

Market Notice

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The JSE's migration to a T+3 settlement cycle

The JSE would like to confirm the initiation of the project to reduce our settlement cycle from T+5 to T+3. This project has been formalised as the top priority initiative within the exchange under the executive sponsorship of Leila Fourie: Director Post Trade Services.

The move to T+3 is a major step in aligning ourselves with global best practise, and fulfils obligations stipulated by our regulator the FSB. The migration from the current settlement cycle of T+5 to a new T+3 cycle, will be done using the JSE's BDA and Equities Clearing System (ECS) (meaning that BDA will remain in place at least until the end of 2015).

It is anticipated that this move will improve both the efficiency and credibility of our local markets, which have long lagged our foreign counterparts in terms of settlement cycle length. Benefits associated with a shorter settlement cycle range from a reduction in the value of unsettled trades to improved liquidity and numerous operational efficiencies.

The T+3 project will be taken live in 3 separate phases, the timing of which can be summarised as follows:

- Phase 1 (Regulatory and Automation changes) – Go-live: July 2013
- Phase 2 (ECS on T+5 settlement cycle) – Go-live: H2 2014
- Phase 3 (ECS and BDA on T+3 settlement cycle) – Go-live: As soon after phase 2 go-live as possible

The following table provides an overview of the functionality that is planned to be implemented in each phase:

Releases			
Phase 1 (Regulatory and Automation)	Phase 2 (ECS Go-live T+5)	Phase 3 (T+3 Implementation)	Activities Running in Parallel
<ul style="list-style-type: none"> • Split Brokers Prop and Controlled • Client Pledge (controlled clients electronic pledge to 3rd parties) • Member SLB Automation to CSDP's • Member Corporate Actions Automation to CSDP's 	<ul style="list-style-type: none"> • ECS (First Phase – replacement of the current equities clearing & settlement system) • Deal Management integration from BDA to ECS • Member Prime Broking automation • Technology Roadmap Upgrade (ECS) 	<ul style="list-style-type: none"> • ECS (Second Phase – functional migration to T+3) • Change from T+5 to T+3 Settlement • Fails Management Automation 	<ul style="list-style-type: none"> • Portfolio Moves • Account Transfers • FTP Automation on BDA



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The successful introduction of each phase of the T+3 project will require changes to the manner in which all market participants currently handle equity settlements. It follows that the active involvement of participants throughout the process leading up to the final go live of T+3 is critical. We are confident that with such collaboration, the implementation is achievable in the timeframe that has been proposed.

To best achieve the necessary active stakeholder engagement, we have mobilised a number of forums to drive the T+3 work:

- A monthly T+3 Market Steering committee meeting will be held to resolve key strategic issues and decisions (incorporating participation from all affected stakeholders – representatives of Strate, the CSDPs, the brokers, ASISA, SASLA and the regulators have been invited to join the committee);
- Working groups specifically focussed on technical issues impacting the CSDPs, Fund Managers and broker communities (based on the topic, content matter experts will be nominated by the Market Steering Committee members to attend); and
- Ad-hoc general communication sessions for all market participants (focussed on T+3 project updates and any other information that impacts a broad audience).

Ongoing updates about the JSE's T+3 project will be shared with the market on a regular basis. The link below provides access to the presentation used in our most recent market communication session (held on the 10th of May):

<http://www.jse.co.za/Documents-and-Presentations/JSEMarketCommunicationPresentations.aspx>

Should you have any further queries regarding the T+3 initiative, please do not hesitate to contact us via info@jse.co.za.

Sincerely,

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