



Market Notice

Number: A1218
Date: 14 April 2010

Implementation of the option closeout process in terms of finalizing the futures mtm price earlier.

Following the proposal as defined in notice A1185 distributed on the 9th February, the JSE after consulting with the Agricultural Advisory Committee and option participants, will go ahead and implement the proposal subject to one final enhancement. Since spread trading remains active throughout the trading session and to avoid the future mark-to-market (mtm) across all months being skewed due to a staggered mtm process, the futures mtm will be taken at the SAME TIME ACROSS ALL EXPIRIES.

The process, applicable only on option expiration day for all expiries, will therefore be as follows:

- Futures mark-to-market methodology for all expiries will consider:
 - if the expiry is classified liquid the VWAP will be taken between **11h00 and 11h30**
 - If the expiry is not liquid, a snapshot of trading considering either last trade, higher bid or lower offer will be considered between **11h25 and 11h30**
- The futures mtm price specific to the option expiry month will be published via a Nutron announcement no later than **11h35** on the same day, all other expiry month mtm data will be published via the "early valuations" file as well as "daily closing prices" download.
- Long position holders of options will be able to exercise or abandon any strike price up to **11h45**
- For the remaining 15 minutes of trade until **12h00**, 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 will be adjusted accordingly

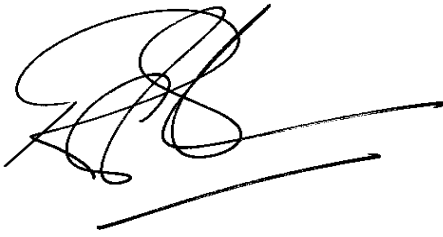
On option close out day, the exchange will continue to automatically exercise all remaining options that are in-the-money whilst those that are at-the-money or out-the-money will expire worthless resulting in no futures equivalent position. The system generated option close out process will continue as before during the end of day run commencing at 16h00.

The functionality to enable long option position holders to abandon positions will be activated with immediate effect and subject to the above rules on option expiration day.

The option closeout methodology as described above will be in place for the May10 option expiry scheduled for the 23rd April 2010. The JSE will carefully monitor the process on the day in order to evaluate if any improvements are required and react accordingly.

For any further queries please contact the Division or email commodities@jse.co.za .





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