

Nutron Repo Reporting Reform Project

February 2025

Let's Connect

let's connect

JS

Recap: New repo functionality



Purpose:

- Introduce Repurchase Agreements (**Classic Repos**) and **Triparty Repos** on the Nutron front-end and API. The new functionality will supplement the JSE's existing buy-sell back offering and will have **post trade functionality**.

Master Trade:

- Allows for repo trade characteristics to be **amended** over the life – creates a **link** between the original trade and all amendments of that trade (eg: rate resets, substitutions, term extensions, etc).
- The **reference** to the Master Trade will be carried over to every amendment that is made. Creates an **audit trail** of the transaction

Classic Repos:

- Closed term, open-ended and evergreen repo
- Fixed and floating rate repo rates
- Collateral Swap

Post trade functionality

- Amending of Repo terms – Extend term, reset repo rate, substitute collateral

Triparty Repos:

- Initiate/amend triparty trades (governed by GMRA) to feed Strate's Collateral Management System (CMS).

Trade and Post-trade functionality



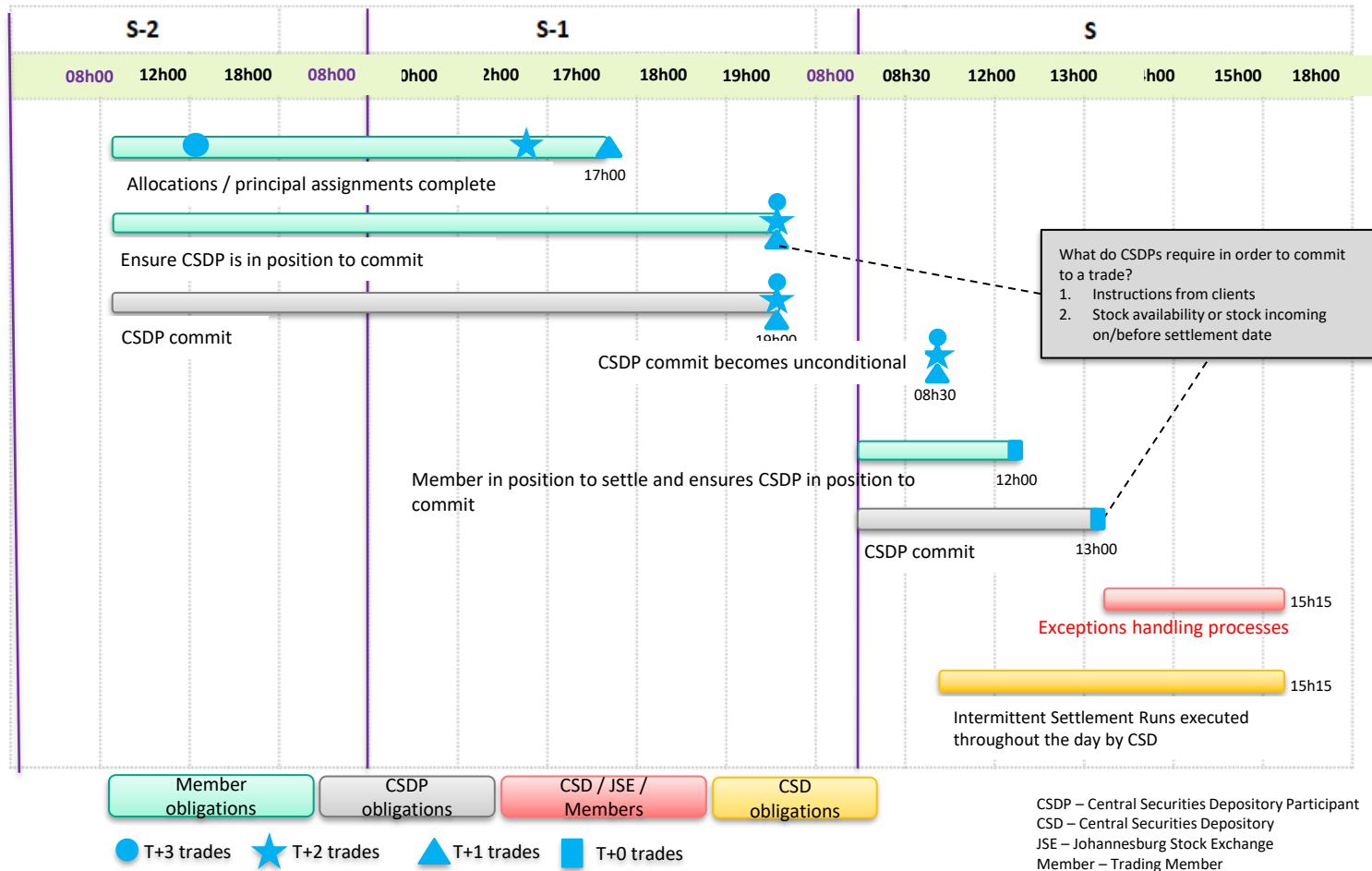
<u>#</u>	<u>Functionality</u>	<u>Booking phase</u>	<u>Live Trade phase</u>
1	Classic Repos	X	
1.1	Closed/Open-Ended	X	
1.2	Floating /Fixed rate	X	
1.3	Hair-cut	X	
2	Collateral Switch	X	
3	Evergreen repo	X	
4	Repo Rate Reset		X
5	Extendable		X
6	Substitutions		X
7	Triparty Repos	X	
7.1	Triparty – Rate Amendment		X
7.2	Triparty – Extension		X

Recap: Impact of change to Stakeholders



Impact to current processes

- All trade statuses will not be changed i.e., unconfirmed, unmatched etc.
- All connectivity rules will not be changed.
- There is no changes to settlement timelines.
- There is no changes to settlement rules or directives.
- All the current settlement rules on how bonds are terminated or cancelled will not be changed. i.e. If the trade is committed, the system will not allow termination or cancellation.
- Current Buy-sell back functionality in Nutron/API will not change.
- The master trade functionality will be created for Classic Repos only.



- No change to current settlement timelines or JSE Rules and Directives for the IRC Market.
- No change envisaged to Strate rules and Directives on commits and settlement timelines.
- CSDP cut-off for client instructions etc should not be impacted.

Repo Reform: What has changed?



What has NOT changed:

- Buy-Sell back (BSB): No change made to existing code in trading engine.
- The same day window for same day trading is open from 7am to Midday (12H00). Can be extended upon request from Members
- Back to Back (BTB) links allowed for new Repo trade types.
- CSDP's to continue to send Reason for Uncommits (MT548 messages)
- Trading rule changes for new Repo trade types.

What has changed:

- Classic & Triparty Repos code will sit on new instance on the trading engine.
- Process and operational change to buy side clients and Fund Administrators for new Repo types no second leg
- Repos without second leg – Only R1 leg will be sent, R2 will be sent upon closure of Repo.
 - Open Ended Repo
 - Evergreen Repo
 - Floating Repo Rate
- Rate reset & Extensions – Equal and Opposite for old R1 and R2, new trades with new settlement consideration.
- Closed and fixed Repos – Both R1 and R2 legs will be sent to CSD/P.

Repo Reform: Member testing



Client User Acceptance Testing (UAT):

- 10 March to 25 April 2025
- All Repo, Bonds and Interest Rate Derivative (IRD) members
- The Nutron Bonds/IRD Customer Test Environment (CTS)
 - Will be available to all market participants to download, begin connectivity and commence full functional client user acceptance testing.
- All members required to provide sign off

Purpose of UAT:

- Ensure sufficient testing is conducted in line with **BAU activities**
- **Perform regression Testing:** Test existing trading functionality – Buy/Sell Backs, Cash Bonds and Interest Rate Derivatives trading functionality.
- **Functionality Testing:** new Classic and Triparty Repos – *only applicable to all members using new functionality.*

Repo Reform: Member testing



- Members will use their own member code to test.
- Members to check with CSC on trader ID's etc for the CTS (test) environment and ensure its active.
- JSE PTS team will provide list of clients(Jcodes) to use in the test environment. This will be sent prior to 03 March.
- Members to email CSDP's and copy in SAT team for commits. Members to use bonds25@jse.co.za to send correspondence to the JSE in relation to the testing.
- As testing will be done over a few weeks no large volume of testing to be pushed through.
- CSDPs to:
 - Commit to client trades where required without instructions from the client.
 - Update holdings etc and commit to all member trades.
 - Communicate any issues or request Strate to commit on their behalf.

Market Dress Rehearsal



- Members are mandated to successfully participate in one of the following Market Dress Rehearsals (MDR):
 - Saturday 29 March 2025
 - Saturday 12 April 2025
- Go-live prep weekend: Saturday 17 May 2025
- Go-live date: Monday 19 May 2025

Purpose of Market Dress Rehearsal:

- This is not a full functional test – connectivity test.
- Members are required to successfully connect to the new Nutron environment:
- Submit following types of trades: Bonds, IRD, and Buy/sell-back, Classic and Triparty Repos
 - Member to member
 - Member to client
 - Members will be paired
- **Sign off will be required** via email upon successful participation (connectivity and testing) in **one MDR**.

Member/client setup for Triparty Repo market testing



- **Member/client setup on Strate system**
 - Profiles to be created for new clients
 - Contract setup (trade agreements between member/clients)
 - Eligibility criteria (bonds, haircuts, tolerances)
- **Member/client security account setup with the CSDP (custodian)**
 - Creation of segregated depository accounts (SDAs)
 - Holdings to be created between Strate and CSDP (Strate to provide a spreadsheet with account/ISIN details)
- **Exposure reporting via JSE Nutron system**
 - Leverage off existing integration, JSE to report trades to Strate TPA via SWIFT
- **Test scenario's for Market testing**
 - Market meeting to discuss test cases
 - Clients can add additional test cases
 - Cover four cycles during testing

Participant role pre and during testing



➤ CSDP activities

- Creation of SDA accounts for members/clients
 - ❖ Custody and cash accounts
- Creation of holdings in SDA accounts with Strate
- Auto commit during testing for triparty repo trades (client type 70/71, RVP/DVP, T+0)
- Funding for settlement of DVP/RVP trades
- Daily reconciliation of member/client holdings with Strate

➤ JSE activities

- Setup for members/clients
- Reporting/amendment of trades/exposures for members/clients
- Processing of trade confirmations from Strate

Participant role pre and during testing



➤ **Strate activities**

- Session with clients/members to explain onboarding process
- Creation of clients on CMS platform
- Contract/agreement setup
- Provide JSE with static data to capture on Nutron
- Internal account mapping and routing
- Creation of holdings in SDA accounts with CSDP's
- Trade/exposure processing
 - ❖ Generate triparty repo trades
 - ❖ Processing of commits
 - ❖ Generate payment messages for CSDP's
 - ❖ Settlement
 - ❖ Collateral activities mark to market, top-up, withdrawals, substitution
- Daily reconciliation of member/client holdings with CSDP's
- Daily statement for members/clients

