Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

Number:	**327/2018**
Relates to:	☐ Equity Market
	☒ Equity Derivatives
	☐ Commodity Derivatives
	☐ Interest Rate and Currency Derivatives
Date:	**17 August 2018**

SUBJECT:	**TREATMENT OF QUILTER PLC (QLT) CORPORATE ACTION SPECIAL DIVIDEND - 22 AUGUST 2018 (EX-DATE)**
Name and Surname:	**Matthias Kempgen**
Designation:	**Head - Derivatives Operations, Post Trade Services**

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.

Special Dividend

Quilter Plc (QLT) has declared a special dividend with a nett rate of 165.143620 cents per share. With regard to this corporate action, the following adjustments will be made to QLT positions on 22 August 2018 **(Ex-date)**. The adjustments will be made to the positions held as at close of business on 21 August 2018 **(LDT)**.

Please note:

Adjustments will be made to all contracts where QLT is the underlying share. These contracts include:
QLTQ
QLTF
QLTC

1.   Futures contracts

The futures position will be increased by the following factor:

Calculation of factor:

Spot price / adjusted price

Where:

Spot price = the official closing price of the underlying share on 21 August 2018 **(LDT)**

Adjusted price = Spot price – 1.65143620 (**Special Dividend**).

Example: If the official closing price of the underlying shares on 21 August 2018 **(LDT)** is 27.18, the following would apply:

Adjusted price   = 27.18 – 1.65143620

                   = **25.5285638**

Futures factor   = 27.18/ **25.5285638**

                   = 1.064689741

I.e. Current positions***Factor** (rounded to nearest whole contract) = the number of total contracts. Additional contracts will be created at an initial value of zero.

IMPORTANT:

- Please refer to **Notice F708** for clarity regarding the allocation of additional contracts.
- In the event of an uneven allocation across all position holders, the position holder with the higher decimal fraction will receive priority above the position holder with the lower decimal fraction.
- The full explanation of this method can be seen below

2. Option contracts

    a. The options position will be adjusted by the same factor as the futures above.

    b. The option strikes will be adjusted by the following factor:

Calculation of options factor (based on the example above):

Adjusted price / spot price

Options factor   = **25.5285638**/ 27.18

                 = 0.939240757

Example: If the old strike is **25.94** the following would apply:

New strike   = Old strike * options factor

                 = 25.94 * 0.939240757

                 = 24.36

Existing positions will be closed out at a **0** value and new positions opened at the new strike with a **0** value.

IMPORTANT:

As per **Notice F708**, allocation of additional contracts will be applied as follows:
The entire open interest is multiplied by the appropriate factor. These additional contracts are then allocated across the market in the following manner.

1. Current positions are multiplied by the factor [*] at a member level. (See table 1 below).
2. Results of 0.50 and higher are rounded up to 1.
3. Results of 0.49 and lower are rounded down 0.
4. Although current positions are multiplied by the factor [*] at a member level, allocation of additional contracts will be done at a client level. (See table 2 below).
5. In the event of an uneven allocation across clients, the client with the higher decimal fraction will receive priority above the client with the lower decimal fraction.

(*) **FACTOR = 1.04537205082**   **TABLE 1**

MEMBER	CURRENT POSITION	NEW POSITION	POSITION ROUNDED	ADDITIONAL CONTRACTS
ABC	298	311.52087	312	14

In above example, current positions were multiplied by the factor (*) at a member level, thus clients of member ABC received a total of 14 additional contracts.

The 14 additional contracts will be allocated as follows: (See table 2 below)

8 to client SSF03
5 to client SSF05
1 to client SSF04 (highest decimal fraction)

(*) **FACTOR = 1.04537205082**   **TABLE 2**

MEMBER	CLIENT	CURRENT POSITION	NEW POSITION	POSITION ROUNDED	ADDITIONAL CONTRACTS
ABC	SSF01	5	5.2268603	5	0
ABC	SSF02	6	6.2722323	6	0
ABC	SSF03	178	186.0762250	186	8
ABC	**SSF04**	**9**	**9.4083485**	**9+1**	**1**
ABC	SSF05	100	104.537205	105	5
		298		**312**	**14**

The market is advised that these changes are designed to improve market efficiency and make the allocations of corporate action adjustments more equitable.

Single Stock Baskets containing QLT (OMAQ/OMAS):

An Adjustment will be made to the OMA basket in line with the prevailing FTSE/JSE index treatment for special dividends. This treatment models the reinvestment of the distribution across the basket by applying an opening price adjustment to QLT, and adjusting the basket divisor accordingly to maintain a continuous basket level.

Should you have any queries please contact **Clearops@jse.co.za** or +27 11 520-7349.
This Market Notice will be available on the website at **https://www.jse.co.za/redirects/market-notices-and-circulars**