

---

## MARKET NOTICE

Johannesburg  
Stock Exchange

Tel: +27 11 520 7000  
[www.jse.co.za](http://www.jse.co.za)

**Number:** 616/2016  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives  
**Date:** 7 November 2016

**SUBJECT:** BUY-SELL BACK VERSUS REPO QUESTIONNAIRE

**Name and Surname:** Warren Geers  
**Designation:** Head: Interest Rates and Currencies

---

The JSE introduced new trade reporting requirements on the 20<sup>th</sup> June 2016 in order to improve the accuracy of daily statistics. It has become clear in the interrogation of our data that certain market participants are reporting repurchase transactions under the standard trade types. This is causing substantial problems with our valuations as well as over stating outright daily volumes significantly.

Along with the concern raised above, as the debt market has evolved over the last 20 years the buy-sell back market has grown significantly and the standard practices have evolved while certain regulations and practices from a JSE perspective relating to the repo market have not.

While the economic effect of a buy-sell back and a classic repo are the same, the JSE functionality relating to these transactions from a pricing perspective only cater for buy-sell backs. Any classic repos that are reported using this functionality will require that market participants refund any coupons that they receive which should be retained by the seller outside of the JSE regulatory structure. Any haircuts or margin calls also need to be managed outside of this structure.

Post discussions with numerous market participants we are trying to get some clarity on the following matters relating to these transactions:

1. Are all buy-sell back transactions reported by your organization backed by a GMRA agreement with the Buy-Sell Back addendum?
2. How does your organization view the legal framework of the GMRA in relation to the JSE rules which under the FMA would overrule any bilateral agreements?
3. Is the GMRA agreement seen as the primary legal contract or is it used as a backup to the existing JSE rules?
4. Is your organization doing classic repos and reporting them using Nutron?

5. Does the guarantee fund provide any assistance in relation to the establishment of credit lines with new counterparties?
6. Does your organization have a need for haircut functionality on the reporting engine for classic Repos?
7. It seems that the majority of developed markets globally are moving towards fully documented repos as opposed to buy-sell back transactions. Is there any objection to moving our market in the same direction?
8. Certain market participants have expressed a preference to buy-sell backs while others prefer the classic repo model. Is there any reason why your organization cannot transact in one of the two trade types? The indication that we have received from our international research is that most organizations can transact in either without any problem.
9. Are the current buy-sell back transactions treated as two separate trades on your internal systems or are they considered to be one collateralized transaction?
10. Do you have any other comments relating to buy-sell backs and classic repos, that you feel the JSE needs to address through this process?

The JSE requests that you provide written feedback in relation to the above matter by no later than the 1<sup>st</sup> December 2016. The consolidated feedback will be presented to the Trading Advisory Committee prior to the implementation of any recommended changes.

Kindly supply all feedback to [IRC@jse.co.za](mailto:IRC@jse.co.za) or alternatively contact:

Bernard Claassens  
+27 11 520 7810  
[bernardc@jse.co.za](mailto:bernardc@jse.co.za)

Should you have any queries regarding this notice, please contact [irc@jse.co.za](mailto:irc@jse.co.za)

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>