



Market Notice

Number: A1185
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Proposal to publish the futures mark to market (mtm) earlier on option closeout day for all grain products.

Responding to a request by option market participants, the JSE would like, only on option closeout day, to determine the futures mtm and therefore the final closing price 30 minutes earlier for the specific option expiry month. This value is used to determine whether the option position will be automatically exercised by the exchange or expire worthless.

The current futures mtm process will apply as usual however on the option closeout day and only for the specific expiry month will the process be moved earlier. The process to determine the futures mtm will depend if the expiry is considered liquid or not as this will determine whether a snapshot within a 5 minute will be considered or a 30 minute value weighted average price (VWAP).

By determining the futures mtm earlier and publishing this value to the market before trading closes on the day, buyers of options will be able to exercise their choice and in keeping with the definition of a long option position, option buyers acquire the right but not the obligation, to either buy (in the case of calls) or sell (in the case of puts) underlying futures contracts.

By publishing the mtm earlier we also provide option participants an alternative to managing pin risk that may arise should the futures mtm on the day be equivalent to a specific strike price.

The suggested process to be used on an option closeout day for the specific expiry is as follows:

- *Futures mark-to-market will be considered:*
 - *if the expiry is classified liquid the VWAP will be taken between 11h00 and 11h30*
 - *If the expiry is not liquid, a snapshot of trading considering either last trade, higher bid or lower offer will be considered between 11h25 and 11h30*
- *The futures mtm will be published via a nutron announcement no later than 11h35*
- *Long position holders of options will be able to exercise or abandon any strike price up to 11h45*
- *For the remaining 15 minutes of trade until 12h00, the option exercise and abandon functionality will be disabled to allow option sellers the opportunity to manage their exposure*
- *Should trading hours for the products change, the above times will be adjusted accordingly*

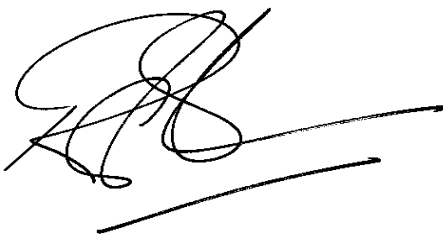


The exchange will continue to automatically exercise all options that are in-the-money as at 12h00 whilst those that are at-the-money and out-the-money will expire worthless resulting in no futures equivalent positions. The close out process will continue as before during the end of day run.

Included in publishing the futures mtm earlier, the JSE will activate the "option abandonment" functionality which will allow long position holders the ability to abandon any strike price. By abandoning an option strike the system will create an equal and opposite option position with no associated futures position for both buyer and seller of the option strike. Sellers will be selected on a random basis, similar to options exercised early in order to create the equal and opposite position based on the option buyer's position. This functionality will be available in the "con positions" view should this proposal be implemented. Members wishing to test this functionality may make use of the test environment where this has been activated.

Members are requested to review the above proposal and submit comments to commodities@jse.co.za , alternatively contact Graham Voller on 011 5207176 or Chris Sturgess on 011 5207299 to discuss the approach in more detail. Please provide your feedback by the latest 26 February 2010 in order to finalize the way forward.

A final notice will be distributed in due course to confirm the result of this proposal.



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