



# SA INC 2010 and BEYOND

ASISA

The Role of the JSE in the financial  
services industry

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## ...➤ AGENDA

- Global exchange industry view
- JSE's role in South African economy
- Regulation and surveillance
- Quality of service
- Interest rate market
- Anonymous Block Trading
- Africa Board
- Way forward



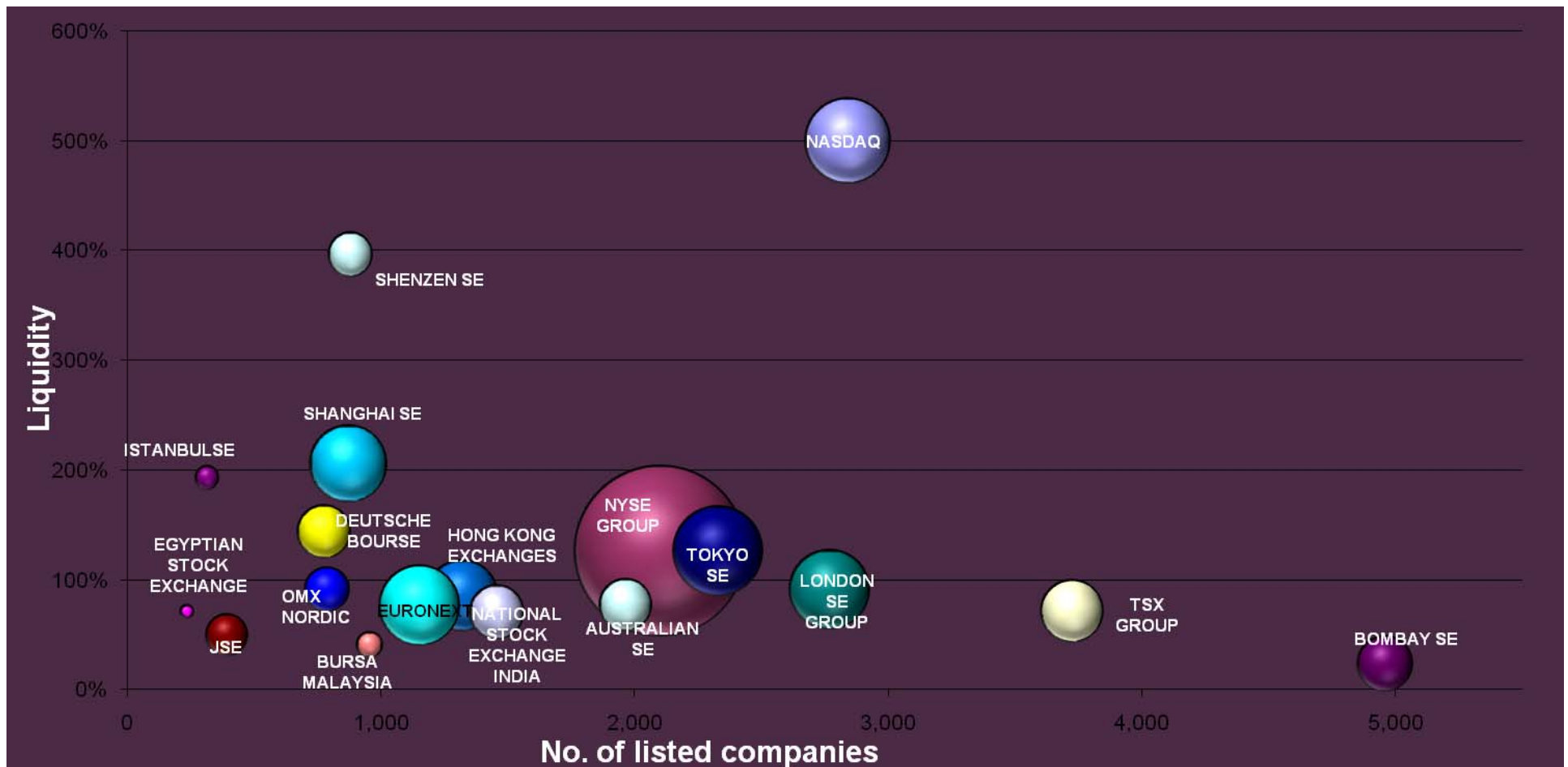
## ...➤ GLOBAL EXCHANGE INDUSTRY VIEW

- Exchanges worldwide count cost of global financial crisis. On average,
  - Value of shares traded falls as institutions are impacted by crisis
  - Pace of listings slows
  - Liquidity decreases
- Risk management systems for on-market trade prove effective
  - Various jurisdictions encourage move to on-market trade for standardised instruments
- Regulators stand behind on-market trade
- Jury still out on certain consolidation transactions

Market caps (US\$)	% change (Dec 2008 to Jan 2010)
NYSE	
Euronext (US)	33%
ASX	72%
Bursa Malaysia	54%
Egyptian SE	-2%
JSE	57%
LSE	43%

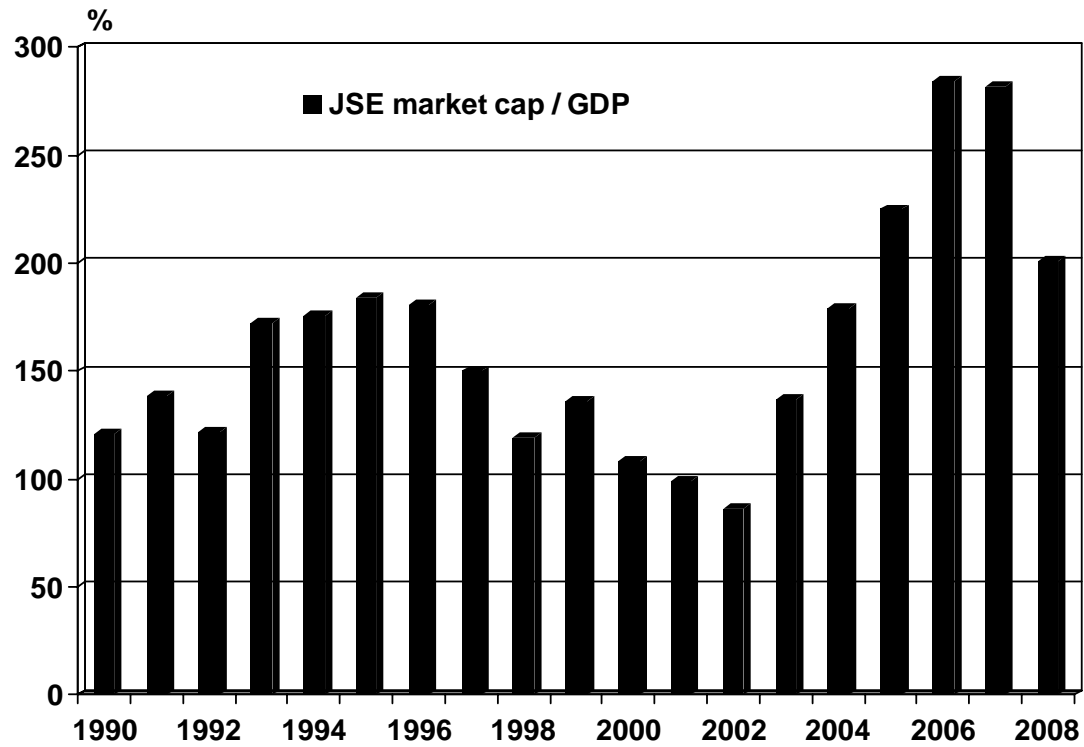
Source: WFE

...> THE JSE IN A GLOBAL CONTEXT





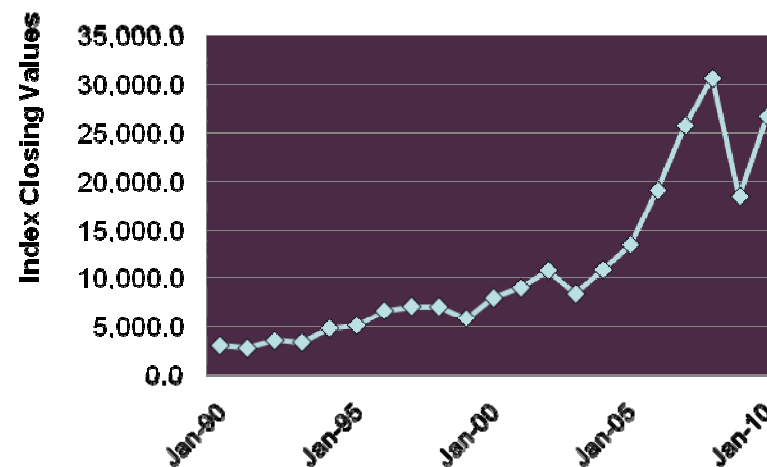
## ...➤ JSE'S ROLE IN SA ECONOMY



Sources: SARB, WFE



**Graph of FTSE/JSE All Share Index**



## ...➤ JSE'S ROLE IN SA ECONOMY

- Sound financial markets...
  - SA's financial markets ranks 5<sup>th</sup> in world (WEF's *Global Competitiveness 2009*)
  - JSE ranks 18<sup>th</sup> in world by market cap
- But challenges for industry after global financial crisis
- Focused response from JSE
  - Relationships tightened: issuers, clients
  - On-exchange solution for non-standard derivatives instruments
  - IT team boosted to enhance technology
  - Review of cash, derivative equities billing



## ...➤ REGULATION AND SURVEILLANCE

- JSE's mandate (ito SSA) is to operate in the public interest
- SA ranked 2nd in the world in regulation of securities exchanges  
*(WEF Global Competitiveness Report 2009 – 2010)*
- Technology (incl BDA) assists JSE to fulfill secondary market obligations
  - Enables real-time monitoring of market activity
  - Keeps securities records and books of broking firms
  - Provides foundation for world-class surveillance
- Surveillance capability one reason why JSE had no short selling restrictions in 2008/9
  - Recognition received for this decision



## ...➤ CERTAINTY AND QUALITY OF SERVICE

- Only players that matter are issuers and investors
- Zero failed trades for 8 years
- Innovative product development team
- Responsive to client needs: focus areas for 2010
  - Anonymous block trading facility
  - Remote membership
  - Diversifying product range in line with member needs
  - Progress replacement of BDA with next generation technology



## ...➤ INTEREST RATE MARKET

- BESA and JSE teams integrated
- 2009 volumes down after 2008 peak
  - Secondary market turnover down 30% (2009: R13.4tr; 2008: R19.2tr)
- Interest rate growth strategy close to completion
  - Wide consultation on proposed changes
- Focus areas:
  - Initiatives to increase transparency, eg central order book
  - Fairness of execution
  - Secondary market trading rules for government bonds
- Strategy will position SA interest rates market for growth
- Aim for 2010: consolidate and implement



## ...➤ ANONYMOUS BLOCK TRADING

- Central Order Book (COB) good for price discovery
  - Lacks with regards to *volume discovery*
- Average transaction sizes continue to decline
  - Large orders traded attract *Market Impact Costs*
- JSE members require market place with *complete anonymity*
  - COB provides anonymity at member level
  - Fund managers require more anonymity
- Anonymous Block Trading: liquidity not displayed on order books
  - Trading venue completely anonymous
  - Security price volumes not displayed
  - Valuable to traders of large blocks of shares



## ...➤ JSE's OFFERING: BLOCK X

- Facilitates trading of blocks of shares with pre-trade anonymity
- To be introduced in 2010
- Two new order types:
  - Hidden Limit Orders
    - Firm order with specified limit price (hidden from market)
  - Hidden Mid-Priced Pegged Orders
    - Firm order with price pegged to mid-point of best visible bid and offer (hidden from market)
- Large in Scale Requirement
  - Orders must comply with Minimum Order Size (determined by JSE)



## ...➤ AFRICA BOARD

- Launched in 2009
- Trading platform to showcase quality African companies
- TrustCo (Namibia) listed in 2009: dual listing
  - Trading volumes up on NSX
  - Interest from institutions
- Wilderness Holdings to list in April 2010
  - Growing investor interest in African companies
- Reg 28 of Pensions Fund Act includes prudential limit increases and additional 5% investment allowance for Africa

...➤ **NEW DISPENSATION**

<b>Client type</b>	<b>Prudential Limit</b>	<b>Transfer between registers</b>
<b>Non-resident</b>	No limit	Yes
<b>Non-resident Blocked</b>	N/A	N/A
<b>Retail clients</b>	No limit	No
<b>Institutional clients</b>	<b>30% of assets under management. Extra 5% for African companies</b>	<b>Yes</b>
<b>Institutional Clients</b>	<ul style="list-style-type: none"> <li>• <b>Assets under management: 20%</b></li> <li>• <b>Assets backing linked liabilities for insurers: 30%</b></li> <li>• <b>African companies: extra 5%</b></li> </ul>	<b>Yes</b>
<b>Corporate</b>	No limit	No



## ...➤ WAY FORWARD

- World market uncertainty lingers. JSE is responding by:
  - Driving planned technology upgrades and controlling costs
  - Creating and listing products in response to client need
  - Stressing the JSE's value proposition to companies globally
  - Continuing focus on raising liquidity and improving competitiveness
  - Focus on settling the interest rate strategy, growing the interest rate market and delivering merger benefits
  - Driving the JSE's Africa strategy



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THANK YOU