

Q2 Update

July 2020

THE FAST, FAIR,
EFFICIENT EXCHANGE

Welcome

The entire second quarter of this year has taken place during lockdown and what seemed so unusual in March has now become business as usual in July. The A2X team has adapted well and we have continued to make good progress despite the economic and other challenges that the world faces.

Key to our ongoing progress has been finding ways to help solve the challenges that brokers have faced when adapting to a multi-exchange environment.

Up until now, the infrastructural hurdle to trade across markets has proved challenging for many brokers. However, the recent launch of the A2X post trade system, MeCRAS, goes a long way to resolving this problem. It is an exchange hosted system that provides brokers with an efficient and cost-effective solution to allocate and settle trades across markets with minimum impact to existing systems and processes.

In addition, A2X has worked closely with Iress, a leading technology company providing software to the financial services industry, to provide brokers with a better way to achieve best execution. The cost-effective software which includes a trading interface and best market router, enables optimised order execution in minimal time with high performance, low latency technology across multiple markets.

- ANNOUNCEMENTS
- MECRAS ROLL OUT
- ABSA INVESTS IN A2X
- NEW MARKET CONDUCT STANDARDS AND THE BEST EXECUTION RULE
- BEST MARKET ROUTER STARTER PACKAGE
- LEGAL AND REGULATORY UPDATE

Encouragingly, best execution has recently become a hot topic in the local market. This follows the release by FSCA in June of a draft notice on Conduct Standards for Exchanges which covers the proposed Best Execution rule. In short, it is an overarching rule that will require brokers to look across markets to ensure they are getting the best possible deal for their clients. This is likely to come into force in the first half of 2021.

Lastly, we welcome Momentum Metropolitan to A2X on 5 August. As a large player in the financial services and asset management industry, their listing is an important message of support for the benefits of a competitive and progressive capital markets industry in South Africa. This brings the total number of securities listed on A2X to 38 with a combined market cap of around R2.25 trillion.

Take care of yourselves,

Kevin
CEO
A2X Markets

A2X Announcements



> Financial Services group, Momentum Metropolitan Holdings has been approved for a secondary listing on A2X Markets and will list on 5 August 2020.



A2X Post Trade System Goes Live



In our last newsletter we shared that our post trade system, MeCRAS (the Member Client Record and Allocation System) had just gone live.

The new system has been very well received by the market and MeCRAS is now being tested across eight of our brokers.

This solution gives brokers a streamlined post-trade system that automates, reduces administration and makes clearing and settlement simpler, easier and more cost effective.

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



Absa invests in A2X

Absa has become the first major South African bank to invest in A2X. Absa, a diversified financial services group with a presence in 12 countries in Africa, participated in the capital raise process launched by A2X towards the end of 2019.



Speaking on the investment, Absa's Head of Equities, Quintus Kilbourn, said, "The team at Absa CIB are always looking for innovative ways to save money for our clients and support the industry in which we operate. As a broker, we believe in an efficient and progressive marketplace and our investment in A2X shows our support for this."

A2X CEO, Kevin Brady, said that, "Absa's investment in A2X is a vote of confidence for what we are building in South Africa. Effective competition in an industry drives market efficiency and this benefits all users, including individual investors and pensioners. By offering lower costs, we are able to create a better market to grow the overall industry."

➤ Mandela Day

A2X has, since its inception, come together as a team to commemorate Mandela day by giving back to the community. This year the team joined hands to provide a bit of warmth in the form of blankets for the children at the Charlotte Maxeke Academic Hospital.

Due to the current COVID 19 pandemic, it is increasingly difficult for the hospitals to manage mothers staying with their admitted babies and children in the wards. As such, only the child and not their mothers/caregivers can be admitted. The result is that sick children are being admitted alone, often with only one change of clothes (if any at all) and without a warm blanket for comfort.

The A2X team sourced blankets from an initiative in Alexandra (www.fingertipsof africa.org), where a group of disadvantaged ladies have been taught to sew. These enterprising ladies make blankets and earn all the profits after the costs of materials has been deducted. We were really happy to not only provide a little comfort to the children but also help these incredible ladies too.



If you would like to support either Initiative please contact Diane at diane.bomberg@a2x.co.za to find out more.



Best execution rule set to become law in South Africa - a boon for SA investors

With competition having taken a foothold in South Africa's capital markets over the past few years, the country's market conduct regulator is introducing Conduct Standards for Exchanges. A draft of these standards was available for public comment until 15 July 2020.

Kevin Brady, CEO of A2X, says that the bulk of the proposed regulations deal with setting common standards and establishing enhanced interoperability and cooperation between exchanges to ensure a better and more coordinated market for users and investors.

He emphasises, "The draft regulations also deal with the requirement for brokers to have policies and procedures in place to achieve best execution for their clients."

"This development is a big win for investors and pensioners. The local asset management industry, which manages many of the funds of investors and pensioners, frequently buys and sells a range of equities to create an appropriate risk/return adjusted portfolio. Introducing a rule that requires their broker to transact on their orders at the best available price on any market, will translate into huge savings for clients," says Brady.

[Click here to read the full article](#)



Iress and A2X launch 'Starter Package' solution to enable brokers to easily trade and settle across markets

One of the key challenges brokers have faced since the introduction of a multi-market environment is that their infrastructure, from front-end trading terminals to post trade settlement systems, are geared for only one exchange. Understandably, this has made it difficult for them to adjust to a quickly changing environment.

In a significant step forward, A2X and Iress, a leading provider of trading software and data solutions, have worked closely to create a 'Starter Package' offering for existing Iress clients. The Starter Package bundles together all the systems required for a broker to execute, allocate and settle trades in a seamless manner across markets. It does this with no upfront capital outlay and with minimal impact on a broker's existing systems and processes.

Within a few weeks of signing-up, a broker can now be fully multi-market functional. This will put them in a position not only to capture substantial savings on exchange fees but importantly, achieve

best execution for their clients on their orders.

Central to the Starter Package offering is the inclusion of a Best Market Router (also known as a smart order router). As exchanges operate in micro-seconds, this type of technology plays a vital role in scanning prices across both markets and directing trade order to the venue with best available price at that moment in time.

We are excited to report that despite the fact that the Starter Package was only launched in the last few weeks, we have brokers already signed up and we look forward to assist these brokers to achieve best execution on their trades and save money.

Should you like to find out more, please contact Neal Lawrence on neal.lawrence@a2x.co.za



Legal and Regulatory Update

The long awaited second draft of the market conduct standards was published for comment during this quarter, with comments needing to be submitted by 15 July 2020.

The most important development from an A2X perspective is the introduction of regulations prescribing what brokers need to do to achieve best execution, which is dealt with comprehensively in this newsletter.

This document is primarily aimed at regulating the interaction between two or more trading venues where there are common products and users, currently A2X and the JSE. We are happy to report that with our focus on ensuring the integrity of the market, A2X already complies with the bulk of the proposed requirements.

One omission that we would like to see included in these standards is the implementation of requirements which allow for transferring a primary listing from one market to another without an issuer needing to delist. We have raised this with the regulator and we now await the final standards.



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

A2X Markets is an exchange licensed in terms of the Financial Markets Act, 2012.