Market Maker billing model

The new model below is evidence that the JSE has recognized that the fees for the providers need to be changed quite aggressively to ensure the continuous growth of the market.

All prices below are exclusive of Vat

Currency Futures and Options	On Screen	Off Screen	Maxi On Screen	Maxi Off Screen	Assign Send	Maxi Assign Send
Fee per Contract	R 0.18	R 0.36	R 18.00	R 36.00	R 0.18	R 18.00
Capp per deal	R 22 000	R 22 000	R 22 000	R 0.18	R 18.00	R 18.00

In order to qualify for the on-screen fee incentive the provider will have to meet the below qualifying criteria:

- All contracts will be divided into two categories, namely Category A and Category B contracts:
  - **Category A:**
    - Where there are at least two providers making two-way prices on-screen in both the near and middle expiries.
    - These contracts and expiries form a part of the obligation to earn the beneficial pricing incentive.
  - **Category B:**
    - Where there are not at least two providers making two way prices on-screen and/or prices only in the near contract.
    - These contracts and expiries do not form a part of the obligation to earn the beneficial pricing incentive; however if a provider meets the minimum criteria in one of these expiries, the beneficial pricing will be applied.

- The contracts that make up these two groups will be reviewed and agreed by the JSE and Providers on a quarterly basis.
- Example of the contracts/expiries that would make up the group based on recent order data:
  - **Category A contracts (currently):**
    - United States Dollar
    - United States Dollar – Maxi
    - Euro
    - British Pound
    - Australian Dollar
  - **Category B contracts (currently):**
    - Danish Krone
    - Nigerian Naira
    - Zambian Kwacha
    - Kenyan Shilling
    - Canadian Dollar
    - Chinese Renminbi
    - Turkish Lira
    - Swiss Franc
    - Japanese Yen
    - Quanto
    - New Zealand Dollar
    - Hong Kong Dollar

- The minimum qualifying criteria to which the providers will need to commit are as follows:
    - Must make two-way prices in the **near expiry of every liquid currency contract.**
    - Must make two-way prices in the **middle expiry of every liquid currency contract.**
    - Measurement will take place from start of day at 09h00 up until market close at 17h00.
    - Between **09h00 – 10h00** and between **16h00- 17h00,** providers must make prices for a **minimum of 85% of each period for the trading month.**
    - Between **10h00 – 16h00,** providers must make prices for a **minimum of 80% of this time period for the trading month (and not including the two periods above).**
    - The above will be monitored per Currency contract and per expiry.
    - On close out day the contract will be monitored up until the close of the contract (16h00 or 17h00 depending on daylight saving time).
    - If a provider does not meet the market making minimum qualifying requirements on a specific expiry, the highest possible fee will be charged to the Provider across all relevant trades in that expiry (contract), eg R0.36c.

**Please note that the qualifying criteria is subject to change.*

If the providers do not meet their on-screen obligations they will pay the maximum possible fee (e.g. R0.36c per contract) as if they had traded a report only trade. The maximum fee is still lower than the average of the sliding scale that was applied previously. The JSE will invoice providers at the end of each month based on how they traded and whether obligations were met or not.

The proposed provider model requires substantial development within the JSE – to build the monitoring obligations, the calculation of the new fees to be applied and the relevant invoicing to the banks (via the clearing banks), as well as testing of all the processes. It is envisaged that this will be concluded by end-June 2015.

For this reason, while the model is being developed and implemented for the providers, they too will be charged the 8% increase along with the rest of the market. The banks will continue to receive their rebates but once the new model is implemented all rebates will be terminated.

The provider model has been discussed independently with each bank.

The JSE will be implementing the new fee model effective **1 July 2015**.

To conclude, it is important to note that for the model review the analysis was based on trade data for the full year 2014 and no member's fees increased beyond 8% when applying the new model to the 2014 dataset. In addition, fee structures will be reviewed on an ongoing basis to ensure the viability of the market and its participants. Reviews will include discussions with providers and other key participants. On the basis of these reviews, the model can and will be revisited where needed.

If you would like any further information or clarity on any of the information provided, please email irc@jse.co.za