

MARKET NOTICE

Number: 605/2020
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 23 November 2020

SUBJECT: TREATMENT OF COMPAGNIE FIN RICHEMONT (CFR) CORPORATE ACTION – SPECIAL DIVIDEND – 25 NOVEMBER 2020 (EX-DATE)

Name and Surname: Matthias Kempgen
Designation: Chief Operating Officer – JSE Clear

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

Compagnie Fin Richemont (CFR) shareholders will receive 2 A Warrant Receipts for every one Depository Receipt (DR) held. This also takes into consideration that at exercise one needs 67 A Warrant Receipts to receive 1 DR.

With regards to this corporate action, the following adjustments will be made to CFR positions on 25 November 2020 (**Ex-Date**). The adjustments will be made to the positions held as at close of business on 24 November 2020 (**LDT**).

Please note:

Adjustments will be made to all contracts where CFR is the underlying.

These contracts include:

Contract Code	JSE Instrument Type
17DEC20 CFR PHY DN	Dividend Neutral
17DEC20 CFR PHY	Single Stock
18MAR21 CFR PHY DN	Dividend Neutral
17DEC20 CFR CSH	Single Stock
17DEC20 CFR CSH DN	Dividend Neutral
18MAR21 CFR CSH DN	Dividend Neutral
02DEC20 CFR PHY ANY	Single Stock
21JAN21 CFR PHY	Single Stock
18FEB21 CFR PHY	Single Stock
18MAR21 CFR CSH CFD RODI	CFD
18MAR21 CFR CSH	Single Stock
17JUN21 CFR CSH DN	Dividend Neutral
17JUN21 CFR PHY DN	Dividend Neutral
18FEB21 CFR CSH	Single Stock
21JAN21 CFR CSH	Single Stock
18MAR21 CFR PHY	Single Stock
18MAR21 CFR CSH CFD SABOR	CFD
15APR21 CFR PHY	Single Stock
15APR21 CFR CSH	Single Stock
17DEC20 CFR PHY 98.49C	Single Stock
17DEC20 CFR PHY 100P	Single Stock
20MAY21 CFR PHY	Single Stock
20MAY21 CFR CSH	Single Stock
17JUN21 CFR CSH	Single Stock
16SEP21 CFR CSH DN	Dividend Neutral
16SEP21 CFR PHY DN	Dividend Neutral
17JUN21 CFR PHY	Single Stock
15JUL21 CFR CSH	Single Stock
15JUL21 CFR PHY	Single Stock
17DEC20 CFR PHY 95P	Single Stock
19AUG21 CFR CSH	Single Stock
19AUG21 CFR PHY	Single Stock
15DEC21 CFR PHY DN	Dividend Neutral
16SEP21 CFR CSH	Single Stock
15DEC21 CFR CSH DN	Dividend Neutral

16SEP21 CFR PHY	Single Stock
17JUN21 CFR PHY 100P	Single Stock
17DEC20 CFR PHY 120C	Single Stock
17DEC20 CFR PHY 140C	Single Stock
21OCT21 CFR PHY	Single Stock
21OCT21 CFR CSH	Single Stock
07DEC20 CFR CSH ANY	Single Stock
07DEC20 CFR CSH ANY 120C	Single Stock
07DEC20 CFR CSH ANY 120.4C	Single Stock
18NOV21 CFR CSH	Single Stock
18NOV21 CFR PHY	Single Stock
15DEC21 CFR PHY	Single Stock
15DEC21 CFR CSH	Single Stock

IMPORTANT

The underlying spot price used for the example calculation in this market notice is as at the close of the Swiss Stock Exchange Trading Session which is 17h00 local time (i.e. GMT + 1) on 19 November 2020.

The price that will be used as input into the fair value calculation and for the processing of this event will be based on the underlying CFR closing price on the Swiss Stock Exchange on 24 November 2020 (LDT).

The CHFZAR exchange used is based on the JSE 17h00 local time fixing.

We will be sending an updated treatment notice on the morning of 25 November 2020 (Ex) to confirm the actual price used based on the above methodology as well as the revised calculations.

Please be mindful of this approach to this corporate event should further adjustments to your holdings be required on 27 November 2020 which is the record date for the distribution of the warrant receipts as well as the first trading day of this entitlement.

Kindly refer to detailed breakdown used to determine the indicative price:

- Due to the unavailability of a price on LDT, the JSE will calculate a fair value option price to determine the adjustment value.
- The expiry date is assumed to be in line with the start of the exercise period (i.e. when the rand equivalent exercise price will be calculated) as estimated by the company is **16 November 2023**.
- Valuations team has thus estimated an implied volatility of **26.00%** for the given strike price of **CHF 67** to that expiry term.
- The zero rate is interpolated for the expiry date of 16th November 2023 off the Swiss Zero Swap Curve as received from Refinitiv.
- The dividend yield is established off the JSE's projected dividends for CFR. This includes the three annual dividends projected for the next 3 years up to September 2023.
- The CHFZAR exchange used is based on the **JSE 17h00 fixing**.
- The underlying spot price is at the close of the Swiss Stock Exchange **Trading Session** which is 17h00 local time (i.e. GMT + 1).

Valuation Date	Thursday, 19 November 2020
Expiry Date	Thursday, 16 November 2023
Term (Years)	2.99
Spot (CHF)	75.14
Zero Rate (NACC)	-0.679%
Dividend Yield (NACC)	1.585%

Option Type	Call Option
Strike	67.0000
Implied Volatility	26.00%

Option Premium (CHF)	14.1665
Option Premium per Depository Receipt (CHF)	1.4167

JSE Currency Fixing (17h00)	17.0072
Option Premium (ZAR) Per JSE Listed DR	R 24.09

Premium (2 A Warrant Receipts per 1 DR held)	48.1865840322075
Exercise 67 A Warrant Receipts for 1 DR	0.7192027467494

Closing JSE Spot Price	R 128.51
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Futures Factor	1.00562796979
Options Factor	0.9944035269

1. FUTURES CONTRACTS

The futures position will be adjusted by the following factor:

Calculation of factor:

Spot price / adjusted price

Where:

Spot price = the official estimated price as determined by the JSE of the underlying share on **24 November 2020 (LDT)**

Adjusted price = Spot price – 0.7192027467494 (**Special Dividend Converted to ZAR**)

Example: If the estimated price determined by the JSE of the underlying shares on 24 November 2020 (LDT) is 128.51, the following would apply:

$$\begin{aligned} \text{Adjusted price} &= 128.51 - 0.7192027467494 \\ &= \mathbf{127.79} \end{aligned}$$

$$\begin{aligned} \text{Futures factor} &= 128.51 / 127.79 \\ &= \mathbf{1.00562796979} \end{aligned}$$

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.

2. OPTION CONTRACTS

- a. The options position will be increased 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

$$\begin{aligned} \text{Options factor} &= 127.79 / 128.51 \\ &= \mathbf{0.9944035269} \end{aligned}$$

Example: If the old strike is 127.00 the following would apply:

$$\begin{aligned} \text{New strike} &= \text{Old strike} * \text{options factor} \\ &= 127.00 * 0.9944035269 \\ &= \mathbf{126.29} \end{aligned}$$

Existing positions will be closed out at an initial value of zero and new positions will be opened at the new strike with 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 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>