
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za

Number: 472/2015

Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives

Date: 3 August 2015

SUBJECT: UPDATE ON THE INTRODUCTION OF A BEEF CARCASS AND WEANER FUTURES CONTRACTS

Name and Surname: Chris Sturgess

Designation: Director Commodities & Key Client Management

Dear Stakeholder,
Please feel free to distribute to any interested beef industry participants.

This market notice follows Market Notice 152/2015 of 6 March 2015 where we proposed the reintroduction of a cash settled beef contract to the SA market and where we invited interested parties to come forward.

The response and suggestions we received from the market were invaluable and based on this the JSE has resolved to introduced two separate contracts, namely, a Beef carcass futures contract and a Weaners' futures contract. Both these contracts will be cash settled off price data from the underlying physical markets.

The beef carcass contract (JSE code BEEF) will have a nominal size of 1000 kg and, at expiration, will be cash settled off price information received from members of the Red Meat Abattoirs Association (RMAA). Similarly, the live cattle contract will have a nominal contract size of 1000 kg and will be cash settled off auction price information from the Vryburg area. These are yearlings weaned off their mothers and weighing in the range 200-280 kg with the JSE code WEAN.

Detailed draft contract specifications for each product are provided as attachment below.

The JSE New Products Committee has approved the product concept with the JSE spending the next few months amending derivative rules to accommodate the cash settled products, firming up agreements with price contributors and consulting interested participants in order to finalize the contract specifications. The JSE envisages introducing the first series of expiry months towards the end of October this year.

Please could participants review the proposed contract specifications and email us any comments or suggestions directly to commodities@jse.co.za. You are also welcome to contact the Commodities Team on 011 5207039 to discuss the proposed contract.

Appreciating the critical importance of the cash settlement methodology, the JSE is already busy firming up agreements with contributors to ensure the final cash settlement value is based off actual physical market transactions. A detailed cash settlement procedure document will also be available shortly to provide more context to this process.

The JSE is preparing for an extensive educational campaign around the use of derivatives particularly targeted to the beef industry participants and so if there are any member firms that would like to combine efforts please do reach out to us. Interested parties can contact Raphael Karuaihe on the contact details above.

Thank you for your time and we look forward to your feedback and collaboration as we promote the two new products. The draft contract specifications follow on from this notice on pages 3 and 4.

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>

FUTURES CONTRACT	<i>DRAFT</i> <i>BEEF CARCASS CONTRACT</i>	<i>DRAFT</i> <i>WEANERS CONTRACT</i>
Trading system code	BEEF	WEAN
Trading Hours	09:00 to 12:00 Central African Time	09:00 to 12:00 Central African Time
Underlying Commodity	Chilled beef carcasses consisting of two sides per carcass, graded as A2/A3 and having conformation of 2, 3, 4 or 5, a damage class of not more than 1 on either the buttock, loin or forequarter, and no measles, in terms of the national beef grading standards. Carcasses must comply with minimum dressing standards and must be fit for human consumption.	200 – 280 kg steers and heifers (collectively weaners) as represented by live auctions within a 150km radius from Vryburg in the North West Province, South Africa
Contract Size	1 contract = 1000kg	1 contract = 1000kg
Expiry Dates & Times (Last Trading Day)	Last Wednesday of the expiry month at 12h00.	Last Wednesday of the expiry month at 12h00.
Final Cash Settlement Day	Friday immediately following Last Trading Day, if this is a national holiday the next business day will be applied	Friday immediately following Last Trading Day, if this is a national holiday the next business day will be applied
Contract Months	Contract Months shall be the four main hedging months namely, February, June, August and November.	Contract Months shall be the four main hedging months namely, February, June, August and November.
Settlement Method	Daily mark-to-market procedure for this contract will follow the current daily settlement process applied to the grains market. Upon expiry, settlement shall take place in cash. The settlement price shall be determined by the JSE by incorporating weighted average weekly selling prices of A2 and A3 carcasses over two weeks preceding the Last Trading Day. Price information for the desired grades will be contributed by Red Meat Abattoirs Association. The JSE reserves the right to revise its settlement methodology from time to time.	Daily mark-to-market procedure for this contract will follow the current daily settlement process applied to the grains market. Upon expiry, settlement shall take place in cash as per the JSE Weaners Settlement Process. This process is a weighted average of weekly prices for the 200-239 kg and the 240-280 kg weight categories over two weeks including the first Friday after Last Trading Day. Price information for the settlement of this contract will be derived from weighted averages of Vryburg auctions and auctions within 150 km radius of Vryburg.
Quotations	Rand/Kg	Rand/Kg

Min Price Movement	Five cents per kg	Five cents per kg
Daily Limits	R2.50/kg above or below previous day's mtm price. Extended to R3.50/kg as per JSE's extended limit trigger methodology.	R2.50/kg above or below previous day's mtm price. Extended to R3.50/kg as per JSE's extended limit trigger methodology.
Initial Margin	As determined by JSE Risk from time to time referencing the current margining methodology.	As determined by JSE Risk from time to time referencing the current margining methodology.
Maximum position limits	None. JSE reserves the right to impose limits at a later stage	None. JSE reserves the right to impose limits at a later stage
JSE Booking Fees	R12.00/Contract (VAT Incl.)	R12.00/Contract (VAT Incl.)