The next generation physical delivery functionality – trading of Safex silo receipts

2 February 2012 | Atrium, JSE

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JOHANNESBURG STOCK EXCHANGE
SAFEX Commodity Derivatives

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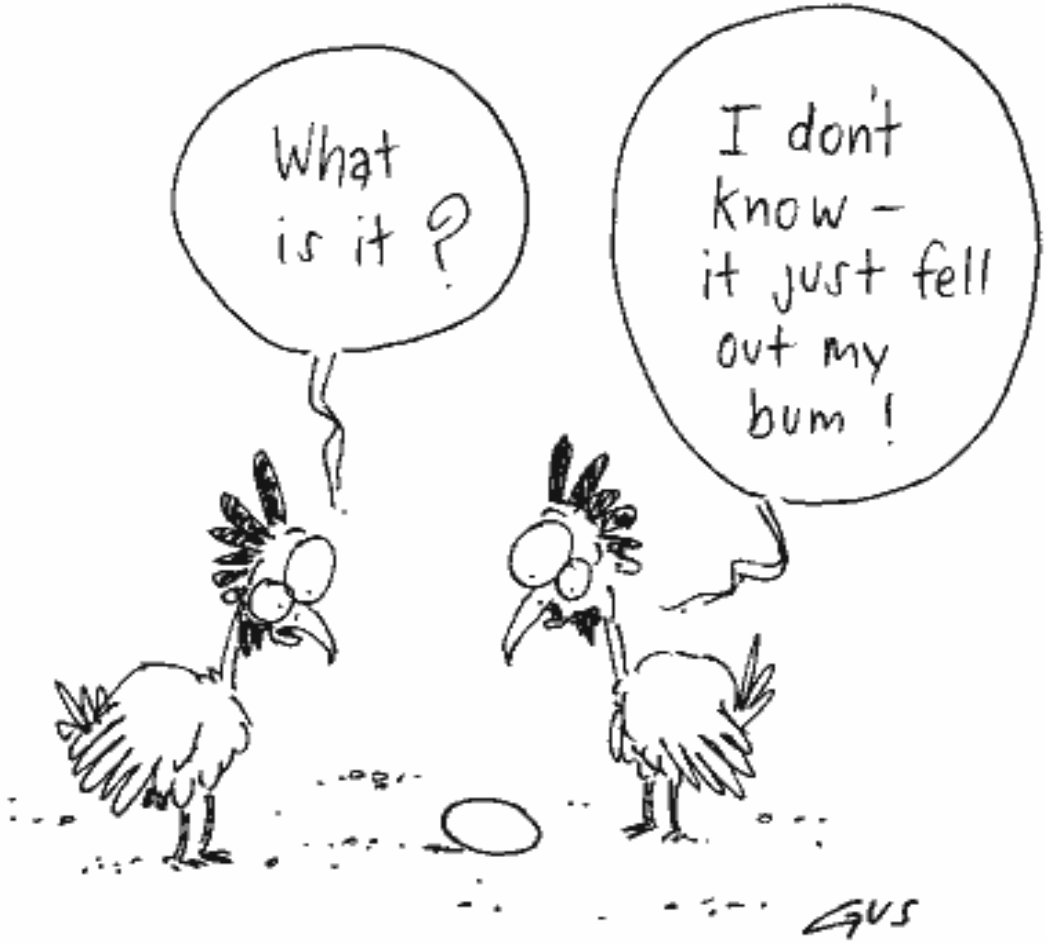
Thank you for your support and commitment !!



Without your support we could not consider introducing new functionality into our market

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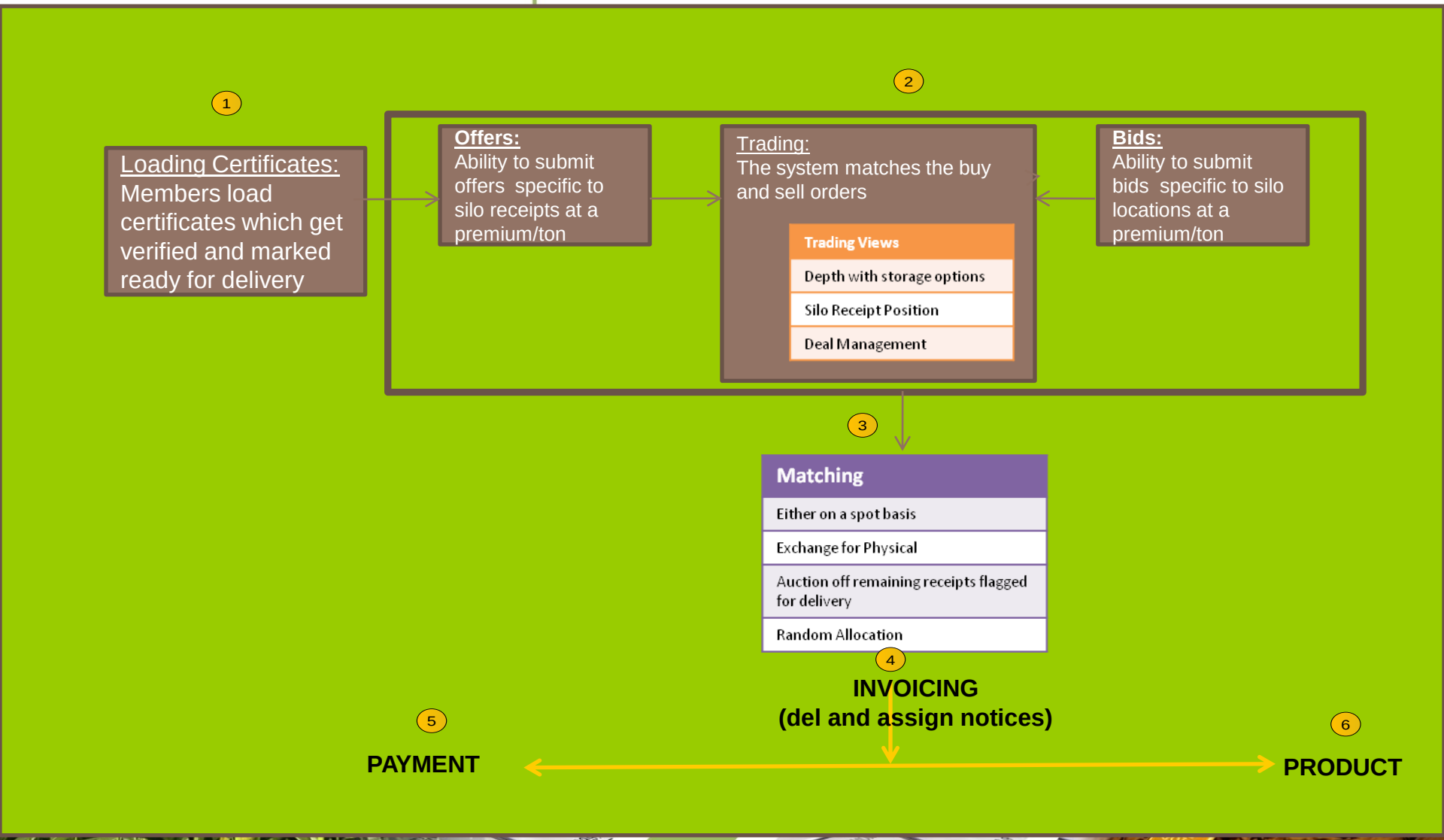
Diagram of the process flow



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Trading of Safex silo receipts

- Members load certificates which get verified by the system and once the certificates are verified they are marked ready for delivery (as per existing process)
- Participants submit offers and/or bids respectively and when an order matches a **trade** occurs at the agreed **premium price per ton**
- The matching process can occur based on the following:
  - **On a Spot Basis - premium per ton**
    - Exchange for Physical - as notified per members
    - Remaining receipts flagged for delivery based on short position holder will be matched with the best bid available
    - If no bids are available current Random Allocation process will apply
- During the invoicing process delivery and corresponding assignment notices are generated by the system to be sent to the buyer and seller respectively (as per existing process)
- The buyer will make payment after receiving the notice
- The seller will receive the notice of delivery

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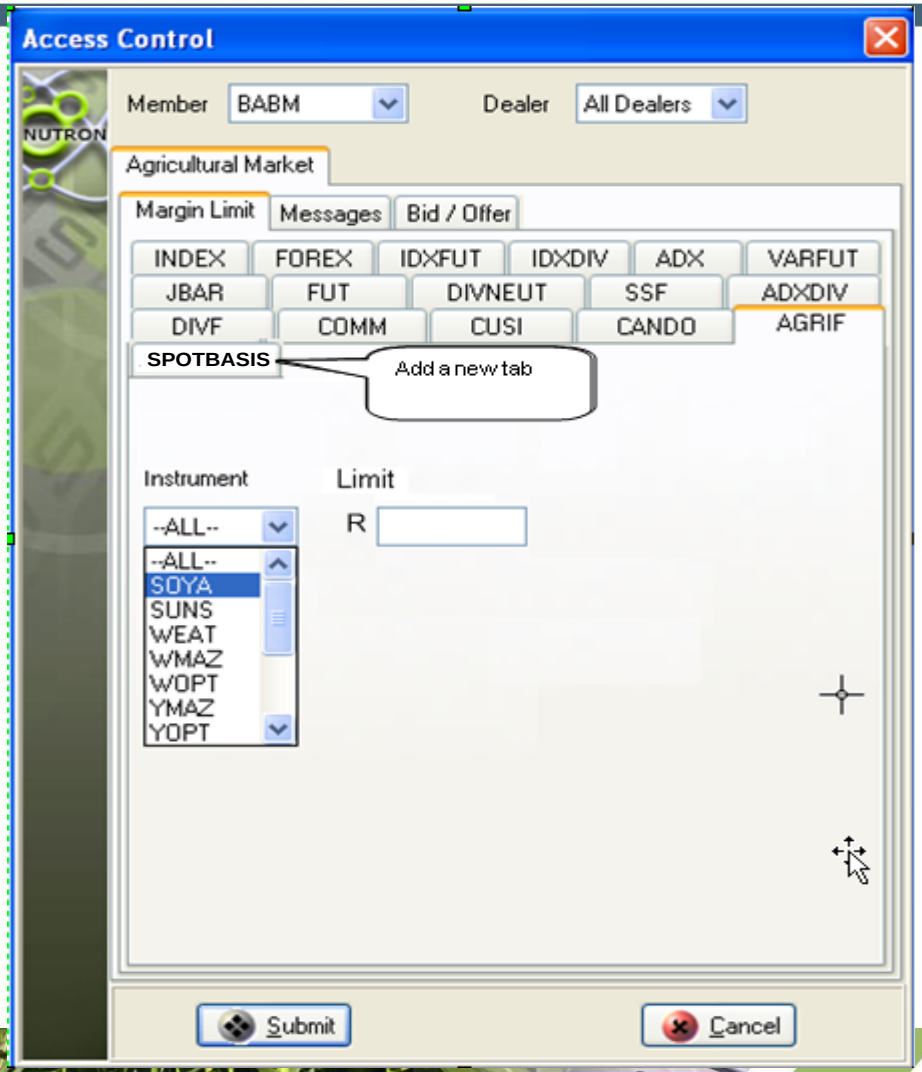
Configuration to limit execution risk on the BUY side through “Access Control” functionality



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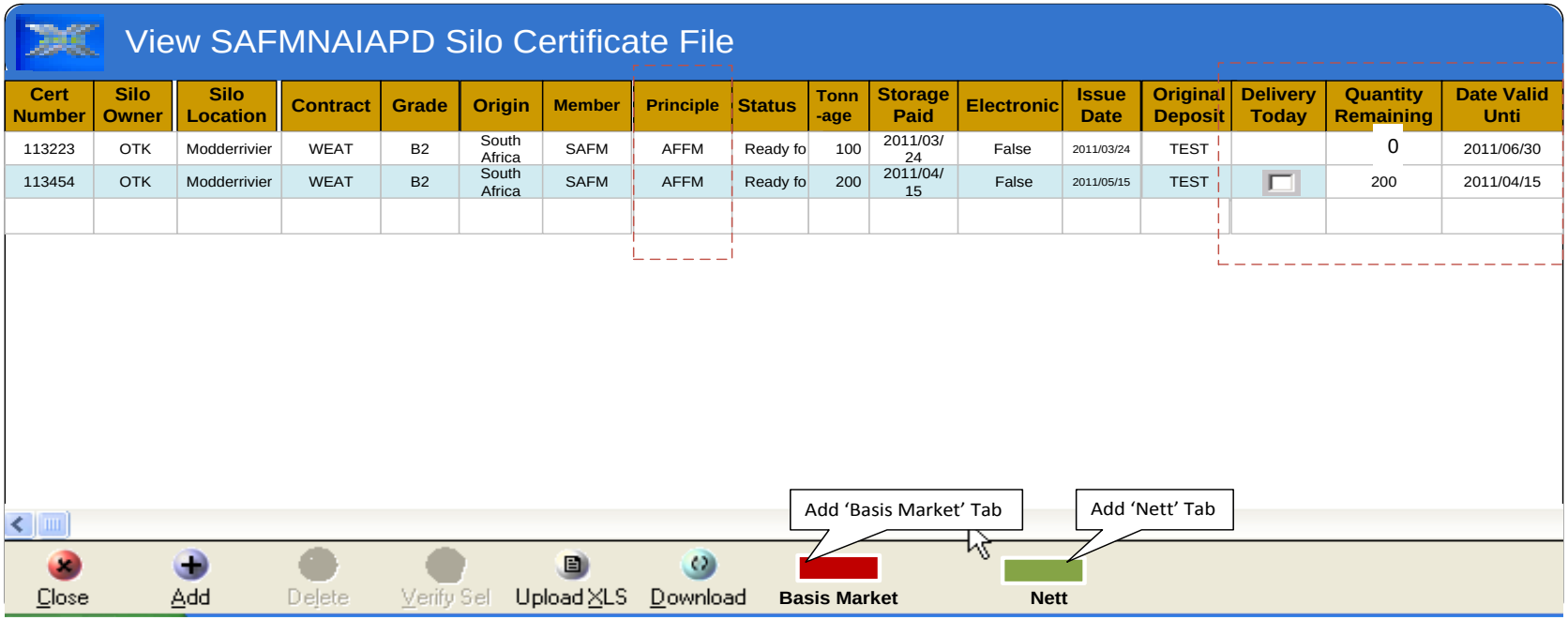
Capturing of Silo Certificates for the Cash market



- Select 'Basis Market' to indicate which certificates are for the spot market
- Select 'Nett' to roll up all silo receipts per location, per grade, per client.

When user selects 'Add', the following screen will appear:

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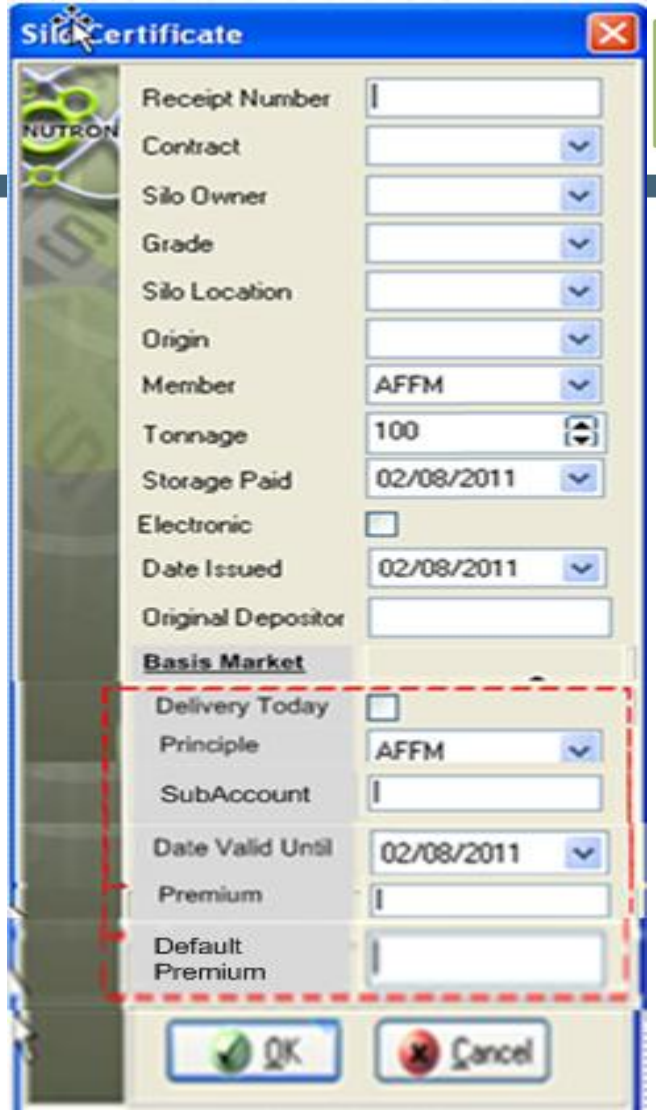

Delivery Today

The user will be able to select this tick box to indicate that the silo receipt will be available for physical delivery today

Principle

The user should be able to select the principle from the member code/list of client codes

Sub Account

If applicable the sub account this Silo is linked to

Date Valid Until

This needs to default to the system date. This field will enable the user to specify a date for which the certificate is valid till – the system needs to automatically delete the receipt a day after this date during the EOD batch process

Premium

This user may enter premium for this silo certificate in this field if he/she wishes. Alternatively the premium's can be submitted from the silo receipts screen

Default Premium

The user needs to be able to enter a default value as a safety measure when loading receipts.

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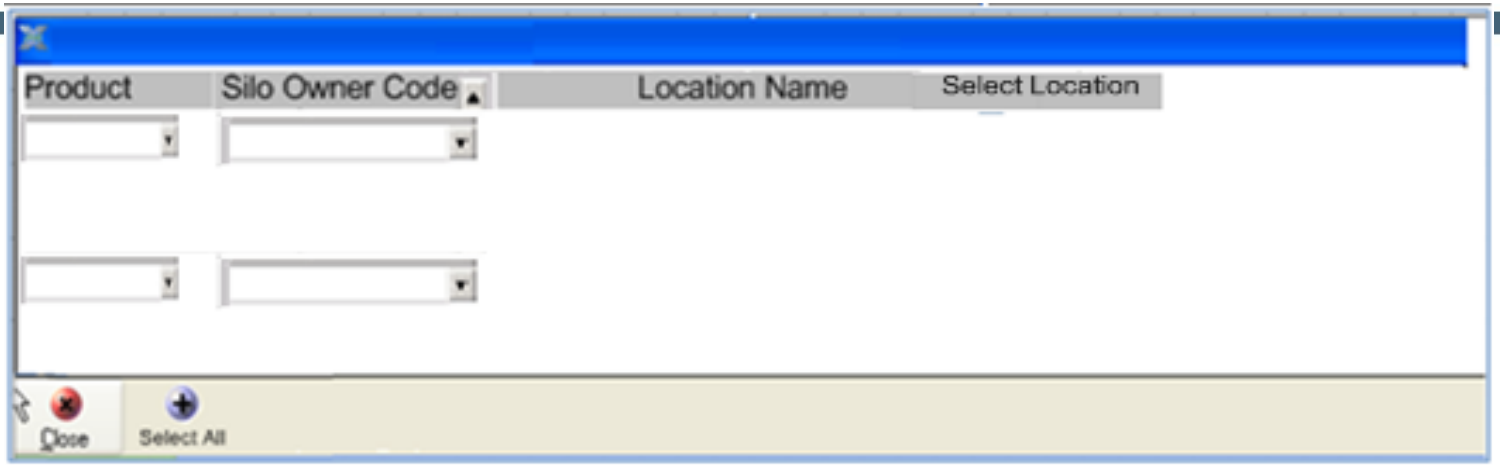
Configuration of the Spot Basis Market Trading Screen



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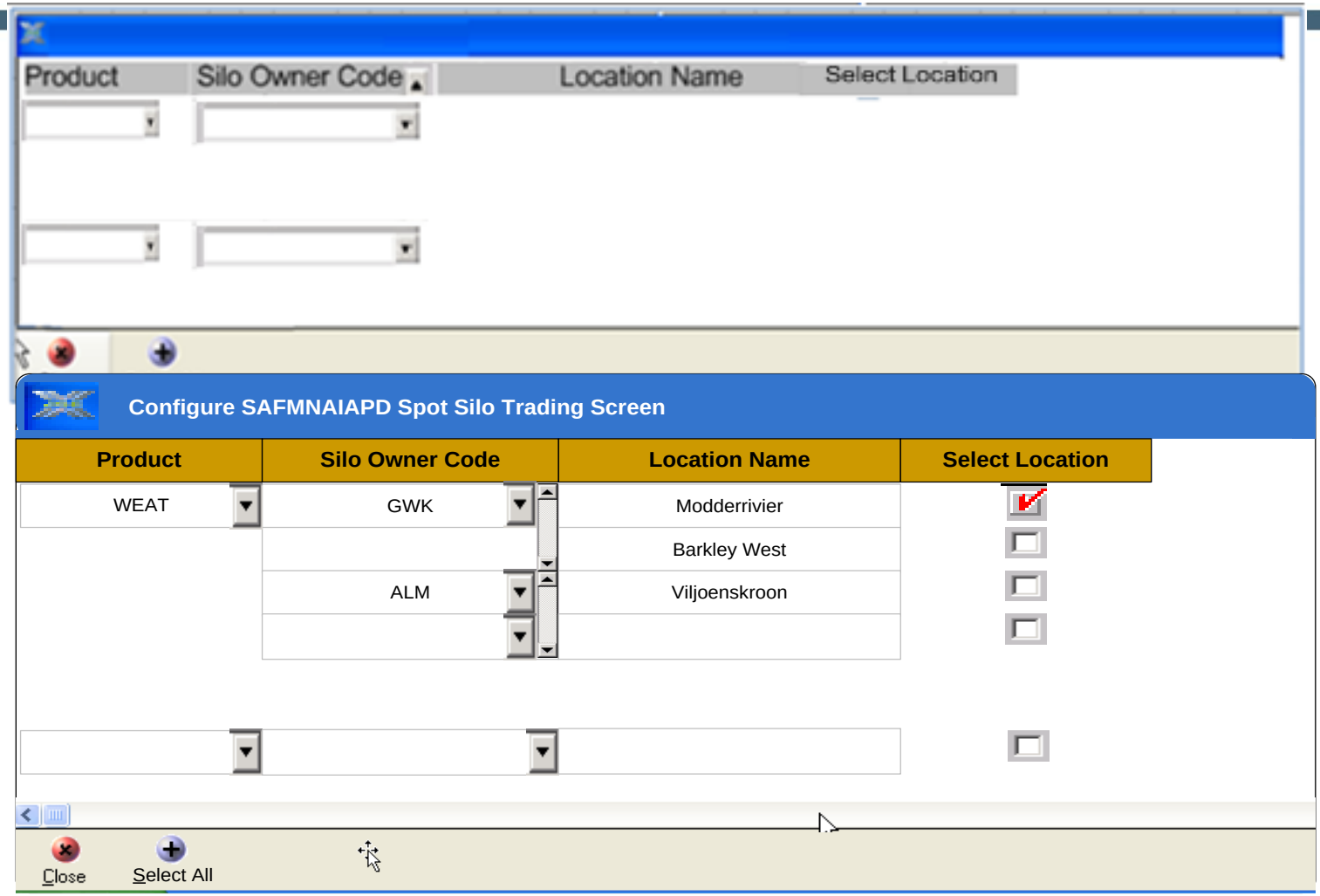
Configuration of the Spot Basis Market Trading Screen



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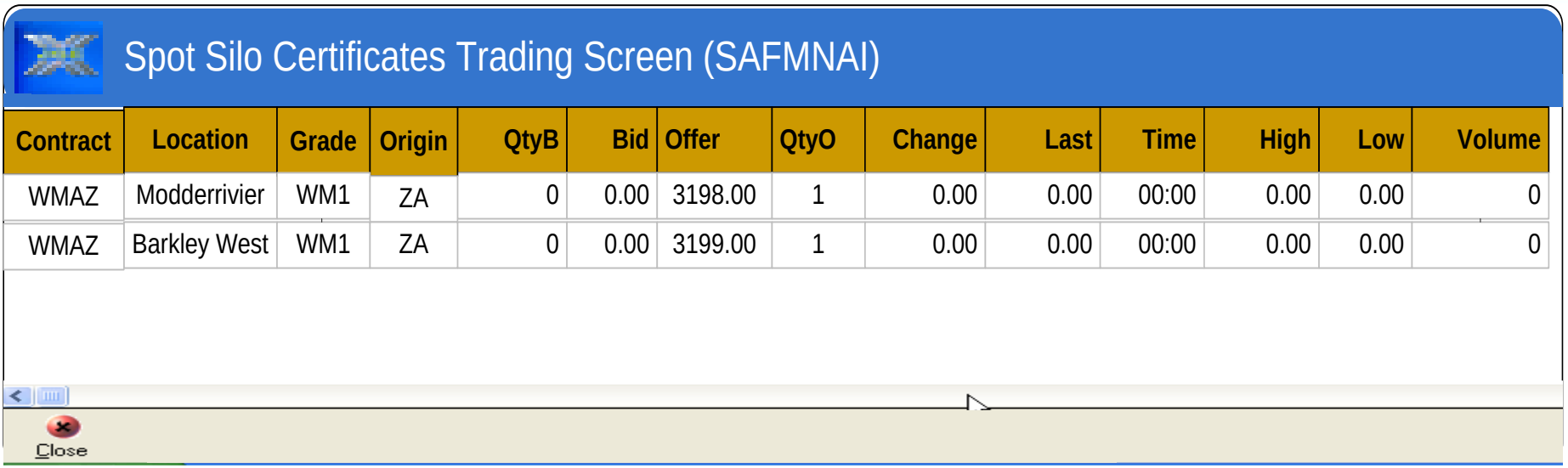
Nutron Spot Basis trading screen



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Nutron Spot Basis trading screen

Spot Silo Certificates Trading Screen (SAFMNAI)

Contract	Location	Grade	Origin	QtyB	Bid	Offer	QtyO	Change	Last	Time	High	Low	Volume
WMAZ	Modderrivier	WM1	ZA	0	0.00	3198.00	1	0.00	0.00	00:00	0.00	0.00	0
WMAZ	Barkley West	WM1	ZA	0	0.00	3199.00	1	0.00	0.00	00:00	0.00	0.00	0

Close

WMAZ - Modderrivier

Memb	QtyB	Bid	/	Offer	QtyO	Memb
	0	0.00	/	3198.00	1	
	0	0	/	0	0	
	0	0	/	0	0	
	0	0	/	0	0	
	0	0	/	0	0	
	0	0	/	0	0	
	0	0	/	0	0	
	0	0	/	0	0	
	0	0	/	0	0	

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Offer Screen

Example 1:

Location	Qty	Premium Per Ton	Principle	Sub Account	Ref No	Cap-acity	Dea-ler	FOK	TOK	NOR	Good till Time	Delivery Today
Modderrivier	1	55	SAFM		1234	P	NAI				4/5/11 14:00	
Modderrivier	5	58	SAFM		1235	P	NAI			√		
Modderrivier	2	59	SAFM		1236	P	NAI			√		

Example 2:

Location	Qty	Premium Per Ton	Principle	Sub Account	Ref No	Cap-acity	Dea-ler	FOK	TOK	NOR	Good till Time	Delivery Today
Modderrivier	8	55	SAFM		1234	P	NAI				4/5/11 14:00	

Example 3:

Location	Qty	Premium Per Ton	Principle	Sub Account	Ref No	Cap-acity	Dea-ler	FOK	TOK	NOR	Good till Time	Delivery Today
Modderrivier	4	55	SAFM		1234	P	NAI				4/5/11 14:00	
Modderrivier	5	58	SAFM		1235	P	NAI			√		

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Buy Screen

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Suspending, Deleting and Editing of Spot Basis orders

- A new screen that will enable the user to view, suspend, delete and edit spot silo orders will be available.
- If the user attempts to modify any sell orders, the system needs to ensure that sufficient stock is available on a Silo Receipt before allowing the order to be modified

Buy/ Sell	**Loca-tion**	Silo Cert No	No of contracts	Premium	Princi ple	Ref No	Capacity	Dealer	FOK	TOK	NOR	Good till Time	Partial Fill

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Order Matching for the Silo Receipts Spot Market

- The standard price/time algorithm will be applicable for trading on the Silo Certificates spot market,
- If a bid and offer match i.e. a trade occurs, the system will update the certificates storage file to indicate that the certificates sold are no longer available for trading.
- At the end of day all orders except the “Good Till Time” orders which are valid till some date in the future, will be deleted from the system.

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Consolidated Positions Summary for Spot Silo Receipts

						Buy			Sell		
Mem-ber	Principle/ Client Code	Product	Location	Grade	Origin	Total Bids	Bou-ght	Remaini-ng Bids	Total Silo Receipts	Sold	Silo Receipts Remaining
Inv	XYZ111	WMAZ	ELOFF	WM1	ZA	10	3	7	20	5	15
		YMAZ	ELOFF	WM1	ZA	5	1	4	3	0	3
	ABC222	SUNS	ELOFF		ZA	3	2	1	5	2	3

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Resulting deals and view of receipts matched

- Deals will be created to reflect business match via the Safex silo receipts traded, these deals will also allow for allocations and assignments ie the usual deal management functions.
- There will be a separate view in terms of the details specific to the trade:

Member	Principle/ Client Code	Product	Location	Grade	Origin	Buy/ Sell	Qty	Premium	Silo Receipt No	Partial Fill
Inv	XYZ111	WMAZ	ELOFF	WM1	ZA	B	3	3198.00	11234	N
		YMAZ	ELOFF		ZA	S	1	345.00	11543	N
	ABC222	SUNS	ELOFF		ZA	B	2	675.00	11435	Y

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View of Silo Receipts Traded

Member	Principle/ Client Code	Product	Location	Grade	Origin	Buy/ Sell	Qty	Premium	Silo Receipt No	Partial Fill
Inv	XYZ111	WMAZ	ELOFF	WM1	ZA	B	3	3198.00	11234	N
		YMAZ	ELOFF		ZA	S	1	345.00	11543	N
	ABC222	SUNS	ELOFF		ZA	B	2	675.00	11435	Y

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Proposed trading hours and trading calendar

08h50 09h00 09h30 12h00 12h45 14h30 17h00 17h15

Market pre-opening (open order period)	08h50
Market open for Trading Futures and Options	09h00
Silo Certificate Trading open	09h30
Market closed for Trading Futures and Options	12h00
Admin period for physical delivery month and Silo Certificate Trading for current day processing closes	12h45
Admin period closed for all other expiry months	14h30
Silo Certificate Trading where trades are processed next business day	17h00
Global market closed	17h00
Global market admin period closed	17h15

See market notice for example re proposed changes to Last Trading Day

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Opportunities and further efficiencies

- No requirement to hold an existing position to make delivery or bid of a specific location
- Giving notification is simplified and this is combined with the inserting of the silo receipt details, no longer the need to “trigger” notice of delivery via the positions file
- Existing downloads will remain for delivery and assignment notices
- Interface the silo receipts file with existing physical stock database

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Thank you for attending and your input !

Please note that many of the screens/layout displayed in this presentation may differ from the final version, it is important to note that the principles highlighted will be carried across. Should there be input or any guidance this must be communicated as soon as possible to ensure this is considered in the first edition of the software.

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