

**INTERNATIONAL
DERIVATIVES (IDX)
Key Information Document (KID)**

2018

Key Information Document

PURPOSE

This document provides you with key information about the International Derivatives (IDX) 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: International Derivatives (IDX)
Manufacturer: JSE Limited
Website: <https://www.jse.co.za/trade/derivative-market/equity-derivatives/international-derivatives/international-derivatives>
Email: edm@jse.co.za
Tel: 011 520 7198

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

WHAT IS THIS PRODUCT?

Type: International Derivatives

Product overview:

The JSE's International Derivatives (IDX) gives investors exposure to the price movements of internationally listed securities that qualify with the risk listing parameters as set out by the JSE in the link below <https://www.jse.co.za/content/JSERiskManagementItems/JSE%20Clear%20Policy%20-%20SSF%20and%20IDX%20Requirements.pdf>.

Investors do not require exchange control permissions or the foreign trading accounts.

Intended User: The product is useful to speculators and investors seeking offshore exposure and diversification. These include institutional and private investors, trusts and funds seeking opportunities to trade and gain exposure to the price movements of foreign equities. When trading with International Derivatives, market participants can either go long (buy a Future) or go short (sell a Future) to realise a profit. At present, the JSE does not list Options on International Derivatives.

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

Benefits of IDX

- a) Diversify offshore - investing internationally is an important part of building a diversified investment portfolio. Investing in IDX investors can not only share in the growth of the world's largest and profitable companies but also reduce overall investment risk;
- b) Convenience – IDX provides a convenient entry point into foreign markets without the restrictions and paperwork of exchange control regulations or the expense of setting up a foreign trading account. When investing directly into a foreign market there are complicated securities laws, levies and taxes. If you go through a third party manager there are additional costly fees. The JSE's IDX eliminates all these obstacles.
- c) Invest offshore without using or minimizing your offshore allowance –
 - ♣ as an individual or corporate entity investing in international derivatives does not use any of your offshore investment allowance;



♣ As a registered asset manager, investing in international derivatives does not require SARB's permission, but the positions fall under the prudential foreign portfolio limits.

Additional benefits of IDX

- a) IDX offers you an opportunity to protect/hedge your offshore exposure by selling IDXs in the same underlying share.
- b) IDX incurs lower brokerage costs than actually trading in the underlying shares.
- c) Your initial margin earns interest for the duration of your contract.
- d) Corporate actions affecting the underlying shares are taken into account on the futures contract.
- e) IDXs are characteristically liquid and easily traded.
- f) With margin requirements of approximately 10% - 30%, IDXs provide a highly capital efficient way to participate in shares.
- g) The JSE independently calculates the closing price on all listed IDXs.
- h) You can short futures, benefiting from downward price movements.
- i) liquidity and accessibility
- j) Transparency (bid/ask spread)

Risks associated with IDX

- a) Gearing offers significant returns but can also result in significant losses if the market moves against your position. Only experienced investors or investors with the help and advice of an experienced adviser should participate in this market. It is important for investors entering this market to be aware of the risks involved.
- b) The IDXs are not capital protected. Investors may not get back the amount invested in the case of market loss.
- c) The value of any investment involving exposure to foreign currencies can be affected by exchange rate movements.
- d) Currency element associated with IDX Futures as explained in the Hedging currency risk section of this document.

WHAT HAPPENS IF THE PRIIP MANUFACTURER IS UNABLE TO PAY?

JSE Clear, 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?

The following transaction fees would be applicable:

- 1 basis point (i.e. 0.0001), calculated off the end-of-day spot price
- A floor of R0.01 per contract
- A maker-taker (passive/aggressor) pricing model, where price makers are rewarded for providing liquidity.
 - Maker of the price = Zero fees to be charged
 - Taker of the price = Central order book fees to apply

Example:

spot price x Nominal x Quantity Traded x Basis Points = Trading Fees

Spot Close	Nominal	Quantity Traded	Basis Points	Trading Fees
334.00	100	550	0.0001	R 1837.00

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

Other info