

MARKET NOTICE

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NOTICE NO. **68A/2015**

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DATE: **03 February 2015**

SUBJECT: **LISTING OF A CASH SETTLED 10 TON WHITE AND YELLOW MAIZE FUTURES CONTRACTS AND OPTIONS THEREON**

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 Market: Capital Markets
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Dear Stakeholder,

Members are kindly advised that the physically settled 10 ton White and Yellow maize contracts was not extended following the expiry of the Dec14 listed month. The JSE will list cash settled 10 ton White and Yellow maize futures contracts and options thereon from the Mar15 expiry month. The **cash settled** 10 ton maize contracts (WNCI and YNCI) will be introduced for trading on 05 February 2015. To further focus the liquidity of these 10 ton maize contracts, only the 5 main hedging months of March, May, July, September and December will be referenced for cash settlement purposes. The 10 ton contracts (contract code WNCI and YNCI) will reference the liquid 100 tons contracts (contract code WMAZ and YMAZ) for daily mark-to-market purposes as well as for the final cash settlement purposes.

The cash settled contracts have been designed to expire on first positions day of the main hedging months so to align with the trading session when the price limits are first removed. To avoid any confusion when the cash settled contracts expire they will be loaded to match the expiry date and so clients should note the 10 ton WNCI contract referencing Jul15 WMAZ will display as **29 Jun15 WNCI**. Liquidity will be further enhanced through the commitment by founding members Farmwise who will act as market makers quoting bids and offers on the 29 Jun 15 WNCI expiry. As we trial this change to the mini maize contracts, should there be any interest to trade any of the other expiry months

as described in the contract specifications, please do not hesitate to contact the Commodities Team whom will coordinate the introduction of the other expiry months based on demand.

The contract specifications for the 10 contract are attached to this market notice, please take note options will be available on these instruments and will expire the same day as the 100 ton contracts.

Members are again reminded of the JSE's Cando contract functionality whereby should there be counterparties whom prefer to structure contracts that allow for exposure during the delivery month without delivery risk or alternatively would want to see mini contracts trade for soya, sunflower seed or wheat, they are welcome to contact the JSE for more information around the requirements to list a derivatives contract that allows for this flexibility. In summary, to consider listing a Cando contract the exchange requires two counterparties to agree on the structure, the ability to value the structure and the support of the Clearing Members involved in order to approve the transaction.

The cash settled 10 ton maize contract provides a number of opportunities for market participants namely:

- By trading a contract that is a tenth of the current 100 ton contract, market access for smaller participants on both the sell and buy side in the maize market is enabled
- Initial margin requirement will be calculated on the same basis as the 100 ton contract except the quantum is now a tenth of the published 100 ton contract
- Market participants who are exposed to financing or hedging odd lots of physical commodity will be able to more efficiently hedge their exposure in 10 ton increments
- Option market participants who wish to hedge out their delta exposure trading the WMAZ and YMAZ contracts can do so more efficiently in 10 ton increments
- Fund Managers whose mandates do not allow them to participate in contracts where there is physical delivery, now have an instrument where they can take out exposure in the white and yellow maize market without this delivery risk. Participants are reminded of the individual month white maize position limits that will apply, note there will be no spot month limit as the contracts do not go to delivery
- With a committed market maker, namely Farmwise, onscreen liquidity for at least one expiry month is assured whilst offline quotes can be negotiated for the other expiry months. The other expiry months will be introduced based on demand.

If there are any further questions regarding the cash settled 10 ton product, please feel free to contact the Commodities team on 011 520 -7039 or use the group e-mail address commodities@jse.co.za , alternatively the key contact at Farmwise, trading through F-Wise Capital, is Woerie de Villiers on +27 11 787 3666 or email traders@farmwise.co.za.

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