

Market Notice

Number: A1669
Date 18 July 2012

CONTINUED REGISTRATION OF GWK LTD AS APPROVED SILO OWNER IN TERMS OF THE JSE'S RULES, CONTRACT SPECIFICATIONS AND APPENDICES THERETO ("the Rules")

With reference to notices A1639, A1642 and A1665.

The JSE has finalised its deliberations in respect of GWK's continued status as registered silo owner in terms of the Rules. The JSE has considered all relevant facts and information at its disposal and has decided to allow GWK LTD to remain registered as a JSE approved silo owner, subject to certain conditions.

This being said, it is indisputable that GWK's conduct, in issuing Safex silo receipts with Modderivier indicated as the location on the face of the receipt in circumstances where the wheat was not stored at Modderivier but in fact stored at Douglas, an unregistered location, is contrary to the obligations and duties imposed on silo owners in terms of the Rules, anathema to the proper regulation of the JSE's market and of serious concern to the JSE due to the reliance of all market participants on the integrity of silo owners in the JSE's commodities market.

In these circumstances and in terms of clauses 1.2 and 5.7 of Appendix C of the Agricultural Contract Specifications, the JSE has decided to make GWK's continued registration as an approved silo owner conditional on the following requirements:

- i. GWK has to provide a financial guarantee from a bank acceptable to the JSE in an amount of R20 000 000.00 in the form as prescribed by the JSE for a period of 12 months (this amount was calculated on the basis of representing 10% of the total storage capacity using an average wheat price at the time of requesting the guarantee). The JSE may call on the guarantee in respect of any obligations or liabilities that GWK may incur to any party as a result of its obligations as approved silo owner of the JSE and/or any of its obligations arising from GWK's storage of commodities in terms of Safex silo receipts; and



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

- ii. GWK has to provide the JSE with four independent audits over the next twelve months to verify and reconcile the amount of commodities stored by GWK in terms of Safex or any other silo receipts. More specifically the external audit has to meet the following requirements:
 - a. The specified audit dates will be determined by the JSE, provided one of them fall within the annual year end and subject to the availability of the independent audit firm the audit must be completed within a two week period of receiving the written request from the JSE;
 - b. The audit will confirm the quantity of physical grain held per product in all the Safex registered delivery points;
 - c. The audit will ascertain whether any quality concerns have been identified at any of the registered delivery points;
 - d. The audit will confirm the total quantity of Safex silo receipts, both paper and electronic still in issue;
 - e. The audit firm is required to audit the monthly returns (as supplied in terms of Appendix C 5.6) as provided by GWK and the audit firm will confirm its accuracy;
 - f. The audit will confirm the total quantity of grain, per product, held on folio account and on GWK issued silo receipts and
 - g. Taking into account the above the audit will confirm that there is sufficient product at each specific registered silo to meet all GWK's obligations to depositors and/or silo receipt holders (both Safex and GWK issued silo receipts issued).

GWK has agreed to comply with the conditions imposed by the JSE and consequently the prohibition imposed on GWK to issue Safex silo receipts is lifted with immediate effect. The remaining Safex silo receipts still in issue representing a total of 17900 tons remain valid and will continue to be accepted for delivery in completion of futures contracts.

The JSE confirms that GWK has, to date hereof, honoured all its commitments to effect delivery of the commodities stored in terms of Safex silo receipts and that GWK has agreed to comply with the additional conditions imposed by the JSE to ensure that the integrity of the JSE's market is maintained.

The JSE has implemented additional procedures to enhance and protect the integrity and efficiency of its market. These steps include the publication of the storage capacity of each registered delivery point (as per notice A1655) which will provide a single database of the available storage capacity to market participants. This information, combined with the monthly reporting obligation of silo owners, will provide an additional safeguard to ensure that Safex silo receipts issued from a registered silo do not exceed the actual registered storage capacity of that location. The independent audits, as prescribed in the JSE's Rules, are also used to ensure that the commodities stored by approved silo owners are accurately recorded by the silo owner.

Should there be any further suggestions from the market in order to improve the existing silo owner requirements please send these through directly to me. The JSE remains dedicated to ensure that the

integrity of the market is maintained and that the agricultural grains market further evolves through the efficient financing of product on silo receipts issued via approved silo owners.

Should there be any further questions regards this notice please contact me directly.



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