

Market Notice

Number: A1565A
Date 6 February 2012

Proposed functionality to enable the trading of Safex silo receipts incorporated into the physical delivery process in conjunction with a futures position.

An information session was held on 02 February 2012 at the JSE whereby market participants were invited to provide input into the new functionality proposed in terms of enhancing the physical delivery process. The trading of Safex silo receipts will afford market participants the ability to trade grain at registered delivery points as represented by Safex silo receipts on a cash market basis. Clients will no longer be required to have existing futures positions to participate initially however should orders entered be successful participants will either be required to open a position during the remainder of the trading session or will be provided with a equal short and long futures position when the physical delivery is processed. This new functionality will provide price discovery and transparency in terms of spot basis premiums for the grains market to benefit from.

A copy of the presentation is attached to this notice, in addition to the detail provided therein the following is a summary of the key proposal:

1. Members will load their Safex silo receipts on the JSE system, as they currently do, and these will get verified and marked as ready for delivery, the key difference is that users will no longer require an existing short position to be able to offer the product ;
2. Those users who have silo receipts marked as ready for delivery will now be able to “offer” their product in terms of the premium requested over and above the futures price less differential and other discounts. The offer therefore will represent the premium per ton price for stock in the specific silo as represented by the Safex silo receipt;
3. Buyers will be able to bid, regardless if there is already stock on offer, at all registered delivery points at a premium per ton basis;
4. Similar to the trading of futures and options, bids and offers specific to silo receipts will be matched on a price (premium per ton) and time priority and no longer will physical delivery be left to the auction with a random close;
5. Market participants will be able to load orders to be valid for a number of days and these will be carried over if not matched from one day to the next as per the instruction;
6. Those silo receipts not matched and clearly flagged for delivery on the day, will continue to be processed by either providing the best available bid at the time of processing or if this was not available the current random allocation algorithm will be applied in order to assign the product to an existing long futures position holder;



JSE Limited Registration Number: 2005/022939/06
One Exchange Square, Gwen Lane, Sandown, South Africa.
Private Bag X991174, Sandton, 2146, South Africa. Telephone:
+27 11 520 7000, Facsimile: +27 11 520 8584, www.jse.co.za

Executive Directors: RM Loubser (CEO), NF Newton-King,
F Evans (CFO) **Non-Executive Directors:** HJ Borkum
(Chairman), AD Botha, ZL Combi, MR Johnston, DM Lawrence,
A Mazwai, NS Nematswerani, N Nyembezi-Heita, N Payne
Alternate Directors: JH Burke, LV Parsons

7. All silo receipts orders will be managed similar to trading orders whereby they can be suspended, resubmitted or deleted;
8. Proposed trading hours for the Safex silo receipts will be from 9h30 through until 12h45 each business day. At 12h45 all physical deliveries will be processed and the necessary invoicing generated for the day. Should an equal and opposite futures position be created since there is no position to process the delivery, the mtm on the day will be used. In order to accommodate further trading activity on the spot basis trading platform, this market will then remain open until 17h00 each day and any "premium per ton" orders matched during the afternoon session will be carried overnight and processed as part of the next business day's physical delivery process. In this case the mtm of the following business day will be used to process the delivery;
9. Settlement of matched trades resulting from the silo receipt orders per ton will continue on a T+1 basis except if the orders are matched during the afternoon trading session. The JSE will continue to facilitate the physical delivery process in terms of issuing invoicing and facilitating cash flow of the transaction;
10. In terms of last trading day of the futures contract, the proposal is to extend this out a further 4 business days so as to accommodate further spot basis trading. Once the contract stops trading, no premiums will be processed for remaining short position holders so as to encourage physical delivery is completed before or on last trading day. The spot basis trading platform will continue for the remainder of the month however any trades that are matched during the remaining 3 business days will be carried over and processed on first notice day of the next delivery month at the mtm on notice day. To illustrate this process let's consider the Feb12 expiry month: last trading day will be moved out to be the 24th Feb (no longer the 20th) and only existing position holders will be able to make and take delivery on the Feb12 expiry between 27th and 28th at no premium. The spot basis trading platform will continue to be operational during this period with any orders matched on the afternoon of the 24th, during the 27th and 28th carried over to be processed on the 29th Feb which is first notice day for the Mar12 expiry. These trades will therefore be reflected as Mar12 positions and processed at the mtm on 29th Feb for the Mar12 expiry.

The JSE continues to strive to automate the physical settlement of all its products and is confident the proposal will make the existing delivery process simpler but at the same time allow for new opportunities. Since the trading of Safex silo receipts will be processed in very much the same way as the trading of futures and options, the functionality will allow for members to generate brokerage fees from matched transactions.

Market participants are encouraged to consider the proposed changes, review the attached slides and provide input as soon as possible whilst the development and design of the software is finalized over the next few weeks. Provided all other software releases are implemented as planned, we expect to be able to offer this new initiative to the market by June 2012.

We kindly look forward to your comments, either in person or via email to commodities@jse.co.za .



Chris Sturgess

Designation Director
Division Commodity Derivatives
Tel +27 11 520-7299
Fax +27 11 520-7558
E-mail address: chriss@jse.co.za

Distributed by the Company Secretariat +27 11 520 7346