

Market Notice

Number: A1931
Date 22 January 2014

Update on the introduction of deliverable thermal coal contract.

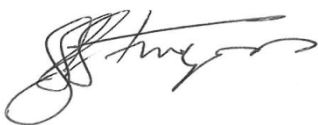
Further to market notices A1874 and A1892, we have continued with a series of consultations with market participants that culminated in us considering two coal product specifications, a domestic and an export specification. The two specifications enjoyed the support of most market participants involved in trading physical coal and were seen as representative of the two broad coal spectrums in our market.

However, as we got closer to a possible introduction date for a coal contract, not all market risk managers from the clearing members were comfortable with the untested physical delivery mechanism that the JSE proposed implementing to facilitate the completion of the coal futures contracts. The JSE made a number of proposed changes to the specifications that included stricter position limits for the delivery month, earlier notice periods for physical delivery and a higher initial margin requirement to allow for a longer unwinding period amongst other suggestions however the JSE was not able to achieve their critical support. Since the JSE is not able to secure the support of clearing members that will ensure the majority of our commodity members access to a physically settled coal contract, the JSE is not in a position to proceed with the proposed physical deliverable coal futures contract in its current form.

The JSE is considering cash settled coal derivatives contract and will again consult with stakeholders around the alternative structures before pronouncing ourselves on the way forward. We remain committed to this initiative and strongly believe that a coal derivative instrument that is Rand-denominated will go a long way in filling a void in the domestic market, provided it presents the right specification in line with cash market fundamentals and the mechanism for cash settlement is robust and reflects domestic pricing.

Raphael and I extend a vote of thanks to those of you who have openly engaged with us throughout this process and provided us with invaluable information. We also thank the three companies that stepped forward to register as inland coal terminals. As we continue to explore a potential cash settled product, please feel free to email us any comments or concerns to commodities@jse.co.za . Thank you again for your time and we look forward to your continued support.

Sincerely,



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