

MARKET NOTICE

Number: 16/2019
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 18 January 2019

SUBJECT: TREATMENT OF NETCARE LIMITED (NTC) CORPORATE ACTION - SPECIAL DIVIDEND AND CASH DIVIDEND - 23 JANUARY 2019 (EX-DATE)

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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 and Cash Dividend going ex on the same day

Netcare Limited (NTC) has declared a special dividend of **40 cents** per share and a cash dividend of **60 cents** per share. With regard to this corporate action, the following adjustments will be made to NTC positions on 23 January 2019 (**Ex-Date**). The adjustments will be made to the positions held as at close of business on 22 January 2019 (**LDT**).

Please note

Adjustments will be made to all contracts where JSE is the underlying share. These contracts include:

NTCQ
 NTCS
 NTCF
 NTCC

1. FUTURES CONTRACTS

The futures position will be increased by the following factor:

Calculation of factor

Where

Spot price = the official closing price of the underlying share on **22 January 2019 (LDT) – 0.60 (Cash Dividend)**

Adjusted price = Spot price – 0.40 (**Special Dividend**).

Future/Position Factor = Spot Price / Adjusted price

Example position factor calculation: *If the official closing price of the underlying shares on 22 January 2019 (LDT) is 26.50, the following would apply:*

$$\text{Spot price} = 26.50 - 0.60 = 25.90$$

$$\text{Adjusted price} = 25.90 - 0.40 = 25.50$$

$$\text{Futures/Position factor} = 25.90 / 25.50$$

$$= 1.0156862745098$$

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.

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)

Where

Spot price = the official closing price of the underlying share on **22 January 2019 (LDT) – 0.60 (Cash Dividend)**

Adjusted price = Spot price – 0.40 (Special Dividend).

Option Factor = adjusted price / spot price

Example options factor calculation: If the official closing price of the underlying shares on 22 January 2019 (LDT) is 26.50, the following would apply:

Adjusted price / spot price

$$\begin{aligned} \text{Options factor} &= 25.50 / 25.90 \\ &= \mathbf{0.984555984555985} \end{aligned}$$

Example of applying Options factor to strike: If the old strike is **124.42** the following would apply:

$$\begin{aligned} \text{New strike} &= \text{Old strike} * \text{options factor} \\ &= 29.76 * 0.984555984555985 \\ &= \mathbf{29.30} \end{aligned}$$

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

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.

Should you have any queries please contact Clearops@jse.co.za or +27 11 520-7349.

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