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FINANCE & BANKING ALERT

IN THIS ISSUE

LISTED DERIVATIVES: ERROR TRADES & AGRICULTURAL PRODUCTS

On 16 October 2015 amendments to the rules of the JSE derivatives division ('rules') came into effect. Previously the rules were silent on the issue of Trade Cancellations and Trade Price Adjustments. The new rules and directives, now provide for situations where a trade is executed as a result of an error made by a broker or its client, and the remedial steps which can be taken thereafter.

LISTED DERIVATIVES: ERROR TRADES & AGRICULTURAL PRODUCTS

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The rules deal with the requirements which must be met for an alleged 'error trade' to be cancelled and the circumstances that the JSE Director: Surveillance ('surveillance') must take into account when making a determination to cancel the alleged 'error trade'. Surveillance may decide to adjust the price of an 'error trade' instead of cancelling it. Surveillance is also given the power to instead allow the 'error trade' to stand. The factors which must be taken into account, when making a decision to cancel, adjust the price, or allow an 'error trade' to stand are not exhaustive and the Director: Surveillance is to use his discretion in each case.

The new directives further set out the detailed procedure to be followed when an alleged 'error trade' is cancelled. The relevant pricing tables in the directives outline the 'no cancellation ranges' for 'Commodity Derivatives' and 'Equity

Derivatives' respectively. The applicable limits and prices for each product type (futures versus options) are delineated in these tables.

Further proposed amendments have been published to deal specifically with physically settled agricultural derivatives listed on the JSE and are available on the FSB website (www.fsb.co.za). The Proposed Amendments are available for public comment and any objections must be lodged with the Registrar within 14 days from the date of publication (ie by this Friday, 30 October 2015). The changes allow more categories of employees of 'Trading Members' who have met certain qualifying criteria (particularly with regard to their registered persons exams) to execute agricultural derivative trades.

Bridget King and Michael Dippenaar

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2012
 1st in M&A Deal Flow, 1st in General Corporate Finance Deal Flow, 1st in General Corporate Finance Deal Value, 1st in Unlisted Deals - Deal Flow.

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2016

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