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## MARKET NOTICE

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**Number:** 628/2016  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives  
**Date:** 15 November 2016

**SUBJECT:** **TRANSITION TO ONLY ACCEPTING ELECTRONIC SILO CERTIFICATES FOR PHYSICAL DELIVERIES**

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**Designation:** Director: Commodities & Key Client Management

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The JSE back in 2003 introduced the alternative for clients to make use of Electronic Silo Certificates (ESC) instead of the paper receipts to represent the underlying commodity when making delivery in completion of a futures contract. The services provider, namely Done Technologies who provides the technical support and PWC who provide the hosting support, have served the JSE and wider South African grain market with much pride over these years. They on average issue over 13 000 receipts per year representing over 3.4 million tons of grain.

The JSE, with the support of its Agricultural Advisory Committee, have decided to move all physical deliveries over to the ESC platform and so discontinue the option for clients to request paper silo receipts. There is very little doubt that the use of paper receipts only adds further delays in processing transactions not to mention the risk involved in misplacing the paper receipts. The JSE is comfortable with the level of support we receive from ESC as well as the contingency process developed over the years where a regular copy of the ESC database is replicated on the JSE every 15 minutes, allowing for an updated failover in the unlikely event of a network failure at PWC. Further to this we can confirm that all 16 JSE registered operators have signed up and are able to issue electronic receipts via ESC.

As a phased approach to only accommodate electronic receipts, the JSE would like to announce, following a recent upgrade to its own technology, that as from **Monday 16 January 2017** the JSE will no longer convert electronic receipts to paper receipts for those clients taking physical delivery and who have not signed a participant agreement with ESC. As a prerequisite to make use of the ESC platform clients are required to sign up with ESC. For more information please visit their web site [www.silocerts.co.za](http://www.silocerts.co.za). We believe this allows members and clients sufficient time to respond to this change.

The current physical delivery process will be updated so that in effect when a long position holder receives physical delivery of electronic receipts and is not ESC registered, the electronic receipts will be flagged onto the member's ESC account that the client has the long position with. The member would then have the responsibility of either redelivering the receipt or of transferring the receipt back to the storage operator so that it can be placed on the clients folio account. We accept that JSE Commodity Members may decide to charge their clients an additional admin fee for this service.

In order for clients to avoid this, we strongly encourage you to sign up with ESC and ensure your member has loaded your ESC client account number alongside your JSE client code. It is the member's responsibility to ensure the ESC account is linked to the various JSE client accounts held.

As an interim phase, the JSE will continue to accept paper silo receipts tendered in completion of a futures contract, but will request that Storage Operators as from 1 December 2016 to refrain from issuing paper receipts. The JSE will also withdraw all blank paper receipts held at storage operators to ensure we adopt a paper free delivery model.

Depending on the amount of paper receipts still in circulation, the JSE ideally would want to move to a fully electronic receipt delivery model as from 1 May 2017, however this will depend on the quantum of paper receipts still in circulation closer to the time. The JSE will therefore only commit this final date closer to this date.

We trust as a Commodities Member and Market Participant, you will embrace this change with as much enthusiasm and vigor as we move the South African grain market away from the paper silo receipt model.

Participants will also be aware we relying on the same service provider and technology as we roll out derivative contracts to the Zambian market.

Please could market participants consider this change, and if there are any remaining concerns or reservations please communicate this in writing to me before 30 November 2016 via [commodities@jse.co.za](mailto:commodities@jse.co.za).

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