

Amendment of Rules



> A2X MARKETS

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1 April 2022

Market Notice #1 of 2022

In terms of the A2X Rules, the Introduction to A2X, its Controlling Body and A2X Rules section, any amendments to the A2X rules must be notified to members of A2X, with any comments or objections to the said amendments to be submitted in writing within 14 days for consideration.

Members are advised that A2X wishes to amend its trading rules and directives in the manner set out in Annexure "A"

Reasons for the Amendments

The purpose of these changes is to amend the A2X Rules and Directives to introduce a new trade type which will be available on A2X. The proposed new trade type is:

Transaction description	Trade type code	Book
Matched Principal Trade	MP	Off book

The description, detail and requirements applicable to the trade type are set out in detail in the proposed Rule and Directive amendments.

The introduction of this trade type is to facilitate the generation of a single contract note in respect of trades transacted by a broker for an institutional client ("Client") in the same security across two exchanges in the republic, namely A2X and the JSE in pursuit of best execution. The construct of this trade type ensures adherence to the principle that trades conducted on a specific exchange are cleared and settled on that exchange.

The new trade type was the subject of extensive consultation with affected stakeholders, which consultation culminated in a market workshop on 29 March 2022. The workshop participants included representatives from the FSCA, A2X, the JSE, Strate, common affected authorised users and the buy-side.

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The agreed solution, namely the introduction of the Matched Principal trade that is the subject of the proposed amendment, was agreed at the workshop.

The agreed solution involves a member facilitating a trade by acting as a principal in respect of trades executed in dual listed securities on another local exchange for the purpose of enabling the creation of a single contract note for the executing Client. The trades as executed and the consequent Matched Principal trade with the Client are required to be at the same price. The member may charge the Client an agreed fee but cannot profit from the transaction by taking a turn on the traded price.

The resultant single contract note will include both agency and principal trades, with a part of the Client's order executed as agency trades on A2X and the balance through a Matched Principal trade. This is a deviation from current market practice where the contract note must reflect that the member traded as either agent or principal. Clients will however be aware that every execution reflected in the contract note was executed in accordance with the rules governing the new trade type and be at the best available price.

Where a member trades across both A2X and the JSE when transacting for a Client, and uses the Matched Principe trade type on A2X to facilitate the issuing of a single contract, the following process would need to be followed:

- Trade as agent into a dedicated client suspense account in the name of the Client on A2X, in respect of the equity securities bought or sold on the A2X central order book in filling the Client order;
- Trade into a Matched Principal stock account on the JSE, in respect of the equity securities bought or sold on the JSE central order book in filling the client's order
- Through the A2X trading system, execute a Matched Principal off-book trade between the member's Matched Principal stock account in MeCRAS and the client suspense account, which is an equal but opposite trade to the trades in the Matched Principal stock account on the JSE;

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 Allocate the A2X central order book trades and the reported Matched Principal trade on the client suspense account on MeCRAS to the underlying clients of the Client at the average price.

A Matched Principal trade on the member's Matched Principal stock account will be treated as a central order book trade and the allocations to the Clients accounts will be settlement assured by A2X and will attract a Capital Exposure Requirement ad per A2X's current risk methodology.

Should you have any questions or require any further information on the mechanics or implications of the Matched Principal trade please contact Brett Kotze on brett.kotze@a2x.co.za and an information session can be arranged if required.

Contact Information

If you have any comments or objections to the said amendments, please submit same by email to supervision@a2x.co.za by no later than 19 April 2022. The proposed amendments will thereafter be submitted to the Registrar for approval which will take effect on the date of such approval.



Rules Changes

1	Words	underlined	with a	solid line	() indicate	the	insertions;
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- 2. Words in bold and in square brackets ([]) indicate deletions.
- 6.4.6 The below table reflects the transaction description and the trade type code -

Matched principal trade	<u>MP</u>	off book
A matched principal trade is a transaction		
where a member trades as a principal with		
a client, on the same day and at the same		
average price as the transaction in the		
same equity security executed on the		
central order book of another regulated		
exchange in the Republic for the		
member's own account but in the fulfilment		
of an order received from the client.		
A member may not make a profit on a		
matched principal trade other than the		
agreed fee.		

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