

MEMORANDUM

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To: Gerhard Neethling
From: Chris Sturgess & Raphael Karuaihe
Date: 5 March 2015
Subject: Proposed terms of a service agreement to be negotiated and concluded between RMAA and JSE
Pages: 1 of 3

Dear Gerhard,

Thank you for meeting with us on 11 February 2015 and for the frank and open discussion that we had. The JSE reiterates its intention and commitment to utilize the services and expertise of RMAA in the development and listing of a cash settled beef contract on the JSE's derivatives market.

We would appreciate it if you could consider the below term sheet that may form the basis of a service agreement that will be concluded between the JSE and RMAA. In terms of this agreement, the JSE will consider the data supplied by RMAA as one of constituents in the calculation and determination of the cash settlement value of the beef contract listed on the JSE:

1. The JSE will subscribe to the RMAA to have access to its information

The JSE, as licensed exchange in terms of the Financial Markets Act, exercises public duties and functions as stated in its empowering statute. It would be impermissible and outside of the JSE's regulatory powers to apply for membership of RMAA. In these circumstances, the JSE will only be able to conclude a service agreement with RMAA to obtain the relevant information from, and utilize the services of RMAA. Unfortunately, we initially may have indicated that the JSE will apply for membership of RMAA but we have been advised that this would be impermissible.

In these circumstances we suggest that the JSE and RMAA conclude a services agreement in terms of which the JSE will subscribe to data and information supplied by RMAA.

The JSE will use the data and information supplied by RMAA to assist the JSE in exercising its regulatory duty to determine the value of securities listed on its exchange.

2. Duties and Responsibilities of the JSE as Information Subscriber

The JSE will share any other information and data (apart from confidential information) that the JSE may become aware of to enable RMAA to evaluate and improve its own systems and procedures to obtain

information. The JSE will also share its experiences in collecting this information with RMAA to assist RMAA with improvements to the accuracy and confidentiality of RMAA's price information systems.

The JSE will provide this input based on its experience operating a licensed exchange at no additional cost to RMAA. The JSE will also, free of charge, provide advice and guidance to RMAA in respect of the rules and guidelines of the RMAA pricing system; however adopting these suggestions remains RMAA's choice.

If the JSE is able to collect additional information from any other abattoirs that are not members of RMAA, the JSE will share such information (without divulging its origin) with RMAA on a confidential basis. The JSE will have access to the RMAA price information system for the purpose of contributing this additional data. This arrangement however, does not preclude the JSE from sourcing information from sources other than abattoirs but such information will be managed separately from information obtained from registered abattoirs.

Where the opportunity exists, the JSE will share a platform with RMAA to promote the BEEF contract and its use for price risk management purposes. This arrangement may be mutually beneficial in that it has the potential to increase the number of price information contributors to RMAA as well as increased subscription to RMAA weekly information by JSE members. The JSE currently has just fewer than 50 active member firms who may be interested in also subscribing to RMAA reports in order to advise their clients in terms of trading strategies.

3. Revenue Share based on the number of contracts traded

Initially we had raised this as a possible term in our agreement, however in considering the data currently collected by RMAA according to our combined calculations represents only 13.2% of the market, the JSE is obligated to consult a wider audience for information and from gathering all these inputs determine a final cash settlement value. This new development renders the revenue-sharing formula untenable as a uniform approach to information subscription is required across the board.

In considering the above, please could RMAA confirm the final subscription fee for the JSE in order to access the A2 and A3 carcass price.

4. Settlement Index

The envisaged JSE BEEF contract will cash settle off information it gathers that relates to grades A2 and A3 beef carcasses. Going forward we will not refer to this as an index value as we do not want to create the perception that we trading a basket of several commodities.

5. Possible next steps

- RMAA agrees to act as an information contributor to the JSE envisaged BEEF contract
- The JSE and RMAA agree on the subscription fees payable to RMAA for this information

- Agree on the format in which the information is provided to the JSE, starting with A2 and A3 carcass purchase prices
- JSE to be provided access to RMAA price information system to act as a potential contributor
- Setup a workshop for the JSE to provide input into the RMAA current rules and regulations for RMAA consideration
- Agree on an initial term; is the subscription process an annual one?
- Agree timeline for reaching agreement on the above and joint marketing initiatives where possible

APPENDIX: Proposed beef contract specification

FUTURES CONTRACT	BEEF CARCASS
Trading system code	BEEF
Trading Hours	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.
Contract Size	1 contract = 2000kg
Expiry Dates & Times (Last Trading Day)	Last Thursday of the expiry month at 12h00.
Contract Months	Expiry months shall be the nearest four calendar months as published by JSE from time to time.
Settlement Method	Upon expiry, settlement shall take place in cash. The settlement price shall be determined by the JSE by incorporating weighted average purchase prices of A2 and A3 carcasses with weighted average selling prices of finished cattle at feedlots. Final calculation and split between beef and feeder cattle price will be determined by the JSE in due course. JSE reserves the right to revise its settlement methodology from time to time.
Quotations	Rand/Kg
Min Price Movement	Five cents per kg
Daily Limits	TBC
Initial Margin	As determined by the JSE Risk Committee from time to time.
Maximum position limits	None. JSE reserves the right to impose limits at later stage
JSE Booking Fees	TBC