

## PROPOSED AMENDMENTS TO THE JSE DERIVATIVES RULES

### General explanatory notes:

1. Words underlined with a solid line (\_\_\_\_) indicate the insertions in the existing rules
2. Words in bold and in square brackets ([ ]) indicate deletions from the existing rules

### Proposed amendments to the JSE Derivatives Rules

#### Section 2: Interpretation and definitions

##### 2.10 Definitions

<b>“Exchange for Risk” or “EFR”</b>	means a type of EFRP where two trading members, a trading member and a client, or two clients, enter into an agreement whereby the parties <u>conclude</u> <b>[unwind an existing OTC derivative contract between them by concluding]</b> an off book transaction in commodity futures which <b>[replaces the OTC derivative contract, and report the futures transaction]</b> <u>they report</u> to the JSE trading system, <u>and simultaneously enter into a corresponding, but opposite, new OTC derivative transaction or</u> <u>unwind an existing OTC derivative transaction;</u>
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##### 7.115 Off book trading criteria

- 7.115.1 Subject to trading members complying with the best execution principle in rule 7.15 when trading with or on behalf of clients, the following transactions do not have to be executed through the central order book and may be validly reported to the JSE trading system:
- 7.115.1.1 All transactions in index options and futures, equity options and futures, single stock futures and options and eCFDs.
- 7.115.1.2 Exchange for Physical Trade
- A futures transaction associated with an EFP where the parties to the futures transaction have entered into a written contract in terms of which the buyer of the futures contract sells the underlying physical commodity to the seller of the futures contract (the “physical contract”), and where -
- 7.115.1.2.1 the delivery month referred to in the physical contract and the expiry month of the futures contract are within two months of each other;
- 7.115.1.2.2 in respect of the physical contract, delivery and cash settlement occurs at the time that the futures transaction is entered into or at a later date;
- 7.115.1.2.3 the physical contract shall contain the terms and conditions as provided for in the Contract for the Purchase and Sale of Grain, Pulses, Oilseeds

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7.115 introduced with effect from 3 February 2017

7.115 renamed “Off book trading criteria” with effect from 29 April 2019 – was “Off-ATS transactions”

7.115.1 amended with effect from 29 April 2019

7.115.4, 7.115.5 and 7.115.6 introduced with effect from 29 April 2019

7.115.1.2.2 amended with effect from 22 October 2021

and Products Derived Therefrom (“SAGOS”) agreement for the purchase of grain products or be of an equivalent standard; and

7.115.1.2.4 the buyer or seller of the futures contract shall be the seller or buyer, respectively, of the corresponding physical contract or have the same beneficial ownership as the seller or buyer, respectively, of the corresponding physical contract.

### 7.115.1.3 Exchange for Risk Trade

A futures transaction associated with an EFR where the parties to the futures transaction **[have previously entered into an OTC derivative contract]** enter into a new OTC derivative transaction or unwind an existing OTC derivative transaction, based on the commodity underlying the futures contract (the “OTC contract”), and where -

7.115.1.3.1 the OTC contract is in the form of an International Swaps and Derivatives Association (“ISDA”) agreement or is an agreement of an equivalent standard;

7.115.1.3.2 a new [the] OTC contract is to be opened or the existing OTC contract is unwound at or about the same time that the futures transaction is reported to the JSE trading system; and

7.115.1.3.3 the buyer or seller of the futures contract shall be the seller or buyer, respectively, of the corresponding OTC contract or have the same beneficial ownership as the seller or buyer, respectively, of the corresponding OTC contract.

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7.115.1.2.3 amended with effect from 22 October 2021.  
7.115.1.2.4 introduced with effect from 22 October 2021.  
7.115.1.3.1 amended with effect from 22 October 2021.  
7.115.1.3.2 amended with effect from 22 October 2021.  
7.115.1.3.3 introduced with effect from 22 October 2021.