

29 April 2016

Dear Investor

### **The JSE is changing its equity market settlement period**

On the JSE's equity market, a trade is settled when a seller delivers shares to a buyer, who takes ownership of the shares in exchange for payment. Historically the settlement period has been the trading day plus five days (commonly referred to as T+5).

As of 11 July 2016, the JSE will reduce the settlement period to the trading day plus three days (T+3). This is to align its settlement period with global standards. It will also result in a number of benefits for the South African market, including increased liquidity and a reduction in credit and systemic risk.

### **How will this impact me?**

The new T+3 settlement period is a JSE-mandated, regulatory requirement and will apply to all equity market trades.

Due to the shorter settlement period, there is a greater chance that the seller will not be able to fulfil their settlement obligations in time. This may result in failed trades. In such instances, the JSE will intervene to ensure successful settlement. It will also place the affected buyer (the 'non-failing party') in the same position they would have been in before the trade failed, by compensating them for any associated fees, corporate actions and tax. Should a trade fail, the buyer will see a number of entries on their trading account as the JSE endeavours to satisfy settlement.

### **How will the JSE handle failed trades?**

The JSE will use various algorithms to determine which transactions are at risk of failing. It will then follow all available courses of action to achieve settlement. This may include:

1. *Rolling the trade* – The JSE will determine if the trade can be rolled over to an additional T+3 cycle.
2. *Re-transaction* – If it is not viable to roll the trade, the JSE will try to re-transact the trade. It will determine if this is viable based on whether there is adequate liquidity in the market.
3. *Compensation* – If it is not possible to roll or re-transact the trade, the non-failing party will be entitled to compensation from the failing party, who will also be responsible for any associated fees and penalties. Fair compensation will be determined by the JSE.

### **How will this process be managed?**

All failed trades will be managed by the JSE. Member firms (such as PSG Securities) must follow the JSE's instructions but have no control over the process.

### **Need more information?**

If you have any queries, please contact your Financial Adviser.

You can also view more detailed information by [clicking here](#).