

MARKET NOTICE

Number: 133A/2017
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 3 April 2017

SUBJECT: INTRODUCTION OF A CASH SETTLED MERINO WOOL FUTURES CONTRACT WORKING CLOSELY WITH CAPE WOOLS SA FOR THE SETTLEMENT

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Designation: Director: Commodities & Key Client Management

Dear Stakeholder,

The JSE is delighted to announce that it has entered into agreement with CAPE WOOLS SA to introduce a cash settled merino wool futures contract.

Approached by CAPE WOOLS SA, we have been working closely together to extend our existing commodity derivatives product range into the wool sector. Appreciating the complexity with the various grades and quality standards within the wool sector, CAPE WOOLS SA found an elegant solution by creating the Merino Indicator which is an index that is published following weekly auctions held in Port Elizabeth.

The index was created in July 2001 and is the weekly overall market indicator determined by calculating a weighted average price, based on all wool sold at a specific auction, and then compared with the result of the previous auction. Please refer to the attached index document created by CAPE WOOLS SA for a more comprehensive breakdown of the index components or visit their webpage www.capewools.co.za. The JSE has reviewed the index and agreed with CAPE WOOLS SA that the index may be reviewed annually with any changes published one month prior the start of their new auction season. The auction season typically runs from August to the following June each year.

Also attached to this market notice are the proposed wool futures contract specifications as compiled in consultation with participants who attended a workshop some time back. The JSE remains available to consider feedback regards these proposed contract specifications and reminds potential clients that the futures contract will be cash settled with no physical delivery. The weekly wool auctions held most Wednesdays in Port Elizabeth remains the venue to accommodate the physical transaction.

The JSE, working with CAPE WOOLS SA, has scheduled the official launch event of this new product for **Monday 5 June 2017** at the JSE in Johannesburg. The new product may be introduced into the JSE systems a week prior to ensure trading is available for the official launch date. We expect to commence trading with a Sep17, Dec17 and Mar18 expiry.

The JSE has started to schedule training sessions for those clients interested in the new product and will commence on 20th April in Port Elizabeth with a product awareness and derivatives workshop. Please can all JSE Commodity Members interested in working with the JSE to promote this product please send an email to commodities@jse.co.za to ensure you are included in our wool educational and marketing campaign.

We look forward to rolling out this new product and working closely with the wool industry to build a liquid and dynamic wool price risk management platform.

If you have any further comments or suggestions, feel free to reach out to us on +27 11 520 7039. Please also feel free to distribute this market notice to any other interested parties.

Should you have any further questions please feel free to contact us: commodities@jse.co.za.

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>