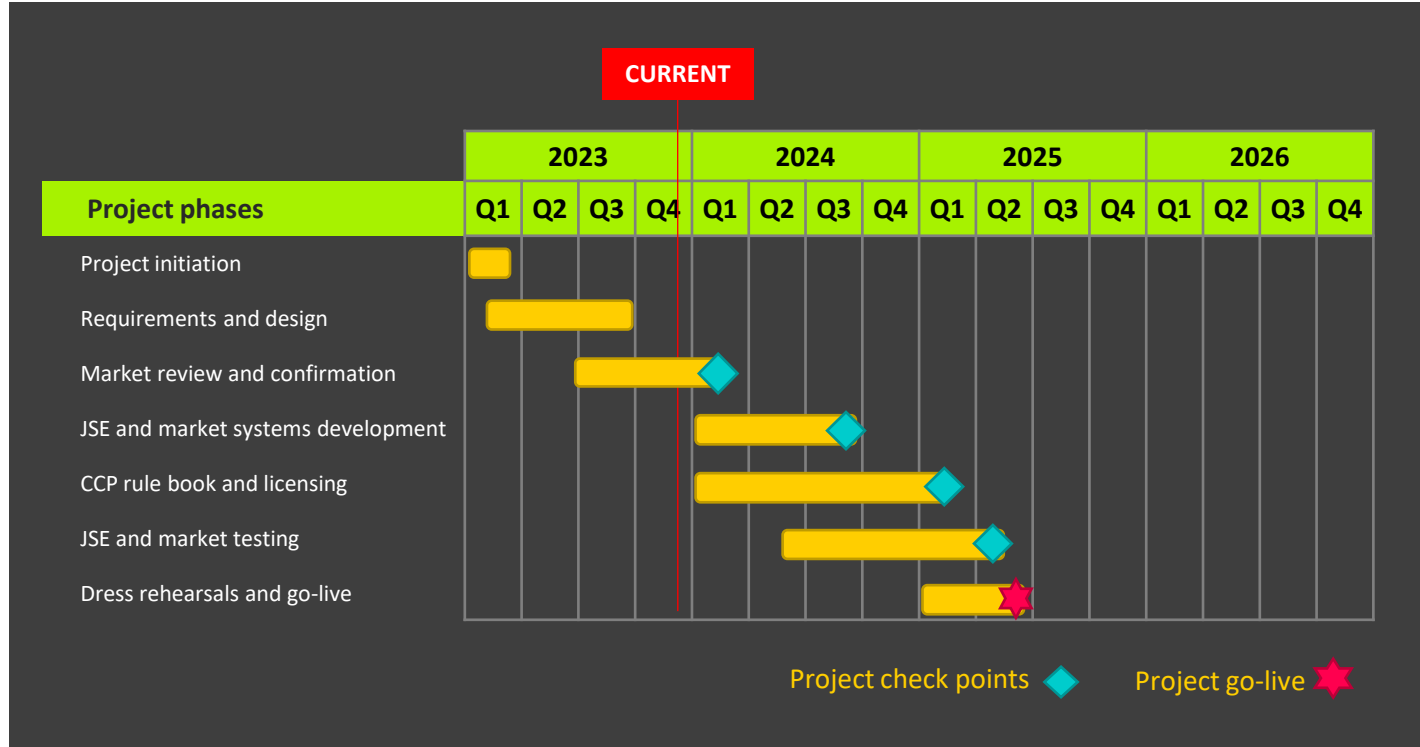
- ✓ Session 1 – 11th May
- ✓ Session 2 – 26th Jun
- ✓ Session 3 – 12th Jul
- ✓ Session 4 – 8th Aug
- ✓ Session 5 – 28th Sep
- ✓ Session 6 – 26th Oct
- Session 7 – 5th Dec

Agendas to be sent out two weeks prior to the workshop

Topics to be covered in workshop sessions:

- Trade novation ✓
- Account structure ✓
- Trade publication ✓
- Trade cancellation ✓
- Integration with internal and external systems ✓
- Deal management ✓
- Position management ✓
- Collateral Management (cash & securities) ✓
- Settlement management ✓
- Risk management and margining ✓
- Fees and billing
- Reporting
- Default management ✓
- Clearing membership criteria ✓
- CCP rules, policies and procedures

- Majority of core Bonds CCP requirements now complete.
- Publication of consolidated CCP requirements document at end of Nov'23 has been rescheduled to Mar'24 due to the newly prioritised JSE Repos Project.
- Overall Bonds CCP project timelines to be revised based on the newly prioritised JSE Repos Project.
- Monthly Bonds CCP market working group sessions to continue into 2024 with primary focus on finalising the updates to the CCP rulebook and risk management aspects.



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JSE Reporting is based on historical Buy-Sell Back functionality and does not cater for the globally used Repurchase Agreement

- Several market participants have requested the JSE to cater for the Reporting of Repurchase Agreements on Nutron. Introducing this functionality will open the door for several additional features which are currently not catered for;
 - Repurchase Agreements and the changed pricing methodology
 - Open Ended Repos
 - Floating Rate and Rate Reset Repos
 - Haircuts
 - Substitutions
 - Collateral Switch Repos
 - Evergreen Repos
- Currently the JSE only provides functionality for Buy-Sell Backs

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Impact assessment

- Bonds CCP project to continue in parallel to the newly prioritised JSE Repos Project.
- Focus will be placed on finalising the risk management requirements and updates to the CCP rulebook.
- Revised Bonds CCP timelines to be share with the market in Q1 2024.
- Publication of consolidated Bonds CCP requirements document at end of Nov'23 has been rescheduled to Mar'24.
- Monthly Bonds CCP market working group sessions to continue into 2024 with primary focus on finalising the updates to the CCP rulebook and risk management aspects with Clearing Members.
- Additional cleared products may be considered as part of the Phase 1 delivery.



Conclusion and next steps:

- The newly prioritised JSE Repos Project will commence development and market testing in 2024.
- JSE to continue with the detailed design and requirements of the Bonds CCP project in parallel, with a targeted date of Mar'24 to publish the consolidated requirements.
- Market participants to review the CCP design and requirements shared thus far and engage directly with JSE on any questions or queries they may have.
- New monthly Bonds CCP market workshop sessions to be setup in Jan 2024.

UPCOMING MARKET WORKSHOP DATES FOR 2023:

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- ✓ Session 2 – 26th Jun
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- ✓ Session 5 – 28th Sep
- ✓ Session 6 – 26th Oct
- ✓ Session 7 – 5th Dec

Agendas to be sent out two weeks prior to the workshop

Topics to be covered in next workshop sessions:

- Trade novation ✓
- Account structure ✓
- Trade publication ✓
- Trade cancellation ✓
- Integration with internal and external systems ✓
- Deal management ✓
- Position management ✓
- Collateral Management (cash & securities) ✓
- Settlement management ✓
- Risk management and margining ✓
- Fees and billing (to be finalised in Q1 2024)
- Reporting (to be finalised in Q1 2024)
- Default management ✓
- Clearing membership criteria ✓
- CCP rules, policies and procedures (by Q4 2024)

Thank you

Q&A

...for further info or questions, please contact:

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