

Q1 Update

April 2020

THE FAST, FAIR,
EFFICIENT EXCHANGE

Since I last put pen to paper for our newsletter in early January, the world has been turned on its head as Covid-19 gripped the planet.

Not many would have predicted that half the world's population would be in lockdown, putting immense strain on global economies as cases of coronavirus rise and governments implement strict methods to try curb the spread of the pandemic.

Emerging markets were particularly hard hit at the outset as investors fled riskier assets. The South African market temporarily tumbled to its worst level since the global financial crisis and the Rand blew-out to new record lows. Fortunately, many governments worldwide swiftly rolled out fiscal and monetary stimulus measures to counter the disastrous effect of the virus on their respective economies and this has seen markets recoup part of their losses.

In the two weeks prior to the lockdown, the A2X team went from working together in our office to collaborating remotely and connecting digitally. While this has been an adjustment for all, I am glad to report that there has been no disruption to our market and by virtue of our market infrastructure status, we remain open and trading. We have adapted to the new normal.

A2X proudly supported the #Trade4Solidarity campaign and along-side the JSE, Strate and many other market participants played its part. All fees earned by A2X from trading and clearing on the 15th and 16th of April were donated to the Solidarity Fund. Some 36 market participants raised a

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total of R34.4 million. This is an incredible achievement from the capital markets industry and demonstrates what can be done when capital markets are unified and everyone adopts a #PlayYourPart approach. A special thanks must go out to the JSE for driving this important and successful initiative.

We were pleased to welcome City Lodge Hotels and Exxaro to A2X this quarter and look forward to welcoming Hudaco onboard next week. This brings the total number of securities listed on the platform to 37.

Lastly, A2X has won the 2020 Global Banking & Finance Awards® for the fastest Growing Stock Exchange South Africa and is an International Business Magazine Award Winner for Best New Stock Exchange Africa 2020.

A huge thanks to our team and all our supporters who made this possible.

Take care of yourselves,

Kevin
CEO, A2X Markets

A2X Announcements

The logo for City Lodge Hotel Group, featuring the text 'CITY LODGE HOTEL GROUP' in white, stacked vertically, next to a vertical line of four white dashes on a blue background.

CITY
LODGE
HOTEL
GROUP



Leading hotel chain City Lodge Hotels Limited (share code: CLH) shares became available for trade on 11 March.

The logo for Exxaro, with 'exxaro' in a stylized font where the 'x's are green and the 'e', 'a', 'r', and 'o' are brown. Below it is the tagline 'POWERING POSSIBILITY' in brown capital letters.

exxaro
POWERING POSSIBILITY

- On 2 April, one of South Africa's largest black-empowered coal and heavy mineral companies, Exxaro Resources' shares became available for trade.

The logo for Hudaco, featuring the word 'Hudaco' in a bold, italicized, blue sans-serif font.

Hudaco

- Branded industrial, automotive and electronic consumable product distribution company, Hudaco, will list on 5 May.

A2X Post Trade System Goes Live

A2X MeCRAS Solution

After much engagement with our brokers, A2X in partnership with a leading local tech company, MCI Consultants, have created a post trade system called Member Client Record and Allocation System (MeCRAS).

MeCRAS allows our brokers to undertake agency trades on behalf of their clients and easily manage the deal allocation and settlement process.

The system facilitates integration between the brokers' downstream systems allowing for seamless end to end processing. MeCRAS is also hosted by A2X which means technical integration into the brokers infrastructure is simple.

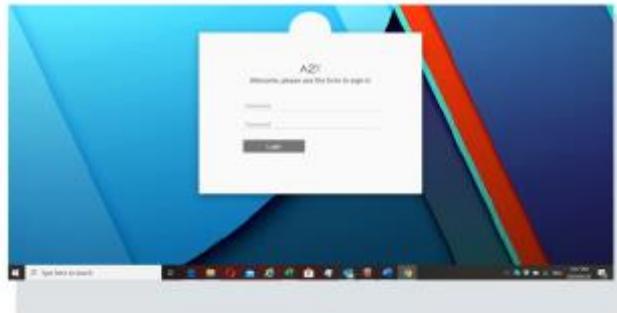
Brokers who adopt MeCRAS can now easily transact across two venues by:

- » Automating principal DLXOP entries in to BDA (for position keeping)
- » Enabling agency allocations
- » Automating journal entries for principal and agency transactions middle monies

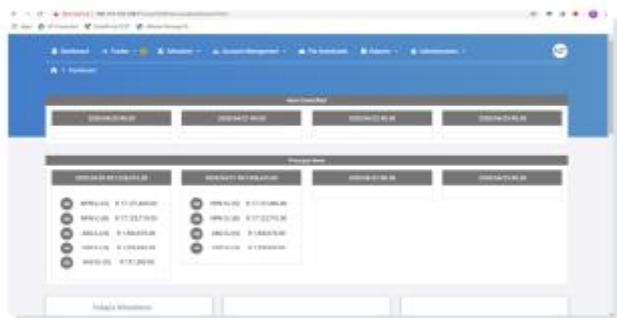
MeCRAS can:

- » Store client account details - Standard Settlement Instructions (SSIs)
- » Receive executed trades
- » Update broker internal upstream or downstream systems
- » Receive and validate agency allocations
- » Pass allocations / late allocations (T+1) / reallocations / cancellations onto A2X Clear
- » Receive status updates from A2X Clear

> MeCRAS sign on screen



> MeCRAS Monitoring for Settlement



> MeCRAS DLXOP Download Screen



We are delighted that MeCRAS is now live and is being rolled out to some of our brokers.

MeCRAS FAQ's are available on our website [here](#).

If you would like to arrange a demo or require more information, please contact Brett Kotze on brett.kotze@a2x.co.za



Working in Lockdown, a message from our CTO

One of the major advantages of being a new exchange is that when we designed and built our IT infrastructure, we had the rare opportunity to start with a blank canvas.

We were able to explore best of breed systems, network and server infrastructure, industry trends and the workplace of the future. When we opened our doors in 2017, we had no idea what 2020 would bring but as result of this planning, we were ready.

In a matter of two weeks, the whole A2X team went from working in our office to connecting digitally and collaborating remotely. There was no disruption and we were able to adapt to the new normal with relative ease.

One of the decisions we made early on was to host our data centres at secure remote locations. Our Primary Data centre is hosted by Teraco near ORT Airport so although all A2X staff work from our office in Sandton, the heart of A2X's technology, that being A2X's Matching Engine, Clearing and Surveillance systems, are all located offsite at this data centre.

So effectively, all of A2X's staff work remotely from Sandton connecting to Teraco on a daily basis anyway. This has made for a seamless lockdown transition and therefore providing staff with remote working capabilities at home, much more easily.

Security controls are absolutely critical as we navigate remote working from people's homes and to safeguard this, A2X deployed the necessary security controls and procedures to ensure our network and systems are not compromised in any way.

Finally, the technology team at A2X also implemented low level monitoring of all A2X's infrastructure and core application systems hosted within its data centres, to ensure any technical issues are picked up and dealt with as quickly and efficiently as possible and with minimal to no disruption to the business.

Neal Lawrence
A2X CTO

We asked the team how they are surviving lockdown – this is what some of them had to say:



Kevin – CEO

“After hours, I have taken up braai-ing much more regularly and have even tried my hand at braai-baking beer bread (absolutely delicious but not good for the waist line). During the day, a routine wake-up time, a change in to my home work clothes and lots of tea and coffee keep me going. Knowing that the neighborhood dogs and ubiquitous hadeda's are Zoom-bombing everyone's calls, not just mine, also helps.”



Neal – IT

“During lockdown I worked out that I could do a 3.5km walk around my garden and in doing so got to know my neighbours a little better. I worked out fairly quickly that my one neighbour really likes lemon meringue pies, which my wife bakes well. So every so often on my walk I would leave a pie on our wall which was quickly exchanged with a bottle of wine 🍷. The biggest takeaway for me during lockdown was, when life hands you lemons use it to get more wine.



Kholofelo – Surveillance

“Routine + preps = rhythm! I wake up the same time I did before lockdown.

I do weekly food-prep as much as possible. For my sanity, workout and tidy-up before the start of the work-day. With “UNISA students” in Grade 1 and Grade 4, there's now printing worksheets and downloading video lessons for the day in the mix. The rest of the time loving on my family, not much reading this season. Coffee in hand, let's do this! I've always known I have superpowers.” 😊



Luthfia – Legal and Regulation

“I've had no need for sanity checks because it's the usual routine for me, minus the time spent on the roads which is absolute bliss. I have discovered an unusual reserve in my tummy though?”



Diane – Marketing

“The juggle is real! With both hubby and I working from home and twin zoom-bombing four-year old's in the mix who require some home school, it has been interesting to say the least! The extra family time has been great though, and I discovered that, like almost everyone else on the internet, baking banana bread is great lockdown therapy.”



Inward Listing on A2X

We celebrated our licence extension to include inward listings at the DealMakers Gala awards on 18 February.

Previously, A2X was limited to only listing products that were listed on the JSE but we can now also inward list companies that have a primary listing on a foreign exchange in a jurisdiction that has at least the equivalent regulation to SA (UK, Europe, US, Canada, Australia etc).



You can download
our inward listing
brochure [here](#).

What better way to
**celebrate our 'licence
to list'** than with a
Martini - shaken,
not stirred?



➤ Legal and Regulatory Update

Financial Markets Review (FMR)- Report 2020

The much-anticipated report was published by FSCA and National Treasury at the beginning of March 2020. The report contains 42 recommendations concerning governance, market conduct and structure, and innovation in financial markets, as well as proposed legislative reforms. In addition, a broad range of policy alternatives has been suggested, and many of the recommendations highlight areas which require modernization and alignment with international best practice.

Two interesting issues to note in the latest report:

- » Continues to propose the introduction of the Multilateral Trading Facility as a regulated entity, which aligns with the A2X model.
- » The Self-Regulatory Organisations (SRO) model. The previous draft had proposed that a large portion of regulation traditionally exercised by exchanges would be carved out and become the responsibility of the

FSCA and PA. This has become international practice, to deal with the fact that there is now more than one exchange in South Africa. The FMR Report now recommends that the SRO model be retained. As regulators are inherently limited in terms of resources, they will continue to rely on the exchanges to provide the required primary and secondary regulatory supervision.



A2X acknowledges the challenges faced by all market participants. As part of our commitment to supporting and growing South Africa's financial markets, there was no increase applied to our fee structure this year. You can read more [here](#)



Sign-up for our quarterly newsletter [click here](#).

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