
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za**Number:** 580A/2022**Relates to:**

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

Date: 2 December 2022**SUBJECT:** JSE PROCEDURES AROUND FAILURE BY A STORAGE OPERATOR**Name and Surname:** Anelisa Matutu**Designation:** Head – Commodities

Dear Client,

With reference to the attached document.

The JSE recently shared this document describing the procedures that will be followed in the event of a failure by a JSE-registered storage operator to comply with its obligations as set out in the JSE's Requirements for storage operators ("the Requirements"). The Agricultural Advisory and Technical Advisory Committee had an opportunity to review the document and address any clarifying questions.

The document also deals with the manner in which the potential consequences of such a failure will be managed and the impact that it may have on clearing members, members, and clients. As we reference the Detailed Agricultural Contract Specifications and different incidents that have occurred over the exchange's history, the impact of a failure by a storage operator on their contractual obligations was described in order to provide readers of this document with practical examples to assist them in understanding the obligations imposed on each market participant by the JSE's Rules, the Contract Specifications, and the Requirements.

Further to this, the JSE also recently held a meeting with Clearing Members, Financiers and Fund Managers. The document was well received with the JSE committing to consider the following improvements to the JSE defined processes:

1. Consider introducing a specific time frame for the buyer to either access JSE stock or confirm with storage operator that good delivery was made, after this time period the “risk” of good delivery passes from short to the long position holder.
2. JSE to consider guaranteeing all JSE silo receipts and no longer look to each individual storage operator to guarantee the receipts they issue. This could be solved by the JSE establishing a fund that will underwrite all JSE silo receipts issued.
3. If there is no turnover of stock in a particular silo, JSE to require additional product or financial guarantees from the storage operator to ensure they can continue looking after the stock and have sufficient resources to replace stock which will experience natural quality deterioration over time.

The following improvements were agreed to the Agricultural Detailed Contract Specifications:

1. Clarifying in the detailed contract specifications the circumstances around alternate delivery and issuing receipts when quality and quantity are accessible i.e., should not issue a JSE receipt if the required grade can only be met after screening the product or drying the product.
2. Include reference to storage operator placed under Business Rescue, most likely include this under the existing liquidation clauses.

The JSE welcomes the distribution of the attached document to all clients in the market. We welcome an opportunity to clarify any questions, address these to the commodities team on email commodities@jse.co.za

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

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