

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 20 November 2019
Time: 13h15
Venue: Ubuntu Conference Room

Present:

Dr. R Karuaihe	- Chairman
Dr. D Strydom	- GrainSA
Mr. L van der Walt	- GrainSA
Mr. C Schoonwinkel	- GrainSA
Dr. K Keyser	- Brisen/AFMA
Mr. W Martens	- CJS Securities
Mr. P Faure	- CJS Securities
Mr. T Jacobsz	- Farmwise
Mr. P Lovelace	- SAOPA/CEOCO
Mr. B de Klerk	- Agbiz Grain
Mr. C Joubert	- NAMC
Mr. J du Toit	- RMB
Mr. H Mulder	- RMD
Mr. S Janse van Rensburg	- BSEC
Mr. R Olwagen	- BVG Commodities
Mr. D Dannhauser	- Representing NCM
Mr. L Sewpersadh	- BVG Commodities
Mr. P Mphanama	- JSE Post Trade
Mr. J Shayi	- JSE Market Regulation
Dr. K Muganiwa	- JSE Market Regulation
Mr. B Sibanda	- JSE Valuations
Mr. N Moloto	- JSE Valuations
Ms. Z Dastile	- JSE Capital Markets
Ms. A Matutu	- JSE Capital Markets
Mr. V Mpumza	- JSE Capital Markets

Apologies:

Ms. M Purnell	- Agbiz Grain
Ms. V Reddy	- Acting Director Capital Markets
Mr. P Jackson	- NCM/RCL Foods
Mr. M Riba	- JSE Valuations
Mr. F Bartsch	- GWK

WELCOME:

Dr Karuaihe welcomed all attendees and thanked them for their participation.

1 CONFIRMATION OF MINUTES:

The Minutes of the previous meeting were accepted and approved.

2 MATTERS ARISING FROM PREVIOUS MEETINGS:

2.1 Prof Roberts Report - Progress

Dr Karuaihe sincerely apologised on behalf of the JSE for not having communicated the JSE's position regarding the Prof's recommendations yet. Dr. Karuaihe further added that some of the recommendations were more complex and drew a lot of debate from the market and so needed our utmost attention to address.

The JSE is working hard and having consultations internally to ensure that the recommendations are addressed. The JSE will be sending a market notice outlining some of the recommendations.

This was acknowledged by the Committee members.

2.2 Update from Market Regulation

Mr Shayi reiterated that some committee members, particularly in the last advisory meeting, felt that some of the rules were a bit vague. Suffice to say cross trades were never really brought up in this sitting in terms of its problems. Market regulation has received correspondence from a few members stressing the practice around cross trades. Market regulation has extensively debated this matter with Capital Markets and concluded on a few things. As Market Regulation, they do not want to create an expectation to close out this issue. The issue is being considered internally and is being looked at from best execution perspective. However, the answer is not simple and it purely relies on new technology.

The second issue is on DOT's and SOT's rule. Market Regulation has come up with draft rule that should accommodate both parties. Market regulation intends to disseminate a draft to the members they engaged with to source their feedback. Once they have sourced feedback from those members then a round robin will be done to the advisory committee and post that only then reach out to wider market for formal consultations.

2.3 COT Report

Dr Karuaihe informed committee members that FSCA supports the initiative however, for this report to be mandatory it needs a statutory rule change. The change will need to come from a different division within FSCA and it might take longer than anticipated.

While there is no forcibility in place in the meantime, the JSE has committed to take ownership of the report and it will carry out the report on a voluntary basis.

The Committee acknowledged this but some members expressed their reservations regarding voluntary submissions and questioned if these will be of any use to the market. The JSE was advised to continue pursuing the statutory route as the best possible solution.

3 **TRADING AND SETTLEMENT ITEMS:**

3.1 Update from Wheat Contract

a. Grading Specifications and Origin discounts

Dr Karuaihe reported that the wheat market went through challenges. The divergent specifications in the market caused a lot of uncertainty however, as from 1 November; there was now conformance in the market.

Dr Strydom relayed a message from producers thanking the JSE for really coming through and helping in this turbulent season. He added that the new super grade has already brought money in pockets of many wheat producers.

b. Soymeal and sunflower oilcake contracts

Mr Mpumza reported that the JSE had concluded on the quality specifications that will represent the standard traded grade, and secured a sign off from the industry. The only outstanding component to be finalised is the physical delivery provision.

3.2 Proposal to mark option volatility to the observed skew instead of current flat surface

Mr Sibanda informed the committee they are busy drafting proposal. They were able to calibrate skews for white and yellow maize but encountered issues on the illiquid contracts. They require assistance from the market on how best to treat the illiquid contracts going forward.

Mr Sibanda further added that his team would also commence drafting a market note after consultation internally with business. The notice will go out early next year for comments and envisage to implement first quarter in 2020.

3.3 Physical delivery delay penalty fee

Ms Matutu informed committee members that the JSE is planning to introduce a penalty fee on late deliveries. The JSE had over time experienced this kind of behaviour from members and clients on last notice day. Worst-case scenario is the JSE receiving a call around 13:00 from members or clients informing us they cannot deliver on last notice day.

As a last resort solution to discourage this behaviour, the JSE proposes the following:

- Initial request to extend spot basis trading for 60 minutes or less after scheduled close of spot basis trading on last delivery/notice day will be charged at R50 000 excluding VAT.
- Extension of spot basis trading for every further 30 minutes or part thereof post the first extension request will be and additional R10 000 excluding VAT.

Any requests after 17:00 will not be considered.

After several discussions on the proposal, the committee members unanimously agreed and supported the proposal tabled.

3.4 Publishing of Grain stock levels - Noting

Dr Karuaihe reported that the JSE was responding to market request to make this information available as a way to improve transparency in the physical grain. The chairperson informed the committee members that two online publications have already been made available on the JSE website.

This was acknowledged and supported by Committee members.

4 TECHNOLOGY:

Ms Dastile reported that there would be a production system upgrade scheduled to go live with the Deliverable Diesel contract in Q1 2020. The upgrade entails new infrastructure, this being an effort to improve Nutron stability. Market participants will be required to do some regression testing for the upgrade, existing functionality and connectivity has not changed.

The API specification has already been sent out to the market and published on the JSE website. Market participants are encouraged to start testing in the upgraded CTS environment.

5 GENERAL:

4.1 Amendment to the Sunflower Seed and Soya Bean grading regulations – Published by DAFF 2013

Dr Karuaihe reported that the JSE had received numerous complaints from the market concerning storage operators of the unauthorised practice of outloading on dirty basis. Dr. Karuaihe thanked the market for alerting the JSE and assured committee members that the JSE will take this matter up with implicated storage operators.

This was acknowledged by the Committee members.

6 PROPOSED MEETING DATES FOR 2020:

Thursday 18 June 2020

Thursday 20 August 2020

Thursday 19 November 2020

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