

Market Notice

Number: A1763
Date 19 February 2013

Introduction of initial margin offset between the local soya bean (SOYA) and international cash settled soybean (BEAN) contracts.

Further to Notice A1749, the JSE is pleased to announce the introduction of the SOYA/BEAN series margin offset. The spread margining methodology considered 750 data points (over 3yrs of data) using the spot price data and its movement to ensure initial margin would be sufficient to cover one days maximum price movement within 3.5 standard deviations. This methodology applied is similar to the Equity Derivatives market. Due to the different nominal values per contract (25tons vs 100 tons) in order to benefit from the maximum offset 4 SOYA contracts are required to be offset against an opposite position of 1 BEAN contract.

Please note the soybean complex will no longer be included in the CORN/WMAZ/YMAZ series spread margin.

In terms of the series spread margin, offset margin is recognized for the following products

- WMAZ,YMAZ , CORN and SORG
- GOLD and PLAT
- WEAT, REDW and KANS
- SOYA and BEAN

The table below indicates the current margins and the new series spread margin

Contract Code	Expiry	Initial Margin	VSR	Series spread margin per leg
SOYA (25tons)	ALL	R 4,400	3.5	R 250
BEAN (100 tons)	MAR13 BEAN	R 30,500	3.5	R 1,000
BEAN	MAY13 BEAN	R 30,500	3.5	R 1,000
BEAN	JUL13 BEAN	R 30,600	3.5	R 1,000
BEAN	SEP13 BEAN	R 29,500	3.5	R 1,000
BEAN	NOV13 BEAN	R 19,000	3.5	R 1,000



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

An example of a structure buy 4 MAY13 SOYA and sell 1 BEAN MAY13 would yield the following results should the initial margin requirement be R32600 for BEAN and R4400 for SOYA, series margin for BEAN R1000 and R250 for SOYA. Instead of requiring outright margin of R50200 for the structure, R17000 is required recognizing the limited correlation between the two products.

Summary of Inter Series Spread group:

	Margin Before	Margin After	Benefit	Slack	Offset Propn	Deltas	CSMR (Rand)	Spread Margin
BEAN GROUP	32,600	32,600	0.00	32,600.00	3,260.00	1.00	1,000.00	1,000.00
SOYA GROUP	17,600	17,600	35,200.00	0.00	1,760.00	4.00	250.00	1,000.00
	50,200.00	15,000	35,200.00	32,600.00				2,000.00
					32,600			
					1%			
								17,000.00


summary of margins due:

	Margin Balances Previous	Margin Balances New	Change
BEAN	0.00	17,000.00	17,000.00
			17,000.00

The JSE continues to explore the introduction of a single soybean crush contract in order to provide offset margin for the complete structure. At this point any positions held in either MEAL and OILS will not receive any benefit should a SOYA or BEAN position be held.

The following additional series spread margin group will be introduced on 22 February 2013 effective 25 February 2013 please ensure this is included in all downstream margining systems.

Should you have any queries regarding the margining methodology in use, please contact Anelisa Matutu from the Commodities Team on 011 520 7158 or e-mail commodities@jse.co.za



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