Trading of basis premiums via SAFEX silo receipts
a. Diagram of the process flow.................................................................page 2
b. Access control and managing exposure per order...............................page 3
c. Loading a Safex silo receipt in order to offer basis premiums..............page 4
d. Add the spot basis view on the Agris trading menu............................page 5
e. Launching the Spot basis contracts trading window.........................page 6
f. Placing an Offer on the back of safex silo receipts marked “Ready for delivery”.................page 7
g. Place a Bid...............................................................................................page 9
h. Basis market remains anonymous however with a view to the market depth per registered delivery point..........................................................page 9
i. Matching of spot basis trades can be achieved in the following manner........page 10
j. To set up Spot basis defaults .................................................................page 10
k. To counter offer the bid...........................................................................page 11
l. The following matching rules are applicable when using the must counter offer functionality..............page 11
m. Should there be no perfect match..........................................................page 11
n. Exchange for physicals (EFP’s)...............................................................page 11
o. Allocation of remaining offers flagged “must deliver” with the remaining bids..............page 12
p. Random allocation..................................................................................page 12
q. The following APD Spot Basis views are available as indicated below...............page 12
r. Prior to last trading day............................................................................page 15
s. On last trading day..................................................................................page 16
t. After last trading day..............................................................................page 16
u. Trading overlapping expiry months.......................................................page 16
Key word glossary.....................................................................................page 17 & 18
Trading of basis premiums via SAFEX silo receipts

The trading of basis premiums affords market participants the opportunity to trade grain at a registered delivery point as represented by the Safex Silo Receipt. Basis premiums can be defined as the negotiated value for an approved silo that a willing buyer willing seller is prepared to transact at due to the positioning of the delivery point and access to the physical grain as represented by a Safex silo receipt. The premium will be quoted in rand per ton over and above the futures price less location differential (where applicable. This will provide price discovery in terms of spot basis premiums and transparency for the entire grains market to benefit from.

a. Diagram of the process flow
b. Access control and managing exposure per order

Access control Spot basis tab allows clearing members and master dealers to limit execution risk on the buy and sell side on instrument level. The limit value is calculated as follow: 

\[ ((\text{MTM} - \text{Differentials}) + \text{Premium}) \times \text{Number of Tons} \]
c. **Loading a Safex silo receipt in order to offer basis premiums**

1. Click Agri View
2. Click APD View Silo certificates

3. Click Add

Fill in the required information as printed on the Safex silo receipt. For re-deliveries (SAFEX certificates that have been delivered through the exchange) the Date issued and Original Depositor are no longer mandatory fields with the information completed from the JSE database.
4. Click OK

5. Alternately, use the Upload XLS to upload silo certificates
   Capture the required information as indicated on the upload spread sheet found on the following link:
   http://www.jse.co.za/Libraries/SAFEX_AP_-_Physical_Delivery_information_-_Delivery_Notice_Templates/SiloCertificatesUpload_02.sflb.ashx

6. Click UploadXls

7. Click submit to upload silo certificates

8. Double click on the certificate entry to highlight. Click verify button. The status column changes from
   Not verified to Verified if the certificate is a paper certificate the exchange marks the certificate
   “Ready for delivery”. If the certificate is an electronic certificate the status changes to “Ready for
   delivery” provided the information matches with the ESC database.

9. Click download, the status column changes to Ready for Delivery

d. Add the spot basis view on the Agris trading menu

   1. Click config
   2. Click add trading windows
   3. Select Agricultural_Products_Market on Markets
   4. Select Spot_Basis_Contracts and New Window
   5. Click OK
e. Launching the Spot basis contracts trading window

1. Click on Agris trading

2. Click on spot basis contracts

3. Right click on the spot basis trading window click Add/Delete Contracts

4. Select products and silo owner and click ok
**f. Placing an Offer on the back of safex silo receipts marked “Ready for delivery”**

1. Click on the offer column of the Spot Basis Contracts trading screen alternatively on the offer column of the Depth window for the offer window to launch. The offer window starts out blank with no order types until a receipt is selected.

![Make Spot Basis Offer](image1.png)

2. Click on Select Receipt to launch the Select a receipt window.

![Select a receipt](image2.png)

a. The tonnage column refers to the silo certificates tonnages

b. The remaining quantity refers to the number of contracts (futures contract standard size) that has not matched or has not been sold
3. User may click on the filter button to filter certificates based on the filter criteria indicated below in the filter window.

4. Double click to select the certificate marked ready for delivery. The details of the selected receipt populate on the offer window.
5. Click “Good till date” to keep the order in the system up to and including the selected date should the offer not match. The good till date /hold over order will be resubmitted automatically upon market start up to and including the good till date.

6. Click “Must deliver” to process the physical delivery on the same day and therefore not dependant on a willing buyer at the suggest basis premium.
   a. If the order is not matched before the close of basis trading then before randomly allocating to existing long position holders, the system will try match the offer with the best possible basis bid still available at the close.
   b. Qty field is quoted in number of contracts
   c. Premium quoted in rands/ton

7. Click Enter to add certificates in the order list box and delete to remove added certificates on the orderbox before clicking ok to place the bid

8. Users may offer silo certificates (tonnages) fully or partially

**g. Place a Bid**

1. Click on the Bid column of the Spot Basis Contracts trading screen alternatively on the Bid column of the Depth window for the Bid window to lauch.
2. Select interested criteria ie: product, location, qty, premium etc
3. Click ok to place a Bid

**h. Basis market remains anonymous however with a view to the market depth per registered delivery point.**

1. Right click on the location, click Depth and Basic to launch the depth window.
   a. The All or nothing Depth is reserved for future use and will not be available on go live.
i. Matching of spot basis trades can be achieved in the following manner:

1. Order Matching for basis market
   a. The standard price/time algorithm is applicable

2. Functionality exists for quick execution of an existing bid, users must enable the Must counter offer bid orders on Spot Basis Defaults tab under user configuration.
   a. Must counter offer bid orders is only applicable where the user has one or multiple silo certificates marked as ready for delivery which match the bid

j. To set up Spot basis defaults

1. Click Config
2. Click User Configuration
3. Click on the Spot Basis Defaults
4. Change the defaults
   a. Default business days still good – for default good till date
   b. Default Offer premium, to protect users offering stock at zero basis premium users can configure a default basis premium as a safety measure eg R20/ton which means all stock offered will first default to the configured number.
5. Click Ok
k. To counter offer the bid

1. Click on the offer cell of the desired bid on the spot basis trading window to launch the offer screen.
2. Click OK to match the bid

l. The following matching rules are applicable when using the must counter offer functionality

1. Perfect match (a silo certificate marked ready for delivery that has a remaining quantity which perfectly matches the bid)
   a. If there are multiple certificates for clients and member that meet the perfect match criteria, the clients certificates will match first followed by the member certificates

m. Should there be no perfect match

1. The silo certificate with the largest remaining quantity will match
   a. If there are multiple certificates that meet the criteria loaded on the member code and client code, the clients certificates will match first followed by the member certificates

Understanding the physical delivery alternatives in terms of delivering grain in completion of a futures contract

n. Exchange for physicals (EFP’s)

Exchange for physicals will only be processed upon receiving instruction from members and will be processed by the exchange for its members and clients.
o. Allocation of remaining offers flagged “must deliver” with the remaining bids
   a. Remaining offers marked as ‘must deliver’ will be matched with the best possible remaining bids on screen when basis trading market closes at 14h15 using the price time priority matching algorithm. It is important to note that for a “must deliver” notice to be processed the necessary short position must exist for the full amount, failing which users should call the exchange and request certificates to be split. If there is only a partial position, the entire delivery is rejected. Although if a ‘must deliver’ offer is in excess of the existing short positions and the excess positions/tons are filled either by matching on screen or matching of remaining Bids, the cert will be split and the remaining tonnages either equal to the existing or less than the existing short position will be randomly allocated.

p. Random allocation
   a. Should there be no existing bids the remaining offers flagged as “must deliver” will be randomly allocated to long position holders as per the published algorithm
   b. When a member flags an order as a “must deliver” order type and the order is not matched during spot basis trading and there is no open interest on the futures contract the order will not be considered on the day

Understanding the available deal management functionality for basis premium trading

q. The following APD Spot Basis views are available as indicated below:

1. Active orders window, displays the users active orders on the day and hold over orders.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Qty</th>
<th>Product</th>
<th>Silk Name</th>
<th>Silk Location</th>
<th>Grade</th>
<th>Grade Of Raw</th>
<th>Quantity</th>
<th>Sand No.</th>
<th>Sand No. 2</th>
<th>Raw</th>
<th>Material Code</th>
<th>Driller</th>
<th>Member</th>
<th>Time</th>
<th>Cancelled To</th>
<th>SeqNo.</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>65075</td>
<td>1</td>
<td>VMAZ</td>
<td>SwK</td>
<td>Mailan</td>
<td>2k</td>
<td>2/0</td>
<td>00000000</td>
<td>00000000</td>
<td>00000000</td>
<td>040002</td>
<td>010002</td>
<td>SAFM</td>
<td>16:56:17</td>
<td>No</td>
<td>400000047 P</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Suspended order window displays the spot basis suspended orders

3. Completed orders, displays the users spot basis completed orders and the matching premium

4. Trades window, displays all matched spot basis trades. Deal management can be done on this window. Users can DIV,Assign out long positions ONLY and trade correct spot basis deals. Please note that the system does not allow the user to take a turn on spot basis deals or add multiple deals

5. Unmatched trades views is available to accept assigned trades (again these can only be long positions)

a. To Edit the price, click edit.

b. Type the price Ref on Premium field and click Ok

c. Highlight the unmatched trade by double clicking and click accept
6. Spot positions view

   i. On **buy side**, will provide a total of all positions bought per silo together with a confirmation of the remaining bids in the system

   ii. On the **sell side**, provides confirmation of contracts sold on the day, the remaining offers still in the system AND also a view of the stock still available to offer (marked ready for delivery however as yet not offered to the market)

7. Post delivery trades

   Populates spot basis deals for the day. Contains the same information as the delivery and assignment notice. Assignments indicated as a buy and deliveries as sell.
Position management combining futures and basis premium trades

r. Prior to last trading day

1. Where users have existing long or short futures positions and bid or offer stock
   a. Delivery deals which close the existing future will be created on the futures deal file (as per the current functionality)

2. In the case where the user does not have a futures position and offers or bids stock and is successful, a short future position in the case of a successful offer or a long futures position including a corresponding short futures position in the case of a successful bid will be created at the mtm of the notice day in order to facilitate the delivery
   a. Where the user offers stock and they don’t have an existing short futures position 3 deals will be created on the APD View trades
      - Long futures position (Charge future fee)
      - Short futures positions (Zero fees)
      - Delivery deal to close the short futures position
   On the Spot basis trades view the system create 1 spot basis trade
   - On screen deal / Report Only in the case of an EFP (This is where the delivery fees will be charged)

The user will end up with a long position which they can trade out of in the market during the next futures trading session or alternatively receive physical delivery from.
This will work exactly the same way where the user bids for stock with no existing long future positions. The difference will be that the user ends up with a short futures position which they can trade out of the future in the market or tender delivery on the short futures position.

s. **On last trading day**

1. The system will still allow users with no existing futures position to bid or offer stock in the market and the relevant positions will be created as indicated above.
2. Auto close out of all future position on the delivery month will take place on last trading day

**t. **After last trading day

1. Users with existing short positions will be required to complete all their deliveries for the spot delivery month before or on last notice day. All offers of existing spot month short position holders will not shown on the spot basis screen and will be randomly allocated to the existing spot long positions holders at a zero premium. In essence the basis premium functionality will not be available to position holders after last trading day.
2. Members with remaining short positions on the spot month will not be allowed to delete their offers after last trading day until such a time where all short positions have been delivered
3. Once a member has delivered against all their remaining spot month positions, their orders proceeding the completion of the remaining spot positions will show on screen and will be processed on the next near month at the next near month's futures MTM

**u. Trading overlapping expiry months**

1. Spot basis trading continues to be available after last trading day. Any orders matching after last trading day will be processed on the next near futures expiry month referencing the next near futures MTM price and should equal and opposite futures positions be required to facilitate the delivery the futures position will be created in this same next near expiry month.
### Key word glossary

<table>
<thead>
<tr>
<th>Column Name</th>
<th>Screens</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated Time</td>
<td>Trades Screen</td>
<td>The <strong>Allocated Time</strong> field shows the time the trade was allocated.</td>
</tr>
<tr>
<td>Bought</td>
<td>Positions</td>
<td>Qty bought (number of contracts matched)</td>
</tr>
<tr>
<td>Buy/Sell</td>
<td>All</td>
<td>The <strong>Buy/Sell</strong> field indicates whether each order/trade is a buy or a sell.</td>
</tr>
<tr>
<td>Capacity</td>
<td></td>
<td>The <strong>Capacity</strong> shows whether each active order involves a principal – P or agent – A trade.</td>
</tr>
<tr>
<td>Cert Number</td>
<td>Silo Cert File, Select Receipt</td>
<td>The <strong>Cert Number</strong> field contains the certificate number of each silo certificate.</td>
</tr>
<tr>
<td>Closing Price</td>
<td>Post Delivery Trades</td>
<td>The <strong>Closing Price</strong> field contains the closing price of each future contract on its notice date.</td>
</tr>
<tr>
<td>Contract</td>
<td>Silo Cert File</td>
<td>The <strong>Contract</strong> field identifies the futures contract linked to each silo certificate.</td>
</tr>
<tr>
<td>Country of Origin</td>
<td>All</td>
<td>The Country where the delivered physical product originates</td>
</tr>
<tr>
<td>Dealer</td>
<td>All</td>
<td>The <strong>dealer</strong> control contains dealer codes who placed the trade/order.</td>
</tr>
<tr>
<td>Dealt Qty.</td>
<td>Completed orders</td>
<td>Matched quantity as oppose to order quantity</td>
</tr>
<tr>
<td>Dealt Time</td>
<td>Completed Orders</td>
<td>The <strong>Dealt Time</strong> field contains the time of the deal.</td>
</tr>
<tr>
<td>Delivery Notice Ref Number</td>
<td>Post Delivery Trades</td>
<td>Delivery Reference number</td>
</tr>
<tr>
<td>Electronic</td>
<td>Silo Cert File, Select Receipt</td>
<td>The <strong>Electronic</strong> field contains a ‘True’ or ‘False’ value that specifies whether each delivery is accompanied only by an electronic certificate or by a paper-based certificate.</td>
</tr>
<tr>
<td>Enter Time</td>
<td>Trades Screen</td>
<td>The <strong>Enter Time</strong> field displays the time the trade was entered.</td>
</tr>
<tr>
<td>Exchange Ref</td>
<td>Completed orders, trades Screen, Post Delivery Trades</td>
<td>The <strong>Exchange Ref</strong> field contains the exchange ref number allocated to the deal.</td>
</tr>
<tr>
<td>Fees</td>
<td>Post Delivery Trades</td>
<td>Delivery Fees</td>
</tr>
<tr>
<td>Grade</td>
<td>All</td>
<td>The <strong>Grade</strong> field identifies the crop grade for each silo certificate.</td>
</tr>
<tr>
<td>Grade Discount</td>
<td>Post Delivery Trades</td>
<td>The <strong>Grade Discount</strong> field contains the grade discount for each delivery certificate.</td>
</tr>
<tr>
<td>Issue Date</td>
<td>Silo Cert File, Select Receipt</td>
<td>The <strong>Issue Date</strong> field contains the date on which the silo certificate was issued.</td>
</tr>
<tr>
<td>Master Client</td>
<td>All</td>
<td>The <strong>Master client</strong> field contains a client code for each trade leg that you linked to a principal which is a client.</td>
</tr>
<tr>
<td>Member</td>
<td>All</td>
<td>The <strong>Member</strong> field identifies the member linked to each silo certificate.</td>
</tr>
<tr>
<td>Must Deliver Today</td>
<td>All</td>
<td>Click Must deliver to process the delivery on notice day</td>
</tr>
<tr>
<td>Order Premium</td>
<td>Completed Orders</td>
<td>Premium in rand per ton over the SAFEX derived price (reference point less location differential)</td>
</tr>
<tr>
<td>Order Qty.</td>
<td>Completed Orders</td>
<td>Quantity bid or offered in number of contracts</td>
</tr>
<tr>
<td>Order Time</td>
<td>Completed Orders</td>
<td>The <strong>Order Time</strong> field contains the time of the order.</td>
</tr>
<tr>
<td>Origin</td>
<td>Completed Orders</td>
<td>The <strong>origin</strong> field identifies the country of origin of the crop for each silo certificate.</td>
</tr>
<tr>
<td>Origin Discount</td>
<td>Post Delivery Trades</td>
<td>The <strong>Origin Discount</strong> field contains the origin discount for each delivery certificate.</td>
</tr>
<tr>
<td>Original Deposit</td>
<td>Silo Cert File, Select Receipt</td>
<td>The <strong>Original Deposit</strong> field contains the original depositor of each silo certificate.</td>
</tr>
<tr>
<td>Field</td>
<td>Type</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Prin</td>
<td>All</td>
<td>The <em>Prin</em> field contains the principal code for the trade.</td>
</tr>
<tr>
<td>Product</td>
<td>All</td>
<td>Underlying Commodity</td>
</tr>
<tr>
<td>Qty.</td>
<td>All</td>
<td>The <em>Qty.</em> field contains the quantity of each order/trade in number of contracts.</td>
</tr>
<tr>
<td>Quote at</td>
<td>All</td>
<td>The <em>Quote at</em> field contains the order premium</td>
</tr>
<tr>
<td>Remaining Bids</td>
<td>Positions</td>
<td>Remaining Bid orders</td>
</tr>
<tr>
<td>Remaining Offers</td>
<td>Positions</td>
<td>Offer orders that have not matched</td>
</tr>
<tr>
<td>Seq No</td>
<td></td>
<td>The <em>Seq No</em> field contains a sequence number that uniquely identifies each active order.</td>
</tr>
<tr>
<td>Silo Location</td>
<td>All</td>
<td>The <em>Silo Location</em> field identifies the physical location of the silo for each silo certificate.</td>
</tr>
<tr>
<td>Silo Location Discount</td>
<td>Post Delivery Trades</td>
<td>Location discounts</td>
</tr>
<tr>
<td>Silo Owner</td>
<td>All</td>
<td>The <em>Silo Owner</em> field identifies the silo owner</td>
</tr>
<tr>
<td>Silo Receipt Number</td>
<td>Post Delivery Trades, Silo Cert File</td>
<td>Silo certificate number</td>
</tr>
<tr>
<td>Sold</td>
<td>Positions</td>
<td>Qty Sold (number of contracts matched)</td>
</tr>
<tr>
<td>Status</td>
<td>Silo Cert File, Select Receipt</td>
<td>The <em>Status</em> field identifies the status of the silo certificate.</td>
</tr>
<tr>
<td>Stock Available to Offer</td>
<td>Positions</td>
<td>Total available qty not matched</td>
</tr>
<tr>
<td>Storage Paid</td>
<td>Silo Cert File, Select Receipt</td>
<td>The <em>Storage Paid</em> field contains each date up to which storage for each delivery has been paid.</td>
</tr>
<tr>
<td>Storage Rate</td>
<td>Post Delivery Trades</td>
<td>Product Storage rate</td>
</tr>
<tr>
<td>Time</td>
<td>All</td>
<td>The <em>Time</em> field specifies the time at which each trade was done.</td>
</tr>
<tr>
<td>Tonnage</td>
<td>Silo Cert File, Select Receipt</td>
<td>The <em>Tonnage</em> field contains the crop tonnage for each silo certificate.</td>
</tr>
<tr>
<td>Trade Date</td>
<td>Post Delivery Trades</td>
<td>Trade when the trade occurred</td>
</tr>
<tr>
<td>VAT</td>
<td>Post Delivery Trades</td>
<td>The <em>VAT</em> field contains the Value Added Tax that applies to each delivery certificate.</td>
</tr>
</tbody>
</table>