

## MARKET NOTICE

**Number:** 618/2020  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives  
**Date:** 25 November 2020

**SUBJECT:** FINAL: 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 have been made to CFR positions today – 25 November 2020 (**Ex-Date**). The adjustments were made to positions held as at close of business yesterday – 24 November 2020 (**LDT**).

**Please note:**

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

These contracts include:

<b>Contract Code</b>	<b>JSE Instrument Type</b>
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 price used as input into the fair value calculation for the processing of this event is based on the underlying CFR closing price on the Swiss Stock Exchange as at 18h00 (SA) yesterday being 24 November 2020 (LDT).

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

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 the detailed breakdown used to determine the final price:

- The JSE have calculated 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 16<sup>th</sup> 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	Tuesday, 24 November 2020
Expiry Date	Thursday, 16 November 2023
Term (Years)	2.98
Spot (CHF)	78.22
Zero Rate (NACC)	-0.673%
Dividend Yield (NACC)	1.531%

Option Type		Call Option
Strike		67.0000
Implied Volatility		26.00%
Option Premium (CHF)		16.1348
Option Premium per <b>Depository Receipt</b> (CHF)		<b>1.6135</b>
JSE Currency Fixing (17h00)		16.8392
Option Premium (ZAR) Per JSE Listed DR	R	27.17
Premium (2 A Warrant Receipts per 1 DR held)		54.3393005
<b>Exercise 67 A Warrant Receipts for 1 DR</b>		<b>0.8110343</b>
Closing JSE Spot Price	R	131.56
Futures Factor		<b>1.006203</b>
Options Factor		<b>0.993835</b>

## 1. FUTURES CONTRACTS

The futures positions have been adjusted by the following factor:

Calculation of factor:

**Spot price / adjusted price**

Where:

**Spot price** = the official **final** price determined by the JSE of the underlying share at 17h00 (SA) as at **24 November 2020 (LDT)**

**Adjusted price** = Spot price – **0.8110343 (Special Dividend Converted to ZAR)**

Due to the final price determined by the JSE of the underlying shares on 24 November 2020 (**LDT**) being 131.56, the following would apply:

$$\begin{aligned} \text{Adjusted price} &= 131.56 - 0.8110343 \\ &= 130.75 \end{aligned}$$

$$\begin{aligned} \text{Futures factor} &= 131.56 / 130.75 \\ &= \mathbf{1.006203} \end{aligned}$$

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 positions have been increased by the same factor as the futures above.
- b. The option strikes have been adjusted by the following factor:

Calculation of options factor (based on the above):

### Adjusted price / Spot price

$$\begin{aligned}\text{Options factor} &= 130.75 / 131.56 \\ &= \mathbf{0.993835}\end{aligned}$$

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

$$\begin{aligned}\text{New strike} &= \text{Old strike} * \text{options factor} \\ &= 127.00 * 0.993835 \\ &= \mathbf{126.22}\end{aligned}$$

Existing positions have been closed out at an initial value of zero and new positions 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](mailto:Clearops@jse.co.za) or +27 11 520-7349.

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