

Market Notice

Number: F4442

Date: 06 September 2010

OFF-MARKET TRADES IN EQUITY OPTION CONTRACTS

Member's attention is drawn to Notice F4329A on 11 June 2010 (Off-Market trades in Equity Derivative Contracts), which indicated that the JSE will start enforcing the minimum number of contracts that can be traded off-market (off-ATS) again. A number of option market participants have approached the JSE with regards to pragmatic issues surrounding trading option structures on-screen. It was agreed at the Financial Derivative Advisory Committee meeting on 18 August 2010 to have a follow-up workshop with the applicable option market participants. This workshop was held on 3 September 2010 and the participants agreed to the common vision of growing the Options Market in South Africa through electronic trading and transparency.

In order to smooth the transition to electronic on-screen trading, it was however agreed to reduce the minimum sizes for reported trades to be the same as for futures with the exception that the rules for options will only be applicable to the near and the next expiries. The table below indicates the final minimum sizes applicable to both futures and options:

Contract	Minimum rule for Futures and Options
ALSI	200 contracts
DTOP	1,000 contracts
AGL	100 contracts
MTN	200 contracts

It was also agreed that the JSE will investigate ways to allow reporting of trades where the delta leg of an option trading structure are less than the minimum reported size.

It was further agreed that in order to create transparency in the South African Options market, the JSE will publish volatilities on reported option trades. In principle participants did not object to the publishing of volatility where the size of a reported trade is up to 1,000 contracts on the ALSI. The JSE will analyze trade data and communicate a proposed number of contracts for publishing volatility on all instruments in due course.

It was further agreed that in order to concentrate on-screen electronic liquidity, the strike intervals of all options listed on the JSE must be reviewed. In principle participants did not object to a 100 point strike interval on the ALSI. The JSE will analyze trade data and communicate proposed strike intervals for all instruments in due course.

If you have any queries, please feel free to contact derivativetrading@jse.co.za



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