

# JIBAR FUTURES

## Key Information Document

2018



## Key Information Document: Jibar Futures

### Purpose:

This document provides key information about this 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

|                                       |  |
|---------------------------------------|--|
| Name of Product:                      | <b>Jibar Futures</b>   |
| PRIP manufacturer:                    | Johannesburg Stock Exchange  |
| Website for PRIP manufacturer:        | <a href="https://www.jse.co.za">https://www.jse.co.za</a>                        |
| Contact details of PRIP manufacturer: | Email <a href="mailto:info@jse.co.za">info@jse.co.za</a> or call +27 11 520 7000 |
| Competent authority:                  | Financial Services Board FSB   |
| Date of Production:                   | January 2018   |

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

### What is this product?

**Type:** Derivative based contract. A derivative is a financial contract which derives its value based on the value of an underlying instrument

### Objectives

**A future is an agreement between a buyer (long position) and a seller (short position) to trade a certain underlying asset at a certain time in the future for a certain price.** A future has a pre-defined expiration date but the customer may exit the position during trading hours on any trading day until expiration. The difference between the underlying's value at expiration and the underlying's value at initiation of the transaction will result in the profit or loss of the contract. The buyer realises a profit if the value of the underlying has increased at the future's expiration and a loss if it has decreased. The seller realises a profit if the value of the underlying has decreased at future's expiration and a loss if it has increased. .

A **JIBAR future** is also referred to as a short-term interest rate (STIR) future and it represents a contract on an interest rate paid on a notional deposit for a specific term. **This contract is quoted as an interest rate and the contract price is equivalent to  $P = 100$  minus the rate of interest.** In order to obtain a monetary value for the contract, the contract price is multiplied by the Basis Point Value of the contract, which in this case is R2.50 / basis point. **This implies the price of the Jibar future moves inversely to the interest rate i.e.: as interest rates move up, prices move down and vice versa.**



### Intended retail investor

An exchange provides a platform for various market participants to interact. It is not meant specifically for retail investors. A retail investor should become familiar with the product characteristics to make an informed decision on whether or not this product fits their investment needs. A retail investor should contact their broker or investment adviser to obtain investment advice.

### What are the risks and what could I get in return?

#### Risk Indicator:

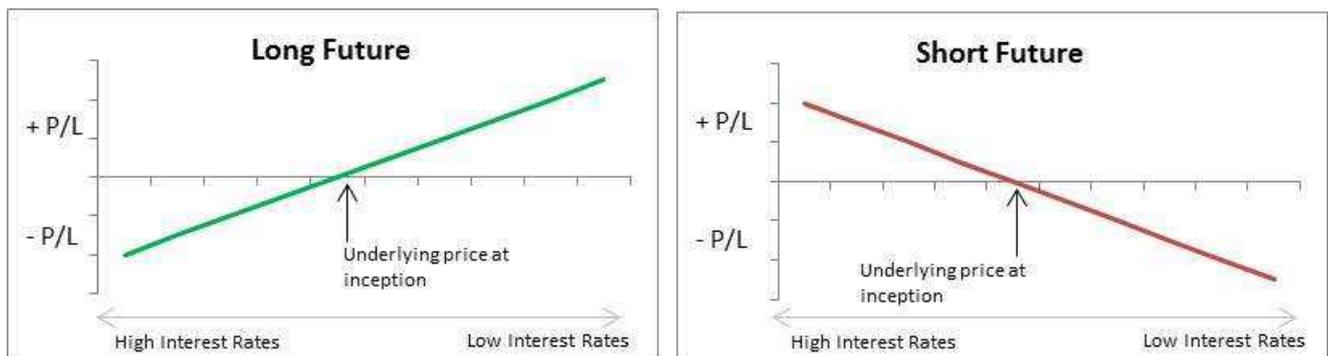
The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets.

|            |   |         |   |   |   |             |  |
|------------|---|---------|---|---|---|-------------|--|
| 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 (falling interest rates).** 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 (rising interest rates).** As the market level closes on expiry, the P/L is represented by the position of red 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 JSE is unable to pay out?**

The JSE is an exchange approved under South African law. Any derivative transaction traded on the JSE is cleared by JSE Clear (Pty) Ltd. Further information can be obtained at <https://www.jse.co.za/services/post-trade-services/clearing-and-settlement/derivatives>

#### **What are the costs?**

The JSE charges fees to its trading members via their clearing members. The full fee schedule is available on the website at <https://www.jse.co.za/services/technologies/price-list>.

The broker or intermediary with whom the investor has a contractual relationship may also charge other transaction and related costs, and will be able to provide further information with regard to all these costs.

#### **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. 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.

#### **How can I complain?**

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship. Furthermore, the retail investor can address complaints to the JSE at [info@jse.co.za](mailto:info@jse.co.za)

#### **Other relevant information**

Further information is available here:

<https://www.jse.co.za/trade/derivative-market/interest-rate-derivatives/short-term-interest-rate-derivatives/jibar-futures>

Contract specifications are available here:

<https://www.jse.co.za/content/JSEContractSpecificationItems/JibarFuturesContractSpecifications.pdf>