

**INTEGRATED TRADING AND
CLEARING (ITAC)
GUIDANCE NOTE ON FCO
AND CURRENCY EXPIRIES**

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1. REVISION HISTORY

Version	Description	Date
1.0	Initial release	09/10/2018
1.1	Updates to the closing price dissemination.	29/11/2018
1.2	Updates to capture anyday expiries and monthly expiries	6/5/2019

2. INTRODUCTION

The purpose of this document is to provide clarity on the Currency Derivative Expiries and the Equity Derivative Close Out methodology.

3. EQUITY DERIVATIVE CLOSE OUT (FCO)

3.1 OVERVIEW

The Futures Close Out (FCO) event occurs on the Equity Derivative Market and is driven by Futures reaching their expiry date. Currently, every quarter on the third Thursday of March, June, September and December, JSE Equity Market Derivative instruments expire and are 'closed out' by obtaining the final price from the FCO Auction on the JSE Equity Market.

From July 2019, the standard expiry events for equity derivatives will shift from a quarterly basis to a monthly basis. An FCO event will occur each calendar month on the third Thursday of that month. In the event that the third Thursday is not a JSE trading day, then the FCO event will occur on the previous trading day.

Once the Auction on the JSE Equity Market is completed, the resulting Auction Price is used to ultimately determine the final settlement price of the JSE Equity Derivative Market Instruments.

3.2 FUTURES CLOSE OUT METHODOLOGY

- The FCO price for Single Stock Futures (SSF) is determined by the auction uncrossing price in the underlying JSE Equity Market. This includes any SSF written on individual instruments, ETFs or other equity market instruments.
- An FCO Auction (intra-day) is scheduled between 12:00 and 12:15 on the Equity Market on these FCO days.
- All Equity Market instruments transition from Continuous Trading into the FCO Auction where no matching takes place until the Auction has uncrossed and the uncrossing price is determined. This price is used as the official closeout price of the applicable SSF.

- For Index Futures, basket futures, and SSFs created following an unbundling, the closing price is determined using the individually determined prices of the constituents that make up the product.
- The earliest the close out price can be determined out of the uncrossing of the auction would be at 12:15. Due to market order and price monitoring extensions to ensure the correct price is determined at the uncrossing, an FCO Auction can be extended until 12:27.
- This is the latest that instruments can remain in the FCO Auction. Auction Extensions are further explained in [Volume 00E](#) (Section 8.6.3.1).
- At 12:00 on screen trading for all standard expiring JSE Equity Derivative Market instruments will end, by moving into the Post Close session. Off Book trading will continue until Market Close.

3.3 PUBLISHING OF FCO CLOSE OUT PRICES

- Final close out prices are disseminated to the market via the live trading Market Data Gateways.
- The JSE Clearing System will publish prices using the 'Indicative' tag in the price event available for subscription in EMAPI a short period after being determined by the relevant pricing processes – they will remain unchanged with each Indicative publication.

These prices will be re disseminated unchanged with an 'End Of Day Settlement' tag during the Clearing System end of day process.

- With reference to the [Non-Live Market Data Products Change Impact Analysis](#):
 - The Close Out Prices Report will be published on the JSE Website from midnight (line 16).
 - The Close Out Prices Record Type CED Sub Type 01 will be published by 12:45 via IDP for subscribers only (line 17).
- A market announcement will be disseminated to the market via the live trading Market Data Gateways confirming that the closeout prices have been published.

3.4 OPTION EXERCISE AND ABANDON

From the time the closeout prices are published, all option holders (buyers) have 20 minutes to exercise or abandon options that would not be automatically exercised by the exchange. A market announcement will be disseminated to the market via the live trading Market Data Gateways confirming the cut-off time for this period. The JSE Clearing System will block manual exercise and abandons after the published cut-off time.

The exchange will automatically exercise all options that are 1 cent or greater in the money unless the holder abandons their option within this 20 minute period. If the holder's option expires slightly out the money and would still like to exercise it, they must also do so within the 20 minute period.

4 CURRENCY FUTURES CLOSEOUT

4.1 OVERVIEW

The expiry months specified for foreign currency futures contracts are March, June, September and December. All currency futures contracts expire two business days prior to the third Wednesday of the expiry month or, if that day is not a business day, then the previous business day. In addition to standard expiry dates, Anyday currency contracts can be traded for any non-standard expiry date. Anyday currency options are priced at expiry using exactly the same methodology as standard option expiries.

4.2 CURRENCY FUTURES CLOSE OUT METHODOLOGY

The price at which the foreign currency futures contracts expire is calculated from an arithmetic average of the underlying spot taken every 30 seconds for 5 minutes, ending at 10:00 New York time. This equates to 17:00 SAST in SA summer, and 16:00 SAST in SA winter. The first underlying snapshot is taken at 09:55:30 and the last one at 10:00:00.

The JSE Valuation system uses price snapshots from the Refinitiv Elektron price feed to take the ten exchange rate snapshots up until 10:00 New York time.

The foreign currency futures contracts are cash settled in Rand. In other words, no physical delivery of the underlying currency will ever take place.

4.3 PUBLISHING OF CURRENCY EXPIRY PRICES

- Final close out prices are disseminated to the market via the live trading Market Data Gateways. These are published within 15 minutes of the 10:00 New York time fixing and done for both standard expiries and Anyday expiries.
- The JSE Clearing System will publish prices using the 'Indicative' tag in the price event available for subscription in EMAPI a short period after being determined by the relevant pricing processes – they will remain unchanged with each Indicative publication.

These prices will be re-disseminated unchanged with an 'End Of Day Settlement' tag during the Clearing System end of day process.

Spot prices that underlie the Derivatives Instruments closing out will keep being updated based on the latest available price with an 'Indicative' tag throughout the day. The closing price of the spot at end of day will be published with an 'End of Day Settlement' tag.

- With reference to the [Non-Live Market Data Products Change Impact Analysis](#);
 - The Close Out Prices Report will be published on the JSE Website from midnight (line 63).

- The Close Out Prices Record Type CCD Sub Type 01 will be published by 17:30 via IDP for subscribers only (line 64).
- A market announcement will be disseminated to the market via the live trading Market Data Gateways confirming that the closeout prices have been published. This will only be done on standard expiry dates and not on Anyday expiry dates.



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