

ENERGY DERIVATIVES
Key Information Document (KID)

2018



PURPOSE

This document provides you with key information about the Energy Derivatives traded through the JSE Commodity Derivatives market. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

PRODUCT

Product name: Energy Derivatives

Manufacturer: JSE Limited

Website: <https://www.jse.co.za/trade/derivative-market/commodity-derivatives/energy-derivatives/>

Email: commodities@jse.co.za

Tel: 011 520 7122

WHAT IS THIS PRODUCT?

Type: Energy Derivatives

Products Offered: WTIO Crude Oil, Brent Crude Oil and Diesel

Product overview: Energy Derivatives futures and option contracts that give investors exposure to the international price of Crude oil and Diesel. The underlying Commodity is listed and traded on the New York Mercantile Exchange (NYMEX), a subsidiary of the CME Group. These products serve as a key international pricing benchmark and can be used as an effective hedging tool to manage local users' price risk. Contracts are settled in Rands and can easily be accessed through JSE Commodity Derivatives Members.

Intended User: The products are primarily used by hedgers to mitigate the local price risk of crude oil and diesel. Typically, consumers and producers manage the price risk by buying and selling these contracts. Energy Futures and Options are also traded by speculators, who assume the price risk that hedgers try to avoid in return for a chance to profit from favourable price movement.

WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?

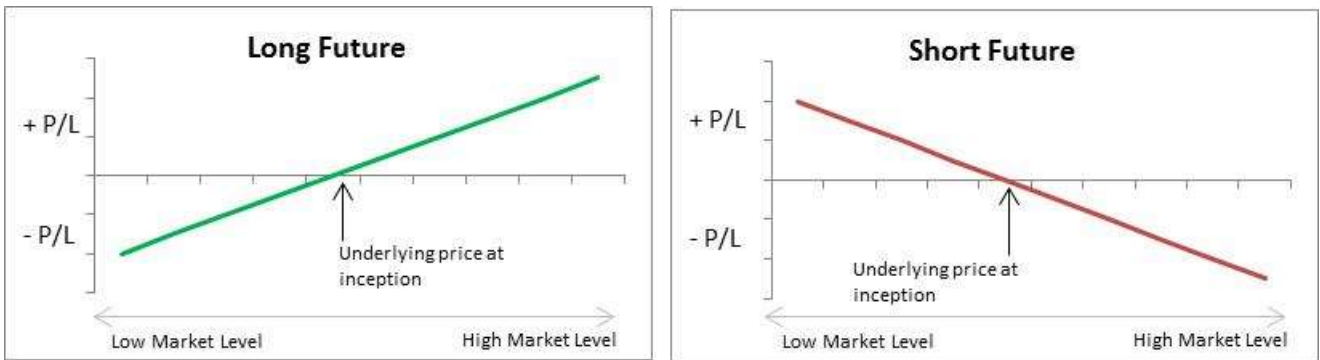
- Easily accessible with a contract traded in Rands
- Enable identification of short- and long-term price and volatility patterns.
- Energy products are highly volatile and sensitive to socio-economic and political factors, which makes investing riskier than many other investments.
- Play an important role in managing risk in the global energy sector because they have the most liquidity, most customers and most transparency

However, an investor should also be cognisant of the fact that trading Energy Derivatives could result in the investor making a loss that exceeds their initial investment.



Performance Scenarios:

These graphs illustrate how your investment could perform. The horizontal axis shows the range of possible prices of the underlying commodity on the expiry date and the vertical axis shows the profit or loss of the contract.



A Buyer enters into a long position on the future in expectation of a rising market. As the market level closes on expiry, the P/L is represented by the position of the green line at that market level. A Seller enters into a short position on the future in expectation of a falling market. As the market level closes on expiry, the P/L is represented by the position of brown line at that market level. The profit or loss is calculated by taking the closing value of the contract and subtracting the initial value of the contract at initiation of the transaction. If the result is positive, the buyer makes a profit and if it is negative, the seller makes a profit.

WHAT HAPPENS IF THE PRIIP MANUFACTURER IS UNABLE TO PAY?

JSE Clear (formerly known as Safcom), a wholly owned subsidiary of the JSE, is the clearing house for all Exchange-Traded Derivatives in South Africa. In this capacity, JSE Clear novates all matched trades transacted through the JSE. JSE Clear has a number of clearing members, who clear for its members, through which clients’ trade. Each member is responsible for its client’s losses (if a client defaults); just as each clearing member is responsible for the losses of the members for which it clears, should those members default. If a client (or trading member) cannot make good on its obligations, the trading member (or clearing member) will stand good for those obligations. JSE Clear, therefore, ultimately protects against the risk that one of the clearing members possibly default on their obligations.

For further information on the mechanisms that JSE clear employs , please refer to the following website: <https://www.jse.co.za/services/post-trade-services/risk-management/derivative-market>

WHAT ARE THE COSTS?

The following transaction fees would be applicable:

On Screen and Reported Trade

CDM Product	Contract Code	Future Fee	Options Fee
WTI Crude Oil	WTIO	R10/contract	R6/contract
Brent Crude Oil	BRNT	R10/contract	R6/contract

DSEL Sliding Scale Fees

On Screen Trades		
Contract Ranges	Fee/Contract (Incl. VAT)	Fee/Contract (Ex VAT)
100 and greater	R 5.00	R 4.39
80 - 99	R 6.00	R 5.26
60 - 79	R 7.00	R 6.14
40 - 59	R 8.00	R 7.02
20 - 39	R 9.00	R 7.89
1 - 19	R 10.00	R 8.77

HOW LONG SHOULD I HAVE AN OPEN POSITION AND CAN I CLOSE IT BEFORE EXPIRY?

There is no recommended holding period for these products. The optimal holding period depends upon the investor's individual strategy and risk profile. A derivative position can be traded and closed out on any trading day until expiration date. In particular, a long position can be closed by entering a sell order in the market on any day up to and including the expiration date of the contract, and a short position can be closed by entering a buy order in the market on any day up to and including the expiration date of the contract. An investor should contact a broker who will be able to provide a recommendation.

HOW TO GET ENERGY FUTURES AND OPTIONS

To access the products, register as a client with an authorised JSE member firm, deposit the required initial margin and sell or buy according to your needs.

QUALIFYING FACTORS

- No limits apply to individuals, foreigners or corporate entities
- Pension funds and long term insurance companies subject to their 25% foreign allocation limits
- Asset managers and registered collective investment schemes subject to their 35% foreign allocation limits

HOW CAN I COMPLAIN?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship or directly to the Financial Services Board (FSB) at 012 428 8000. Furthermore, the retail investor can address complaints to the JSE at info@jse.co.za