MARKET NOTICE

Number:	**384/2020**
Relates to:	☐ Equity Market
	☒ Equity Derivatives
	☐ Commodity Derivatives
	☐ Interest Rate and Currency Derivatives
DATE	**4 August 2020**

SUBJECT:	**TREATMENT OF CITY LODGE HOTELS LTD (CLH) CORPORATE ACTION – RIGHTS OFFER** **5 AUGUST 2020 (EX-DATE)**

Name and Surname:	**Matthias Kempgen**
Designation:	**Head - Derivatives Operations**

Members notice is drawn to section 13 of the contract specifications of Individual Equity Futures and options, which states:

"13.   Corporate Events

The JSE reserves the right to adopt any procedure or to adjust any single stock future or option on a single stock future, in a manner it deems fit, to deal with any extraordinary corporate events that may occur from time to time in relation to a share that is the underlying instrument of the equity option and to notify position holders, derivatives members and any other interested parties, of such event and the procedure or adjustment adopted. Such events include, for example, mergers, take-overs, unbundlings, capitalization issues and rights issues.

The implication of this is that anybody trading in Single Stock futures or options on Single Stock futures in which the underlying stock is the subject of an extraordinary corporate event should be aware that the JSE may make adjustments to the Single Stock futures and options.

Rights Offer

With regards to the Rights Offer on City Lodge Hotels Ltd (CLH) the following adjustments will be made to CLH contracts on Wednesday, 05 August 2020 **(Ex-date)**. The adjustments will be made to positions held in the above contracts as at close of business on Tuesday, 04 August 2020 **(LDT).**

1. Futures contracts.

Adjustment to contract size

The contract size will be increased using the "Contract Size Multiplier" (CSM), calculated as follows:

$$CSM = \frac{(m * TOP) + (n * IRV)}{(m * TOP)}$$

Where :

m	=	number of shares held LDT. **(1)**
n	=	number of additional shares to be received Ex-date. **(13)**
IRV	=	Implied value of rights.
TOP	=	theoretical opening price.

Implied Rights Value

$$IRV = TOP - X$$

Where :

C =	Value of any entitlements not included. **(In this case the value is zero)**
X =	Entitlement price of new shares under rights issue. **(212 cents)**

Theoretical Opening Price

$$TOP = ((Spot-C) * m) + (n * X)) / (n + m)$$

Where :   Spot   =   the official closing price of the underlying share on 04 August 2020 **(LDT).**

A contract on the identical share will be listed on the exchange, with a standard contract size as calculated using the "Contract Size Multiplier" (CSM). This contract will be assigned a separate identifying code, and will not be fungible with the existing contract that has a contract size of 100 shares per contract.

Positions in the existing contract will be closed out at a value of zero and new positions will be created in the new contract at a value of zero.

E.g. If you had 10 futures contracts in the existing contracts which has a contract size of 100, the JSE will close out this position at a value of zero and open a new position of 10 futures contracts in the new contract which has a contract size as determined using the "Contract Size Multiplier" (CSM) at a value of zero.

* Adjustments may not be made if the JSE has determined that there is a negative or zero value in the take up of the rights issue.

2. Option contracts.

Adjustment to strike prices

Options on Single Stock Futures will have adjustments made to the contract size as well as adjustments made to the strike price.

Adjusted strike price = Existing strike price * (100 / CSM)

Where: CSM = Contract Size Multiplier

Positions in the existing contract will be closed out at a value of zero and new positions will be created in the new contract at a value of zero. (See "Adjustment to contract size" above).

3. CFD contracts.

Current positions**Factor** ("Contract Size Multiplier (CSM)") = the number of total contracts. Additional contracts will be created at an initial value of zero.

TREATMENT FOR ALLOCATION ON ADDITIONAL CONTRACTS

With the implementation of ITaC, the JSE has enhanced the position adjustment process.

Please see link below to the Guidance Note issued on treatment of corporate actions as distributed in October 2018 and specifically refer to Section 8 for details of the position adjustment process:

https://www.jse.co.za/content/Guidance%20Notes/ITaC%20Guidance%20Note%20on%20Corporate%20Actions.pdf

Should you have any queries regarding this notice, please contact **clearops@jse.co.za**

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