
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za**Number:** 188/2022**Relates to:**
 Equity Market
 Equity Derivatives
 Commodity Derivatives Market
 Currency Derivatives Market
 Interest Rate Derivatives Market
 Bond Market
 Bond ETP Market**Date:** 20 April 2022**SUBJECT:** TREATMENT OF RAND MERCHANT INV HOLDINGS LTD (RMI) CORPORATE ACTION – SPECIAL AND CASH DIVIDEND AND UNBUNDLING, 20 APRIL 2022 (EX. DATE)**Name and Surname:** Matthias Kempgen**Designation:** Chief Operating Officer – JSE Clear

Member's notice is drawn to section 13 of the JSE Derivatives Directives, Equity Derivatives Contract Specifications, 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, unbundling, capitalization issues and rights issues.

The implication of this is that anybody trading in Single Stock futures or options 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 and Cash Dividend followed by an Unbundling

Rand Merchant Inv Holdings Ltd (RMI) has declared a special dividend of 142 cents per share and a cash dividend of 23.50 cents per share.

Rand Merchant Inv Holdings Ltd (RMI) shareholders will also receive 26.18136 Momentum Met Holdings Ltd (MTM) & 10.91799 Discovery LTD (DSY) shares for every 100 Rand Merchant Inv Holdings Ltd (RMI) shares held.

With regards to this corporate action, the following adjustments will be made to RMI positions on 20 April 2022 (Ex-date). The adjustments will be made to positions held as at close of business on 19 April 2022 (LDT).

Affected Contracts:

Contract Code	JSE Instrument Type
15JUN22 RMI PHY	Single Stock
15JUN22 RMI CSH	Single Stock
15JUN22 RMI PHY DN	Dividend Neutral
15JUN22 RMI CSH DN	Dividend Neutral
15JUN22 RMI PHY 30.5P	Single Stock
15SEP22 RMI PHY	Single Stock
15SEP22 RMI CSH	Single Stock
15SEP22 RMI PHY DN	Dividend Neutral
15SEP22 RMI CSH DN	Dividend Neutral
15DEC22 RMI PHY	Single Stock
15DEC22 RMI CSH	Single Stock
15DEC22 RMI PHY DN	Dividend Neutral
15DEC22 RMI CSH DN	Dividend Neutral
16MAR23 RMI PHY	Single Stock
16MAR23 RMI CSH	Single Stock
16MAR23 RMI PHY DN	Dividend Neutral
16MAR23 RMI CSH CFD RODI	CFD
16MAR23 RMI CSH CFD SABOR	CFD
16MAR23 RMI CSH DN	Dividend Neutral

Special and Cash Dividend

1. FUTURES CONTRACTS

The futures position will be increased by the following factor:

Calculation of futures factor:

Spot price / adjusted price

Where:

Spot price = the official closing price of the underlying share on **19 April 2022 (LDT) – 0.235 (Cash Dividend)**

Adjusted price = Spot price – **1.42 (Special Dividend)**.

Example: If the official closing price of the underlying shares on 22 March 2022 (LDT) is 49.17, the following would apply:

$$\text{Spot price} = 49.17 - 0.235 = \mathbf{48.935}$$

$$\begin{aligned} \text{Adjusted price} &= 48.935 - 1.42 \\ &= \mathbf{47.515} \end{aligned}$$

$$\begin{aligned} \text{Futures factor} &= 48.935 / 47.515 \\ &= \mathbf{1.029885} \end{aligned}$$

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

$$\begin{aligned} \text{Options factor} &= 47.515 / 48.935 \\ &= \mathbf{0.970982} \end{aligned}$$

E.g. if the old strike is 48.00 the following would apply: -

$$\begin{aligned} \text{New strike} &= \text{Old strike} * \text{options factor} \\ &= 48.00 * \mathbf{0.970982} \\ &= \mathbf{46.61} \end{aligned}$$

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

3. CFD CONTRACTS

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

Unbundling

Please note:

The new basket future contract **BSK111** will be created during the EOD batch process on LDT 19 April 2022 and will be available for trading on Ex-date 20 April 2022.

1. Futures positions.

- The JSE will list the new basket future contract **BSK111** which will contain the following constituents:
Rand Merchant Inv Holdings Ltd (RMI) / Momentum Met Holdings Ltd (MTM) / Discovery LTD (DSY)
- Positions in Rand Merchant Inv Holdings Ltd (RMI) as held on close of business on Tuesday, 19 April 2022 (LDT) will be closed out at a value of zero and new positions will be created in the new basket future contract at a value of zero on 20 April 2022 (Ex-date).

E.g. If you had 10 futures contracts in Rand Merchant Inv Holdings Ltd (RMI), the JSE will close out this position at a value of zero and open a new position of 10 futures contracts in the new basket created.

- The new basket futures contract will comprise of RMI, MTM and DSY shares in the following ratio: -

$$\underline{1 \text{ New Basket Future Contract} = (1 \text{ RMI Contract} + 0.2618136 \text{ MTM contract} + 0.1091799 \text{ DSY contract}) \times \text{Nominal} (100)}$$

- The MTM price of the new basket future contract will be determined by calculating the fair value of: -

$$\underline{A \text{ notional basket containing } 1 \text{ RMI contracts} + 0.2618136 \text{ MTM contract} + 0.1091799 \text{ DSY contract}}$$

- At expiry date the future will be physically settled according to the following ratio: -

$$\underline{1 \text{ New Basket Futures Contract} = (1 \text{ RMI shares} + 0.2618136 \text{ MTM contract} + 0.1091799 \text{ DSY contract share})}$$

- The final settlement price of the new basket futures contract at expiry will be determined as follows: -

$$\underline{(1 * \text{RMI share price}) + (0.2618136 * \text{MTM share price}) + (0.1091799 * \text{DSY share price})}$$

2. Option positions.

- The JSE will make the same adjustments to option positions as made to futures positions above.
- Strike prices will remain unaffected.

3. ECFD Contracts

- For every 100 Rand Merchant Inv Holdings Ltd (RMI) ECFD you will receive 26.18136 Momentum Met Holdings Ltd (MTM) ECFD as well as 10.91799 Discovery LTD (DSY) ECFD.

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://clientportal.jse.co.za/content/guidance%20notes/itac%20guidance%20note%20on%20corporate%20actions.pdf>

Should you have any queries regarding this notice, please contact clearops@jse.co.za

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