
MARKET NOTICEJohannesburg
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Number: 573/2016
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 14 October 2016

SUBJECT: INTRODUCTION OF CASH SETTLED LAMB CARCASS FUTURES CONTRACT

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Designation: Director: Commodities & Key Client Management

Dear Industry Stakeholder,

Please feel free to distribute to any interested parties.

1. BACKGROUND

The JSE has been approached by a number of industry players already well established in the lamb sector who requested that we list a Lamb Carcass Contract on the same basis as we did with beef. This allows us to broaden our range of red meat products.

2. PROPOSED CONTRACT SPECIFICATIONS

The Lamb Carcass contract will be cash-settled. For the cash-settled contract to be meaningful and reflective of physical market fundamentals, it has to be settled off reputable spot market price information. For this reason we will continue to harness our well established relationship with the Red Meat Abattoirs Association (RMAA) to obtain the required price information on a weekly basis.

The contract will have a nominal size of 1000 kg, representing about 40-45 lamb carcasses of A2 and A3 grades. An A grade lamb is a young sheep under 12 months of age or which does not have any permanent incisor teeth yet.

Detailed information regarding the proposed contract is appended below.

3. COMMITMENT FROM REGISTERED MEMBERS

Suffice to say the obvious that this product will not progress without the active support of our member firms. We are therefore keen to understand from our membership base whom will be interested in further developing and promoting this new product to the red meat industry. Please do send us an email to ensure we include your firm in our marketing drive.

Thank you again for your time and consideration of this notice; we look forward to your constructive feedback. In order to ensure that we deliver the desired product, please feel free to submit any comments relating to the proposed specifications.

Please can all comments regarding the proposed contract specifications reach us by **Friday 28 October 2016** as we prepare our final product design. Please also note the JSE's New Product Committee has also approved this product.

Should you have any questions regarding the above, please do not hesitate to contact the Commodities Team at 011 520 7039 or email commodities@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>

FUTURES CONTRACT	LAMB CARCASS CONTRACT
Trading system code	LAMB
Trading Hours	09:00 to 12:00 Central African Time
Underlying Commodity	Chilled lamb carcasses, graded as A2 and A3 and having conformation of 2, 3, 4 or 5, a damage class of not more than 1 on either the buttock, loin or forequarter, in terms of the national sheep grading guidelines. Carcasses must comply with minimum dressing standards and must be fit for human consumption. Age class A (lamb) is a young sheep under 12 months of age or which do not have any permanent incisor teeth.
Contract Size	1 contract = 1000kg
Expiry Dates & Times (Last Trading Day)	Second Wednesday of the expiry month at 12h00.
Contract Months	Four main hedging months, namely, March, June, September and December shall be listed at any given time with any further out expiries introduced based on market demand. All other calendar months (constant months) will be introduced on the first Wednesday of the calendar month prior to expiry month. Once introduced, the constant month will be traded in the same fashion as the four main hedging months.
Settlement Method	<p>Daily mark-to-market procedure for this contract will follow the current daily settlement process applied to the grains market.</p> <p>Upon expiry, settlement shall take place in cash. The settlement price shall be determined by the JSE by incorporating volume weighted average weekly selling prices of A2 and A3 carcasses over two weeks preceding the Last Trading Day. Price information for the desired grades will be contributed by Red Meat Abattoirs Association through associated agreements with specific members in order for the JSE to validate contributions directly with the contributing abattoirs. The JSE will publish its indicative settlement price after Last Trading Day; subject to audit with the final settlement price (FSP) applied on Clearance Date (2 business days following Last Trading Day). The JSE reserves the right to revise its settlement methodology from time to time.</p> <p>The above settlement method is applicable to both constant and main hedging months.</p>
Quotations	Rand/Kg

Min Price Movement	Five cents per kg
Daily Limits	R2.50/kg above or below previous day's mtm price. Extended to R3.50/kg as per JSE Rules.
Initial Margin	As determined by JSE Risk from time to time referencing the current margining methodology.
Maximum position limits	No participant (defined as a member or registered client) or associated group of participants may hold in excess of 835 contracts as a net position across all listed expiries. This position limit may be adjusted from time to time
JSE Booking Fees	R15.00/Contract (VAT incl.)