

MARKET NOTICE

Johannesburg
Stock Exchange

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www.jse.co.za

Number: 783/2015
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 11 December 2015

SUBJECT: INTRODUCTION OF A PALLADIUM FUTURES AND OPTIONS CONTRACT

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Designation: Director: Commodities & Key Client Management

Following a request from the market, a cash-settled Palladium Futures and Options contract under license from the CME Group will be listed for trading on Monday, 14 December 2015. This will be in addition to the palladium quanto with Rand Merchant Bank agreed to act as the initial market maker. The JSE is in discussions with a second market maker to add additional pricing to the contract.

Insofar as any contractual provision set out below is inconsistent with the rules and regulations (“Rules”) of the JSE Limited (“JSE”), the Rules will prevail unless the JSE expressly permits the Parties to give effect to their contractual provision. Below are the specifications.

Contract Specifications – Futures

FUTURES CONTRACT	PALLADIUM
Trading system code	PALL
Trading hours	08h30 to 17h00 South African time. Admin period from 17h00 to 17h15. (Monday to Friday except South African National Holidays)
Underlying instrument	A palladium futures contract meeting all specifications as listed and traded on NYMEX, a subsidiary of the CME Group Inc. The JSE reserves the right to amend the contract specifications including settlement

	methodology should this be amended by the reference exchange.										
Contract months	March, June, September and December.										
Contract size	1 contract = 10 troy ounces										
Quotations	In South African Rand per troy ounce.										
Minimum price movement	1.00 ZAR per ounce										
Listing programme	Ensure a minimum of two expiries are always available for trade.										
Expiry dates & times (see the product trading calendar on the web page www.jse.co.za/commodities for the detailed trading calendar)	<p>Expiry dates will mirror the JSE currency futures contract. In terms of the CME expiry months referenced for market making purposes, the following will be used:</p> <table border="1"> <thead> <tr> <th>JSE Expiry</th> <th>Palladium Reference</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>June</td> </tr> <tr> <td>Jun</td> <td>Sep</td> </tr> <tr> <td>Sep</td> <td>Dec</td> </tr> <tr> <td>Dec</td> <td>Mar</td> </tr> </tbody> </table>	JSE Expiry	Palladium Reference	Mar	June	Jun	Sep	Sep	Dec	Dec	Mar
JSE Expiry	Palladium Reference										
Mar	June										
Jun	Sep										
Sep	Dec										
Dec	Mar										
Determination of final cash settlement value	<p>The final settlement price for cash settlement of the contract will require two components, a CME Group settlement value and a Dollar Rand exchange rate.</p> <p>The CME Group settlement value will refer to an average of 15 iterations referencing trades in the underlying derivative contract, taken every 1 minute for a period of 15 minutes ending 10h00 New York time (SA Summer: 16h46 – 17h00 and SA Winter: 15h46 – 16h00) on the business day aligned to the currency futures expiry date.</p> <p>The Dollar Rand exchange rate required to determine the final settlement price in South African Rands will be the same rate as calculated for the applicable currency futures contract, namely: a 5 minute process with iterations recorded every 30 seconds where the last spot trade within the 30 second interval will be recorded and then averaged over the 5 minute period. The close out process will run from 09h55 to 10h00 New York time. The expiry day will be two business days prior to the 3rd Wednesday of the expiry month (or the previous business day if that day is a public holiday).</p> <p>The two variables are calculated to 4 decimals and rounded off to 2 decimals for the final Rand settlement value.</p>										

	<p>The final calculated Rand settlement value will be published via the trading system (NUTRON) and included in the end of day settlement prices <u>on expiry day</u>.</p> <p>In the event that any of the reference markets are not available to determine the final settlement value, the JSE will consider all relevant facts, information and circumstances to determine the final cash settlement value in order to ensure that it reflects a fair market value.</p>																					
Settlement method	Cash settled in South African Rands (ZAR).																					
Initial margin requirements	<p>As per the JSE margining methodology, for the latest initial margin requirements per contract please visit the products page on the web: https://www.jse.co.za/downloadable-files?RequestNode=/Safex/APD%20Margin%20Requirements</p> <p>On original listing, the details will be:</p> <table border="1"> <thead> <tr> <th>ShortName</th> <th>ExpiryDate</th> <th>IMR</th> <th>*IMR %</th> <th>CSMR</th> <th>VSR</th> <th>SSMR</th> </tr> </thead> <tbody> <tr> <td>PALL</td> <td>Mar-2016</td> <td>10 640</td> <td>12.44%</td> <td>3 000</td> <td>3.5</td> <td>-</td> </tr> <tr> <td>PALL</td> <td>Jun-2016</td> <td>10 820</td> <td>12.44%</td> <td>3 000</td> <td>3.5</td> <td>-</td> </tr> </tbody> </table>	ShortName	ExpiryDate	IMR	*IMR %	CSMR	VSR	SSMR	PALL	Mar-2016	10 640	12.44%	3 000	3.5	-	PALL	Jun-2016	10 820	12.44%	3 000	3.5	-
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Daily mark-to-market	As determined by the JSE, a snapshot from trading activity in the last 5 minutes will be considered for the daily m-t-m.																					
Exchange fees (incl. VAT)	R13.00/contract																					
Daily price limits	No price limits will be applicable																					
Position limits	No position limits in South Africa however the JSE reserves the right to implement such.																					
Volatility scanning range	3.5																					
Qualifying audience allowed to participate	<ul style="list-style-type: none"> • Individuals and Foreigners have no limits. • Corporate entities have no limits. • Retirement funds and long term insurance companies subject to their 25% foreign allocation limits. • Investment managers and registered collective investment schemes subject to their 35% foreign allocation limits. 																					
Trade types accommodated	All trading activity (bids and offers) must be entered onto the central order book during trading hours however the JSE will accommodate the following report only trade types provided they meet the existing criteria:																					

- Exchange for Risk (EFR's).
- Net-off of positions applicable to the same legal entity.

The JSE will accept transactions specific to the contract outside of the standard trading hours as agreed between registered counterparties. A minimum contract volume of 30 contracts will be required in order for this transaction to be processed. These transactions must be reported to the JSE before 07h30 the following morning and must be market related – the transactions will then be entered into the order book by the JSE before market opens.

CONTRACT SPECIFICATIONS – OPTIONS

OPTIONS CONTRACT	PALLADIUM
Trading system code	PALL
Trading hours	08h30 to 17h00 South African time. Admin period from 17h00 to 17h15. (Monday to Friday except South African National Holidays)
Underlying instrument	A JSE Palladium futures contract
Options Type	American style options
Contract size	One contract = 10 troy ounces
Contract months	March, June, September and December
Price Quotation	Options will be quoted in Rands (ZAR) per contract
Strike price intervals	R100.00 per ounce strike price intervals.
Expiration of trading	Options will expire on the same day as the listed futures contract and reference the published closing price in order to determine if the option strike is in the money.
Exercise Criteria	Options are American style with the long position holder able to exercise the option position at any time during trading hours up to and including the expiration date. All in

	the money options will be automatically exercised by the JSE at expiration.
Daily Mark-to-market	The JSE will determine the daily m-t-m in accordance with the defined processes. The JSE reserves the right to introduce a volatility surface.
Settlement Method	Cash settled in South African Rand (ZAR).
Exchange Fees	R8.00 per contract (incl Vat), all options exercised into futures will not be charged a JSE fee, if exercised early the trades should not be included in any post trade activity to realise this benefit.
Qualifying audience allowed to participate	<ul style="list-style-type: none"> • Individuals and Foreigners have no limits. • Corporate entities have no limits. • Retirement funds and long term insurance companies subject to their 25% foreign allocation limits. • Investment managers and registered collective investment schemes subject to their 35% foreign allocation limits.
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The contracts are visible on the NUTRON front end under Global Market and therefore accessible to both Commodity and Equity Derivative Members.

Should you have any queries regarding this notice, please contact commodities@jse.co.za

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