



South African Reserve Bank

Financial Surveillance Department

2012-12-04

**Exchange Control Circular No. 21/2012**

**Special dispensation granted to the JSE Limited to provide  
Zambian referenced grain derivative contracts in United States  
Dollar to non-residents and qualifying South African and Common  
Monetary Area corporate entities**

Authorised Dealers are advised that, in line with the Government's objective of positioning South Africa as a financial centre for investments into the rest of Africa, the Minister of Finance has granted approval to the JSE Limited ("JSE") to offer Zambian referenced grain derivative contracts for trading and settlement in United States Dollar ("USD").

This dispensation specifically applies to non-residents and qualifying South African and other Common Monetary Area ("CMA") corporate entities directly and actively involved in the agricultural grain industry, i.e. grain traders, silo operators and end users (e.g. millers).

South African qualifying corporate entities must first approach the JSE for approval, whereafter a suitable application must be submitted through an Authorised Dealer to the Financial Surveillance Department of the South African Reserve Bank, in order to trade and settle the Zambian referenced grain derivative contracts in USD.

Qualifying corporate entities of the CMA must obtain written approval from their respective authorities prior to approaching the JSE and submitting an application to the Financial Surveillance Department of the South African Reserve Bank.

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The following conditions will be applicable to approved qualifying South African and other CMA corporate entities:

- A USD ring-fenced account (i.e. a special styled Customer Foreign Currency account) must be opened with an Authorised Dealer acting as a clearing bank;
- no funds may be transferred into or withdrawn from the USD ring-fenced account for any other purpose except meeting the trading obligations of the Zambian referenced grain derivative contracts;
- initial and maintenance margins may be placed into this account to meet the obligations to the JSE prior to taking out a trading position provided that activity is undertaken within 30 business days;
- maintenance margins may not exceed 90 per cent of the nominal value of the position held;
- any trading proceeds may be retained in the USD ring-fenced account to fund the ongoing margin requirements relating to Zambian referenced grain derivative contracts;
- should no open trading position be held for 30 business days, all funds in the USD ring-fenced account, whether margins or proceeds, must be converted and returned to the client's linked Rand account; and
- the USD ring-fenced account may not be overdrawn.

Payments in respect of physical delivery from the USD ring-fenced account should be treated as an advance payment for imports and the applicable sections of the Exchange Control Rulings must be complied with. Category 101 should be used for reporting the transaction in terms of the electronic cross-border foreign exchange transaction reporting system and the wording ZAMBIAN GRAIN should be annotated in the Subject attribute under the AdHocRequirements element. The application reference number and date must be reflected in the Description attribute. Payments may be effected against an assignment notice issued by the JSE.

In the event of a merchanting transaction the applicable Section of the Exchange Control Rulings must be complied with. Category 315 should be used for reporting the transaction in terms of the electronic cross-border foreign exchange transaction reporting system and the wording ZAMBIAN GRAIN should be annotated in the Subject attribute under the AdHocRequirements element. The application reference

number and date must be reflected in the Description attribute. A delivery notice issued by the JSE may be accepted in confirmation of the merchanting transaction.

Non-resident participants may participate in the Zambian referenced grain derivative contracts and be able to move funds in and out of their USD accounts (i.e. a Foreign Currency Account) held with an Authorised Dealer acting as a clearing bank.

The macro-prudential limit of the applicable Authorised Dealer acting as a clearing bank will only be affected in the event of a default by the member of the JSE.

This dispensation which will be monitored and reviewed on an ongoing basis is granted for a period of two years.

A copy of the market notice, issued by the JSE, is attached for ease of reference.

  
**Deputy General Manager**