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**MARKET NOTICE**Johannesburg  
Stock ExchangeTel: +27 11 520 7000  
[www.jse.co.za](http://www.jse.co.za)

**Number:** 575/2016

Relates to:

- Equity Market
- Equity Derivatives
- Commodity Derivatives
- Interest Rate and Currency Derivatives

Date: 14 October 2016

**SUBJECT: PROPOSED AMENDMENTS TO THE DERIVATIVES RULES AND DIRECTIVES – OFF ATS  
TRANSACTIONS**

**Name and Surname:** Shaun Davies  
**Designation:** Director: Market Regulation

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Members are advised that the proposed amendments to the JSE Derivatives Market Rules and Directives, attached as Annexure A, were adopted by the JSE executive committee on 14 October 2016.

The amendments relate to new rules, directives and definitions that are of particular relevance to the Commodity Derivatives Market (“CDM”) and introduce transaction types that may be negotiated off-ATS, as well as a framework within which members must report these transactions to the JSE trading system.

The JSE has since 2005 accommodated the reporting by members of Exchange For Physical (“EFP”) and Exchange For Risk (“EFR”) trades to the Trading and Market Services Division of the JSE. Once this division is satisfied that these transactions comply with the criteria as specified by the exchange, it facilitates the booking of these trades onto the Automated Trading System (“ATS”). These trade types recognise the inter-dependence between exchange traded products and the physical and OTC markets and provide a mechanism for market participants to hedge price risk (without slippage) and to transfer credit exposures from the physical or OTC markets onto the exchange.

The proposed new rules and directives in respect of EFP and EFR trades will, for the first time, permit CDM members to enter and report EFP and EFR trades directly onto the ATS themselves, without the need for prior referral to the exchange. EFP and EFR trades that are reported to the exchange will need to comply with all of the requirements that have been specified in these draft rules and directives. In this regard the following requirements/criteria are extremely important:

- EFP and EFR trades must be supported by the relevant documentation in respect of genuine physical or OTC derivative transactions, being the Contract for the Purchase and Sale of Grain, Pulses and Oilseeds and Products Derived Therefrom (SAGOS) or International Swaps and Derivatives Association (ISDA) agreements respectively;
- the supporting documentation must, upon request, be provided to the Market Regulation Division for verification;
- the quantities of the reported EFP and EFR futures contracts must be within 5% of the quantities as specified in the physical or OTC contracts; and
- in the event that the price of a reported EFP or EFR trade falls outside of the price parameters as specified in the rules, that price must be specified in the relevant physical or OTC contract and any trading member who is party to such trade shall be required to obtain the prior approval of the clearing member before reporting the trade to the ATS.

Unless written objections are lodged within 10 days of this notice, in terms of rule 1.80.3, the proposed amendments to the rules will be submitted to the registrar for his approval.

Should you have any queries regarding this notice, please contact Paul Hartzenberg on (011) 520 7584 or at [paulh@jse.co.za](mailto:paulh@jse.co.za)

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