

MARKET NOTICE

Number: 113A/2017
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 20 March 2017

SUBJECT: **INTRODUCTION OF THE INITIAL EXPIRY FOR THE ZAMBIAN WHITE MAIZE, WHEAT AND SOYA BEAN US DOLLARS TRADED AND SETTLED**

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Designation: Director: Commodities & Key Client Management

Dear Stakeholder,

The JSE is pleased to announce in preparation for its initial trades in the Zambian grain products, it will be introducing the Jul17 expiry for the three commodities as per the attached contract specifications. The JSE together with the interested stakeholders are currently opening up USD bank accounts in accordance with the SARB approval to be able to facilitate the settlement of these contracts. This will be the first USD traded and settled contracts on the JSE.

Future expiry to be introduced today 20 March 2017	Initial margin requirement
24 Jul 17 ZAMA (white maize)	\$420 per 10 ton contract (16.48%)
24 Jul 17 ZAWA (wheat)	\$240 per 10 ton contract (5.75%)
24 Jul17 ZASO (soya beans)	\$320 per 10 ton contract (8%)

The JSE is working closely with ABSA Clearing and interested JSE commodity member firms clearing through ABSA to facilitate the initial trades. Standard Bank Clearing is also committed to the new products as is close to finalizing their internal new product approval process. As soon as we see clients are ready to transact and have the necessary client agreements and USD settlement accounts open, we will extend the series of expiries month.

Clients should note that although the three expiries will be loaded onto the trading system and available via Nutron and other software providers, clients will only be able to trade provided they have been pre-approved by the JSE and in such a way enabled to be able to access the new contracts. In line with the SARB approval and the further two year extension of this product, South African corporate clients meeting the criteria will be able to trade these products together with any other international clients. Here we look to a number of Zambian clients whom we have interacted in the past to confirm their client registration with a JSE approved commodities member.

Attached to this market notice is the contract specifications and in consultation with a range on interested clients, the JSE has proposed the following specifics to the delivery of grain:

Standard storage rate applied to outstanding storage when a JSE warehouse receipt is tendered for delivery:

- White maize:** Marketing season 1 June 2017 to 31 May 2018 at \$0.10 per ton per day
- Wheat:** Marketing season 1 Sept 2016 to 31 Aug 2017 at \$0.10 per ton per day
- Soya beans:** Marketing season 1 April 2017 to 31 March 2018 at \$0.10 per ton per day

On our previous engagement with a number of Zambian stakeholders earlier this year, it was supported that the JSE contract of 10 tons represent product in bulk free on truck, and so should clients taking physical delivery expect the product to be bagged, this will be for the account of the buyer.

Proposed grade discounts for wheat:

- B1 will be traded at par,
- B2 at a \$10 per ton discount
- B3 at a further \$10 per ton discount

The proposed storage operators who will guarantee physical delivery as per the JSE warehouse receipts issued, including delivery points based on the requirements as published in the detailed contract specifications for the Zambian contracts are:

1. Zdenakie Limited, Zambian Reg # 51857, CEO – George Liacopoulos,
2. NWK Agri- Services Limited, Zambian Reg # 112870, CEO – Pierre Lombard,
3. CHC Commodities, Zambian Reg # 4233, CEO- Chris Hawke,
4. AFGRI Operations, RSA Reg # 1995/005872/07, CEO – Jacob de Villiers,

Storage Operator	Storage Point	Closest main road	Registered JSE Capacity (tons)	Distance to Lusaka	Proposed Location Differential
Zdenakie Limited	GSS Complex, Mwembeshi Road, LUSAKA	Mumbwa Rd/ Lumumba Rd	3000	In Lusaka radius	\$0
Zdenakie Limited	GSS Annex, Mwembeshi Road, LUSAKA	Mumbwa Rd/ Lumumba Rd	6000	In Lusaka radius	\$0
NWK Agri-Services Limited	NWK KABWE	Great North Road	25000	145 km	-\$12
NWK Agri-Services Limited	NWK Grain Handlers MPONGWE	Mpongwe/ Luanshya Road	25000	328 km	-\$26
CHC Commodities	GSS Complex, Mwembeshi Road, LUSAKA	Mumbwa Rd/ Lumumba Rd	40000	In Lusaka radius	\$0
CHC Commodities	KAPIRI depot	Great North Road	20000	180 km	-\$15
AFGRI Operations	MKUSHI	Serenje/ Kapiri Road	68000	307 km	-\$26
AFGRI Operations	MPONGWE	Mpongwe/ Luanshya Road	40000	309 km	-\$26
AFGRI Operations	PETAUKE	Great East Road	40000	420 km	-\$35

The proposed location differentials were calculated using the same methodology as applied to the Randfontein contracts, with the following input factors:

US\$ per-kilometre (\$PK) figure to a US\$ per ton (\$PT) using the formula below:

$$\begin{aligned}
 \$PT = & \quad \frac{\text{Distance} \times RLF \times \$PK}{\text{Payload}}
 \end{aligned}$$

Where: Distance is the distance in Km to Lusaka (using Cairo Road as the centre of Lusaka and all points within 20km radius as par)

RLF is the return load factor (50% was applied)

\$PK is in US\$ per Km (\$5 was used) and

Payload is in tons (30 tons was considered as the norm)

Please consider the proposed location differentials, storage rates and grade discounts and in the event you have any comments please email these to commodities@jse.co.za no later than 31 March 2017. A final market notice will be distributed with the confirmed delivery points and contract specific storage and discounts, should any transactions take place before then please take note of the standardized contract specifications.

Thank you again for your patience whilst we have worked towards this milestone event with the support of ZAMACE, now we wait to see who will make history and be part of the first trades.

Should you have any queries regarding this notice, please contact commodities@jse.co.za.

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