METAL DERIVATIVES

Key Information Document (KID)

2018
PURPOSE

This document provides you with key information about Metal Derivatives traded through the JSE Commodity Derivatives market. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of these products and to help you compare it with other products.

PRODUCT

Product name: Metal Derivatives
Manufacturer: JSE Limited
Website: https://www.jse.co.za/trade/derivative-market/commodity-derivatives/metal-derivatives
Email: commodities@jse.co.za
Tel: 011 520 7122

WHAT IS THE PRODUCT?

Type: Metal Derivatives
Products Offered: WTI Crude Oil, Brent Crude Oil, Gold, Platinum, Palladium, Copper and Silver

Product overview: A standardised, Exchange Traded Derivatives Contracts that give investors the opportunity to buy or sell the underlying Commodity at a fixed price on a future date. In essence, these products expose local investors to the international metals market through referencing benchmark settlement prices as determined on the New York Mercantile Exchange (NYMEX) through its Commodity Exchange (COMEX) division, a subsidiary of the CME Group. Contracts are priced and settled in Rands and can easily be accessed via JSE Commodity Derivatives members.

Intended User: These contracts can be effectively used by commercial consumers, producers and fabricators of precious metal with a view to managing price risk. Producers can employ a short hedge and end-users can use a long hedge. Speculators also use these contracts to profit on short-term movements in the futures contract price. Investors can use the product to further diversify and enhance their investment portfolios.

WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?

- Easy access to the international market with a contract traded in Rands
- Enables identification of short and long term price and volatility pattern
- Enables effective price risk management and the evaluation of current and future world supply and demand.
- Enables portfolio diversification

However, an investor should also be cognisant of the fact that trading metal derivatives could result in the investor making a loss that exceeds their initial investment.

Performance Scenarios:
These graphs illustrate how your investment could perform. The horizontal axis shows the range of possible prices of the underlying asset on the expiry date and the vertical axis shows the profit or loss of the contract.
A Buyer enters into a long position on the future in expectation of a rising market. As the market level closes on expiry, the P/L is represented by the position of the green line at that market level. A Seller enters into a short position on the future in expectation of a falling market. As the market level closes on expiry, the P/L is represented by the position of the brown line at that market level. The profit or loss is calculated by taking the closing value of the contract and subtracting the initial value of the contract at initiation of the transaction. If the result is positive, the buyer makes a profit and if it is negative, the seller makes a profit.

WHAT HAPPENS IF THE PRIIP MANUFACTURER IS UNABLE TO PAY?

JSE Clear (formerly known as Safcom), a wholly owned subsidiary of the JSE, is the clearing house for all Exchange-Traded Derivatives in South Africa. In this capacity, JSE Clear novates all matched trades transacted through the JSE. JSE Clear has a number of clearing members, who clear for its members, through which clients’ trade. Each member is responsible for its client’s losses (if a client defaults); just as each clearing member is responsible for the losses of the members for which it clears, should those members default. If a client (or trading member) cannot make good on its obligations, the trading member (or clearing member) will stand good for those obligations. JSE Clear, therefore, ultimately protects against the risk that one of the clearing members possibly default on their obligations.

For further information on the mechanisms that JSE clear employs, please refer to the following website: https://www.jse.co.za/services/post-trade-services/risk-management/derivative-market

WHAT ARE THE COSTS?

The following transaction fees would be applicable:

On Screen and Reported Trades

<table>
<thead>
<tr>
<th>CDM Product</th>
<th>Contract Code</th>
<th>Future Fee</th>
<th>Options Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTI Crude Oil</td>
<td>WTIO</td>
<td>R10/contract</td>
<td>R6/contract</td>
</tr>
<tr>
<td>Brent Crude Oil</td>
<td>BRNT</td>
<td>R10/contract</td>
<td>R6/contract</td>
</tr>
<tr>
<td>Gold</td>
<td>GOLD</td>
<td>R13/contract</td>
<td>R8/contract</td>
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<tr>
<td>Platinum</td>
<td>PLAT</td>
<td>R13/contract</td>
<td>R8/contract</td>
</tr>
<tr>
<td>Palladium</td>
<td>PALL</td>
<td>R13/contract</td>
<td>R8/contract</td>
</tr>
</tbody>
</table>
HOW LONG SHOULD I HAVE AN OPEN POSITION AND CAN I CLOSE IT BEFORE EXPIRY?

There is no recommended holding period for these products. The optimal holding period depends upon the investor’s individual strategy and risk profile. A derivative position can be traded and closed out on any trading day until expiration date. In particular, a long position can be closed by entering a sell order in the market on any day up to and including the expiration date of the contract, and a short position can be closed by entering a buy order in the market on any day up to and including the expiration date of the contract. An investor should contact a broker who will be able to provide a recommendation.

HOW TO GET METAL FUTURES AND OPTIONS

To access this product, register as a client with an authorised JSE member firm, deposit the required initial margin and sell or buy according to your needs.

QUALIFYING FACTORS

- No limits apply to individuals, foreigners or corporate entities;
- Pension funds and long-term insurance companies are subject to their 25% foreign allocation limits;
- Asset managers and registered collective investment schemes are subject to their 35% foreign allocation limits

HOW CAN I COMPLAIN?

Investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship or directly to the Financial Services Board (FSB) at 012 428 8000. Furthermore, the investor can address complaints to the JSE at info@jse.co.za