

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 14 June 2017
Time: 15h00
Venue: Serengeti Meeting Room

Present:	Dr. R Karuaihe	- Chairman
	Mr. C Sturgess	- JSE Capital Markets
	Mr. R Heine	- RMB representing Clearing Members
	Ms. D. Nemer	- JSE Director: Capital Markets
	Mr. P Faure	- CJS Securities
	Mr. W Martens	- CJS Securities
	Mr. W Lambrechts	- Vanguard Derivatives
	Ms. M Purnell	- Agbiz Grain
	Mr. D Strydom	- GrainSA
	Mr. C. Joubert	- NAMC
	Mr. P Jackson	- Representing National Chamber of Milling
	Dr. K Keyser	- Brisen representing SACOTA
	Mr. Z de Jager	- Representing Farmwise
	Mr. J du Toit	- RMB
	Mr. A Van Den Berg	- RMB
	Mr. R Jansen van Vuuren	- RMD
	Mr. J Theron	- Polarstar Fund Management
	Mr. D Mathews	- Private Producer
	Mr. J Shayi	- JSE Surveillance
	Mr. M. Randall	- JSE Valuations
Ms. A Matutu	- JSE Capital Markets	
Mr. V Mpumza	- JSE Capital Markets	
Apologies:	Mr. AR Moosa	- SAOPA
	Mr. P Lovelace	- CEOCO/SAOPA
	Mr. L Joseph	- Cargill
	Mr. T Jacobsz	- Farmwise
	Mr. C Schoonwinkel	- GrainSA
	Mr. H Mulder	- RMD
	Mr. P Mphanama	- FSB

WELCOME:

Dr. Karuaihe welcomed all attendees and thanked them for their participation. He further extended a warm welcome to Mr. E Feldman from Applied Derivatives who was attending the meeting as a guest.

1 CONFIRMATION OF MINUTES:

The Minutes of the previous meeting were accepted and approved with no changes.

2 ANNOUNCEMENT

The chairman invited Mr. Chris Sturgess to make an announcement. Mr. Sturgess in turn informed the meeting that, after 20 years in the employ of the JSE, he had decided to step aside from formal employment, effective 01 July 2017. He will however continue to consult to the JSE for one year. Mr Sturgess thanked all members present for their contribution and support throughout the years.

Committee members took turns to thank Chris for his contribution to the agricultural industry in South Africa.

3 MATTERS ARISING FROM PREVIOUS MEETINGS:

3.1 Update on the “commitment of traders” reporting and feedback from JSE

Mr. Sturgess reported that, after consultation with JSE Legal team, the JSE has carefully considered the options at its disposal and concluded as follows:

- The JSE, as regulator of its exchange, is not in a position to list market participants in categories based on the underlying intention of market participants that conclude transactions on its exchange.
- The JSE derives its regulatory powers from the provisions of the Financial Markets Act and this statute does not require that the JSE classifies market participants in any manner whatsoever.
- The JSE will in any event not be able to ensure that the classification of market participants is factually accurate and correct. This in turn will expose the JSE to reputational and other risks if it incorrectly reports or captures the classification of market participants.
- The JSE is obliged to ensure a fair and orderly market in the securities listed on its exchange and the real uncontrollable risk of publishing incorrect information of open interest per client category would jeopardise the integrity of the JSE’s markets.
- In these circumstances the JSE is not able to accede to the request.

The Committee acknowledged the comments. However, the National Chamber of Milling and Grain SA expressed their disappointment and objected the decision taken by the JSE. They intend on taking this further with the Financial Services Board.

3.2 New Wheat Grade Discounts Methodology

Dr. Karuaihe made reference to market notice 220/2017 distributed a week earlier prior to the meeting. He indicated that the market notice was to confirm the JSE will adopt the new methodology going into the new season. He gave a concise background of how the process will work and the Committee took note.

Mr. Sturgess added that the JSE is still in consultation with US Information Service to see if the JSE can utilize the information published as an adjustment factor for the new season. The Committee appreciated the decision taken by the JSE to adopt the new methodology and advised the JSE to rather stick with this new process for a longer time period before considering any new changes.

3.3 Update by JSE to create a transparent platform to display out loading constraints

Dr. Karuaihe reported that the team is working really hard with IT to create a platform, where problematic outloading issues are flagged on web based portal. However, with JSE system upgrades and migration to new systems this has rather impacted the implementation of the portal. So, in the meantime the JSE has created an excel spreadsheet where storage operators can simply indicate any out loading constraints. The process will be manually driven, where the JSE will post any out loading constraints onto JSE website.

A question was raised; can silo operators change/extend date of out loading constraints? Dr. Karuaihe responded in the affirmative. Then, another question was raised, what happens to someone who knows what is happening and does not report it? Dr. Karuaihe reported that anyone can report an arising issue with the JSE or Agbiz.

This was acknowledged by the Committee. The JSE will circulate a market notice to the wider market for comments concerning the spreadsheet in relation to out loading constraints.

4 **TRADING AND SETTLEMENT ITEMS:**

4.1 Proposed changes to Position Limits

Mr. Sturgess updated the committee members of proposal changes to position limits on WMAZ and SUNS. Currently, position limits are only applicable to WMAZ and SUNS. The JSE intends on increasing the WMAZ speculative position limits in line with the expected larger crop. The intention is to move spot month to 1000 contracts, which represents 1% of the anticipated crop. Then, move the single month to 3% and all combined months to 5%. Mr. Sturgess asked the committee members for any comments.

Mr. du Toit raised a question if this change will be dynamic as the seasons change. Mr Sturgess said once this is adopted, the plan is to use it for two to three seasons.

Then, after several discussions on the spot month position limit, there was consensus that the JSE proceed with the futures and further investigate the spot month limit. The JSE will contact CBOT to try and solicit the rationale behind keeping their spot month limit at 300 contracts.

4.2 Initial Margins - update on recent changes

Mr. Sturgess reported that the JSE Risk team has done some great work in reducing calendar spread margin for White/Yellow Maize. He further added that the Commodities team continues to work with the Risk team to try and align margins to the cost of carry. This was acknowledged and noted by the Committee.

Mr. Martens raised a question as to whom can be contacted at the JSE regarding margins/or margin calculations. Mr. Sturgess highlighted that the JSE Risk team is always available to assist regarding risk methodology or how risk margins are calculated. The team can be reached at Risk@jse.co.za

4.3 Feedback on recent Operational Issues

MTM

Mr. Randall updated committee members of the new MTM process that was implemented but also indicated that there were some challenges that were experienced. Mr. Randall sincerely apologised for any inconveniences caused by the new MTM process and re-assured the committee members his team is working hard to prevent such issues from reoccurring. This was acknowledged by the Committee.

There was positive feedback from the Committee members on the new futures MTM methodology. Mr du Toit raised a concern on how the SUNS and SOYA spreads are marked to the market. Mr Sturgess thanked Mr du Toit for raising the issue and Valuations team will look into it.

DOTs, SOTs and Zero Fees

Mr. Lambrechts reported clients feel that the market is abusing the system of DOTs and SOTs. Mr Lambrechts stated that the announcements are published late by the JSE and feels that these are booked late as well. Further added that Zero fees are incorrectly captured and asked what the JSE is doing. Mr Sturgess reported that DOTs and SOTs are captured the moment they are received, however the reason behind late market announcements is that the CDM trading team has to manually type the announcement before publishing.

Despite the current issues raised by Mr Lambrechts, Mr Sturgess assured the committee members that all the DOTs and SOTs are captured on time.

5 GENERAL:

5.1 Nampo feedback

Dr. Karuaihe reported that the JSE had another good Nampo experience from the week of 16-19 May 2017. Dr. Karuaihe invited Committee members who had attended to provide any comments they may have about Nampo.

Mr. Sturgess reported that the JSE experienced a good turnout and there was a lot of interest in the JSE Livestock products. Mr. Mathews further added that the presence of the JSE is duly appreciated by the farmers at Nampo.

5.2 Zambian Grains

Mr. Sturgess reported that the JSE met with two Clearing Banks namely ABSA and Standard Bank who have been working with the JSE on the Zambian Grains. Mr. Sturgess updated the Committee members that the Clearers still see value in the Zambian contracts.

Although the Clearers remain committed in opening the Dollar accounts, it still remains a lengthy process. Thus the Clearing members put forward a suggestion in trying to expedite the roll out of these contracts:

- Consider trading the contract in Rand and put alongside a currency future for the Zambian participants which will try giving them a quicker access to a hedging instrument. The idea is to be traded and settled in Rand although delivery will be around Lusaka. The currency will help anyone trying to manage Kwacha/Dollar risk; or
- Operate a domestic account, where the clients would pay in Dollars/Kwacha in Lusaka and Stanbic or Barclays then in turn pay over to their SA clearing counterparts. Then, the Clearing member will do the Rand settlement. This will enable Zambian clients to open up a Rand account to participate.

The idea has been shared with Zambian contacts and the feedback received is that they still keen to access a hedging instrument. They did raise concern about the volatility of the ZAR and indicated they would prefer to trade and settle in USD however if an initial contract was to be traded and settled in Rand it was only to assist to finally get trading underway.

Mr. Sturgess asked the Committee members for any thoughts or ideas on the suggestions put forward. Ms. Nemer suggested this to be taken as a temporary arrangement. Reason being, the JSE has approached National Treasury (NT) and SARB on the prospect of doing other foreign currency listings. Ms. Nemer further added that NT and SARB have been very clear that they want the JSE to use this as a test case and see how it goes.

Mr. Sturgess thanked Ms Nemer for her views and supported it. Going forward, the JSE will certainly push for the USD trading and settlement to be implemented.

5.3 Additional Spire Awards

Mr. Sturgess reported that the JSE canvassed this at the previous meeting held on 23rd March 2017. The idea was to get additional categories and seemingly spire awards are getting closer. The JSE is doing final reach out to Committee members to share any ideas and let JSE know as soon as possible.

6 NEXT MEETING:

The next meeting is scheduled for 31 August 2017.

Dr. Karuaihe thanked the committee for their input and called the meeting to a close.