

**MARKET NOTICE**

Johannesburg  
Stock Exchange

Tel: +27 11 520 7000  
[www.jse.co.za](http://www.jse.co.za)

**Number:** 212/2017  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives  
**Date:** 31 May 2017

**SUBJECT:** INTRODUCTION OF A CASH SETTLED MERINO WOOL INDICATOR FUTURES CONTRACT

**Name and Surname:** Chris Sturgess  
**Designation:** Director - Commodities & Key Client Management

Dear Market Participant,

*Please feel free to distribute to any interested parties.*

The JSE has received the necessary support to proceed with the introduction of a cash settled merino wool indicator futures contract. The cash settled 1000 kg contract will be listed for trading on **Friday, 2 June 2017**. To focus the liquidity of the 1000 kg Merino wool indicator contract only 4 main hedging months will be available for listing on request namely March, June, September and December. On launch of this new product the JSE will introduce the September17 and December17 expiries with the following margin requirements for a 1000 kg exposure per contract.

Expiry	IMR	CSMR
Sep-17	19 200	9 600
Dec-17	19 800	9 900

The detailed contract specifications are attached to this market notice.

**The JSE will have a launch event on Monday 5 June at the market open, if you interested in attending please email us. This is bound to be a special market open with some live sheep expected in Sandton. Please do consider joining us for this fun event.**

Insofar as any contractual provision set out below is inconsistent with the rules and regulations (“Rules”) of the JSE Limited (“JSE”), the Rules will prevail unless the JSE expressly permits the Parties to give effect to their contractual provision. Below are the specifications.

FUTURES CONTRACT	SA MERINO WOOL INDICATOR
Trading system code	WOOL
Trading hours	09:00 to 12:00 South African time. (Monday to Friday except South African National Holidays)
Underlying instrument	<p>“Merino fleece wool” as captured on an index basis and as represented by the Merino Wool Indicator. This is administered and published by Cape Wools SA.</p> <p>The Merino Wool Indicator basket currently consists of 80 types, made up as follows:</p> <ul style="list-style-type: none"> <li>• 10 micron groups (18.0 to 22.5 micron groups divided into .5 micron groups)</li> <li>• AWEX Styles 4 &amp; 5</li> <li>• 4 length groups for each style (50-80mm divided into 10mm groups)</li> </ul> <p>The percentage contribution in weight for Merino Fleece Wool in styles 4 &amp; 5, 18.5 -22.5 half micron groups and 50-80mm length groups, are determined annually at the end of the season.</p>
Contract Size	<p>1000 kg clean weight (1500 kg greasy weight)</p> <p>-for avoidance of any doubt the nominal of the contract is 1000</p>
Contract Months	March, June, September, December
Settlement Method	<p>Cash settled referencing the Cape Wool SA Merino Indicator.</p> <p>Daily mark-to-market procedure for this contract will follow the published daily settlement process currently applied to the grains market.</p> <p>Upon expiry, settlement shall take place in cash. The settlement price shall be determined by the JSE by incorporating weekly index value of the Cape Wools Merino Wool Indicator over two weeks preceding the Last Trading Day. A simple average of the two auctions index value will be combined to determine the final cash settlement price. The JSE reserves the right to revise its settlement methodology from time to time.</p> <p>For avoidance of any doubt, there will be no physical delivery of wool at any time, all futures transactions will be cash settled.</p>
Expiry dates & times	<p>Last trading date of the contract will be set as a Monday of the expiry month at 12h00 South African time, provided there are at least two separate auctions in consecutive weeks in order to determine the cash settlement value. The clearance date of the contract will be three business days following last trading day to allow for the JSE to collect the Merino Wool Indicator values for two consecutive weeks. The exact expiration date will depend of the final auction dates as agreed and published by the Wool and Mohair Exchange.</p>

FUTURES CONTRACT	SA MERINO WOOL INDICATOR
<b>Quotation</b>	Rand/Kg
<b>Minimum price movement</b>	Five cents per kg
<b>Daily price limits</b>	R8 per kg
<b>Settlement Method</b>	Cash settled in South African Rand (ZAR).
<b>Initial Margin requirements</b>	As determined by JSE Risk from time to time referencing the current margining methodology.
<b>Daily mark-to-market</b>	Daily mark-to-market procedure for this contract will follow the current daily settlement process to the grains market.
<b>Daily price limits</b>	No price limits will be applicable
<b>Position limits</b>	No participant (defined as a member or registered client) or associated group of participants may hold in excess of 310 contracts as a net position across all listed expiries. This position limit may be adjusted from time to time
<b>JSE Booking Fees</b>	R300 per 1000kg contract (VAT incl.) – equivalent to 30cents/kg



**TRADING CALENDAR FOR MERINO WOOL INDICATOR FUTURES CONTRACT**

JSE CONTRACT CODE: WOOL

EXPIRY MONTH	LAST TRADING/EXPIRY DAY (1 <sup>st</sup> Monday of the Expiry month)	CLEARANCE DAY (3 <sup>rd</sup> business day following last trading day)
SEP 2017	04/09/2017	07/09/2017
DEC 2017	04/12/2017	07/12/2017

We look forward to your support for the product, if there are any further questions around the product please feel free to contact the commodities team +27 11 520 7039 or email [commodities@jse.co.za](mailto:commodities@jse.co.za).

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