



Market Notice

Number: A1309
Date: 22 October 2010

Proposal to amend the random allocation algorithm for physical deliveries in completion of a futures contract.

At the Agricultural Advisory Committee meeting held yesterday, the methodology applied to randomly allocate all remaining physical deliveries was discussed in detail.

The current methodology, at the request of the Safex APD Management Committee, was put in place in the late 90's to favour larger long positions holders and so was never random in the strictest sense. The current methodology is defined in detail on the web page available on this link:

[http://www.jse.co.za/Libraries/SAFEX_AP - Physical Delivery information - Delivery Allocation process/Physical_delivery_allocation_process.sflb.ashx](http://www.jse.co.za/Libraries/SAFEX_AP_-_Physical_Delivery_information_-_Delivery_Allocation_process/Physical_delivery_allocation_process.sflb.ashx)

The Agricultural Advisory Committee after discussing the algorithm in use agreed it was time to amend this as the market dynamics had changed. There was unanimous support to move towards a totally random allocation basis and to focus on each individual silo receipt tendered for delivery. The following methodology is suggested to be applied to all physical deliveries that remain after EFP's and auctioned off Safex silo receipts have been processed:

- The methodology will move away from allocating per delivery notice but rather allocate **PER SILO RECEIPT** regardless of the number of silo receipts per delivery notice. This would result in a significant increase in the number of assignment notices generated however the exchange would continue to process this within the current delivery cost framework.
- The process whereby larger long position holders are afforded a greater opportunity of receiving the product will be removed and the allocations will be randomly allocated to any position holder who has a position equal to or greater than the position as represented by the Safex silo receipt tendered eg if a 500ton maize receipt is tendered, all position holders who have 5 or greater futures positions could be randomly allocated the silo receipt
- The maximum tonnages that a Safex silo receipt may represent will be limited to 1000 tons
- If no position exists that is equal to or greater than the Safex silo receipt tendered, the silo receipt will be split into the standardized contract size and allocated on an individual basis eg a 1000 ton maize receipt will be split into 100ton lots and randomly allocated

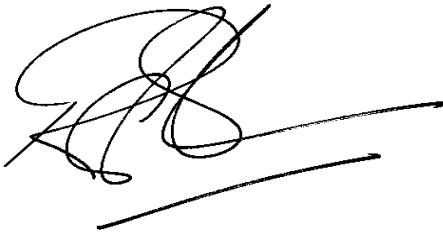
All market participants are encouraged to review the above proposal and provide comments no later than Friday 12 November 2010. All comments or questions can be addressed to Chris Sturgess on +27 11 5207299 or email commodities@jse.co.za.

If the new allocation methodology is accepted it is envisaged the necessary software changes will be implemented before the MAR2011 delivery month.



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