

MARKET NOTICE

Number: 111/2024

Relates to:

- Equity Market
- Equity Derivatives Market
- Commodity Derivatives Market
- Currency Derivatives Market
- Interest Rate Derivatives Market
- Bond Market
- Bond ETP Market

Date: 11 April 2024

SUBJECT: JSE STANDARDISED STORAGE RATE APPLIED TO PRODUCT DELIVERED IN COMPLETION OF A FUTURES CONTRACT

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Designation: Head - Commodities

Dear Client,

An integral part of the JSE's functions as licensed exchange is the determination of standardised contract specifications (terms of the contract) of listed derivative securities to ensure that market participants are aware of their rights and obligations arising from transactions in listed derivative securities and that these rights and obligations are identical for all parties that conclude transactions in these securities.

An important principle in the consideration of the contract specifications of listed futures contracts is the standardisation of the terms of the contract to ensure, as far as possible, that there is no variation in location, quantity, quality, storage or the time of delivery of commodities covered by listed futures contracts. The JSE is obliged to ensure a fair, efficient and transparent market in the securities listed and traded on its exchange and any type of uncertainty about any of the constituent elements that play a role in the value of these listed securities would be in conflict with these important objectives and destructive of its purpose.

Storage costs is an important factor in determining the value of commodities delivered in fulfilment of futures contracts and for this reason the JSE Contract Specifications, with specific reference to the terms recorded on the JSE silo receipts, expressly state that storage costs have been paid to a certain date. Market participants are free to negotiate and agree on any storage fee that they deem appropriate and the JSE is not involved in, nor does it prescribe the amount that may be charged in respect of the storage of these commodities.

However, there may be instances where there is an outstanding amount of storage payable by the holder of a JSE silo receipt that has been delivered in fulfilment the short position holder’s obligations as in terms of a listed futures contract. The storage operator has a lien over the commodity for outstanding storage and these storage costs must be paid before the owner of the commodities can take delivery.

Importantly, the storage operator and the owner of the commodity are free to negotiate and agree on the amount of outstanding storage that must be paid. However, it is important that storage operators are not in a position to charge any amount that they deem fit, especially seen in light of the lien that they hold over the commodity pending the payment of the outstanding storage fees. It would be anathema to a fair, efficient and transparent market in the commodity derivative securities traded and listed on the JSE if storage operator is able to unilaterally determine the outstanding storage rate and/or if there is no certainty about the maximum amount of outstanding storage that may be charged.

An apposite example is the maximum rate of interest prescribed in terms of the Usury Act, banks and borrowers may negotiate and agree on any rate of interest that they deem appropriate, but it may not exceed the maximum rate prescribed in terms of the statute.

The JSE has prescribed a maximum rate of outstanding storage after careful consideration of all the facts and information at its disposal and it has been adjusted annually based on the Producer Price Index (PPI) provided by Stats SA.

Late last year, the JSE began an exercise to determine whether the base rate used in the calculation of the maximum rate of outstanding storage is broadly speaking reflective of actual storage costs and also whether it is market related. We believe this is important as there may be factors and circumstances that have changed substantially which may, or could influence costs of storage such as the installation of a back-up power supply to deal with and mitigate the effects of load shedding and additional fuel costs. It is important that the JSE maximum rate of outstanding storage is broadly representative of actual storage costs.

During the exercise, the JSE considered the storage rates charged by storage operators, and a weighted average storage rate (WASR) based on registered JSE capacity per product was calculated. The results demonstrated that the JSE maximum storage rates imposed are lower than the WASR indicating that the JSE’s maximum rate for outstanding storage does not align with the average rate applied by JSE Storage Operators.

The JSE maximum storage rate applicable to each product per marketing season referencing the 2023 data is as follows:

Registered Product	JSE Maximum Outstanding Storage Rate	Weighted Average Storage Rate
Maize (white and yellow)	R1.07 t/day	R1.15 t/day
Soybeans	R1.13 t/day	R1.16 t/day
Sunflower Seeds	R2.15 t/day	R2.20 t/day
Wheat	R1.30 t/day	R1.39 t/day

Given that the current JSE maximum storage rate is lower than WASR, we have decided to review the current base rate across all products. Interested parties are invited to provide the JSE with any facts and information that may assist the JSE to exercise its regulatory responsibilities and to independently submit proposals on the daily maximum outstanding storage rates. Please also provide us with any supporting documents and facts to motivate your submissions and suggestions.

Feedback on the proposed increase and approach is required from all market participants. A final Market Notice will be communicated to confirm the JSE’s final approach after considering feedback from the market. This period is open until 7 May 2024.

Should you have any queries regarding this Market Notice, please e-mail: commodities@jse.co.za

This Market Notice is available on the JSE website at: [JSE Market Notices](#)