
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za

Number: 599/2020
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 16 November 2020

SUBJECT: POSTPONEMENT OF THE IMPLEMENTATION OF OBSERVED SKEWS

Name and Surname: Raphael Karuaihe
Designation: Head - Commodities

Dear Stakeholder,

Following the workshop that was held on 13 August 2020, majority of participants had requested that the JSE reconsider the implementation of observed volatility skews in the grains options market. We need to acknowledge that there were objections, subsequent to the workshop resolution, from some quarters of the market that felt the need to proceed and implement observed skews as was planned.

In considering the collective feedback received from across the various stakeholders the JSE has made a final decision. This notice serves to inform the market that the current flat skew shall be maintained across all grain products until further notice. The JSE will continue to monitor the trading activity in the grain options market in order to assess the prevalence of a volatility skew in its liquid products and its adoption via traded option contracts. Should the situation change from the current status quo the JSE may reconsider its decision.

It must be acknowledged the JSE continues to support the adoption of an observed volatility skew for its agricultural products for MTM purposes however recognizes the challenges presented during the workshop and looks forward to a more liquid and active options market.

We would like to thank those market participants that had gone as far as assisting with the regression testing of the systems and whom had continued to actively engage the JSE throughout this consultation period.

Should there be any final questions regarding the JSE decision please contact me directly.

Should you have any questions regarding the above, please do not hesitate to contact the Commodities Team at 011 520 7039 or email commodities@jse.co.za.

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