

# DEMATERIALIZATION OF MONEY MARKET SECURITIES – CATEGORY 3 AND ENHANCEMENTS TO CATEGORIES 1&2

## Road Show

Presented by: Ant van Eden  
June 2011

Integrity    Accountability    Proudly South African    Operational Excellence    Teamwork

Reliability    Dynamic Innovation    Learning Organisation    Risk Management



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Global Best Practices

Passion










**strate** 

South Africa's Central Securities Depository

Customer Centric

Regulatory and Supervisory Obligations

# Agenda

-  **MM securities**
-  **MM Category 3 securities**
-  **ISIN definitive characteristics categories 1,2 and 3**
-  **ISIN Short Name Convention**
-  **Updating underlying coupon source indices**
-  **Trading and Settlements – Validation Criteria**
-  **Changes to Capital Event processing**
-  **Other MMSS Changes**
-  **Project Milestones**

# Generic Categories

Generic Category 1	<ul style="list-style-type: none"> <li>• Discounted</li> <li>• Fixed Maturity Date</li> </ul>	<ul style="list-style-type: none"> <li>• Purchased at a discount</li> <li>• Full nominal repayable on Maturity</li> </ul>
Generic Category 2	<ul style="list-style-type: none"> <li>• Fixed Coupon Rate</li> <li>• Fixed Maturity Date</li> </ul>	<ul style="list-style-type: none"> <li>• Purchased at Nominal Value</li> <li>• Coupon Payments at end of each Coupon Period</li> <li>• Final Coupon paid on maturity date</li> <li>• Nominal Value of individual holdings repayable on Maturity</li> </ul>

Generic Categories 1 and 2 - Phase 1 Implemented



# Generic Categories

Generic Category 3	<ul style="list-style-type: none"><li>• Variable Coupon Rate</li><li>• Fixed Maturity Date</li></ul>	<ul style="list-style-type: none"><li>• Coupon Payments at end of each Coupon Period</li><li>• Final Coupon paid on Maturity Date</li><li>• Nominal Value of individual holdings repayable on Maturity</li></ul>
Generic Category 4	<ul style="list-style-type: none"><li>• Variable Coupon Rate</li><li>• Variable Maturity Date</li></ul>	<ul style="list-style-type: none"><li>• Coupon Payments at end of each Coupon Period</li><li>• Final Coupon payable after maturity date</li><li>• Nominal Value of individual holdings repayable on Maturity</li></ul>

**NEXT PHASE**

# Money Market Securities - Types

Security Type	Generic Category 1	Generic Category 2	Generic Category 3	Generic Category 4
Bankers Acceptances	BA			
Bills	BL			
Commercial Paper Bills/Capital Project Bills	CPB			
Promissory Notes	PN	PN		
Treasury Bills	TB			
Notes	NOT	NOT	NOT	
Bridging Bonds		BB		
Debentures		DEB		
Negotiable Certificates of Deposit		NCD		NCD
Linked Negotiable Certificates of Deposit			LNCD	
Credit Linked Notes			CLN	
Floating Rate Notes			FRN	
Call Bonds				CB
Zero Bonds	ZB			

## Money Market Securities - Cat 3 Types

Security Type	Generic Category 3
Notes	NOTX
Linked Negotiable Certificates of Deposit	LNCD
Credit Linked Notes	CLNX
Floating Rate Notes	FRNX



# MM securities characteristics

Issue reference
Issue date
Issuer BPID
Issuer Agent BPID
MM Security Type
Short name description
MM Security Generic Category
Long name
Maturity Date
Minimum tradable denomination (applies to issue denomination)
Authorised Amount (optional)
Issued Amount
Acceptor (BAs only)

# MM securities characteristics

<b>Category 3 - Issuer Agent will ALWAYS advise MMSS of the total Coupon amount</b>	Cat 3 impact
Coupon Rate (n/a category 1)	✓
Coupon Interval (n/a category 1)	✓
No of days in coupon period (n/a category 1)	✓
Automated Coupon/ Maturity Payment facilitated by CSD – Y/N (default Yes)	
Calculation done by CSD / Issuer Agent? (Y/N) (category 2 only)	NEVER
Method of Interest Calculation ( where CSD calculates options cat 2 options 1,2 or 3) (Cat 3 must always be option 3)	
Coupon Payment Frequency (Days, Monthly, Annual, Semi-Annual, Annual, Term , issuer defined) (n/a category 1)(applicable for cat 2 and 3)	✓
Coupon Payment Day (default = Issue Day,) (n/a category 1)	✓
Final Coupon Payment on Maturity – Y/N? (n/a category 1,Cat 2 & 3 must always be Y)	

# Coupon rates, frequency, days in coupon period

## Coupon rate sources

- ❖ JIBAR – Johannesburg Inter Bank Agreed Rate (published at 11 am each business day)
  - Monthly (JIBAR 1)
  - Quarterly (JIBAR 3)
  - Semi-Annually (JIBAR 6)
  - JIBAR 9 (infrequent)
  - Annually (JIBAR 12)
- ❖ Bank prime lending rates
- ❖ Inflation indices
- ❖ SARB Repo rate
- ❖ SABOR – South African Benchmark Overnight Rate

## Cat 3 additional ISIN ISSUING characteristics

No.	Field Name	Values	M/C/O
1.	<b>Variable Coupon Rate Source</b>	<p><u>Part 1</u> JIBAR1, JIBAR3, JIBAR6, JIBAR9, JIBAR12, PRIME, CPI, SREPO, SABOR..</p> <p><u>Part 2</u> Bank's BIC (first 4 characters) (Applicable only for PRIME)</p>	Mandatory
2.	<b>Coupon Rate Spread</b>	PLUS or MINUS; > or <; = to or OF PRCT (%) or PLUS or MINUS; > or <; = to or OF BPS (basis points) - no decimals (Able to specify 0)	Mandatory
3.	<b>Floor and Cap Rate</b>		Optional
4.	<b>Coupon Reset Frequency</b>	Monthly, Quarterly, Semi-Annually, Annually, or Issuer Defined (must provide dates)	Mandatory

## Cat 3 additional ISIN ISSUING characteristics (cont.)

No	Field Name	Values	M/C/O
5.	<b><i>Coupon Reset Start Date</i></b>		Conditional
6.	<b><i>Coupon Reset Dates</i></b>	Various Dates (If Coupon Reset Frequency is Issuer Defined)	Mandatory
7	<b><i>Coupon Compounding Frequency</i></b>	Daily, Weekly, Monthly, Quarterly, Semi-Annual, Annual	Mandatory
8.	<b><i>Coupon Payment Dates</i></b>	System generated depending on coupon payment frequency (Monthly, Quarterly, Semi-Annually, Annually) Various Dates (If the Coupon Payment Frequency is Issuer Defined)	Mandatory <b>(includes Category 2)</b>

## ISIN Definitive Characteristics

Characteristics Required	Cat 1	Cat 2	Cat 3
Issuer BPID:	✓	✓	✓
Issuer Agent BPID:	✓	✓	✓
Money Market Security Type:	✓	✓	✓
Short Name Description	✓	✓	✓
Money Market Security Generic Category	✓	✓	✓
Issue Date:	✓	✓	✓
Maturity Date:	✓	✓	✓
Coupon Rate:		✓	
Coupon Interval (Days ,Monthly, Quarterly, Semi-Annually, Annually, Term or Issuer defined)		✓	✓
No. Days in Coupon Period (if coupon interval in days)	✓	✓	✓
Authorised Amount (OPTIONAL):		✓	✓
Issued Amount:	✓	✓	✓
Acceptor (BAs only)	✓		
Variable Coupon Rate Source			✓
Variable Coupon Rate – Spread			✓

# ISIN Short Name Convention

## Category 1 – 3!x4!x8!n1!n

*Example: ESKCPBX201212311*

- ❖ 3 alpha – Issuer Short Code assigned by the NNA (**new**)
- ❖ 4 alpha – MM Security Type in Category 1
- ❖ 8 digit – Maturity Date of the ISIN
- ❖ 1 digit – Category Type (1,2 or 3)

## Category 2 – 3!x4!x8!n1!n1!x10d

*Example: SRBDEBX201212312T5,55*

- ❖ 3 alpha – Issuer Short Code assigned by the NNA (**new**)
- ❖ 4 alpha – MM Security Type in Category 2
- ❖ 8 digit – Maturity Date of the ISIN
- ❖ 1 digit – Category Type i.e. 2
- ❖ 1 digit – Coupon Frequency of the ISIN
- ❖ 10 digits – ISIN Coupon Rate of the ISIN (Maximum of 2 integers followed by a comma and 7 decimal places)

## ISIN Short Name Convention (Contd.)

### **Category 3** – 3!x4!x8!n1!n1!x18x

- ❖ 3 alpha – Issuer Short Code assigned by the NNA
- ❖ 4 alpha – MM Security Type in Category 3
- ❖ 8 digit – Maturity Date of the ISIN
- ❖ 1 digit – Category Type i.e. 3
- ❖ 1 digit – Coupon Frequency of the ISIN
- ❖ 18 characters – Variable Source and Spread – 3!x4!x2!x1x8x
  - 3 alpha/numeric – Coupon Source (J01, J03, J06, J09, J12, CPI, SBR, SRP, PRM)
  - 4 alpha – First 4 characters of the Bank's BIC (Only for Prime - for others XXXX)
  - 2 alpha – Symbol (PL or MI; GT or LT; EQ or OF)
  - 1 alpha – Symbol (P for Percentage, B for Basis Points)
  - 8 digits – Coupon Spread
    - ✓ Example: SBSLNCD201212313QJ03XXXXPLP2,75 (non-prime)
    - ✓ Example: SBSLNCD201212313MPRMSBSAPLB100, (prime only)

## Updating of underlying coupon source

### JIBAR – Strate responsibility to update (save costs for issuers)

- ❖ JIBAR published by JSE on its web site at **11h00**
- ❖ MMSS receives rates from JSE; MMSS updates all ISINs linked to JIBAR, update MMSS Central Securities Register (CSR) with latest Coupon Rate by **11h30**
- ❖ MMSS broadcast updated Coupon Rate to NNA, Participants, affected Issuer Agents.

**Market Impact** – traders using actual JIBAR rates and not JIBAR code word can only report trades to ETMF after **11:30**

Trade leg **matching “clock”** moved to **11h30** for ALL categories of securities

Trade leg **reporting window** unchanged – **08h00**

### Bankers’ prime lending rates, Inflation indices, SARB Repo rate, SABOR

- ❖ Issuer Agent to send updated ISIN rate information to MMSS to update CSR
- ❖ Must include effective date – cannot be same day, **must be the next business day**
- ❖ MMSS broadcast updated Coupon Rate to NNA, Participants, affected Issuer Agents.

# Trading and Settlement – Validation Criteria

- Critical ISIN attributes can be validated **IF** included in the Trade Reporting message – same effect as being **MATCHED LESS RISK!**
- Validation OPTIONAL – *Trader's prerogative !*
- NOT** applicable to Pledges or Account Transfers & Portfolio Moves

Validated Field Name	Category 1	Category 2	Category 3
Next Coupon Payment Date		✓	
Coupon Source and Spread			✓
Next Reset Date			✓
Current Coupon Rate		✓	✓
Maturity Date	✓	✓	✓

**Mitigating operational and settlement risk**

# Capital Events

## Non-Business Days

- Saturdays & Sundays
- Public Holidays

## Modified Following Business Day Convention for Capital Event Payments :

- As per the 2000 ISDA definition – payment date will be the first following day that is a Business Day unless the first following Business Day is in the next calendar month, in which case that date will be the first preceding day that is a Business Day.
- CE paid following business day **includes extra day interest**
- CE paid preceding day **excludes relevant days interest.**

## For all MM Category 3 ISINS, the Coupon Payment Amount will be calculated by the Issuer Agent and Strate to facilitate the Coupon Payment

## Capital Events – Examples

### Payment on the Following Business Day

- Security Type: LNCD (Category 3)
- Issue Date: 6<sup>th</sup> June 2011
- Maturity Date: 6<sup>th</sup> June 2012
- Coupon Payment Frequency: Monthly
- Coupon Payment Day: 6

Coupon Payment Date	New Payment Date	Start Date	End Date	No. of Days
6th Jul 2011	6th Jul 2011	6th Jun 2011	5th Jul 2011	30
6th Aug 2011	8 <sup>th</sup> Aug 2011	6 <sup>th</sup> Jul 2011	7 <sup>th</sup> Aug 2011	33
6th Sep 2011	6 <sup>th</sup> Sep 2011	8 <sup>th</sup> Aug 2011	5 <sup>th</sup> Sep 2011	29
6 <sup>th</sup> Oct 2011	6 <sup>th</sup> Oct 2011	6 <sup>th</sup> Sep 2011	5 <sup>th</sup> Oct 2011	30

## Capital Events – Examples (Contd.)

### Payment on the Preceding Business Day

- Security Type: LNCD (Category 3)
- Issue Date: 31<sup>st</sup> May 2011
- Maturity Date: 31<sup>st</sup> May 2012
- Coupon Payment Frequency: Monthly
- Coupon Payment Day: 31

Coupon Payment Date	New Payment Date	Start Date	End Date	No. of Days
30 <sup>th</sup> Jun 2011	30 <sup>th</sup> Jun 2011	31 <sup>st</sup> May 2011	29 <sup>th</sup> Jun 2011	30
31 <sup>st</sup> Jul 2011	29 <sup>th</sup> Jul 2011	30 <sup>th</sup> Jun 2011	28 <sup>th</sup> Jul 2011	29
31 <sup>st</sup> Aug 2011	31 <sup>st</sup> Aug 2011	29 <sup>th</sup> Jul 2011	30 <sup>th</sup> Aug 2011	33
30 <sup>th</sup> Sep 2011	30 <sup>th</sup> Sep 2011	31 <sup>st</sup> Aug 2011	29 <sup>th</sup> Sep 2011	30

# Other MMSS Changes

## MMSS – Money Market Settlement System

- Multiple settling banks for Corporate CSD Participants
- Issued Amount reconciliation with the Issuer Agent
- Payment Confirmation – Exception Handling
- Coupon Payments – Exception Handling
- Flexibility for Participants on the Capital Event either at CSDP level or at the SOR level per MM Generic Category
- Trade Reporting leg “clock” commences from 11h30

# Other MMSS Changes

## MMFE – Money Market Front End

- Client and Security Details Report message to update the MMFE
- ISIN enquiry automatically

## ISIN enquiry portal – “embargoed and non-embargoed”

- JSE NNA web site - non-embargoed ISIN information

# ISIN Enquiry

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## Client Login

Username:

Password:

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## Welcome to the ISIN enquiry service

A joint venture between Strate and the Johannesburg Stock Exchange



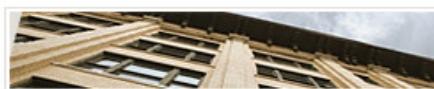
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## ISIN Search

Here you can search for a particular ISIN, search for multiple ISINs or download the complete ISIN list

ISIN Number:

Generic Category:

Instrument Type:

Issuer BP ID:

Source:

Bank BIC:

From Date:  To Date:

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Here you can download ISIN Lists or, by clicking on a hyperlink, see more information about a particular ISIN.

Selected	ISIN	Issuer Code	Category	Instrument Type	Issue Date	Maturity Date	Source	Stat
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active
<input type="checkbox"/>	<a href="#">ZAJMTST00003</a>	ZA100109	1.0	BA	2011-04-05	2012-04-05	JIBAR	Active

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## ISIN Details

Below is a detailed report of the ISIN:

Issuer BPID number:	ZA600605	Issuer CSDP ID:	ZA100703
ISIN identification code:	ZAJMTST00001	Issuing Agent:	ZA700057
SOR:	10009622	MMS Type:	CLN
MMS Generic Category:	3.0	Issue Date:	2011-04-04
ISIN Short Name:	SCBCLNX		
ISIN Long Name Line 1:			
ISIN Long Name Line 2:			
ISIN Long Name Line 3:			
Authorised Amount:	0.0	Minimum Issued Denomination:	0.0
Minimum Tradable Denomination:	1.0	Coupon Rate:	0.0
Coupon Rate Type:	VLIN	Minimum Tradable Denomination:	ZAR1
Acceptor:			
Coupon Payment Calculation Method:	3.0	Coupon Frequency/ Interval:	MNTH
Coupon Payment Cycle:	0.0	Final Coupon on Maturity:	Y
Coupon Payment Indicator:	Y	Automated Coupon Payment Calculation:	N
Automated Coupon Payment Only:	Y	Override Indicator:	N
Coupon Rate Calculation Description Line 1:			
Coupon Rate Calculation Description Line 2:			
Coupon Rate Calculation Description Line 3:			
ISIN Maturity Date:		Coupon Compounding Frequency:	MNTH
Coupon Reset Frequency:	MNTH	Coupon Reset Start Date:	2011-04-05
Coupon Source:	JIBAR1 ZAR	Coupon Variance from Source:	PLUS 2.75 PRCT
Floor Rate:	7.0	Cap Rate:	13.0
Rate Start Date		Rate End Date:	
Rate:			

[Reset Dates](#)   [Coupon Payment Dates](#)

2011-04-04	2011-04-03
2011-05-04	2011-05-03
2011-06-04	2011-06-03

## Project Milestones

Milestone	Date
Market Sign-off of BRS and Volume-A	19 <sup>th</sup> November 2010
Completion of Development and Unit Testing	20 <sup>th</sup> May 2011
Sign-off of Market Scripted Test Packs	11 <sup>th</sup> July 2011
Completion of Strate's Internal UAT	18 <sup>th</sup> July 2011
Starting of Market Scripted Testing	19 <sup>th</sup> July 2011
Directives for Market Comments	11 <sup>th</sup> July 2011
Market Sign-off of Directives	4 <sup>th</sup> August 2011
Approval by Regulatory and Supervisory Committee	18 <sup>th</sup> August 2011
Market Sign-off of Scripted Testing	23 <sup>rd</sup> August 2011
<b>Implementation Weekend</b>	<b>27<sup>th</sup> and 28<sup>th</sup> August 2011</b>
<b>Go-Live</b>	<b>29<sup>th</sup> August 2011</b>

# Questions?

