
MARKET NOTICE

Johannesburg
Stock Exchange

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Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
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SUBJECT: CHANGE TO THE MARK-TO-MARKET PROCEDURE ON OPTION CLOSEOUT WITH SPECIFIC REFERENCE TO THE PHYSICALLY SETTLED GRAINS PRODUCTS

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The current MTM process on option closeout and publishing the MTM rates within the timeframe of 5 minutes remains a challenge for the JSE and so it was proposed at a recent Agricultural Advisory meeting to move this MTM process 15 minutes earlier. The Committee supported the proposal and so the JSE will implement this change for the upcoming options close out on 23 February 2016.

The process, applicable only on option expiration day for all expiries, will therefore be as follows:

- Futures mark-to-market methodology for all expiries will be considered in line with the published futures mtm process with monitoring times moved earlier by a further 15 minutes eg in the grains market VWAP will be considered between **11h00 and 11h15** whilst the snapshots will be considered between **11h10 and 11h15**.
- The JSE will aim to publish via a Nutron announcement the futures mtm price specific to the option expiry month no later than **11h30** on the same day. All other expiry month mtm data will be published via the “early valuations” file as well as “daily closing prices” download in line with their usual published times.
- Long position holders of options will be able to exercise or abandon any strike price up to **11h45** on the day
- For the remaining 15 minutes of trade until 12h00, the option exercise and abandon functionality will be disabled to allow option sellers the opportunity to manage their exposure
- Should trading hours for the products change, the above times will be adjusted accordingly

- Since spread trading remains active throughout the trading session and to avoid the future mark-to-market (mtm) across all months being skewed due to a staggered mtm process, the futures mtm will be taken at the SAME TIME ACROSS ALL EXPIRIES.

On option close out day, the exchange will continue to automatically exercise all remaining options that are in-the-money whilst those that are at-the-money or out-the-money will expire worthless resulting in no futures equivalent position. The system-generated option close out process will continue as before during the end of day run commencing at 17h15.

Should there be any further questions regarding this process please contact the Valuations Team on valuations@jse.co.za

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