

Market Notice

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Equity Derivative Trading Engine Feedback

This is a communication to update all Equity Derivative Market Participants on the progress of the project to review and replace the trading engine for the Equity Derivatives Market.

The JSE Exco has discussed this extensively and has specifically considered the following:

1. The need, over time, to structurally bring down the costs for the JSE and members.
2. The long-term architectural road map for the JSE for integrated trading and clearing.
3. The choice between a “why not Millennium Exchange” (the current provider of the equities trading engine) approach and a wider assessment of all appropriate IT vendors (including Millennium Exchange) using a “best of breed” approach.
4. The impact of the choice on the complexity of the JSE IT ecosystem.
5. The cost and time to market.
6. The continued use of the JSE clearing system Nuclears.

It is the view of the JSE that the best way to address these factors positively is to implement the Millennium IT solution for the Equity Derivatives Market provided that the technology solution satisfactorily meets the business requirements of the JSE and its members at a satisfactory cost and in a satisfactory timeframe. In order to confirm this, Millennium IT has been invited to visit the JSE in order to work through the requirements in detail, define the commercials and clarify the upstream and downstream implications of implementing Millennium Exchange. This Phase (which will be called Phase 2) is intended to be completed by the end of Q1 2013. Should you wish to contribute to Phase 2, please contact the JSE Equity Derivative team.

A recommendation to the JSE Board on whether to proceed with implementing Millennium Exchange can only be made after the completion of Phase 2. The JSE intends to be in a position to make this recommendation shortly after the completion of Phase 2.

Should Phase 2 highlight any significant risks that cannot be mitigated, or a degree of functional fit that will significantly and negatively impact the functioning of the Equity Derivatives market or an unviable business case, the project will revert to a broader RFP process to select a different vendor to replace the Equity Derivatives Market trading engine.



The timeline beyond Phase 2 for either option will only be determined once a decision at the end of Phase 2 is made.

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

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