



Currency Derivatives Contract Specification Descriptions

» Identification

The code for currency derivative contracts is j-RAND.

» Underlying instrument

The underlying instrument of currency derivative contracts is the rate of exchange between the foreign currency and the South African Rand.

» Price of a currency futures contract

The price of a currency futures contract (p_c) is expressed in the same way as the underlying exchange rate as the number of Rand per 1 unit of foreign currency to four decimal places.

For example: If the \$/R exchange rate is 7.1, a price equal to the exchange rate would also be $p_c = 7.1000$ expressed to 4 decimal places.

» Contract value

The value of a currency futures contract at any time is the price multiplied by 1,000 (underlying foreign currency nominal value) and expressed in Rand.

For example: If the price of the \$/R futures contract is 7.1000 then the value (v_c) of one contract in Rand is,

$$v_c = p_c * 1,000 \text{ therefore}$$

$$v_c = 7.1000 * R1,000 = R7,100$$

» Value of a position

The value of a position (v_p) in a currency futures contract is the value of one futures contract (v_c) multiplied by the number of contracts comprising the position (n_c), namely $v_p = n_c * v_c$

For example: The value in Rand of a position of 10 contracts in a particular \$/R futures contract at a price of 7.1000 would be:

$$v_p = 10 * R7,100 = R71,000$$

» Expiry dates and times

The expiry months which may be specified for the currency futures contract will be the three nearest calendar months in the months of March, June, September and December.

The currency futures contracts expire at 10h00 New York time on two business days prior to the third Wednesday of the expiry month, or if that day is not a business day then the previous business day.

» Expiry prices

The price at which the currency futures contracts expire is calculated as follows:

- The arithmetic average of the underlying spot taken every 60 seconds for 30 iterations between 16h31 and 17h00 in SA Summer and between 15h31 and 16h00 in SA Winter.
- If less than 30 iterations have been accumulated by the expiry time for the computation of the expiry price, then the computation and publication of the expiry price shall be postponed until 30 iterations have been accumulated.
- If for whatever reason it is not possible to compute the expiry price, or if an error has been made in the calculation of the expiry price, the expiry price will be determined on a basis decided by the JSE Executive.

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» Trading Fees

In terms of rule 8.70.1 of the YieldX Rules, the JSE will levy a fee per futures contract and per options contract. These fees are rebalanced once a year, every December.

Members will be notified of such fees in a Market Notice.

» Cash settlement

The currency futures contracts are cash settled in Rand as contemplated in paragraph (b) of the definition of “futures contract” in rule 2.10 of the YieldX Rules of the JSE.

» Options on currency futures contracts

Options on currency futures will be available for the same expiry dates and times as the underlying futures contract and the terms and conditions in clause 6 of these contract specifications shall also apply to the options on currency futures: Provided that -

- the strike prices for options on currency futures will be at intervals of \$/R0.05 and
- the trading fees per option contract will be half that of the trading fee per futures contract.

» Qualifying clients

The following categories of clients are permitted to trade and hold positions in currency derivatives:

- A non-resident, subject to no limits;
- A resident, who is a natural person, subject to no limits;
- A resident corporate entity, subject to no limits;¹
- A resident discretionary financial services provider, subject to the foreign portfolio allowance;
- A resident Collective Investment Scheme, as defined in the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), subject to the foreign portfolio allowance;
- A resident pension fund organisation as defined in section 1 (1) of the Pension Funds Act, 1956 (Act No. 24 of 1956), subject to the foreign portfolio allowance; and
- A resident long-term or short-term insurer registered as such under the Long-term Insurance Act, 1998 (Act No. 52 of 1998), subject to the foreign portfolio allowance.

¹ Corporate entities include: trusts, private and public companies, hedge funds, partnerships, close corporations and banks.

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