

MARKET NOTICE

Number: 586/2021
Relates to: Equity Market
 Equity Derivatives Market
 Commodity Derivatives Market
 Currency Derivatives Market
 Interest Rate Derivatives Market
 Bond Market
 Bond ETP Market

Date: 8 December 2021

SUBJECT: TERMS OF REFERENCE (TOR) TO CREATE FOCUSED TECHNICAL WORKING GROUP FOR THE COMMODITY DERIVATIVES MARKET

Name and Surname: Raphael Karuaihe
Designation: Head – Commodities

Dear Client,

At the JSE Commodities Advisory Committee meeting held on 18 November 2021, members supported the establishment of a select agricultural technical committee that would consider a broader range of items. To provide insights around the terms of reference, selection criteria and proposed timelines to establish the committee please consider the detail of this notice. Take careful note of point 2 of the terms of reference and deadline to confirm an interest to present an alternative proposal by Monday, 20 December 2021.

A. Terms of Reference

The focus will be on:

1. A proposal to consider a multiple reference point methodology as presented through a detailed paper prepared by Dr Johann Strauss.
2. **An open invitation to market participants to submit alternative proposals that could be considered regarding the location differential methodology; however, it is imperative these proposals must align to the recommendations given in the extensive report published by Dr Mathew Roberts. There is no debate around the removal of location differentials.**
3. Contribute to a design for a basis futures contract that meets the requirements in terms of the Financial Markets Act.

4. Discuss any other potential items regarding the agricultural contract specifications that would further strengthen the value of the derivatives market offering.

B. Selection Criteria

The criteria for selection to the technical working group:

1. A minimum of ten years' direct experience in the agricultural derivatives market is required.
2. Must have direct experience taking or making physical delivery via the exchange.
3. Preferably have experience in the physical market involved in basis trading.
4. Committed to participating in the working group with an objective to debate the various topics in a robust manner and considering what is best for the broader market and liquid derivatives business, enabling effective price risk management.
5. The opportunity is available to all market participants and not only member firms of the Agricultural Derivatives Market.

Please email your interest in participating in this technical committee to commodities@jse.co.za

C. Timelines

To progress this process, the envisaged timelines are as follows:

1. 18 November 2021: Concept is proposed and supported by the Agricultural Advisory Committee on
2. Week of 6 December 2021: A Market Notice is sent informing the market of the committee and extending an invite for proposals regarding the location differential or reference point methodology. Invitation to participants to express their interest to be part of the technical committee will also go out.
3. 20 December 2021: Any participants wishing to discuss alternative proposals around location differentials or reference points must reach out to the JSE by this date to indicate their intent to deliver a detailed proposal for discussion
4. 20 December 2021: The JSE will thereafter select participants for the technical group by no later than this date.
5. No later than mid-January: the first meeting of the technical committee members to discuss future process and principles for participation, as well as to agree the work plan going forward.

It is envisaged that the number of technical committee participants will not extend much beyond 10 participants to ensure the discussion and debates are robust and effective. Based on the submissions those presenting proposals will be invited to the relevant meetings.

We look forward to working with the technical committee participants to progress the terms of reference as described.

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

This Market Notice is available on the website at <https://clientportal.jse.co.za/communication/jse-market-notice>