

Market Notice

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Introduction of a 10 ton white and yellow maize contract

The JSE has for some time considered introducing a mini white and yellow maize contract and has consulted a wide range of market participants. The objective of a 10 ton maize contract will afford participants with a number of opportunities:

- By trading a contract that is a tenth of the current 100 ton contract, market access for smaller participants in the maize market is enabled on an individual basis
- Initial margin requirements will be calculated on the same basis as the 100 ton contract except the quantum is now a tenth of the current margin requirements.
- Market participants who are exposed to odd lots of physical commodity will be able to more efficiently hedge their exposure in 10 ton increments
- Option market participants who wish to hedge out their delta can do so more effectively in 10ton increments
- Once the Zambian white maize contract is introduced, the 10ton contracts will align in terms of nominal exposure
- The basis premium functionality will be available for the mini contracts only during the delivery month- no early deliveries will be accommodated. At this point the silo receipts will not be interchangeable into the 100 ton contract.

The trading code applied to the mini maize contracts has specific reference to the Xhosa language. WNCI (for white maize) and YNCI (for yellow maize) were used since “nci nci” in Xhosa means “small” and so the introduction of a 10ton white and yellow maize contract more closely aligns the needs of smaller market participants or those exposed to product that is not in 100 ton increments.

The physical deliverable mini contracts will be mark-to-market each day at the same level as the specific expiry related WMAZ and YMAZ contracts, taking on the same delivery process as the 100 ton contracts. In various discussions with storage operators they have indicated their willingness to issue Safex silo receipts however clients are encouraged to confirm this before they tender their delivery with the specific storage operator. All storage rates and location differentials applicable to the 100 ton contracts will apply to the mini contracts.

Please note to focus the liquidity of the WNCI and YNCI only 5 main hedging months will be available namely March, May, July, September and December. Please note the initial expiries of Dec13, Mar14, May14 and



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Jul14 will be introduced for trading on **Thursday 15 August 2013**, this is to allow everyone on the physical delivery side sufficient time to include any required changes to recognize the 10 ton receipts.

For the detailed contract specifications please see the attached document. Market participants will note that except for the constant month expiries, all the remaining contract features will mirror the existing 100 ton contract.

We trust by accommodating the “nci nci” white and yellow maize contract, we able to reach out to those participants who have smaller quantities they would ideally want to hedge more efficiently. If there are any questions please feel free to email commodities@jse.co.za or call me directly.

Thank you for your ongoing support of the commodities market.



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