

EQUITY INDEX FUTURES

Key Information Document (KID)

2018

PURPOSE

This document provides you with key information about the Index Futures investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

PRODUCT

Product name: Index Futures

Manufacturer: JSE Limited

Website: <https://www.jse.co.za/trade/derivative-market/equity-derivatives/index-derivatives/equity-index-futures-and-options>

Email: edm@jse.co.za

Tel: 011 520 7198

You are about to purchase a product that is not simple and may be difficult to understand

WHAT IS THIS PRODUCT?

Type: Index Future

Product overview: Equity Index Futures are derivatives instruments that give investors exposure to price movements on an underlying Index. Market participants therefore can profit from the price movements of a basket of equities without trading the individual constituents. An index futures contract gives investors the ability to buy or sell an underlying listed financial instrument at a fixed price on a future date. These products are cash settled and easily accessible via JSE Equity Derivatives members.

Intended User: This product is suited to both professional and private investors who want to gain exposure to a basket of listed companies without purchasing individual shares or Single Stock Futures. When trading in Equity Index Futures, market participants can either buy long or sell short. The products are traded by speculators hoping to make a profit on short-term movements and investors seeking to hedge or diversify their portfolios.

WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?

Below is the risk profile indicator, a guide to the level of risk of this product relative to other similar products. It shows how likely it is that the product will react positively or negatively because of various factor movements in the markets.

Risk Indicator:

1	2	3	4	5	6	7
Lower risk			←-----→ Higher risk			

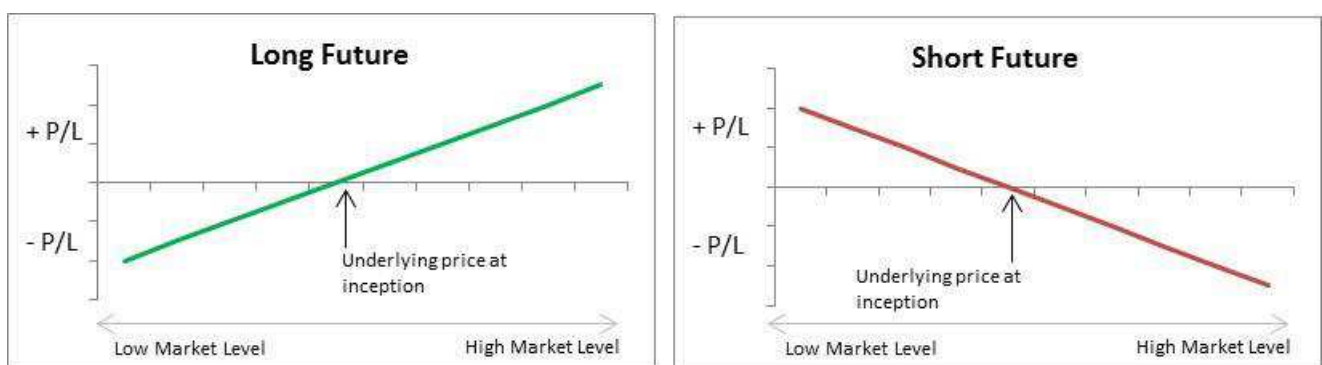
This product is classified as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level. Derivatives are leveraged products; initial costs of a customer, e.g. execution fees,



and amounts deposited to secure the contract's exposure, account for only a small percentage of the traded contract's overall value. Small changes in the contract's price can result in huge gains or losses. The total loss incurred may be significant and larger than the initial outlay.

Performance Scenarios:

These graphs illustrate how your investment could perform. The horizontal axis shows the range of possible prices of the underlying asset on the expiry date and the vertical axis shows the profit or loss of the contract.



A Buyer enters into a long position on the future in expectation of a rising market. As the market level closes on expiry, the P/L is represented by the position of green line at that market level. A Seller enters into a short position on the future in expectation of a falling market. As the market level closes on expiry, the P/L is represented by the position of brown line at that market level. The profit or loss is calculated by taking the closing value of the contract and subtracting the initial value of the contract at initiation of the transaction. If the result is positive, the buyer makes a profit and if it is negative, the seller makes a profit.

WHAT HAPPENS IF THE PRIIP MANUFACTURER IS UNABLE TO PAY?

JSE Clear (formerly known as Safcom), a wholly owned subsidiary of the JSE, is the clearing house for all Exchange-Traded Derivatives in South Africa. In this capacity, JSE Clear novates all matched trades transacted through the JSE. JSE Clear has a number of clearing members, who clear for its members, through which clients' trade. Each member is responsible for its client's losses (if a client defaults); just as each clearing member is responsible for the losses of the members for which it clears, should those members default. If a client (or trading member) cannot make good on its obligations, the trading member (or clearing member) will stand good for those obligations. JSE Clear, therefore, ultimately protects against the risk that one of the clearing members possibly default on their obligations.

For further information on the mechanisms that JSE clear employs, please refer to the following website: <https://www.jse.co.za/services/post-trade-services/risk-management/derivative-market>

WHAT ARE THE COSTS?

Central Order Book

- A value based fee structure.
- Charged at 0.10 of a basis point (i.e. 0.00001), calculated off the end-of-day index spot price
- A floor of R0.01 per contract

Example:

Spot Close x Nominal x Basis Points x Quantity Traded = Trading Fees

Index Spot Close	Nominal	Basis Points	Quantity Traded	Trading Fees
48 053	10	0.00001	689	R 3 310.85

Reported Trades

- A value based fee structure.
- Charged at 0.13 of a basis point (i.e. 0.000013), calculated off the end-of-day index spot price
- A floor of R0.01 per contract

Example:

Spot Close x Nominal x Basis Points x Quantity Traded = Trading Fees

Index Spot Close	Nominal	Basis Points	Quantity Traded	Trading Fees
48 053	10	0.000013	689	R 4 304.11

HOW LONG SHOULD I HOLD IT AND CAN I TAKE MONEY OUT EARLY?

There is no recommended holding period for these products. The optimal holding period depends upon the retail investor's individual strategy and risk profile. A derivative position can be traded and closed out on any trading day until expiration date. In particular, a long position can be closed by entering a sell order in the market on any day up to and including the expiration date of the contract, and a short position can be closed by entering a buy order in the market on any day up to and including the expiration date of the contract. An investor should contact a broker who will be able to provide a recommendation.

HOW CAN I COMPLAIN?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship or directly to the Financial Services Board (FSB) at 012 428 8000. Furthermore, the retail investor can address complaints to the JSE at info@jse.co.za