

Detailed Agricultural Contract Specifications 2021



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UPDATE SCHEDULE

- **Notice A1331:** enhancements to the silo auction resulted in updates to Appendix F
- **Notice A1361:** the delivery month position limits for soybeans, sorghum and sunflower seeds updated
- **Notice A1370:** marketing season for soybeans updated
- **Notice A1372:** introduction date for constant month contracts standardized to 40 business days prior to first business day
- **Notice A1374:** update to the random allocation algorithm
- **Notice A1575:** annual update to delivery month position limits for soybeans, sorghum and sunflower seeds
- **May 2012:** update to the MTM process
- **Notice A1656:** updates to the soybean contract including price limits
- **Notice A1661:** changes to last trading day
- **Notice A1694A&B:** changes to the white maize speculative position limits and introduction of such for soybeans
- **October 2012:** update to the physical delivery process with introduction of silo receipt basis trading referencing back to an existing futures position
- **July 2013:** updated price limits (A1774, A1833), soybean contract size (A1786), updates to sorghum and sunflower seed position limits, changes to Appendix C, Appendix I updated with agreed process May 2018:
- Recognised changes relating to super grade wheat
- **May 2021:** added enhancements to the storage operator requirements (Appendix C and D)

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A. GENERAL CONTRACT SPECIFICATIONS

1. DEFINITIONS

In these contract specifications, words and expressions that are defined in the Derivatives rules, unless stated otherwise or inconsistent with the context in which they appear, bear the meanings assigned to them in the Derivatives rules, and the following words and expressions have the following meanings:

“agricultural product”

Has the same meaning as that contained in section 2 of the Derivative rules and in the context of these contract specifications means the products underlying the JSE listed securities traded on the JSE Commodities trading system and refers to the following grains -

- > white maize;
- > yellow maize
- > wheat
- > sunflower seeds;
- > soybeans
- > sorghum

“agricultural derivatives”

Has the same meaning as that contained in section 2 of the Derivative rules;

“approved silo”

Means a delivery point that could either represent an upright storage structure, bunker, silo bag site or warehouse owned by a JSE approved storage operator and approved for each marketing season in terms of the requirements set out in Appendix D;

“approved storage operator”

means a storage operator, previously known as a silo owner, approved by the JSE in terms of the requirements set out in Appendix C;

“basis premium”

means the value agreed upon by the long – and short position holder in respect of the location of the commodity as recorded on the JSE silo receipt. The premium will be quoted in rand per ton over and above the futures price less location differential (where applicable).


“commodity derivatives market”

has the same meaning as that contained in section 2 of the Derivative rules;

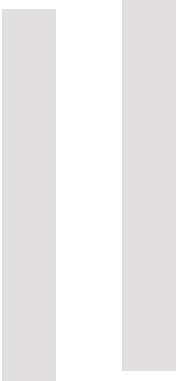


“commodity derivatives”

has the same meaning as that contained in section 2 of the Derivative rules;




“constant delivery month”



means all calendar months, other than the five hedging months of May, July, September, December and March, introduced for trading 40 days preceding the first business day of the calendar month. The same contract specifications apply to the constant delivery month as to the hedging months;


“delivery notice”

means a document which is presented to the JSE by a short position holder desiring to make delivery of JSE silo receipts in satisfaction of an agricultural derivatives futures contract, in the manner set out in these contract specifications;



“Exchange for Physical”

means a transaction whereby a position in the underlying is traded with an existing open futures contract position. The transaction may involve the JSE processing the actual delivery between the short and long position holder or alternatively facilitating the cash settlement at the current mark-to-market value;




“JSE Commodities trading system”

has the same meaning as that contained in section 2 of the Derivative rules;



“JSE silo receipt”

means a transferable document of title in terms of which the holder thereof may demand delivery to him by the storage operator of grain of a quality and quantity as described on the receipt, subject to payment of the storage operators’ storage costs as provided for in terms of the receipt. JSE silo receipts have to be issued by an approved storage operator in electronic form (Appendix B) and on the terms set out in these contract specifications.



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2. TRADING SPECIFICATIONS

2.1 Price

- a The contract price is quoted in South African currency per metric ton, with minimum fluctuations of twenty cents per metric ton with the exception of Sunflower Seeds (reference section 5.4 (f)). Until the first position day of a contract, the daily fluctuation in the contract price may be limited from time to time by an amount determined by the JSE. For details of these daily fluctuations or price limits see Appendix H.
- b The contract price, subject to sections (c), (d) and (e) below, reflects the full consideration payable by the buyer for delivery of JSE silo receipts through the JSE in accordance with these contract specifications. The differentials reflected in sections (c), (d) and (e) are subject to review from time to time as determined by the JSE
- c The seller and buyer are responsible for payment of storage and handling charges in terms of 3.1(d) of these contract specifications.
- d The contract price, on invoicing, must be adjusted for location differentials as determined by the JSE, in accordance with 3.1(b) of these contract specifications.
- e The contract price is exclusive of any value added tax (“VAT”) which may be or may become payable thereon.

Depending on the sellers’ registration with the South African Revenue Service, VAT will be added to the contract price on invoicing and is payable by the buyer.

2.2 Ownership and risk

- a Unless the seller is in default, the risk passes from the seller to the buyer at the close of business on the delivery day for which the seller has given notice of delivery, being delivery of JSE silo receipts through the JSE.
- b The right, title and interest of the seller in the product passes to the buyer when the buyer’s payment therefore is received in full, by the JSE or by a settlement agent appointed by the JSE.
- c The transferor of a JSE silo receipt, who on the first occasion is the depositor, endorses the receipt and warrants that on the transfer date they are the owner of the agricultural product covered by the receipt and, other than the storage operator’s lien shown on the face of the receipt, there are no liens or other encumbrances on the said agricultural product except as stated thereon. Should any dispute arise between any parties relating to the transfer of the JSE silo receipt, such persons agree that their claims will be limited to monetary claims and that no person will be entitled to claim that they retain ownership or a real right to the product represented by the receipt after transfer of this receipt. In particular, no person will be entitled to vindicate property alleged to belong to such person and to the extent necessary waives any vindicatory remedies.

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2.3 Trading days and hours

Trading days are all business days, except for a day which is defined by the JSE as not a trading day. The last trading day is the fifth business day before the last business day of an expiry month. Trading on a trading day commences at 09h00 and ends at 12h00. The JSE will give a minimum of 14 days' notice in declaring a business day as not a trading day, provided that the JSE will endeavor to do so before the expiry month in question goes into delivery month.

2.4 Expiry months

Hedging months are March, May, July, September and December.
Constant delivery month expiries are January, February, April, June, August, October and November.

2.5 JSE

All contracts are (without prejudice to any other provision of these contract specifications) subject to the JSE procedures as may from time to time be adopted by the JSE, provided always that, if any conflict between the JSE procedures and this contract specification arises, the provisions of these contract specifications will prevail. The JSE may at its discretion at any time alter or add to the administrative procedures and any such amendment must be circulated to derivatives members and may effect existing as well as new contracts.

2.6 Exclusion of liability

The JSE is not liable for the condition of silos or acts of storage operators, for their availability or suitability for the storage of agricultural product or for the performance by operators of such silos of any responsibilities they may assume towards derivatives members or other persons in relation to these contract specifications or otherwise. Persons acquiring JSE silo receipts, placing agricultural product into such silos or taking delivery of goods from the same will accordingly have no claim against the JSE or its representatives for any loss or damage thereby incurred, however such loss or damage may be caused.

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No holder of a JSE silo receipt nor any other person will have any claim against the JSE, or any derivatives member, representative or employee, arising from any breach or wrongful act or omission of the storage operator, including but not limited to non-delivery or defective delivery of agricultural product, unsuitability or poor quality of agricultural product, or the insolvency of a storage operator.

2.7 Margins

Initial margin payable in terms of the contract, as determined by the JSE, is specified from time to time by the JSE. Initial margin will be held by the JSE until all delivery obligations have been fulfilled.

The JSE may call for additional margins at any time and from time to time as may be deemed necessary to preserve the security of the contract

2.8 Default

- a Upon failure by the seller to make delivery for the contract in terms of these contract specifications, the seller will be in default and the default procedures set out in section 12 of the Derivatives Rules will apply. The defaulting party will be liable for a minimum penalty determined by the JSE at its discretion.
- b Upon failure by the buyer to receive delivery for the contract and make payment therefore in accordance with these contract specifications, the buyer will be in default and the default procedures set out in section 12 of the Derivatives Rules will apply. The defaulting party will be liable for a minimum penalty determined by the JSE at its discretion.

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3. DELIVERY PROCEDURES

3.1 Delivery procedure

The detailed delivery procedure is described in Appendix F.

a Method of delivery

A short position holder who wishes to make delivery in satisfaction of a futures contract must provide the JSE, through a clearing or trading member, with an electronic delivery notice in the format as required via the automated trading system. The short futures position indicated by the delivery notice will be assigned by the JSE to a long position holder(s) as described in 3.1(f) below. The JSE will notify the clearing member representing the long position holder of the delivery which has been assigned and will furnish the clearing member representing the short position holder with an invoice representing the notice of delivery. Delivery by a short position holder to an assigned long position holder will take place through delivery to the JSE of JSE silo receipts on a delivery day, subject to compliance with all the terms of these contract specifications.

b Delivery points and location differentials

The delivery points and location differentials will be determined by the JSE to reflect silos that meet the requirements as set out in Appendix D and location differentials reflecting the differential between the silo and Randfontein. The JSE may decide to facilitate delivery of a product at a zero location differential thereby trading no single reference point.

c Validity of JSE silo receipts

In order to be valid for delivery against futures contracts, JSE silo receipts must comply with the requirements set out in Appendix E.

d Storage and handling

For delivery in completion of a futures contract the following will apply:

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d Storage and handling

For delivery in completion of a futures contract the following will apply:

- (i) The depositor will be responsible for all handling costs payable to the storage operator, including both inloading and outloading of product onto truck alongside silo.
- (ii) The storage costs on product deposited in a previous marketing season must be paid up to and including the last calendar day of the marketing season and endorsed on the JSE silo receipt.
- (iii) The seller will be responsible for storage charges up to and including the delivery day for which the seller has given notice of delivery, being delivery through the JSE.
- (iv) Outstanding storage on JSE silo receipts is subject to the storage tariff as specified by the JSE. This rate includes all storage costs payable to the storage operator. The rate will be quoted in cents per metric ton per day. Such outstanding storage charges due from the seller, which have not been endorsed on the JSE silo receipt by the storage operator as paid, will be deducted from the seller's proceeds by the JSE. Any prepaid storage will not be reimbursed to the seller.
- (v) All outstanding storage costs on a product deposited in a previous marketing season must be paid up to and including the last calendar day of the marketing season. If the outstanding storage is not paid up within one calendar month after the last calendar day of the marketing season, the storage operator reserves the right to apply a 10% penalty to the total outstanding storage amount.

e Delivery notices and notice days

A short position holder wishing to make delivery against open futures contracts must provide the JSE, through the clearing or trading member, an electronic delivery notice in the form required by the JSE, on a notice day. A delivery notice must be captured as per Appendix F on the business day prior to the intended delivery day. The first notice day on which notices may be delivered, will be the last business day of the month prior to the expiry month. The last notice day will be the business day following last trading day/ expiry date. A notice day must be a business day, provided that the JSE may declare particular days not to be notice days. The JSE will give 14 days' notice in declaring a business day as not a notice day, provided that the JSE will endeavor to do so before the expiry month in question goes onto delivery month.

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f Assignment of delivery notices

The JSE will assign delivery notices on the notice day on which the notice is received, based on open long positions at the close of trading on that day. Assignment will take place by allocation of delivery notices to long position holders based on the following:

- (i) Exchange for Physical (EFP): both the buyer and seller notify the exchange prior to allocation that they have reached agreement and that the underlying JSE silo receipts will be exchanged between the two parties. The EFP is processed at the current mtm value with the possibility of the basis premium for the approved silo included in the final invoicing and therefore part of the JSE's settlement process.
- (ii) Matching of basis premiums as represented by stock held on JSE silo receipts: registered clients and members will have an opportunity to bid or offer on preferred silo locations and match these basis premium orders within a prescribed time frame. All orders matched will at the end of the trading period require a futures position in order to complete the physical delivery process with the basis premium included in the invoicing process facilitated by the JSE. The basis premium bid or offered must be a Rand amount per ton and can be defined as the value over and above the JSE price less published location differential (where applicable).
- (iii) Any remaining product on JSE silo receipts part of a delivery notice that is not matched as per point (ii) above within the matching session will then be allocated to the best remaining bid available at the close, should no bids be available then this product will be randomly allocated.
- (iv) Random allocation according to a defined methodology: the remaining deliveries will be processed using the published algorithm. The detailed algorithm in use is available on the commodities market web page.

g Date of delivery and delivery days

Delivery against an open futures position may take place on any delivery day during the expiry month, as elected by the seller. The first permissible delivery day will be the first business day of an expiry month. The last permissible delivery day will be the business day following last notice day. A delivery day must be

a business day, provided that the JSE may declare days not to be delivery days. The JSE will give a minimum of 14 days' notice in declaring a business day as not a delivery day, provided that the JSE will endeavor to do so before the expiry month in question goes into delivery month. Delivery against an open futures position in an expiry month, may take place on one or more delivery days. Open short positions at the close of trading on the last trading day must be settled by delivery of JSE silo receipts following the next business day.

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h Invoicing and payment

An invoice reflecting the amount payable upon delivery will be included in the daily account summary by the JSE to the clearing member representing the assigned long position holder and payment will take place by 12h00 on the delivery day. Payment will be made at the mark- to-market price (process defined in Appendix

l) for the trading day immediately preceding delivery day as determined by the JSE, adjusted for value added tax (in the case of wheat, sunflower seed and sorghum), location differentials (if applicable), grade premiums or discount and/or origin discounts (if applicable), outstanding storage in terms of the contract specification and basis premiums resulting from the matching of JSE silo receipts or available bids at the market close.

i Valid delivery against an open futures position

Valid and acceptable delivery against an open futures position will only be accomplished if the delivery of the JSE silo receipt enables the long position holder to take possession of the underlying commodity as detailed on the receipt. Valid and acceptable delivery will not be accomplished if a short position holder delivers a JSE silo receipt against an open futures position and the long position holder cannot take possession of the underlying commodity due to the default of the storage operator, unless the short position holder can prove that, at the time of the delivery of the receipt, the long position holder could have obtained possession of the underlying commodity from the storage operator.

3.2 Alternative delivery procedures

- a Notwithstanding any other provision of this contract specification, a seller and buyer may agree to offset their open futures positions against one another and make delivery in a manner other than provided for in this contract.
- b In the event that the seller and buyer do so agree, they must each immediately give notice of that fact to the JSE in such form and containing such details as may from time to time be prescribed by the JSE.
- c Upon receipt of such notices, the JSE will liquidate the parties' contracts and positions at the price agreed between the parties and will cease, in respect of any arrangement made pursuant to this rule, to owe any obligations in respect of such contracts and positions towards the seller, the buyer or any other person.

4. EXCHANGE MONITORING

To assist the JSE in monitoring the operation of contracts (but without obliging it to do so and without prejudice to any other power which it might have) the JSE may, at any time and from time to time, require derivatives members and other persons in whose name contracts subject to the contract specifications are registered with the JSE to supply to it such information as it thinks fit. Where appropriate the JSE may require such information to be supplied to it through the clearing member.

B. INDIVIDUAL FUTURES CONTRACT SPECIFICATIONS

5.1 WHITE MAIZE FUTURES CONTRACT

- a means white maize from any origin, of the grade “WM1” as defined in the South African Grading regulations, that meets all phyto-sanitary requirements and import regulations, but is not subject to any additional containment conditions;
- b a separate white maize contract of grade “WM2” or better may be introduced from time to time but will refer to the same underlying contract specifications as the “WM1” contract in terms of trading specifications and will be identifiable via a different contract code
- c maize marketing season is defined as the calendar year beginning on 1 May and ending on 30 April, applicable to all contract expiry months falling in that period;
- d contract unit means 100 metric tons of white maize in bulk storage in an approved silo.
- e the WMAZ and WOPT contract code represents white maize in bulk storage in an approved silo that may be delivered in satisfaction of maize futures contracts by way of JSE silo receipts. Short position holders may elect to make delivery on any delivery day in the expiry month. Short positions that remain at the close of business on the last trading day, must be settled by physical delivery by the last delivery day.
Delivery in completion of the contract may be subject to a fee for both the short position holder making delivery and the long position holder taking delivery as may be determined by the JSE from time to time.
- f Positions limits are applicable to all non-hedger participants as per the derivative rules 10.4.1 with the limits defined as per Appendix G

5.2 YELLOW MAIZE FUTURES CONTRACT

- a means yellow maize from any origin, of the grade “YM1” as defined in the South African Grading regulations, that meets all phyto-sanitary requirements and import regulations, but is not subject to any additional containment conditions;
- b a separate yellow maize contract of grade “YM2” or better may be introduced from time to time but will refer to the same underlying contract specifications as the “YM1” contract in terms of trading specifications and will be identifiable via a different contract code
- c maize marketing season is defined as the calendar year beginning on 1 May and ending on 30 April, applicable to all contract expiry months falling in that period;
- d contract unit means 100 metric tons of yellow maize in bulk storage in an approved silo.
- e the YMAZ and YOPT contract code represents yellow maize in bulk storage in an approved silo that may be delivered in satisfaction of maize futures contracts by way of JSE silo receipts. Short position holders may elect to make delivery on any delivery day in the expiry month. Short positions that remain at the close of business on the last trading day, must be settled by physical delivery by the last delivery day.

Delivery in completion of the contract may be subject to a fee for both the short position holder making delivery and the long position holder taking delivery as may be determined by the JSE from time to time.

- f Positions limits are applicable for the spot month, applied to all non-hedger participants as per the derivative rules 10.4.1. The limits are defined in Appendix G.

5.3 BREAD MILLING WHEAT FUTURES CONTRACT

- a means bread wheat originating in South Africa, Argentina, USA Hard Red Spring (Dark Northern Spring & Northern Spring Wheat), USA Hard Red Winter, no 3 or better Canadian Red Western Spring wheat, Russia, Ukraine, Australian Hard wheat, Australian Prime Hard, Australian Prime White, Australian Standard White wheat and German Type A or B wheat of sound, fair and merchantable quality which is fit for human consumption and which complies with the physical criteria for super grade, grade 1, grade 2 and grade 3 as detailed in the Regulations relating to grading, packing and marking of bread wheat intended for the sale in the Republic of South Africa. The par grade traded is grade 1, super grade, grade 2 and grade 3 will be accepted for delivery in completion of a futures contract subject to the following - super grade is delivered at a predetermined premium and grade 2 and grade 3 are delivered at a predetermined discount. The applicable premium and discounts are determined by the JSE from time to time.
- b wheat marketing season means the calendar year beginning on 1 October and ending on 30 September, applicable to the all contract expiry months falling in that period;
- c contract unit means 50 metric tons of wheat in bulk storage recorded in the trading system with contract code WEAT.
- d Wheat in bulk storage in an approved silo may be delivered in satisfaction of wheat futures contracts by way of delivery of JSE silo receipts. Short position holders may elect to make delivery on any delivery day in the expiry month. Short positions that remain at the close of business on the last trading day, must be settled by physical delivery by the last delivery day.

Delivery in completion of the contract may be subject to a fee for both the short position holder making delivery and the long position holder taking delivery as may be determined by the JSE from time to time.
- e Positions limits are applicable for the spot month, applied to all non-hedger participants as per derivatives rule 10.4.1. The limits are defined in Appendix G.

5.4 SUNFLOWER SEEDS FUTURES CONTRACT

- a means sunflower seed containing high oil content grown in the Republic of South Africa of sound fair and merchantable quality which is classified as class FH as defined by the South African Grading Regulations.
- b sunflower seed marketing season means the calendar year beginning on 1 March and ending February the following year, applicable to all contract expiry months falling in that period.
- c contract unit means 50 metric tons of sunflower seed in bulk storage recorded in the trading system with contract code SUNS.
- d Sunflower seed in bulk storage in an approved silo may be delivered in satisfaction of sunflower seed futures contracts by way of delivery of JSE silo receipts. Short position holders may elect to make delivery on any delivery day in the expiry month. Short positions which remain at the close of business on the last trading day, must be settled by delivery by the last delivery day.

Delivery in completion of the contract may be subject to a fee for both the short position holder making delivery and the long position holder taking delivery as may be determined by the JSE from time to time.

- e No participant (defined as a member or registered client) or associated group of participants may hold in excess of 1400 contracts of a particular delivery month contract within 10 days of the first delivery day of the month in question, except during the harvest period from March up to and including May, the position limit will allow for a maximum of 2100 contracts.

The JSE will provide special dispensation to financiers in terms on the above position limits should they confirm in writing that their positions are a result of a funding transaction where the client is no longer able to repurchase the product.

- f Further to 2.1 (a) of the contract specifications, the minimum price fluctuation for sunflower seeds is R1.00 per metric ton.

5.5 SOYBEANS FUTURES CONTRACT

- a means the threshed seeds of the plant *Glycine mar.* Soybeans, from any origin, conforming to the class SB as defined in the South African grading regulations of the Agricultural Products Standards Act 119 of 1990, will be acceptable for delivery in completion of a futures contract.
- b soybeans marketing season means the calendar year beginning on 1 March and ending February the following year, applicable to all contract expiry months falling in that period.
- c contract unit means 50 metric tons of soybeans in bulk storage recorded in the trading system with contract code SOYA
- d soybeans in bulk storage in an approved silo may be delivered in satisfaction of a soybeans futures contract by way of delivery of JSE silo receipts. Short position holders may elect to make delivery on any delivery day in the expiry month. Short positions which remain at the close of business on the last trading day must be settled by delivery by the last delivery day.

Delivery in completion of the contract may be subject to a fee for both the short position holder making delivery and the long position holder taking delivery as may be determined by the JSE from time to time.

- e Positions limits are applicable for the spot month applied to all non-hedger participants as per derivatives rule 10.4.1 with the limits defined as per Appendix G.

5.6 SORGHUM FUTURES CONTRACT

- a Two separate contracts are available trading different qualities: means sorghum of South African origin which complies with the physical criteria for grade GM1 (Sweet sorghum traded with contract code MSRSG) and then the grade GH1 (Bitter sorghum traded with contract code MSBT), as detailed in the South African grading regulations of the Agricultural Product Standards Act of 1990
- b sorghum marketing season means the calendar year beginning on 1 May and ending on 30 April, applicable to the March, May, July, September and December contract expiry months falling in that period.
- c contract unit means 30 metric tons of sorghum in bulk storage.
- d sorghum in bulk storage in an approved silo may be delivered in satisfaction of a sorghum futures contract by way of delivery of JSE silo receipts. Short position holders may elect to make delivery on any delivery day in the expiry month. Short positions which remain at the close of business on the last trading day must be settled by delivery by the last delivery day.

Delivery in completion of the contract may be subject to a fee for both the short position holder making delivery and the long position holder taking delivery as may be determined by the JSE from time to time.

- e No participant (defined as a member or registered client) or associated group of participants may hold in excess of 110 contracts of a particular delivery month contract within 10 days of the first delivery day of the month in question, except during the harvest period from May up to and including July, the position limit will allow for a maximum of 160 contracts.

The JSE will provide special dispensation to financiers in terms on the above position limits should they confirm in writing that their positions are a result of a funding transaction where the client is no longer able to repurchase the product.

6. OPTION CONTRACT SPECIFICATIONS

The following specifications are applicable to all agricultural derivatives traded unless otherwise stated:

UNDERLYING INSTRUMENT:	One agricultural derivatives futures contract aligned to the futures contract size.
OPTION TYPE:	The option type is an American style option and may be exercised at any time before or on expiry date.
PRICE QUOTATION:	Options will be quoted in whole rand per option contract.
STRIKE PRICE:	The strike prices will be in intervals of R20.00 per ton.
EXPIRY DATES AND TIMES:	Close of trade on fifth last business day of the month preceding the expiration month of the underlying futures contract.
EXERCISE:	Long position holders may exercise/abandon their options during market hours at any time up to and including 15 minutes prior to the expiration date; provided that all in-the-money options shall be automatically exercised by the exchange at expiration.
MARK-TO-MARKET:	The mark-to-market (mtm) price of the option will be calculated through the Black Scholes options pricing model utilizing the underlying futures and volatility mtm of the specific expiry. The daily mtm process is further defined in Appendix I. The futures mtm on option expiration day will take place 45 minutes earlier and published via the JSE Commodities Trading System

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C. APPENDICES TO AGRICULTURAL DERIVATIVES CONTRACT SPECIFICATIONS

In these appendices, words and expressions that are defined in the Derivatives rules will, unless stated otherwise or inconsistent with the context in which they appear, bear the meanings assigned to them in the Derivatives rules.

APPENDIX A: Approved silos

The current list is available directly from the JSE or can be found on the web page www.jse.co.za/trade/derivative-market/commodity-derivatives-market/physical-delivery

APPENDIX B: JSE silo receipts

A copy of the electronic JSE silo receipt is available to all registered participants from the preferred service provider www.silocerts.co.za


APPENDIX C: Requirements for Approved Storage Operators

1 Financial standing

- 1.1 The storage operator shall be in good financial standing and credit, and shall have an ongoing net financial worth as determined by the storage capacity of the storage operator. Financial net worth shall be determined as the aggregate of all classes of ordinary and preference shares, share premiums, capital redemption reserve funds disclosed distributable reserves (including policy holder and member reserves), fully subordinated liabilities or liabilities repayable at the sole option of the company, specifically excluding any non-distributable reserves and tax reserves. The net financial worth required will be as follows for the storage operator (includes all registered delivery points):

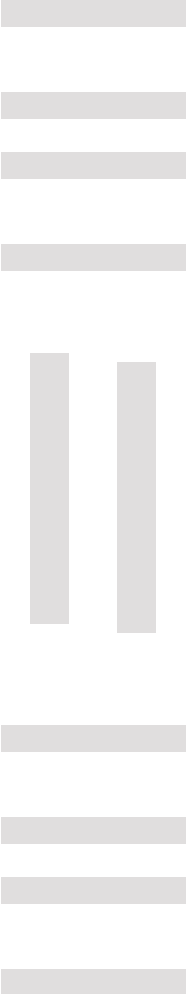
Silo Capacity (tons)	Net Financial Worth Required
≤20000	20,000,000
20 001 to 40 000	40,000,000
40 001 to 150 000	60,000,000
150 001 to 300 000	120,000,000
300 001 to 600 000	240,000,000
600 001 to 1 200 000	480,000,000
1200001 ≥ 2000 000	1,000,000,000

- 1.2 Notwithstanding the above, the requirement for additional financial guarantees may be called upon at any time at the discretion of the JSE. In the event that this is required, the storage operator will have 15 working days to provide the guarantee in the form as specified by the JSE.
- 1.3 The storage operator shall annually furnish the JSE with written confirmation by its auditor of its financial position and ability to meet its obligations to the holders of JSE silo receipts. This confirmation must reach the JSE no later than one month from the date the financial statements are finalised. Should the financial position change whereby the financial obligations cannot be met as defined in section 1.1 and 1.2 of Appendix C, the JSE must be informed immediately.
- 1.4 The JSE reserves the right to request un-audited financial statements at any time and which must be supplied within 15 working days.



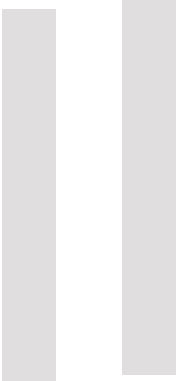


1.5 If a storage operator, for any reason fails to deliver the quantity and quality of the commodity as reflected on the face of the receipt, apart from the exceptional circumstances mentioned in section 6.4 and 6.5 of the same appendix, and as stipulated in the Agricultural Derivatives Contract Specifications, the storage operator shall within 24 hours of notification by the JSE pay a cash settlement to the holder of the receipt. The storage operators agree and undertake to pay a cash settlement to the holder of the receipt in the event of any failure by a storage operator to comply with its delivery obligations as recorded on the face of the receipt and these contract specifications. The cash settlement value will be determined by the JSE by referencing the near month mark-to-market price of the applicable product as traded on the JSE, discounting any differentials and grade premiums or discounts that may be applicable. In addition, thereto, the storage operator will be liable for a cash penalty of an additional 30% of the cash settlement value as determined by the JSE, of which a portion will be payable to the holder of the receipt.

1.6 In the event of any dispute between the storage operator and the holder of the receipt, the storage operator agrees and warrants that, apart from its lien for outstanding storage as indicated on the receipt, it will not raise any defense that will or may result in a delay or failure to deliver the commodity covered by the JSE silo receipt to the holder thereof. The storage operator agrees and undertakes that it shall only pursue any claims that it may have against the holder of the commodity stored in terms of JSE silo receipts after delivery of the commodity or payment of the cash settlement contemplated in paragraph 1.5 of Appendix C. The storage operator further agrees that set-off may not be applied between any claim that it may have against the holder of the silo receipt and the cash settlement contemplated in paragraph 1.5 above.





2 Experience, Expertise and Equipment

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- 2.1 The storage operator and management shall, to the satisfaction of the JSE, have a well referenced two-year successful operational track record, in storing grain commercially and have adequate experience and technical expertise in the handling and storing of the commodity. Each silo registered with the JSE by the storage operator shall have the necessary equipment and appliances for the convenient and expeditious receiving, storage and outloading of the commodity in bulk under all weather conditions according to accepted silo management practices.
 - 2.2 All weather conditions can further be defined as being able to provide the required, in and out loading service under reasonable wet and windy conditions.
 - 2.3 Each individual silo shall be operated by properly trained and qualified personnel.
 - 2.4 Storage operators shall not undertake routine maintenance during the changeover from old to new marketing season. Should emergency maintenance be required during this time then the storage operator may only apply the previous season's grade or origin discounts where applicable.




3 Legal standing


The storage operator shall be a legal entity registered in the Republic of South Africa.



4 Compliance with Rules of the JSE and Terms of the Agricultural Derivatives Contract

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- 4.1 The storage operator is bound by, and shall comply with, the Rules of JSE, and the terms of the Agricultural Derivatives Contract Specifications and Appendices thereto insofar as they relate to JSE silo receipts issued by such storage operator. The storage operator shall store all commodities covered by JSE silo receipts on the basis and terms as stipulated in the JSE's Rules, Contract Specifications and Appendices thereto.

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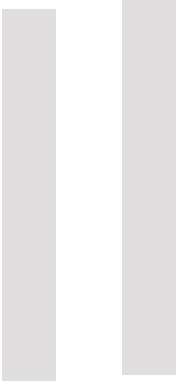


4.2 The storage operator acknowledges and agrees that the JSE is entitled to rely on and impose any of the following contractual remedies if a storage operator fails to comply with its obligations as recorded in these contract specifications and on the face of JSE silo receipts and/or if it breaches any of its obligations, representations and warranties in issuing JSE silo receipts:


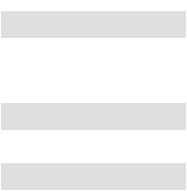
4.2.1 Provision of additional financial guarantees to the JSE to the maximum value representing all JSE receipts currently in issue and/or;

4.2.2 A financial penalty due to the storage operator's breaches of its obligations as set out in these contract specifications and on the face of JSE silo receipts to a maximum of R 5 million and/or;

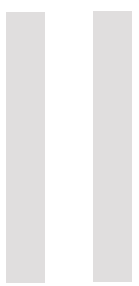
4.2.3 Deregistration as a JSE approved Storage Operator including the deregistration of all registered delivery points.



4.3 The storage operator undertakes and warrants that it will not conclude any concurrent storage agreements that may have terms that are inconsistent or in conflict with the JSE's Rules, Contract Specifications and Appendices thereto with any party in respect of commodities stored in terms of JSE silo receipts. In the event of such inconsistency or conflict, the provisions of the JSE's Rules, Contract Specifications and Appendices thereto will prevail.




4.4 Storage operators may only store and deliver commodities recorded in JSE silo receipts in accordance with the terms and conditions applicable to such storage and delivery as contained on the JSE silo receipts and stated in the JSE Rules and Contract Specifications.

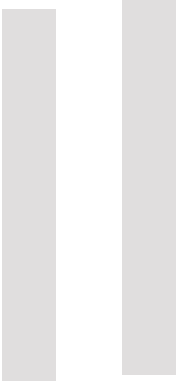
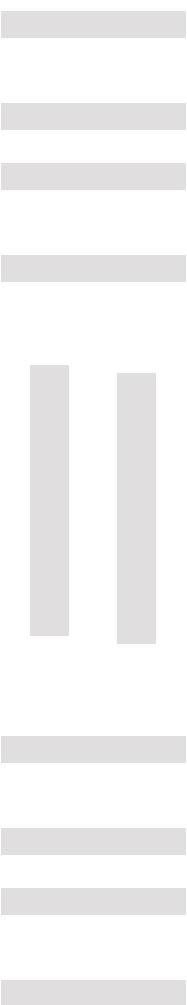


5. Record-keeping, Inspection and Reporting

- 5.1 The storage operator shall maintain proper records, including the date of receipt, quantity, quality and silo location of the commodity, reflected on every JSE silo receipt issued to enable the JSE to verify and audit the commodities stored by the storage operator.
- 5.2 The storage operator shall, on request by the JSE, provide detailed out-loading schedules going back for no more than three months, for JSE registered silos in order to audit activity at any or all of its registered delivery points.
- 5.3 The JSE is entitled to appoint a suitably qualified person to ascertain whether the storage operator complies with the rules and directives of the JSE. The inspection will independently confirm that the monthly reporting requirements as per 5.8 are correct and will be arranged in consultation with the management of the storage operator.
- 5.4 The storage operator shall provide the JSE with a record of each electronic JSE silo receipt issued. The storage operator shall notify the JSE of its presentation or redemption through the required monthly reporting as indicated in section 5.8 of this appendix. All electronic JSE silo receipts issued and cancelled by the storage operator will be available online via the preferred service provider.
- 5.5 The storage operator shall, to the satisfaction of the JSE, ensure:
- 5.5.1 that all electronic JSE silo receipt number ranges issued to storage operators or their nominated third party is kept secure;
 - 5.5.2 a register is maintained of all JSE silo receipts received;
 - 5.5.3 that a register is maintained of all JSE silo receipts issued;
- 5.6 The storage operator shall furnish the JSE with a list of employees authorized to issue electronic JSE silo receipts.
- 5.7 The storage operator shall submit monthly returns in the prescribed format to the JSE reflecting the total tonnage of JSE traded grain products in storage per type, quality and location as represented by JSE silo receipts, individual receipts and grain held on folio (includes grain held for third parties). The information is supplied to enable the JSE to fulfil its regulatory duties and responsibilities. The JSE will use the consolidated information per location to confirm and ensure that the total receipts issued do not exceed the capacity of the delivery point. The information is provided on a confidential basis and has to be verified and approved by the financial director or chief financial officer of the storage operator.

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- 5.8 The storage operator shall biannually furnish the JSE with written confirmation from its external auditors, within one month of this process being completed, confirming that there is sufficient physical product of the required quantity stored by the storage operator, to meet all its obligations to depositors and/or silo receipt holders (both JSE and individual silo receipts issued).
- 5.9 The storage operator shall provide the JSE with a copy of all South African Grain Information Service (SAGIS) Audit Letters resulting from physical audits within seven days of receiving such. The letters will remain confidential within the JSE and will be used to assess the storage operator's ability to meet their storage obligations. The JSE and registered storage operator indemnifies SAGIS and its Inspectors from any disputes and/or inaccuracies that may arise in the audit letters.

6 Further duties of the storage operator

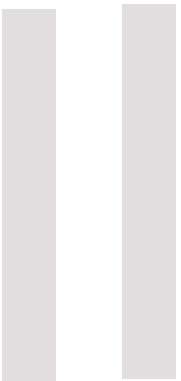
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- 6.1 The storage operator shall, after receipt of the commodity, store the product on behalf of the holder of the JSE silo receipt and take good and reasonable care of the commodity according to accepted silo management practice applicable to the storage of the commodity. Other than storage costs, no additional costs to maintain the quality of the product, shall be levied on the receipt holder.
- 6.2 The storage operator shall identify the country of origin of all commodities stored by it. If the storage operator holds commodities from different countries of origin, such commodities have to be stored separately in compliance with all the delivery requirements of a futures contract.
- 6.3 The JSE silo receipt issued by the storage operator to the holder, shall be irrefutable proof of the net weight and quality of the commodity stored on behalf of the holder of the receipt in the storage operator's registered delivery location as recorded and warranted on the receipt.
- 6.4 The location indicated on the silo receipt reflects the registered delivery location of the product where the product should be made available. The JSE however, accepts that exceptional circumstances may exist that would necessitate a change in the registered delivery location where the product is made available. These circumstances must be notified in advance, unless such notice is not reasonably possible to the JSE. The storage operator shall be liable for any additional transportation costs occasioned by the holder of the JSE silo receipt due to the storage operator's alteration of the delivery location appearing on the face of the receipt.

- 6.5 With specific reference to the out loading of wheat, the storage operator undertakes to out load the quality of wheat as indicated on the face of the receipt. The JSE however accepts that circumstances may exist due to the complexities of storing wheat that result in the specific quality not being available, in this instance the storage operator may out load one grade category better or worse, based on the quality indicated on the face of the receipt. The difference in grade quality will either be reimbursed or collected from the holder of the JSE silo receipt using the grade premium or discounts as determined by the JSE for that marketing season with the adjustment applied at the time of out loading.
- 6.6 The storage operator acknowledges and warrants that it is not the owner of the commodity covered by the receipt (except for receipts issued in its own name). The storage operator further warrants that the lien shown on the face of the receipt is the only security it holds for payment of the storage costs of the commodity covered by the receipt.
- 6.7 The storage operator stores the grain for the depositor, who shall pay storage charges as agreed upon. In the event that there is any outstanding storage, the storage operator may not charge more than the maximum rate of storage as determined by the JSE.
- 6.8 Should grain so deposited become merged with grain already contained in the silo, the resulting bulk of grain shall constitute the joint property of the various depositors, each of whom shall hold an undivided share therein expressed as a fraction equal in extent to the quotient of the total mass of the bulk from time to time, divided by the mass of each individual deposit of grain, and adjusted according to the same formula whenever a portion of the bulk of grain is withdrawn from the silo by one or more of the co-owners, or a further deposit of grain is made.
- 6.9 The storage operator is authorised to act as the agent in rem suam of each depositor in binding them to the co-ownership of the grain, to adjust the composition of such co-ownership and to adjust each co-owner's share as and when a withdrawal of grain is made from the silo by any of the co-owners, or a further deposit of grain is made.
- 6.10 The storage operator holds the grain for and on behalf of each of the co-owners during the currency of the storage and acknowledges that he is not the owner or co-owner thereof.
- 6.11 The storage operator acknowledges that the depositors may alienate their respective shares, in which event this receipt will be transferred to the purchaser pursuant to such sale.
- 6.12 Upon the aforesaid transfer of the silo receipt, the storage operator will henceforth hold the grain on behalf of the newly constituted body of co-owners including the transferee of the silo receipt and declares that he will acknowledge and abide by the rights of every such subsequent holder of the silo receipt in terms of the provisions recorded herein and in terms of the Rules of the JSE.

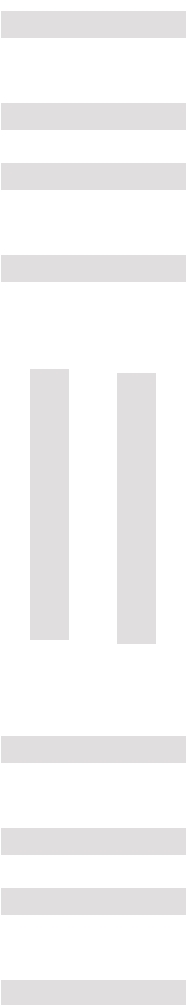
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7 Insurance

- 7.1 Storage operators shall have current and adequate insurance policies in place with reputable insurers as determined by the JSE ensuring that the silo buildings, equipment and all commodities stored therein are comprehensively insured against the following minimum risks: fire, earthquake, earth tremor, malicious damage, storm, flood, spontaneous combustion and explosion, lightning, terrorism, theft, and public violence. The storage operator shall also have insurance in place to cover damages suffered as a result of fraud by its employees.
- 7.2 The storage operator shall annually furnish the JSE with a declaration from its insurer certifying the details of the amount and risks for which the storage operator is insured. Included in the annual declaration from the insurer must be details about events, specific to the grain products traded on the JSE, that resulted in any claims by the storage operator for the previous year. The storage operator shall inform its insurer that it stores commodities on behalf of the holders of JSE silo receipts.
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8 Handling Procedures

- 8.1 Storage operators shall during normal working hours inload and outload the commodity consecutively without giving unreasonable preference to one receipt holder, depositor or owner of the commodity over another.
- 8.2 The commodity shall, on request within a reasonable notice period by a receipt holder, be out loaded at the registered rate as defined in Appendix D section 2. If the holder of a JSE silo receipt is unable to obtain delivery of the commodity as a result of any practical or operational delays the storage operator may only charge additional storage fees for a maximum period of ten business days from the date of the notice by the holder of the receipt of its intention to take delivery. All commodities inloaded and outloaded shall be subject to adequate and accurate grading and weighing procedures. Silo weighing equipment shall be on site and certified as per the Trade Metrology Act, no 77 of 1973.
- 8.3 As set out below, a storage operator shall not be responsible for a delay in out loading whilst a condition of force majeure exists:
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The storage operator shall not be responsible for any delay in dispatch or delivery of commodity or any part thereof occasioned by any act of God, action by government, strikes within RSA, lock-out, combination of workmen, break-down of machinery, power failure or fire, or for any other reason beyond his direct control, provided that the storage operator dispatches written notice to the other party (with a copy to JSE) within twenty-four hours of establishing the occurrence. Unless otherwise mutually agreed, the storage operator invoking Force Majeure is entitled to an extension in the time allowed for the dispatch of the commodity. Neither party shall have a claim against the other for delays or non-fulfilment under this clause provided that the party invoking this clause shall have supplied, if so requested by the other, satisfactory evidence indicating that they had undertaken reasonable steps to avoid the delay or non-fulfilment.

9 Out loading conditions and procedures to access product represented by JSE silo receipts

- 9.1 JSE approved storage operators will out load at the tempo as per their current infrastructure allows for at each specific site
- 9.2 The booking slots for out loading will be facilitated on a first come first serve basis and be readily available to the JSE to verify that the booking process remains fair to all owners of commodities covered by JSE silo receipts.
- 9.3 If a receipt holder who booked the out loading slot fails to collect the product, the receipt holder will lose their delivery slot and may be allocated another available slot as per the storage operators booking system.
- 9.4 Storage operators obliged, subject to the applicable Labour law principles, to provide overtime out loading slots at reasonable overtime rates. If the receipt holder does not collect the product they will reimburse the storage operator for all overtime costs. Overtime rates will be provided to the JSE on request. If the storage operator is not able to comply with its agreed upon overtime delivery obligations, it will reimburse the affected JSE silo receipt holders for all reasonable costs and expenses incurred by such receipt holder.
- 9.5 In order to assist storage operators to manage their administrative commitments once it has received a request to outload the commodity covered by a JSE silo receipt, the receipt holder has a 60 business day timeframe within which all the requested quantity must be removed. Should there be any quantity remaining on a JSE silo receipt that does not make up the standardized futures contract volume, this may revert to the storage operators folio account which implies different terms and conditions will be applicable.

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9.6 In order to provide JSE silo receipt holders assurance of access to out loading facilities especially around the main hedging months all JSE Approved Storage Operators undertake to make twenty five percentage (25%) of their booking slots available during a dedicated window period for each major delivery month for holders of JSE silo receipts as follows:

9.6.1 During JSE hedging months of March, May, July, Sep and Dec storage operators will make available 25% of their booking slots for initial access by JSE silo receipt holders.

9.6.2 From the 15th to 25th of the main hedging month, the storage operator will accept instructions from JSE receipt holders who have issued out loading instructions to out load product that will form part of the 25% allocation of slots for the month following the main hedging month.

9.6.3 The 25% allocation is across all JSE traded products and not specific to a single product and is based on out loading capabilities at each site.

9.6.4 Storage operators must, within 72 hours acknowledge and respond to out-loading instructions of JSE silo receipts with proposed booking slots.

9.6.5 From 25th calendar day of the month until the 25th calendar day of the following month, JSE receipt holders are assured out loading of a minimum 25% of booking slots based on a first come first serve principle. It remains the Storage Operators prerogative when the 25% slots will be available during the period, this may be divided weekly or grouped into a specific window within the month as this will depend on how booking slots were already previously secured. The 25% of booking slots will be reserved and allocated in the most practical way possible to JSE silo receipt holders who have provided out loading instructions.

9.6.6 Should there be booking slots available sooner than the 25th, the storage operator undertakes to provide these as per the normal booking procedures.

9.6.7 Initially a single JSE receipt holder may only book a maximum of 30 trucks for the month however may be placed onto a waiting list and provided no other JSE receipt holders request out loading for that period they may then secure the remainder of the 25% reserved booking slots. This is to allow other JSE receipt holders access to the storage site

9.6.8 If JSE receipt holders have not taken up the full 25% booking slots by close of business on the 25th calendar day (should this fall on a non-business day, the business day prior will be used) of the main hedging month, these slots will be made available to all other owners of commodities stored the storage operator

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9.6.9 The 75% of booking slots remain available to all stakeholders to secure out loading in the manner as they have done before. It is important to acknowledge the JSE approved storage operators have committed to out load product as per their infrastructure allows for.

9.6.10 For all other JSE trading months, referred to as the constant month contracts, booking slots will be facilitated by storage operators on a first come first serve basis across all forms of title, either on folio, storage operator receipts or JSE receipts.

10 Disputes

10.1 The storage operator shall report all disputes relating to these requirements and JSE silo receipts as soon as they occur, directly to the JSE.

10.2 Any dispute that may arise between a storage operator and the holder of a JSE silo receipt that has been delivered or received in fulfilment of a party's obligations in respect of a futures contract listed and traded on the JSE, will be resolved by arbitration.

10.3 The provisions of the Arbitration Act, 1965 (Act No 42 of 1965) shall apply to the arbitration proceedings. The arbitration shall be held at the offices of the JSE and the arbitrator shall be appointed by the JSE. The JSE and/or the arbitrator may request any party to such a dispute to furnish the arbitrator with written particulars of the dispute and the JSE and/or the arbitrator may call for additional information relating to the dispute, if necessary.

10.4 Subject to the arbitrator's award, the parties shall be jointly liable for the costs of the arbitration and shall be obliged to pay to the JSE such amount as the JSE may determine before the arbitration proceedings commence. Should any party fail or refuse to pay on demand any costs due, an award dismissing his claim or defense with costs shall be made by the arbitrator.

10.5 The arbitrator shall make his award within five days of the conclusion of the arbitration proceedings. The arbitrator shall give due weight to the customs and practices of the JSE applicable to transactions concluded on the Commodity Derivatives market of the JSE. The arbitration proceedings shall be conducted without any legal representation by any of the parties unless the arbitrator in his sole discretion decides otherwise. The arbitrator's award shall be final and binding on the parties and the arbitrator shall not be obliged to give reasons for his award.

11 Decision by JSE final

- 11.1 Any new application, an official market notice will be distributed affording Commodity Derivative Members 15 business days to provide comment regarding the new application.
- 11.2 A final market notice will be distributed confirming if the application was successful.
- 11.3 Once approved, the JSE reserves the right to limit a storage operator in terms of the quantity (in tonnage terms) of JSE silo receipts that may be issued at any one time. This restriction will be communicated to the market via an official notice.
- 11.4 The JSE may impose appropriate conditions in the event of a deregistration of an approved storage operator in accordance with its regulatory duties and responsibilities to ensure its orderly withdrawal from the JSE's market.

APPENDIX D: Requirements for Approved Silos

1. General

- 1.1 The approved silo must have a minimum storage capacity of 10 000 metric tons (maize equivalent) and the necessary mechanical equipment in working order for the effective and expeditious inloading, storage and outloading of grain in bulk
- 1.2 The silo must be so located such as to allow the outloading of product via road at the required load-out rate, under all weather conditions. Silos that have both road and rail access will be identified with the location differential recognising this service.
- 1.3 The silo must be so located that access is possible via a road network with the storage operator responsible to maintain access to the inloading and outloading areas within the silo complex.
- 1.4 Any new application will require confirmation through a JSE appointed auditor, of the maximum storage capacity, in and out loading capabilities including all weather facilities of the individual silo. Any costs associated to this process will be for the account of the silo applicant.
- 1.5 The property whereon the registered silo is situated must be owned by the storage operator or a minimum five year lease of the property must be in place. The JSE reserves the right to call for additional guarantees from the storage operator should the lease near expiry.

2. Load-out requirements

- 2.1 The silo shall have a minimum load-out rate of 500 tons of commodity on a maize equivalent basis per 8 (eight) hour working day, under all weather conditions, subject to the requirements described in paragraph 8 of Appendix C. Silos registered for multiple commodities, the 500 tons represents the total minimum quantum that should be outload across all commodities on a single day and is not the requirement per commodity.
- 2.2 Although a minimum load-out rate is prescribed, the JSE requires each storage operator to load out as per the capacity of the infrastructure registered with the JSE. Storage operators are obliged to ensure that, the registered infrastructure of each registered site will operate at maximum capacity, regardless of the minimum requirements prescribed by the JSE.
- 2.3 A detailed list of each registered sites load-out rate is available on the JSE website together with the registered capacity of each site.


3. Decision by JSE final

With any new application specific to the storage of any product, an official market notice will be distributed affording Commodity Derivatives Members 15 business days to provide comment regarding the new application.


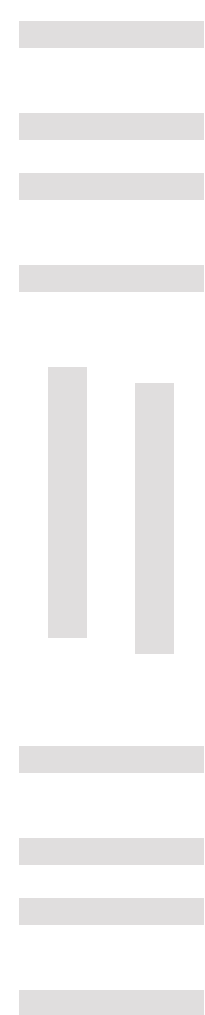
4. Deregistration of an approved silo

- 4.1 If an approved silo fails to meet any of the requirements for approved silos for any reason whatsoever, the JSE will deregister the silo with immediate effect.
- 4.2 The failure of a registered storage operator to, at any time, comply with the requirements for approved storage operators as stipulated in Appendix C to the contract specifications will result in the immediate deregistration of all the storage operator's approved silos.
- 4.3 In the event of a change of ownership of approved silos, the new storage operator and all its registered silos have to meet the requirements of Appendices C and D of the contract specifications. If any of these requirements are not met, the storage operator and/or its relevant registered silos will be deregistered with immediate effect.
- 4.4 Once deregistered, the storage operator together with the JSE, will do everything within reason to collect all JSE silo receipts still available in the market. The storage operator will transfer all physical stock onto the holders name who presented the original silo receipt and if need be replace with the storage operators own silo receipt at no additional cost.
- 4.5 The obligations of the storage operator as grain storer, remain the same throughout the process, to provide the holder of the silo receipt with the required grade, of the defined quantity at the listed delivery point referencing the storage date last paid to.

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- 4.6 The JSE reserves the right to appoint a collateral manager, to manage the deregistration process. This will only be applicable if the deregistration is a result of mismanagement of physical stock by the storage operator thereby not able to honour JSE silo receipts issued. Should the deregistration be due to no fault of the storage operator the intervention of a collateral manager will not be required.

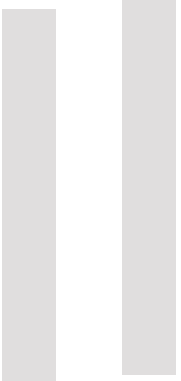
5. Voluntary deregistration of an approved silo

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- 5.1 A storage operator must apply in writing to the JSE if it desires to deregister an approved silo. The JSE will publish the application by notice to all Commodity Derivative members. The members of the Commodity Derivatives Market will be afforded 15 business days to lodge any objections to the intended deregistration of the silo.
- 5.2 If the JSE is of the opinion that the application for the deregistration of the silo will be prejudicial to the interests of any party or to the Commodities Market, it may prescribe further conditions for the intended deregistration of the approved silo.
- 5.3 The JSE will publish its decision relating to the intended deregistration of an approved silo by notice to the applicant and Commodity Derivative Members.
- 5.4 Once deregistered, the storage operator will continue to honour all conditions indicated on the silo receipt and will be required to follow the same deregistration process as defined in section 4 above.
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APPENDIX E: Procedures for issue, transfer, delivery and presentation of electronic JSE silo receipts

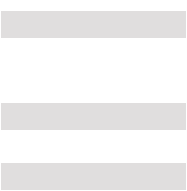
Paper JSE silo receipts




Only in the event of a technical issue regards electronic receipts does the JSE reserve the right to revert to paper JSE silo receipts that will be used to facilitate transfer of ownership for delivery in completion of a futures contract. Once all technical issues are resolved the paper receipts will be converted back to electronic receipts and all other requirements will remain in force.

Electronic JSE silo receipts


Electronic JSE silo receipts must be issued by an authorised storage operator using electronic receipt numbers as allocated by the JSE




The JSE will at all times have access to the database of electronic JSE silo receipts hosted by the preferred service provider containing the details of the issued receipt together with a full history of the transfer of ownership of the commodity covered by the receipt.




Only registered participants of the preferred service provider and agricultural clients of the JSE will have access to electronic receipts and be able to deliver them onto the JSE in fulfilment of futures contracts.



To be acceptable for delivery in satisfaction of a futures contract, an electronic JSE silo receipt must have been issued by a storage operator with transfer of ownership of the underlying commodity facilitated electronically via the preferred service provider



Upon presentation of an electronic JSE silo receipt to a storage operator for physical delivery of the commodity, the JSE will on request by the storage operator confirm the identity of the current holder of the silo receipt by reference to its records of transfer in the electronic database. The database will be updated once the storage operator cancels the silo receipt.







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APPENDIX F: Procedures for the physical delivery and close -out of agricultural derivatives futures contracts

1. Procedures for physical delivery of futures contracts on or before the last trading day
 - 1.1 Notice day (business day prior to delivery day)
 - 1.1.1 A delivery notice detailing a list of JSE silo receipts to be tendered for physical delivery in the required format must be submitted to the Commodity Derivatives Division by no later than 14h15.
 - 1.1.2 Electronic JSE silo receipts are required to be available at the JSE no later than 14h15 on notice day. The receipts are checked for authenticity and acceptability in terms of the contract.
 - 1.1.3 Physical delivery may be affected by an exchange for physicals (“EFP”) provided that both the short and long position holder have informed the JSE, in writing, of its intention to effect delivery in this manner. The JSE will, after receipt of the written confirmation, record and process the physical delivery and will account to the parties for the premiums and discounts applicable to the JSE silo receipt. If the market participants elect to process the EFP without the corresponding invoicing, an equal and opposite futures positions will be booked by the JSE to close out the positions.
 - 1.1.4 If not processed as an EFP, short position holder may elect to effect physical delivery in completion of a futures contract by offering to sell the commodities covered by JSE silo receipts at a basis premium.
 - a A short position holder may only utilise this delivery process if the JSE is in possession of the relevant JSE silo receipts.
 - b Any registered client or member may accept the short position holder’s offer to sell the underlying commodity at a basis premium. If this bid is successful and the market participant does not have a corresponding long position, a long futures position including a corresponding short futures position will be created at the mtm of the notice day in order to complete the physical delivery process.
 - c Basis premiums may be bid or offered via a separate trading screen with the end result being that the basis transaction is included in the final invoicing of the delivery and assignment notices in completion of a futures contract.
 - d Basis premium orders not matched on the day may be carried over to the next trading session as per the “good till date” order instruction. Any such sell orders remaining after last trading day, held by position holders with physical delivery obligations for that specific expiry month, will be deleted before startup of market operations. This is to ensure the physical delivery obligations are first met.

- e Position keeping will be managed down to sub account level either at member or client level when matching JSE silo receipts. Should either long or short market participant not have a position to effect the physical delivery, an equal and opposite futures position will be created at the mtm of the notice day.
 - f The basis premium matching process will commence at 09h00 and close at 14h15 with a further 15-minute admin period to finalise physical delivery allocations required in completion of a futures contract.
 - g The basis premiums will be matched on price and time order priority.
 - h Should JSE silo receipts require splitting to accommodate the tonnages matched at a basis premium this will be facilitated by the JSE.
- 1.1.5 The short futures position holder will be able to flag via the trading system the JSE silo receipts tendered for delivery on notice day regardless of whether a basis premium is matched. In this case prior to random assignment, the JSE silo receipts will be allocated to the highest bidder(s) remaining at the close in order to pass on the highest available basis premium.
 - 1.1.6 Finally, specific to JSE silo receipts flagged for delivery on notice day and not able to secure a basis premium, random assignment per silo receipt will take place. Where electronic receipts are allocated to clients who are not participants of the preferred service provider, the electronic receipt will be transferred to the Commodity Derivatives members account of the long position holder.
 - 1.1.7 The JSE systems will close out all short and long futures position as a result of the physical delivery tendered and ensure a unique delivery position is created to identify the process and maintain the required initial margin until the delivery is complete.
 - 1.1.8 The JSE will distribute both delivery and assignment invoices using the mark-to-market of the day to the clearing member representing the short and long position holder.
- 1.2 Delivery day (business day following notice day)
 - 1.2.1 The JSE confirms with the clearing member the payment required from the long position holder by 12h00 and arranges to settle the same amount with the short positions holders clearing member.
 - 1.2.2 The JSE systems close out the unique delivery position and authorises the repayment of initial margins for the following business day.
 - 1.2.3 All electronic JSE silo receipts will be released to the respective long position holders at 14h00, unless otherwise requested by the clearing member.



2. Procedures for physical delivery of futures contracts after the last trading day (contract expiry day)

2.1 Last trading day

The last trading day will be the sixth last business day of an expiry month. The JSE systems will close out all remaining futures positions specific to the delivery month into unique delivery positions at the mark-to-market price of the day and increase the initial margin requirement as agreed to from time to time.



2.2 Notice day

The procedures as described in 1.1 will prevail except no basis premium functionality will be accommodated as described via 1.1.4 and 1.1.5. For invoicing purposes, the mark-to-market price on the last trading day will apply for the remainder of the delivery period.

Following last trading day all remaining futures position holders for the specific delivery month will be required to tender notice of delivery on or before last notice day (business day following last trading day). No additional basis premiums will be recognised in the invoicing process.

2.3 Delivery day

The procedure as described in 1.2 above will prevail.








3. Matching basis premiums after the last trading day







3.1 Notice day

In order to accommodate basis premiums matched during the 5 business days leading up to the next available delivery month, such basis premiums matched will be processed according to section 1.1.4 as described in this Appendix F on the specific notice day. All invoicing and required futures positions will reference the next available delivery month. Should the next delivery month be in a new marketing season, note the published discounts for the standard storage rate, grade premiums and discounts, origin discounts and location differentials will not reference the new discounts but continue with the old season discounts until first notice day as per the published trading calendar.



3.2 Delivery day

The first business day following the above notice day referencing the same operational procedures as described in 1.2 above.



APPENDIX G: Speculative Position Limits

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Settlement	Limits by number of contracts - Futures Equivalent		
						Spot Month	Single Month	All Months Combined
White Maize Futures	10.40	WMAZ	100	Metric Tons	Physically Delivered Futures	800	3000	5000
Yellow Maize Futures	10.40	YMAZ	100	Metric Tons	Physically Delivered Futures	1800	-	-
Wheat Futures	10.40	WEAT	50	Metric Tons	Physically Delivered Futures	1000	-	-
Soya bean Futures	10.40	SOYA	50	Metric Tons	Physically Delivered Futures	145	900	1500

APPENDIX H: Daily price limits applicable to the contract until first position day of the specific delivery month

	Everyday price limit	Extended price limit
White Maize, Yellow Maize:	R100/t	R150/t
Wheat:	R130/t	R195/t
Sunflower Seeds:	R150/t	R225/t
Soybeans:	R150/t	R225/t
Sorghum:	R70/t	R105/t

APPENDIX I: Mark-to-Market (MTM) future expiries and option volatility specific to the future expiry month

1. DAILY MTM VALUATION PROCESS

Standard futures contracts on the Commodities derivative markets are priced by the JSE using a standardised mark-to-market (MtM) methodology. This methodology is an attempt to reflect the price levels at which individual contracts are trading at the closing time of the market.

The methodology is based on two key principles:

A snapshot approach which prices all instruments at a point-in-time in order to preserve any prevailing spread relationships between contracts

A time-weighted average approach which reduces the risk of individual pricing anomalies skewing the closing price

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The methodology is applied as follows:

1. Take a full “market watch” snapshot of all futures contracts during every minute interval across the last 5 minutes of the trading session. The snapshot will be taken at a random time during each minute.
2. Determine five resultant snapshot prices for each contract using the last trade / higher bid / lower offer approach:

Start with the last traded price, using the previous day’s MtM where there is no trading activity for the day

If the best on-screen bid is greater than the last traded price, then set MtM = Best Bid

If the best on-screen offer is lower than the last traded price, then set MtM = Best Offer

3. Calculate an average snapshot price for each contract using an arithmetic average of the five snapshot prices. This is the time weighted average price for the contract
4. Apply the rounding convention applicable to that contract

The table below shows a hypothetical calculation for an individual contract:

The table below shows a hypothetical calculation for an individual contract:

Snapshot	Random Time	Last Trade	Best Bid	Best Offer	MtM	Method
11:55-11:56	11:55:21	1 805.00	1 804.00	1 804.80	1 804.80	Lower Offer
11:56-11:57	11:56:04	1 805.00	1 806.00	1 806.80	1 806.00	Higher Bid
11:57-11:58	11:57:28	1 806.00	1 805.00	1 805.80	1 805.80	Lower Offer
11:58-11:59	11:58:29	1 806.00	1 805.50	1 806.50	1 806.00	Last Trade
11:59-12:00	11:59:21	1 809.00	1 807.00	1 808.80	1 808.80	Lower Offer
					1 806.28	TWAP
					1 806.00	MTM

2. OPTIONS VOLATILITY MTM PROCESS

The JSE calculates the MtM for listed options using a Black-76 model. The two key inputs to this algorithm are the price of the underlying future (as defined in the previous section), and the volatility. A flat volatility skew is applied to all contracts, and the JSE publishes a single At-The-Money (ATM) Volatility applicable to an individual futures expiry, and all derivative options.

The determination of the ATM Volatility is a two-step approach, considering all on-screen trades for the day, as well as applicable quotes near the end of the day. Both steps only consider market activity in options that are classified as “at-the-money”, based on the options’ strike price relative to the MtM of the underlying future.

2.1. At-the-Money Options

Where a particular future has a daily price limit, any option strike within a one price limit range of the future’s MTM will be considered at-the-money. Note that the standard daily price limit will be used to identify at-the-money options even in the event that extended price limits are in force for that particular contract. For contracts that do not have absolute price limits, any option strikes within a 5% range of the futures MTM will be considered at-the-money.

2.2. Onscreen Option Trades

At-the-money options traded onscreen over the last hour of the trading session will be considered for valuation of ATM volatility. If the total volume traded is at least 40 contracts across all at-the-money strikes (including both call and put options), then the ATM volatility will be set to the volume-weighted average volatility of all eligible deals. The volume-weighted average traded volatility is rounded to the nearest 25 basis points.

On trading days when the futures market is locked at the price limit and options match on premium, the resulting trades and system calculated volatilities will be excluded from the VWAP calculation. Delta option trades will continue to be considered as normal.

2.3. Delta Option Quotes

Volatility bids and offers on delta options will be considered in the ATM volatility process. In order to be considered, the order must meet the following criteria:

At-the-money strike

Minimum quantity of 40. If there are two orders for the same strike and at the same volatility (i.e. call and put – both Bids or both Offers) that have a combined quantity of 40 or more, then these will be considered.

Quoted for a continuous period of no less than 15 minutes during the time window 11:30 to 11:45 (i.e. the 30-minute window ending 15 minutes before market close)

The JSE will aim to publish a list of all orders that meet the qualifying criteria to market participants during the last 15 minutes prior to market close, on a best endeavors basis. Should the JSE fail to publish an eligible order in this manner for any reason whatsoever, that order may still be considered for ATM volatility purposes. Any eligible order will be rounded to the nearest 25 basis points before being considered for daily valuations.

2.4. ATM Volatility Methodology

The final methodology applied to determine the closing ATM volatility is as follows: Start with the previous day's ATM volatility

Where there is eligible onscreen traded volatility the ATM volatility is set to this

Where there is an eligible delta option quote with a higher bid then set the ATM volatility to this

Where there is an eligible delta option quote with a lower offer then set the ATM volatility to this

Where options on a particular future trade for the first time on a day, but there are no eligible onscreen option trades or delta option quotes, then the JSE will use the all available trade statistics for the day to determine the ATM volatility.

AN EXAMPLE:

If the VWAP calculation for WMAZ was 25% and there is a better volatility bid of 26% in at least 40 contracts (the 40 contracts can consist of a single or multiple quotes aggregated based on same strike and same volatility), then the MTM will move to 26%.

If for the same contract the VWAP calculation was 25% and a lower volatility offer of 23% is on screen throughout the required period, then the MTM will move to 23%. Since quotes across the defined strike range will be considered during the 15-minute period including the orders quoted in the depth, should this improve on the VWAP calculation the MTM will be amended.

Again considering the above scenario where 40 contracts are offered at 23% and 10 contracts traded during the 15 minute period, the 10 will be included in the VWAP calculation. Furthermore, the original offer at 23% will continue to be eligible to move the volatility despite only 30 contracts remaining on offer at the end of the 15 minute period.

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3. OPTION CLOSEOUT FOR PHYSICALLY-SETTLED GRAIN MARKET PRODUCTS

The MTM processes on option expiration day for all expiries of physically settled grain market products will be as follows:

The time-weighted average price for futures MTM will be determined 45 minutes earlier than usually, typically in the 11:10 to 11:15 window. This will be the case for all expiries.

The JSE will aim to publish the futures MTM price specific to the option expiry month at least 30 minutes prior to market close, on a best endeavors basis. MTM prices for other expiries will be included in the normal end of day pricing products.

Long position holders of options will be able to exercise or abandon any option up to 11:45 on the day

For the remaining 15 minutes of trade until 12:00, the option exercise and abandon functionality will be disabled to allow option sellers the opportunity to manage their exposure

Should trading hours for the products change, the above times may be adjusted accordingly.

Notwithstanding the methodology presented in this guide, the JSE reserves the right to make a final decision regarding the valuation of any listed security. In particular, the JSE may deviate from this methodology in the event of non- standard market hours, technical issues with pricing systems, or observed anomalies in market data.

Extended Limits

Should two or more hedging months' contracts be MTM at the everyday price limit for two consecutive trading session in the same direction, the extended price limit will be implemented. The extended limit will remain until such time the return trigger criteria are met

The definition applicable to all products:

The spot month is excluded from all price limits and relevant triggers

Price limits apply to all hedging months where open interest exists

Based on the defined limit, prices can move up OR down using the previous days MTM as reference

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Should two or more hedging months be MTM at the everyday limit for two consecutive days in the same direction, extended limits will be applied

With regards to the above trigger, it is not necessary for the same two hedging months be to MTM at the limit, provided there are two or more expiries within the contract range

Extended limits will apply to all hedging months where an open interest exists, the market may trade up OR down at this extended limit

The extended limit will remain until such time the return trigger criteria are met.
Return Trigger to daily price limits

For everyday price limits to be returned, two or more of the hedging months, regardless of the market direction, must be MTM equal to or below the everyday limit for two consecutive trading sessions