
MARKET NOTICEJohannesburg
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 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
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SUBJECT: PHYSICAL DELIVERY OF FOREIGN COMMODITIES IN COMPLETION OF A FUTURES CONTRACT

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Dear Commodity Members and JSE Approved Storage Operators

Please feel free to distribute to any interested parties.

The JSE in its agricultural contract specifications has recognized and made allowance for foreign product to be delivered in completion of wheat, white and yellow maize and soya bean futures contract provided it meets with all the relevant statutory requirements and regulations. In respect of wheat, the JSE has approved delivery of wheat from certain specified foreign origins. In the case of white and yellow maize, delivery of commodities from foreign origins will be accepted provided that there is no containment conditions placed on the imported product.

We have received a number of queries regarding the validity of the recent delivery of imported wheat and white maize. The JSE and a SACOTA representative met with representatives from DAFF this morning to confirm the current status quo and confirmed the way forward regarding import permits and phytosanitary requirements. A summary of the outcomes:

- a) The recent deliveries of non-genetically modified Mexican and USA white maize onto the JSE are all within the current permit conditions and hence the JSE will continue to accept white maize from these origins provided the import permit allows for product to go to silos
- b) The updated Phytosanitary Import Requirements published on 2016-10-11 have only recently taken effect and the product delivered thus far would have the old permit conditions applicable
- c) Imports of maize from countries free from Maize Lethal Necrosis (MLN) - two viruses that make up this are Maize Chlorotic Mottle Virus (MCMV) and Wheat Streak Mosaic Virus (WSMV), should not be handled under the same Plant Health Import Requirements for maize and so this would continue to support that Mexican maize remains deliverable onto the JSE in completion of a futures contract. Importers who recently applied for permits should approach the authorities for an update to certificates to support this change.

- d) The DAFF has undertaken to further clarify the requirements recently published as part of the phytosanitary requirements.
- e) The JSE specifically discussed the established practice of the commercial storage of imported wheat with the DAFF. The DAFF is aware of the important role played by storage operators in the commercial storage of imported commodities and the department is aware that the commercial storage of imported commodities is and has been an accepted practice in the industry.
- f) It is important to record that the JSE or any market participant who receives or makes delivery of any imported commodity does not assume any of the importer's obligations as reflected on the issued permit. The terms, conditions and obligations as recorded on the import permit are only binding and enforceable between the importer and the DAFF.
- g) It is not within the powers of the JSE, as regulator of its exchange to prescribe in which manner commodities delivered on its exchange should be used. It remains the responsibility of the owner of any commodity to comply with all the relevant statutory and other requirements applicable to the use of that commodity.
- h) The role of the JSE approved storage operator, once a JSE silo receipt is issued, remains the same for both local and imported product and that is to guarantee quality and quantity of the product as reflected on the electronic JSE receipt.

The JSE would like to remind all approved storage operators of the conditions as specified in Appendix C, point 6.2 of the detailed contract specifications that the storage operator will identify the country of origin and most importantly ensure that the commodities are stored separately at all times. Under no circumstances can any of the foreign products be co-mingled across origins; this also applies mixing the foreign origin with South African product. We trust this requirement is clear, if there is any doubt regards this please consult the JSE immediately.

Then further to the issuing of JSE silo receipts for imported product, the JSE kindly requires **going forward with immediate effect** that storage operators before they issue JSE receipts collect a copy of the following documentation to ensure that the importer has met with all the compliance requirements:

- A copy of the import permit
- Check that the permit allows for the product to be stored in commercial silos
- Where required, consider the phytosanitary requirements placed on the importer and be clear of the roles and responsibilities of the parties involved
- In the case of maize, confirm that no containment conditions are applied, in other words that the product meets non GMO status and can therefore can be freely traded

Please could members also alert all importers of these additional administrative requirements that the JSE will look to the storage operators to provide should there be a request for the documentation from the final buyer.

We trust the above clarifies our current status quo, if not please feel free to contact myself or the rest of the Commodities Team on 011 520 7039 or email commodities@jse.co.za

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