

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 27 March 2019
Time: 13h15
Venue: Serengeti Meeting Room

Present:	Dr. R Karuaihe	- Chairman
	Dr. D Strydom	- GrainSA
	Mr. C Schoonwinkel	- GrainSA
	Mr. J Theron	- Polarstar Fund Management
	Mr. W Martens	- CJS Securities
	Mr. P Faure	- CJS Securities
	Mr. F Geldenhuys	- Representing GWK
	Mr. H Smit	- Representing BVG Commodities
	Mr. J Du Toit	- RMB
	Mr. G Nel	- Representing RMD
	Mr. S Janse van Rensburg	- BSEC
	Mr. D Dannhauser	- Representing NCM
	Mr. T Saayman	- JSE Post Trade
	Dr. K Muganiwa	- JSE Market Regulation
	Mr. M Riba	- JSE Information Services
Ms. Z Dastile	- JSE Capital Markets	
Mr. V Mpumza	- JSE Capital Markets	
Apologies:	Mr. L Sewpersadh	- ABSA representing Clearing Members
	Dr. K Keyser	- Brisen/SACOTA
	Ms. M Purnell	- Agbiz
	Mr. R Olwagen	- BVG Commodities
	Mr. D Kok	- AFMA
	Mr. A van den Berg	- RMB
	Mr. H Mulder	- RMD
	Mr. H Grobler	- Zargoscape
	Mr. C Joubert	- NAMC
	Mr. J Bucknall	- GWK
	Mr. T Jacobsz	- Farmwise
	Mr. P Jackson	- NCM/RCL Foods
	Mr. L Joseph	- Cargill
	Mr. P Lovelace	- SAOPA/CEOCO
	Ms. D Nemer	- JSE Director: Capital Markets
Mr. K Naidoo	- JSE Market Regulation	
Mr. C Sturgess	- JSE Capital Markets	
Ms. A Matutu	- JSE Capital Markets	

WELCOME:

Dr Karuaihe welcomed all attendees and thanked them for their participation.

1 CONFIRMATION OF MINUTES:

The Minutes of the previous meeting were accepted and approved with changes made.

2 MATTERS ARISING FROM PREVIOUS MEETINGS:

2.1 Commitment of Traders Report

Dr Karuaihe reported that a market notice was circulated on the 14th of March 2019 pertaining to the COT Report. He gave feedback from the previous advisory meeting held on 22 November 2018 at the FSCA offices and all committee members were happy with the account of events. Dr Karuaihe mentioned that initially the JSE expected the FSCA to proceed with the proposal and see if there are any changes on the existing regulation to accommodate the COT Report.

However, FSCA informed the JSE subsequently that an impact analysis had to be done before any regulatory changes are to be considered. In response, the JSE reached out to the wider market and requested submissions on potential impact the introduction of COT Reports will have on stakeholders. Dr Karuaihe mentioned that the JSE has so far received two submissions and basically highlighting this kind of report will not be good for the South African grain market. He further mentioned that the period for comments was still open until the 15 April 2019.

This was acknowledged by the Committee members.

2.2 Review of Location Differentials

Dr Karuaihe reported that he has been in communication with Prof Roberts and that the first draft of the recommendations would be received by the end of the week, which is in line with the original SLA. Dr Karuaihe mentioned that the JSE has received a letter from SACOTA and circulated that to the Committee prior to the meeting. The letter basically requested the JSE to share any findings from Prof Roberts with the market. Dr Karuaihe affirmed that the JSE has no intentions of withholding the report from the market and that it will be published as soon as the JSE has verified the recommendations thereof.

Committee members wanted to know how the JSE was planning to circulate the report once received. Some requested that the TAC reviews the document and make recommendations first before it goes to broader market.

Dr. Karuaihe indicated that the JSE sponsored the project and is the custodian of the document. He assured committee members that the JSE will take their request into consideration when deciding the next steps to be taken.

This was acknowledged by the Committee members.

2.3 Grading Regulations for Wheat

Dr Karuaihe reported that the JSE had received communication from the Wheat Forum regarding a consensus that was reached last year between the various wheat industry stakeholders on efforts to revive the industry. Part of the revival strategy was the improvement of the grading regulations for wheat, to bring it more in line with international standards but at the same time to provide an opportunity for compensating farmers for producing good quality wheat. He further added that the JSE subsequently circulated a market notice informing the industry of the imminent changes to come.

Some members raised concerns about open positions on expiries that are already listed for the new season. They felt that if there is existing open interest in contracts then the status quo should remain as is. Some felt that the JSE should list a new contract which will create an arbitrage between the old and new contracts as the grade discount will differ. Another question that was raised was how silo operators will store the wheat when the new season starts given the grade changes.

With so many opposing views, the JSE undertook the responsibility to investigate the implications further and officially communicate all the changes through a formal market notice to the industry.

This was acknowledged by the Committee members.

2.4 Position Limits

Dr. Karuaihe informed the Committee that no objections were received during the comments period and so the published position limits will be effective on 01 April 2019. Some members felt that the rules are not clear on penalties in the event of breaches of position limits; who qualify as a bona fide hedger; the interpretation of a speculator and the aggregation of positions. Dr Karuaihe said he would pass on the comments to Market Regulation team to give clarity and guidance.

This was acknowledged by the Committee members.

2.5 Additional Appendix on Physical Delivery

Dr Karuaihe presented a paper circulated prior to the meeting and members were quite supportive except the last point of the Appendix, 2 (iii), where market participants are given the option of cash settlement in completion of their futures positions.

The Committee had serious reservations with this clause, saying that the integrity of commodities market has been built on short position holders knowing that they have to deliver in completion of their futures obligations. Providing traders with the option to cash settle on physically deliverable contracts will compromise price convergence between spot and futures contracts and thereby compromise the credibility of commodity futures as a viable hedging tool, they argued.

The JSE undertook to take this point to our legal counsellor for further guidance.

2.6 Soya Meal and SUNS Oilcake Contracts

Mr. Mpumza reported that the JSE along with Dr Keyser representing AFMA/SACOTA were invited to the general SAOPA meeting held on 6 February 2019 to present on the Soya Meal and Suns Oilcake products. Several opposing views were discussed and it was proposed that Dr Keyser prepare a concept document for submission to SAOPA.

Mr. Mpumza shared that some decent progress has been made on the physical delivery side. AFMA trade committee and SAOPA had a meeting on the 4 March 2019. Minutes of that meeting were circulated to committee to see if everybody is in agreement. Once everybody is in agreement, a meeting will be scheduled with the JSE to proceed.

This was acknowledged by the Committee members.

2.7 Calendar Spread Margins

Mr. Saayman sincerely apologised that this item was put on hold for the last two months due to JSE focus being on the ITAC project. He further added that this is a standing agenda and they're happy to provide feedback at the next advisory meeting.

This was acknowledged by the Committee members.

3 TRADING AND SETTLEMENT ITEMS:

3.1 STT Upgrade

Ms. Dastile reported that there will be an upcoming STT upgrade for deliverable diesel. The upgrade is scheduled to go live in the last quarter of the year; the JSE will receive the code change from STT in May thereafter internal testing will commence. The JSE will test internally for a month before external vendors can commence testing.

This was acknowledged by the Committee members.

3.2 Migration to New Generation Technology

With JSE adopting a more agile approach for project implementation, Ms. Dastile posed a question to committee members about possibly migrating cash settled contracts that are not linked to other contracts first to MIT. The project would be implemented in increments over a period of time. This would mean that members would be using two applications for trading, Nutron and MIT. Members had strong reservations about this suggestion, citing added costs of running two applications; settlement splits would prove difficult from a clearing perspective, and two separate commission structures, amongst others. The idea was not supported.

4 GENERAL:

4.1 Update on upcoming Rules and Regulation

Dr Karuaihe reported that Mr Naidoo, from the JSE who was supposed to be here has apologised for not attending the meeting. He was booked off ill for the past two weeks and required more time to prepare for the meeting. However, Mr Naidoo did say a document will be circulated or passed on to be discussed at the next advisory meeting.

This was acknowledged by the Committee members.

4.2 Update on new Products

Dr Karuaihe updated Committee members on the status of Deliverable Diesel contract and highlighted the JSE is working hard to have the product ready for trading. He further added that the JSE envisage go-live to be the 3rd quarter of this year.

Dr Karuaihe reported that the JSE is also planning to roll-out the Zambian Grains contracts in 4th quarter this year. The only outstanding items to finalise are on the clearing and settlement side.

5 ADDITIONS TO AGENDA:

5.1 Market Abuse

Dr Muganiwa requested if it would be ideal to conduct a workshop around market manipulation and how Market Regulation goes about handling issues relating to market manipulation. This follows many incidences where market participants have accused each other of market manipulation that the market regulation team finds if necessary to educate participants on the topic. The Committee members appreciated the effort and supported the idea of a workshop to be held concerning market manipulation issues.

6 PROPOSED MEETING DATES FOR 2019:

Thursday 20 June 2019

Thursday 22 August 2019

Thursday 21 November 2019

Dr Karuaihe thanked the committee for their input and called the meeting to a close.