

MARKET NOTICE

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Number: A2054
Date: 23 July 2014

SUBJECT: CHANGES TO THE COMMODITIES INITIAL, CALENDAR AND SERIES SPREAD MARGIN
REQUIREMENTS

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Dear JSE Stakeholder

Changes to the initial margin requirements for all commodity derivative products

To recap from the previous market notice that was published regarding margin requirements, the JSE has amended the initial margining methodology to consider the below:

- A liquidation period of at least 2-days P&L's will be applied to all asset classes.
- A 1000-day (4 year) look-back period will be used.
- Look-back will consist of a rolling 750-day rolling look-back and a 250-day stressed look-back.
- Returns will be scaled according to current volatility.

With grain prices coming off, the JSE has implemented the model sooner than envisaged with the final adjustments made to the sunflower seed spot month initial margin requirement and then also a higher calendar spread margin requirement for sunflower seed and soya beans with the adjustments as per this market notice. **Please note the follow changes will be introduced on Monday 28 July 2014 for Tuesday 29 July 2014.**

Another important change to be aware of that was agreed at the Agricultural Advisory Committee as well as the JSE Clear Advisory Committee is that margin requirements will be updated on a more frequent basis going forward. The JSE has decided that as from the beginning of October 2014 margin requirements will be updated every two weeks and rounded up to the closest R100 per contract. The intention with this process change is that changes to margins will be more frequent but each change is expected to be smaller. This will ensure that the margin as a percentage of the contract value will not vary as much as is currently the case.

The JSE Risk team continues to research the calendar spread requirements for the remainder of the commodity products and the series spread margin requirements for those products where a relationship does exist and so further changes can be expected.

Should there be any further questions regarding this process and envisaged changes going forward, please feel free to contact the Head of Risk, Terence Saayman on +27 11 520 7713 or email risk@jse.co.za.

Below the list of margin requirements to be introduced on **Monday 28 July 2014**:

Contract Code	Expiry Date	Initial Margin Requirement	Margin Change	Calendar Spread Margin	VSR	Series Spread Margin	Settlement Margin
WMAZ	24/07/2014	17 200	-4 900	9 500	3.5	5 000	30 000
WMAZ	22/08/2014	17 200	4 200	9 500	3.5	5 000	30 000
WMAZ	22/09/2014	10 700	-2 300	6 300	3.5	5 000	30 000
WMAZ	22/12/2014	10 700	-2 300	6 300	3.5	5 000	30 000
WMAZ	24/03/2015	10 700	-2 300	6 300	3.5	5 000	30 000
WMAZ	22/05/2015	10 700	-2 300	7 000	3.5	5 000	30 000
WMAZ	24/07/2015	10 700	-2 300	7 000	3.5	5 000	30 000
WNCI	24/07/2014	1 720	-490	950	3.5	500	3 000
WNCI	22/09/2014	1 070	-230	630	3.5	500	3 000
WNCI	22/12/2014	1 070	-230	630	3.5	500	3 000
WOPT	24/07/2014	17 200	-4 900	9 500	3.5	5 000	30 000
WOPT	22/09/2014	10 700	-2 300	6 300	3.5	5 000	30 000
YMAZ	24/07/2014	14 100	-5 200	7 800	3.5	5 000	30 000
YMAZ	22/08/2014	14 100	1 100	7 800	3.5	5 000	30 000
YMAZ	22/09/2014	10 100	-2 900	5 800	3.5	5 000	30 000
YMAZ	22/12/2014	10 100	-2 900	5 800	3.5	5 000	30 000
YMAZ	24/03/2015	10 100	-2 900	5 800	3.5	5 000	30 000
YMAZ	22/05/2015	10 100	-2 900	5 700	3.5	5 000	30 000
YMAZ	24/07/2015	10 100	-2 900	5 700	3.5	5 000	30 000
YNCI	24/07/2014	1 410	-520	780	3.5	500	3 000
YNCI	22/09/2014	1 010	-290	580	3.5	500	3 000
YNCI	22/12/2014	1 010	-290	580	3.5	500	3 000
YOPT	24/07/2014	14 100	-5 200	7 800	3.5	5 000	30 000
YOPT	22/09/2014	10 100	-2 900	5 800	3.5	5 000	30 000
WEAT	24/07/2014	10 400	-400	4 400	3.5	6 500	20 000
WEAT	22/08/2014	10 400	1 500	4 400	3.5	6 500	20 000
WEAT	22/09/2014	8 800	-100	4 300	3.5	6 500	20 000
WEAT	22/12/2014	8 800	-100	4 300	3.5	6 500	20 000
WEAT	24/03/2015	8 800	-100	4 300	3.5	6 500	20 000
WEAT	22/05/2015	8 800	-100	4 300	3.5	6 500	20 000
CAPE	24/07/2014	10 400	-400	4 400	3.5	6 500	20 000
CAPE	22/09/2014	8 800	-100	4 300	3.5	6 500	20 000
CAPE	22/12/2014	8 800	-100	4 300	3.5	6 500	20 000
SUNS	24/07/2014	27 900	5 400	6 200	3.5	n/a	30 000
SUNS	22/08/2014	27 900	10 900	6 200	3.5	n/a	30 000
SUNS	22/09/2014	16 800	-200	6 200	3.5	n/a	30 000
SUNS	22/12/2014	16 800	-200	6 200	3.5	n/a	30 000
SUNS	24/03/2015	16 800	-200	6 000	3.5	n/a	30 000
SUNS	22/05/2015	16 800	-200	6 000	3.5	n/a	30 000
SOYA	24/07/2014	21 300	-1 200	10 300	3.5	3 400	30 000
SOYA	22/08/2014	21 300	3 800	10 300	3.5	3 400	30 000
SOYA	22/09/2014	18 800	1 300	5 900	3.5	3 400	30 000

SOYA	22/12/2014	18 800	1 300	5 600	3.5	3 400	30 000
SOYA	24/03/2015	18 800	1 300	5 000	3.5	3 400	30 000
SOYA	22/05/2015	18 800	1 300	5 000	3.5	3 400	30 000
SGBT	24/07/2014	20 000	0	4 000	3.5	5 000	40 000
SGBT	22/09/2014	18 000	0	4 000	3.5	5 000	40 000
SORG	24/07/2014	19 600	4 600	4 000	3.5	5 000	30 000
SORG	22/09/2014	14 000	3 100	4 000	3.5	5 000	30 000
SORG	22/12/2014	14 000	3 100	4 000	3.5	5 000	30 000
SORG	24/03/2015	14 000	3 100	4 000	3.5	5 000	30 000
SORG	22/05/2015	14 000	3 100	4 000	3.5	5 000	30 000
CORN	02/09/2014	14 300	-2 900	4 300	3.5	5 000	n/a
CORN	01/12/2014	14 300	-3 400	4 300	3.5	5 000	n/a
CORN	02/03/2015	14 300	-3 700	4 300	3.5	5 000	n/a
CORN	01/07/2015	14 300	-5 200	4 300	3.5	5 000	n/a
BEAN	02/09/2014	31 800	-9 000	9 600	3.5	6 700	n/a
BEAN	03/11/2014	31 800	-8 200	9 600	3.5	6 700	n/a
BEAN	02/03/2015	31 800	-9 500	9 600	3.5	6 700	n/a
BEAN	04/05/2015	31 800	-10 200	9 600	3.5	6 700	n/a
MEAL	02/09/2014	29 800	-12 300	9 000	3.5	6 700	n/a
MEAL	01/10/2014	29 800	-10 300	9 000	3.5	6 700	n/a
MEAL	01/12/2014	29 800	-10 500	9 000	3.5	6 700	n/a
MEAL	02/01/2015	29 800	-10 600	9 000	3.5	6 700	n/a
MEAL	02/03/2015	29 800	-11 400	9 000	3.5	6 700	n/a
OILS	02/09/2014	12 300	-2 100	3 700	3.5	n/a	n/a
OILS	01/10/2014	12 300	-2 200	3 700	3.5	n/a	n/a
OILS	01/12/2014	12 300	-2 300	3 700	3.5	n/a	n/a
OILS	02/01/2015	12 300	-2 500	3 700	3.5	n/a	n/a
OILS	02/03/2015	12 300	-2 700	3 700	3.5	n/a	n/a
KANS	02/09/2014	11 700	300	3 600	3.5	6 600	n/a
KANS	01/12/2014	11 700	-100	3 600	3.5	6 600	n/a
KANS	02/03/2015	11 700	-400	3 600	3.5	6 600	n/a
KANS	01/07/2015	11 700	-500	3 600	3.5	6 600	n/a
KANS	01/09/2015	11 700	-600	3 600	3.5	6 600	n/a
KANS	01/12/2015	11 700	-900	3 600	3.5	6 600	n/a
REDW	02/09/2014	12 600	-900	3 800	3.5	6 600	n/a
REDW	01/12/2014	12 600	-1 600	3 800	3.5	6 600	n/a
REDW	02/03/2015	12 600	-2 300	3 800	3.5	6 600	n/a
REDW	01/07/2015	12 600	-3 400	3 800	3.5	6 600	n/a
REDW	01/09/2015	12 600	-3 800	3 800	3.5	6 600	n/a
REDW	01/12/2015	12 600	-4 400	3 800	3.5	6 600	n/a
DSEL	01/09/2014	2 700	-300	900	3.5	n/a	n/a
DSEL	01/10/2014	2 800	-200	900	3.5	n/a	n/a
DSEL	03/11/2014	2 800	-200	900	3.5	n/a	n/a
DSEL	01/12/2014	2 800	-200	900	3.5	n/a	n/a
DSEL	02/01/2015	2 800	-200	900	3.5	n/a	n/a
BRNT	15/09/2014	8 600	-300	2 600	3.5	500	n/a
BRNT	12/12/2014	8 700	-100	2 600	3.5	500	n/a

WTIO	15/09/2014	9 000	-400	2 700	3.5	500	n/a
WTIO	12/12/2014	9 000	-300	2 700	3.5	500	n/a
GOLD	15/09/2014	7 800	100	2 400	3.5	1 000	n/a
GOLD	12/12/2014	7 900	100	2 400	3.5	1 000	n/a
PLAT	15/09/2014	9 900	200	3 000	3.5	1 000	n/a
PLAT	12/12/2014	10 000	100	3 000	3.5	1 000	n/a
COPP	15/09/2014	6 000	400	1 800	3.5	n/a	n/a
COPP	12/12/2014	6 100	600	1 800	3.5	n/a	n/a
SILV	15/09/2014	9 500	400	2 900	3.5	n/a	n/a
SILV	12/12/2014	9 700	500	2 900	3.5	n/a	n/a
QBRN	12/08/2014	8 100	-400	2 500	3.5	n/a	n/a
QBRN	11/11/2014	8 100	-300	2 500	3.5	n/a	n/a
QCFF	12/08/2014	4 500	-100	1 400	3.5	n/a	n/a
QCFF	11/11/2014	4 600	-100	1 400	3.5	n/a	n/a
QCOC	12/08/2014	2 100	-100	600	3.5	n/a	n/a
QCOC	11/11/2014	2 100	0	600	3.5	n/a	n/a
QCOP	12/08/2014	5 900	300	1 800	3.5	n/a	n/a
QCOP	11/11/2014	6 000	400	1 800	3.5	n/a	n/a
QCRN	12/08/2014	1 700	-200	500	3.5	n/a	n/a
QCRN	11/11/2014	1 700	-300	500	3.5	n/a	n/a
QCTN	12/08/2014	2 600	-300	800	3.5	n/a	n/a
QCTN	11/11/2014	2 600	-300	800	3.5	n/a	n/a
QGAS	12/08/2014	10 500	-600	3 000	3.5	n/a	n/a
QGAS	11/11/2014	9 800	-300	3 000	3.5	n/a	n/a
QGLD	12/08/2014	6 100	100	1 800	3.5	1 000	n/a
QGLD	11/11/2014	6 100	100	1 800	3.5	1 000	n/a
QHEA	12/08/2014	8 500	-500	2 600	3.5	n/a	n/a
QHEA	11/11/2014	8 600	-400	2 600	3.5	n/a	n/a
QNAT	12/08/2014	4 800	-900	1 500	3.5	n/a	n/a
QNAT	11/11/2014	4 900	-900	1 500	3.5	n/a	n/a
QPLD	12/08/2014	5 000	300	1 500	3.5	n/a	n/a
QPLD	11/11/2014	5 000	300	1 500	3.5	n/a	n/a
QPLT	12/08/2014	8 600	400	2 600	3.5	1 000	n/a
QPLT	11/11/2014	8 600	300	2 600	3.5	1 000	n/a
QSIL	12/08/2014	8 900	500	2 700	3.5	n/a	n/a
QSIL	11/11/2014	8 900	500	2 700	3.5	n/a	n/a
QSUG	12/08/2014	1 700	0	500	3.5	n/a	n/a
QSUG	10/02/2015	1 800	0	500	3.5	n/a	n/a

In terms of the margin change indicators, red denotes an increase in margin whilst green indicates a reduction in the required margins from the previous adjustment.

Please note in terms of the series spread margin, offset margin is recognized for the following products:

- WMAZ, YMAZ CORN and SORG (R5000/R5000/R5000/R5000)
- GOLD and PLAT (R1000/R1000)
- WEAT, REDW and KANS (R6500/R6500/R6500)

- SOYA/ BEAN/MEAL (R3400/ R6700/ R6700)

It is important that the difference in outright initial margin between the products is added to the series spread margin in order to determine the total initial margin require per structure.