

## MINUTES

**HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING**

Date: 19 March 2020  
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. 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	- FSCA
Mr. M Kabai	- FSCA
Ms. V Reddy	- Director Capital Markets
Mr. J Shayi	- JSE Market Regulation
Dr. K Muganiwa	- JSE Market Regulation
Ms. Z Dastile	- JSE Capital Markets
Ms. A Matutu	- JSE Capital Markets
Mr. V Mpumza	- JSE Capital Markets

Apologies:

Ms. M Purnell	- Agbiz Grain
Mr. P Jackson	- NCM/RCL Foods
Mr. P Lovelace	- SAOPA/CEOCO
Mr. F Bartsch	- GWK

## 1 WELCOME

Dr Karuaihe welcomed all attendees and thanked them for their participation. He informed the meeting that he has specifically invited JSE senior executives, Hendrik Kotze (CIO) and Valdene Reddy (Director of Capital Markets), to share with us the strategic direction of the JSE. He then suggested that we allow them to speak first before we proceed with the rest of the agenda.

## 2 CONFIRMATION OF MINUTES

Minutes of the previous meeting were accepted and approved

## 3 JSE STRATEGIC DIRECTION

Mr Kotze informed committee members that the ITAC project concluded last year. The focus this year will be on upgrades to infrastructure, applications and bond repos to MTS. The intention is to have these upgrades concluded by third quarter of 2020.

Mr Kotze highlighted that the upgrades will not affect Commodities directly at this stage. Migration by Commodities to the new platform will only be communicated by mid next year.

Ms Reddy introduced herself as the new Director of Capital Markets since 01 February 2020, after having acted in the position since October 2019. She regarded Commodities as a very strategic asset class and she will work with the Commodities team to address the issues raised by industry bodies and broker members during her private engagements with them.

On the strategic focus of the JSE, Ms Reddy highlighted that, apart from deliverable diesel that is enjoying high priority, OTC CCP, enhancements and new products for Equities, Equity Derivatives and Currencies, as well as migration of Interest Rate Derivatives, Commodities, and Bonds among others.

The committee members acknowledged this.

## 4 MATTERS ARISING FROM PREVIOUS MEETING

### 4.1 Prof Roberts Report

#### 4.1.1 Outstanding Issues

Dr. Karuaihe reported that, during mid-February, the JSE had sent out market communication regarding the position of the JSE on the recommendations by Prof Matt Roberts. He also acknowledged that some of the items are work in progress and require further consultations and/or internal processes to be in place first before we finalize them.

The Committee acknowledged this.

#### 4.1.2 Request from Grain SA regarding soya differentials

Dr. Karuaihe informed the meeting that Grain SA had submitted a request to defer the implementation of location differentials on soya.

Dr. Strydom tabled the Grain SA proposal to the committee members. They were of the opinion that the JSE did not consider their detailed alternative proposal to the location differentials and that the proposal was never circulated to the rest of the Committee members for their consideration.

The meeting could not reach any consensus on the matter and it was then concluded that a separate urgent meeting be setup to discuss the proposal and then the JSE can make its final decision based on the outcome of that meeting. The JSE was requested to circulate the submissions by Grain SA to the rest of the Committee members and to urgently arrange a meeting within the following week to finalize this matter.

#### 4.1.3 **Maize/Soya/Bitter Sorghum origin discounts**

The JSE tabled the proposed maize origin discounts methodology. The meeting approved the proposed discounts except for Grain SA who needed to consult its constituencies first before pronouncing themselves on the matter. The proposal will be effective 1 May 2020.

The Committee acknowledged this.

#### 4.2 **Update from Market Regulation**

Dr. Muganiwa informed the meeting that, while there were quite a number of pending rule amendments close to finalization, there was nothing to report at this stage.

#### 4.3 **COT Report – Meetings with FSCA**

Ms. Matutu informed committee members that the FSCA has committed to assess the information submitted to them. Towards end of April or beginning May, FSCA will then publish a position paper for the whole market.

Mr. Kabai further added that the publication of position paper is dependent on the regulatory framework to address the COT report.

### 5 **TRADING AND SETTLEMENT ISSUES**

#### 5.1 **Changes to Agricultural Contracts Specifications – Outloading Procedures**

Dr Karuaihe informed the meeting that the JSE had circulated a memo with Appendix K, in an attempt to address perceived shortcomings in our existing rules. The proposed changes are aimed at fixing those bottlenecks around handling of grain during outloading at registered storage facilities. The JSE is requesting market participants to submit their comments and suggestions before the end of April 2020.

Mr de Klerk representing Agbiz Grain will take this for discussion and come back with the recommendations.

#### 5.2 **Proposal to mark options volatility to the observed skew**

Ms Matutu informed committee members that the JSE has received three submissions from the market and were all against the proposed skew. With that said, the JSE will commence testing with clearing members' end of May or beginning June.

The JSE plans to go-live second half of 2020.

### 5.3 **Outright and Spread Margins**

Dr Karuaihe informed the meeting that Risk team have sent their apologies, as they had to attend to a crisis. He highlighted that the JSE is aware of the outcry in margin parameters and they busy looking into this.

Some Committee members felt that the margins should be conditional because value at risk is an extreme measure. The Risk team should consider looking at historical supply and demand, seasonality and full carry when determining margin parameters.

## 6 **TECHNOLOGY**

### 6.1 **Systems Upgrade**

Ms. Dastile reported that the JSE, in collaboration with the market, have concluded two dress rehearsals on the system upgrade scheduled to go-live 23 March 2020. The upgrade entails new infrastructure, this being an effort to improve Nutron stability. The old version of Nutron frontend will no longer be available. A link with the new version of Nutron shall be available on the JSE website.

Concerning deliverable diesel, Ms. Dastile informed committee members that testing internally has been successful. The JSE envisages go-live second half of 2020.

The Committee acknowledged this.

## 7 **GENERAL: ANY OTHER BUSINESS**

### 7.1 **Road Rates for Location Differentials – Unigrain**

Mr. De Lange of Unigrain had requested to do a presentation to the Advisory Committee regarding inefficiencies in the determination of location differentials and how this could be addressed. He highlighted standing time by trucks, poor investment in outloading capacity by storage operators, as well as off-loading capacity by mills as among the biggest challenges in the grains industry, resulting in over-estimation of location differentials.

Committee members felt that any attempt that can improve the calculation of the differentials should be welcomed.

Mr. De Lange informed the committee that the information is proprietary and cannot be disseminated. However, if the advisory decides to pursue this idea then a separate meeting can be arranged with Unigrain.

### 7.2 **Issues raised by SACOTA**

Dr Keyser referred to a detailed letter sent by SACOTA to the JSE where they highlighted a number of issues. He said that SACOTA is very concerned about the futures markets and its operations. They feel that the JSE over the years has been very lenient on enforcing their own rules and regulations. We run a high risk of not fixing issues that may affect the integrity of the market.

The JSE took note and committed to repeal any of those issues for the integrity of the market.

## **8 PROPOSED MEETING DATES FOR 2020**

Thursday 23 July 2020

Thursday 19 November 2020

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