

Market Notice

Number: F4163
Date: 21 January 2010

Resolution Market Management (Pty) Ltd

Reference is made to market notice F4112 dated 25 November 2009 advising that an application had been received for equity derivatives membership of the JSE from Resolution Market Management (Pty) Ltd (RMM).

In addition, a request was made in the said notice for the lodging of any objections to the registration of the following officers:

J.P. Maree	Resolution Market Management (Pty) Ltd	Compliance Officer & Money Laundering Compliance Officer
A. Kotze	Resolution Market Management (Pty) Ltd	Dealer

No objections were received to the registration.

Upon consideration of the application for membership by RMM, the JSE Executive Committee considered the following issues:

1. Mr. A. Kotze consults to the JSE on the following areas:

- Can-Dos (exotic products only):
 - a. Researching, developing and maintaining of pricing models for mark-to-market processes and initial margin requirements;
 - b. Calculation of initial margin requirements;
 - c. Liaising with clients (buy-side and sell-side) to ensure that the models that are developed are world class and similar to models used across the globe by international institutions;
 - d. Running parallel tests with clients to ensure that the pricing of every new model is correct;
 - e. Implementing the models into the current pricing system used by the JSE Can-Do team;
 - f. Ensuring that the JSE Can-Do team can utilise the models to perform the end-of-day run.
- Volatility:
 - g. Maintaining the models used to calculate the Alsi volatility surface from traded data, which models also provide at-the-money volatility levels which are used by the JSE volatility team in verifying the ATM levels obtained from the market and sticky strike volatility surface;
 - h. Calculating the average market Alsi and DTOP volatility surface every month.
- Commodities:
 - i. Calculating Initial margins for new commodity futures products;



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Executive Directors: RM Loubser (CEO), NF Newton-King, F Evans (CFO), JH Burke, LV Parsons
Non-Executive Directors: HJ Borkum (Chairman), AD Botha, ZL Combi, MR Johnston, DM Lawrence, W Luhabe, A Mazwai, NS Nematswerani, N Nyembezi-Heita, N Payne, G Serobe
Alternate Director: J Berman

- Interest Rate Division:
 - j. on a monthly basis, initial margins and offset margin for the interest rate futures traded on Yield-X;
 - k. Calculating the Total Return Bond indices using a system developed and maintained by Mr. Kotze. This entails monthly re-weightings and reconstitutions; and
 - l. assisting in developing a new methodology for generating the current Yield Curves.

Mr Kotze also sits on the Safcom Risk Committee.

On the strength of this information, the JSE Executive Committee came to the decision that given the possible conflict of interest that may result from Mr. Kotze's involvement with both the JSE and RMM, Mr. Kotze should not be permitted to be a registered dealer of RMM nor be involved in any activities of a nature which may result in an actual or perceived conflict of interest.

In addition, it was agreed that RMM's application subject to the conditions that:

- Mr Kotze's involvement with RMM should be limited to the following activities:
 - performing the role of Director of RMM responsible for the business as a whole;
 - responsible for systems and Information Technology of RMM;
 - ensuring that appropriate risk measures and tools are implemented and utilised by RMM and its clients at all times;
 - assist in the training of the financial brokers sales team of RMM in the understanding of RMM services and products and ensure that the said services and products are marketed to RMM clients;
- Mr Kotze will enter into a new and comprehensive agreement with the JSE in terms of which, amongst other things, Mr Kotze agrees to comply with the aforementioned conditions and ensure that no conflicts of interest arise from his involvement with RMM and the JSE; and
- The Market be advised of the issues raised above and be given the opportunity to object to the application.

These conditions were accepted by Mr. Kotze.

Accordingly, please lodge any objections that you may have to the application for equity derivatives membership by RMM on the basis set out above with the undersigned by no later than 10h00 on Monday, 1 February 2010.

Gary Clarke

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