

MARKET NOTICE

Johannesburg
Stock Exchange

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Number: 067/2022

Relates to:

- Equity Market
- Equity Derivatives Market
- Commodity Derivatives Market
- Currency Derivatives Market
- Interest Rate Derivatives Market
- Bond Market
- Bond ETP Market

Date: 17 February 2022

SUBJECT: SINGLE STOCK FUTURE CONTRACT SIZE CHANGE FROM 100 TO 1

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Designation: Head – Equity and Equity Derivatives

Dear Market Participant,

In 2019, the JSE, in consultation with the Financial Derivatives Advisory Committee, took a decision to change the contract size of Single Stock Futures (SSF) from Contract Size = 100 (where 1 contract is equal to 100 shares) to a Contract Size = 1 (where 1 contract will be equal to 1 share). The JSE is now in a position to commence with the project. The JSE is therefore initiating project scoping and systems' impact analysis of a Single Stock Future (SSF) Contract Size change to determine the scope, effort estimate and impact to the market.

The rationale for the SSF Contract Size change is as follows:

1. To facilitate access to SSF contracts by the wider retail market
2. To simplify and optimise corporate action events and related processes in terms of:
 - o Substantially reducing the rounding impact of SSF position adjustment with respect to special dividend's on non-realised cash flows.
 - o Treatment of special dividends as cash journals (i.e. same as ordinary cash dividends) as opposed to - the current position adjustments method.
 - o Treatment of Rights Offers where no new contracts are created with a new contract size. SSF positions on existing contracts will be updated based on a calculated position factor, and new option strikes will be created based on the calculated position factor

At this stage, the project is in requirements and analysis phase in order to confirm the impact on the JSE trading; clearing; valuations; statistics systems and related processes. We understand that such a change will also impact our customers and wider market participants' systems and processes, as such we invite comments with regards to the nature of the

impact from all JSE clients and broader the market participants community. The contract size change will also entail a conversion of existing positions (at a conversion factor) to the new derivative instruments (new contract size) at the go-live date, necessitating a data take-on of positions

Timelines and further market engagement regarding this change will be communicated following the completion of the current analysis phase.

We invite your input/comments with regards to this Market Notice, all comments and/or questions may be addressed to the JSE via an e-mail to edm@jse.co.za

This Market Notice is available on the website at <https://clientportal.jse.co.za/communication/jse-market-notices>