

## PROPOSED AMENDMENTS TO THE JSE DERIVATIVES RULES

### General explanatory notes:

1. Words underlined with a solid line (\_\_\_\_) indicate the insertions in the existing rules
2. Words in bold and in square brackets ( [ ] ) indicate deletions from the existing rules

### 2.10 Definitions

#### "beneficial ownership"

means, in relation to an Exchange for Physical or Exchange for Risk transaction, the person or persons who ultimately own or control a legal entity that is a party to a transaction;

### 7.114 Off book trading

- 7.114.1.1 Subject to members complying with the best execution principle in rule 7.15 when trading with or on behalf of clients, the transactions listed in rule 7.115 do not have to be executed through the central order book and may instead be submitted to the JSE trading system as off book trades.
- 7.114.1.2 In the case of an off book trade between two members, the members must agree on which member will initiate the submission of the trade to the JSE trading system.
- 7.114.1.3 Off book trades negotiated after trading hours must be submitted to the JSE trading system in accordance with rule 8.10.
- 7.114.1.4 The table below lists the off book trade types and indicates –
- 7.114.1.4.1 whether the transaction may be conducted by one member or two members; and
- 7.114.1.4.2 whether the transaction is published by the JSE.

Trade description	Trade type code	Single member	Two members	Published
Index options, index futures, equity options, equity futures, single stock futures and single stock options	NT	Yes	Yes	Yes
eCFDs	CD	Yes	Yes	Yes
Exchange for Physical	EFP	Yes	Yes	Yes
Exchange for Risk	EFR	Yes	Yes	Yes
Roll Trade	RT	Yes	Yes	Yes
Strategy Trade	SR	Yes	Yes	Yes

### 7.115 Off book trading criteria

- 7.115.1 Subject to members complying with the best execution principle in rule 7.15 when trading with or on behalf of clients, the following transactions do not have to be executed through the central order book and may be validly reported to the JSE trading system:

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7.115 introduced with effect from 3 February 2017

7.115 renamed "Off book trading criteria" with effect from 29 April 2019 – was "Off-ATS transactions"

7.115.1 amended with effect from 29 April 2019

7.115.4, 7.115.5 and 7.115.6 introduced with effect from 29 April 2019

7.115.1.1 All transactions in index options and futures, equity options and futures, single stock futures and options and eCFDs.

7.115.1.2 Exchange for Physical Trade

A futures transaction associated with an EFP where the parties to the futures transaction have entered into a written contract in terms of which the buyer of the futures contract sells the underlying physical commodity to the seller of the futures contract (the "physical contract"), and where -

7.115.1.2.1 the delivery month referred to in the physical contract and the expiry month of the futures contract are within two months of each other;

7.115.1.2.2 in respect of the physical contract, delivery and cash settlement occurs at the time that the futures transaction is entered into or at a later date; **[and]**

7.115.1.2.3 the physical contract shall contain the terms and conditions as provided for in the Contract for the Purchase and Sale of Grain, Pulses, Oilseeds and Products Derived Therefrom ("SAGOS") agreement for the purchase of grain products or be of an equivalent standard[.]; and

7.115.1.2.4 the buyer or seller of the futures contract shall be the seller or buyer, respectively, of the corresponding physical contract or have the same beneficial ownership as the seller or buyer, respectively, of the corresponding physical contract.

7.115.1.3 Exchange for Risk Trade

A futures transaction associated with an EFR where the parties to the futures transaction have previously entered into an OTC derivative contract based on the commodity underlying the futures contract (the "OTC contract"), and where -

7.115.1.3.1 the OTC contract is in the form of an International Swaps and Derivatives Association ("ISDA") agreement or is an agreement of an equivalent standard; **[and]**

7.115.1.3.2 the OTC contract is to be unwound at or about the same time that the futures transaction is reported to the JSE trading system[.]; and

7.115.1.3.3 the buyer or seller of the futures contract shall be the seller or buyer, respectively, of the corresponding OTC contract or have the same beneficial ownership as the seller or buyer, respectively, of the corresponding OTC contract.

7.115.1.4 Roll Trade

A roll trade is a transaction that gives effect to the closing out of positions in futures contracts for one expiry date and the opening of positions in the same number of futures contracts on the same underlying for a later expiry date, and where the member is able to achieve a better average price for all of its clients whose positions are being rolled than the average price at which it could give effect to the rolling of the positions through the central order book.

7.115.1.5 Strategy Trade

A strategy trade is a transaction that is comprised of two or more transactions in options or futures in respect of one or more underlying instruments, which are linked in the JSE trading system to give effect to the strategy of the member or client.

- 7.115.1.6 Any other transaction in commodity derivatives of a type which may validly be reported to the JSE trading system and not executed through the central order book, as determined by the JSE.
- 7.115.2 A futures transaction reported in terms of an EFRP shall comply with the following conditions:
  - 7.115.2.1 the quantity of the underlying commodity in the futures contract must be within 5% of the quantity specified in the physical contract or OTC contract, whichever is applicable;
  - 7.115.2.2 the futures transaction shall be reported to the exchange as soon as possible after the physical contract or the OTC contract has been concluded or unwound respectively; and
  - 7.115.2.3 the trading member shall retain all written and electronic records, trade confirmations, documents, agreements and recordings relevant to both the futures transaction and the corresponding physical or OTC contract.
- 7.115.3 The price of futures transactions reported in terms of an EFRP shall be -
  - 7.115.3.1 within the range of the market prices for that futures contract on that day, prior to the reporting of the futures trade, or at the previous day's closing price; or
  - 7.115.3.2 if it is outside of the price parameters referred to in rule 7.115.3.1 -
    - 7.115.3.2.1 the price shall be specified in the relevant physical contract or OTC contract; and
    - 7.115.3.2.2 any trading member who is a party to the transaction must obtain the prior approval of its clearing member before reporting the transaction to the trading system.
- 7.115.4 Upon request, a trading member shall -
  - 7.115.4.1 submit to the Director: Market Regulation all of the information, records and documents referred to in rule 7.115.2.3; and
  - 7.115.4.2 demonstrate to the Director: Market Regulation how the futures transaction associated with an EFRP is correlated to the relevant physical or OTC contract, whichever is applicable.
- 7.115.5 Off book transactions which do not comply with one or more of the criteria specified in this rule may be cancelled by the JSE at the sole discretion of the Director: Market Regulation.