



**The first quarter at A2X has kept the team busy, not only with new listings but with overcoming an important industry hurdle.**

We are pleased to report that A2X, in collaboration with the JSE, is currently implementing an industry-adopted post trade solution. This solution will enable brokers to generate a single contract note for their clients and in this way enhance their ability to trade across markets in the pursuit of best execution.

The South African market is unique in that each exchange is required to have its own infrastructure to clear, rather than a centralised clearing structure, as is seen in other international jurisdictions.

This has necessitated the implementation of a solution requiring both the JSE and A2X to apply for regulatory approval and subsequently implement a new trade type, the Matched Principal trade (MP). We anticipate this to be in place by early June 2022. You can read all about it in the article below.

We welcomed Nedbank, Motus and SA Corporate Real Estate to A2X last quarter, The Sygnia Itrix New China Sectors ETF joined 16 other ETFs already listed on A2X and we are pleased to announce that Fairvest shares also become available for trade on 11 May.

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The first quarter of 2022 has also seen an important development for A2X with regard to the secondary listing of REIT companies which is detailed in the Legal and Regulation update below. The latest approval by the FSCA allows us to now list a number of REIT companies that have shown interest in listing on A2X.

Kevin Brady,  
CEO  
A2X Markets

## A2X Announcements

**Motus** 

- On 1 April 2022 Automotive group Motus listed on A2X.



- Nedbank Group Limited's shares became available for trade on A2X on 1 April 2022.



Fairvest Limited shares will be available for trade from 11 May 2022. This follows the merger of Arrowhead Properties Limited and Fairvest Property Holdings, creating the largest SA-focused REIT.

**FAIRVEST**

**Sygnia** 



Sygnia's latest ETF listed on A2X on 29 April. The Itrix New China Sectors ETF joins 13 other Sygnia Itrix ETFs already listed on A2X.



SA Corporate Real Estate Limited's shares became available for trade on our market from 3 May 2022.

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**SA's capital market achieves important milestone: trading across two exchanges and the need for single contract note solution is agreed at recent industry workshop.**

**In a first for South Africa, key participants from across the industry worked together to resolve a long-standing issue.**

Following the advent of competition in the stock exchange industry in 2017, one of the key challenges faced by the broking community has been the need to achieve best execution for their clients. This not only requires them to look across the two markets and transact at the best available price but to also amalgamate these trades from across the two venues into a single contract note at the average price.

The majority of South Africa's larger asset managers use internationally supplied systems and because this is a relatively unique issue to the local market, are unable to cater for anything but a single contract note. As a result, it has slowed the adoption of trading across markets in the pursuit of best execution.

The majority of international markets have evolved in a way whereby they either have a clearing utility in place which all exchanges in the jurisdiction are required to use (US, Australia) or operate a competitive clearing industry (UK, Europe) in which a broker appoints a single one to clear its trades from all venues it transacts on.

In contrast, each exchange in South Africa operates its own infrastructure to clear and as a result is responsible for the risk management and clearing of all trades executed on its own market, and thus making the two markets / single contract note a real conundrum to resolve.

However, after extensive consultation between the JSE, A2X and key stakeholders, a way forward was presented to an on-line industry workshop held on 29 March 2022.

Representatives from the FSCA, A2X, the JSE, Strate, common authorised users and the buy-side were all present and participated. The solution was supported by all.

The solution requires the introduction of a new report only trade type, called a Matched Principal trade (MP). This MP trade type is used in Europe and is MiFID compliant. Through this mechanism, brokers are able to trade across both A2X and the JSE to achieve best execution for their clients.

The broker can thereafter transfer trades executed for the same client in the same security on one exchange (exchange A) onto another exchange (exchange B) through the Matched Principal trade. This allows for the consolidation of trades executed on both exchange A and exchange B and facilitates the generation of a single contract note for the client by exchange B.

**"This is a giant leap forward for the South African marketplace. Having an industry-agreed solution will not only make trading across- markets easier for our brokers and the brokers yet to come onboard but for all investors looking to achieve best execution and get the best deal. We look forward to taking this live."** concluded Kevin Brady, A2X CEO.

It is anticipated that this solution will be delivered to the market and be available from the beginning of June 2022.

Brady added "This enhanced level of cooperation by all stakeholders is a positive milestone and its continuation can only result in the ongoing improvement of financial markets in South Africa."

If you have any questions in respect of this issue and the agreed solution, please contact Kevin Brady at [kevin.brady@a2x.co.za](mailto:kevin.brady@a2x.co.za) or Brett Kotze at [brett.kotze@a2x.co.za](mailto:brett.kotze@a2x.co.za)

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➤ Sygnia's newest ETF listed on A2X on 29 April



**Sygnia's newest ETF became available for trade on A2X from 29 April 2022. The Itrix New China Sectors ETF joins 13 other Sygnia Itrix ETFs already listed on A2X.**

The objective of the Sygnia Itrix New China Sectors ETF is to provide an investment vehicle that gives easy access to investors who want to achieve long-term capital appreciation by tracking the performance of the S&P New China Sectors Index (.SPNCSUT) (the benchmark). The benchmark measures the performance of China- and Hong Kong-domiciled companies in consumption- and service-oriented industries.

Sygnia CEO David Hufton states that, "Despite declining growth rates, there are plenty of more nuanced opportunities within China that warrant investor attention. By isolating specific sectors, Sygnia investors can now access a much more targeted approach to China's evolving growth."

Hufton added, "Our listing on A2X provides our investors with a wider choice of venues on which to transact, and the opportunity to capture the benefits their platform offers in the form of lower exchange fees, narrower spreads and added liquidity."

Kevin Brady, A2X CEO, says, "The New China Sectors ETF is an exciting addition to the suite of ETFs listed on A2X, with the latest being the fourteenth Sygnia Itrix ETF to list. We continue to provide Sygnia ETF investors with the opportunity to enjoy the savings and other benefits that a secondary listing on A2X brings across a number of product ranges."



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## Legal and Regulatory Update

### REITS

The first quarter of 2022 has seen an important development for A2X with regard to the secondary listing of REIT companies.

Recent amendments to the definition of a REIT in the Income Tax Act resulted in the situation where A2X was not able to continue to secondary list REIT companies, despite much interest shown by this sector.

Following extensive consultation with the FSCA and National Treasury, the required amendments to the A2X listing requirements to align these requirements with the new statutory provisions have been approved.

This allows A2X to now list a number of REIT companies that have shown an interest in the benefits resulting from a secondary listing on A2X.

**On 3 May SA Corporate Real Estate joined GrowthPoint, Nepi Rockcastle and Equites from the property sector already listed on A2X and we look forward to welcoming Fairvest Limited to our market on 11 May as well as adding more companies from this sector to the A2X list this year.**



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