

SERVICE HOTLINE

REFERENCE NUMBER: 19/2016

Date 16 February 2016

EQUITY DERIVATIVES ZERO FEES GUIDELINES - UPDATED

Introduction

The purpose of this memorandum is to outline the scenarios or circumstances under which zero fees would be applied to trades in the Equity Derivatives Market on the JSE.

Process

To request zero fees, the Zero Fee Request Form must be completed and sent to the client services center: zerofee@jse.co.za; +27 11 520 7777

Request submission deadline

Zero fee requests are to be submitted within one hour of the trade booking time.

Qualifying requests submitted on the same day before 18h00 will have zero fees applied before the end of day run.

Requests submitted within the same month or on the first business day of the new month will be considered at the JSE's discretion assuming that there is sound reasoning behind why the member could not have submitted the request earlier. Late requests of this nature will be subject to a R500 (incl. VAT) minimum rebate due to administrative and bank transaction costs.

Requests submitted later than the first business day of the next month will be considered on a case by case basis and if granted, will take the form of an *ex gratia* payment to the member.

Acceptance criteria

In an effort to lower the administrative burden of the JSE which ultimately translates into costs for our members, we would like to keep zero fee requests to a minimum.

There is system functionality that will automatically zero fee trades for almost all of the scenarios listed below. For this reason a zero fee request will only be considered if the member can provide good reason why they could not or did not use the functionality provided.

The following are some scenarios which will not be considered for zero fees:

Members are cautioned that if a particular trade has a zero fee, this trade cannot be accumulated with a trade that does not have a zero fee.

The Nutron front end has a warning message that alerts the dealer that zero fees will be lost when accumulated.

Market/s:

- JSE Equity Derivatives Market

Environment(s):

Production

Additional Information:

If you have any queries about this announcement, please contact the Client Services Centre (CSC) on +27 11 520 7777 or e-mail Customersupport@jse.co.za

Issued By:

Trading and Market Services

If the member were to accumulate these trades the JSE will not be able to zero the resultant trade leg since it contains both billable and non-billable quantities.

- All mandatory or clearly beneficial corporate actions in stocks will be handled by the JSE. Portfolio adjustments due to non-mandatory corporate actions will not be considered for zero fees.
- Zero fee requests must be submitted by the member in question; we cannot consider a zero fee request from a third party.

Information

When a request is submitted, we ask that the member provide as much information as possible, it is necessary to have the JSE Reference numbers for all trades to attract zero fees as well as all the trades that pertain to that transaction. This is described in more detail for each one of the cases below.

1. Error Trades

Trades booked in error which should not exist at all

What to zero	Exclude from stats
Incorrect leg and reversal leg	Yes

The member is to provide the details of the following trades:

- The incorrect leg booked
- The reversal leg booked

Trades booked to incorrect Member or Client Account

What to zero	Exclude from stats
Initial Member or Client leg and reversal leg	Yes

The member is to provide the details of the following trades:

- Initial incorrect member or client leg
- Reversal leg
- Correct member or client leg

2. Allocations, Assigns and Tripartite

Trades allocated to the incorrect Client or assigned to the incorrect Member

What to zero	Exclude from stats
Initial Client or Member leg to which the trade was allocated, assigned or tripartite and reversal leg	Yes

The member is to provide the details of the following trades:

- Initial trade leg done with the counterparty
- Give up leg to member or client

3. Roll Trades

Rolling from one Expiry to a further dated Expiry

What to zero	Exclude from stats
Near leg is zero rated	No

The member is to provide the details of the following:

- Initial position of the client or member in the instrument being rolled
- Near leg of the trade
- Far leg of the trade
- Any allocations, assigns or tripartite trade legs pertaining to the near or far leg

4. Position Transfers

Transfer of Client positions from one Member to another*

What to zero	Exclude from stats
All trades are zero rated	Yes

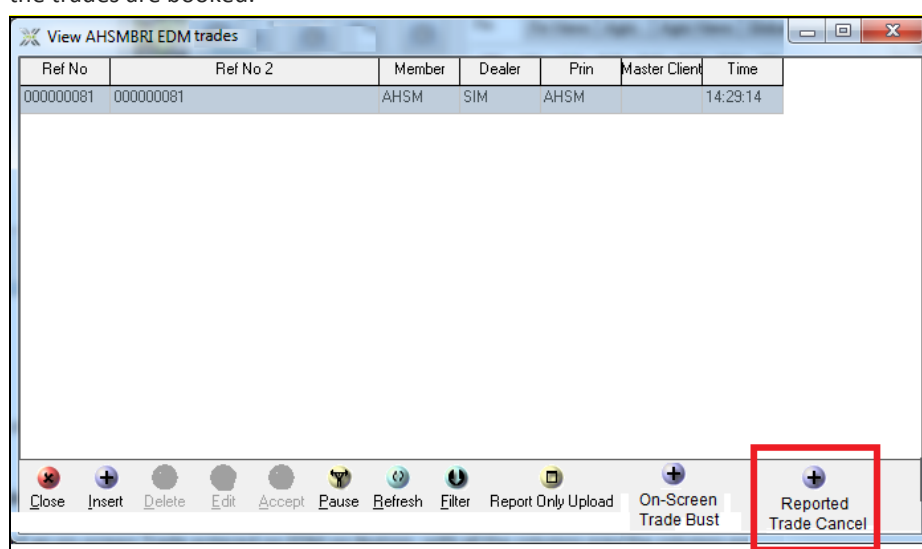
The member is to provide the details of the following:

- Initial position of the client for the instruments being transferred
- Buy and sell legs of the instruments involved in the transfer

*Normally, this is done by transferring Client codes from one Member to another by the exchange. Alternatively, user can book trades from one Client to another which will require a zero fee request to be sent to the exchange.

Trade Cancellation & Correction - Reported Trades

Members now have the ability to Cancel and correct all Reported Trades including JSE CFDs that have erroneously been reported on the Nutron front end. This process is done by using the Reported Trade Cancel functionality which creates an equal and opposite Trade that will offset the original Trade. This Functionality can only be used on the day the trades are booked.



This functionality is available on the EDM view trades window:

The process is as follows:

1. The Original Reported Trade legs will be cancelled by creating an equal-and-opposite Reported Trade
2. The unmatched equal-and-opposite Reported Trade leg will be created and displayed on the 'View EDM Unmatched Trades' window
3. The Counterparty must accept the unmatched equal-and-opposite Reported Trade Leg on the 'View EDM Unmatched Trades' window, if it is a Member to Member Reported Trade
4. The equal-and-opposite Trade legs will be created and displayed on the 'View EDM Trades' window once the counterparty has accepted the unmatched equal-and-opposite Trade leg.
5. Zero fees will be applied to the trades.