

MINUTES

HEADING: COMMODITY ADVISORY COMMITTEE MEETING

Date: 23 March 2023
Time: 13h00 – 15:00
Venue: Dollar1, Dollar 2 - Hybrid Meeting

Johannesburg
Stock Exchange

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www.jse.co.za

Present:

Ms. A Matutu	Chairperson
Mr. D Mathews	GrainSA
Ms. H Viljoen	GrainSA
Dr. A van der Vyver	SACOTA
Mr. T Jacobsz	Farmwise
Mr. P Faure	CJS Securities
Mr. W Martens	CJS Securities
Mr. B de Klerk	Agbiz Grain
Mr. W Lemmer	Agbiz Grain
Mr. J du Toit	RMB
Mr. W Strauss	RMB
Mr. R Heine	RMB Clearing
Mr. G Schulze	Cargill RSA
Ms. F Sundai	NAMC
Mr. J Theron	PolarStar
Mr. S van Rensburg	BESC
Mr. P Jackson	National Chamber of Milling
Ms. V Reddy	Director JSE Capital Markets
Mr. C Sturgess	JSE Capital Markets
Ms. Z Dastile	JSE Capital Markets
Mr. V Mpumza	JSE Capital Markets

Apologies: Mr. R Olwagen BVG Commodities
Mr. F Bartsch GWK

1 WELCOME

The chairperson welcomed all attendees and thanked them for their participation.

2 CONFIRMATION OF MINUTES

Minutes of the previous meeting were accepted and approved.

3 TRADING AND SETTLEMENT ITEMS

3.1 Error trades – spreads/splits

Mr. Shayi indicated that Market Surveillance has observed a large amount of error trades, which is cause for concern. They recognize that these may be as a result of fat finger blunders however, erroneous trades can be disruptive in nature because reversals become onerous, and usually price adjustments have an impact on the market. Mr. Shayi urged committee members to examine their own internal measures to address the unsatisfactory nature of the error trades. Market Surveillance will write to Compliance Officers to ensure that there are appropriate measures in place to mitigate error trades.

3.2 Regulation and enforcement of speculative position limits rules

Mr. Shayi asked committee members to report directly to market regulations rather than contacting the JSE's commodities business team about the regulation and enforcement speculative position limits. In response to the concerns highlighted, Mr. Shayi replied that they are ensuring that position limits are enforced. Secondly, they don't distinguish between speculators and hedgers, when a limit is exceeded, they engage clients and require evidence regardless of whether they are a miller, for example.

3.3 Update on the STT technical upgrade

Ms. Dastile reported that client testing began on March 17, 2023, and that the first test cycle was completed on 23 March. Two additional client testing cycles are planned for April and May 2023. She went on to say that testing and sign off is required from clients. Furthermore, two market-facing dress rehearsals are planned for June and July however, the exact dates will be announced to the market.

Members of the committee took note.

3.4 Update on Basis Future Contract

Mr. Mpumza informed the committee that the contract specifications had been forwarded to the JSE legal department for assessment. Following legal review and sign-off the commodities team will begin engaging with storage operators about the ten identified sites and also solicit support from clearing members to clear the product. Once the appropriate support is granted, the JSE will be in a position to communicate to the market about all of the intricacies around the product and list.

The committee members took note.

3.5 Options market performance

It was noted that;

1. The options market was onscreen (vibrant & transparent) until late 2009.
2. With markets evolving and automated trading systems coming into the market. The JSE introduced DOTs and SOTs.
3. The decision was made to accommodate structured trades to transact seamlessly.
4. There is no liquidity in the options and the cost of doing business has continuously risen.
5. Volatility surfaces are not provided and there are no means to quote option structures currently.

It was decided to form a subcommittee to look at all concerns facing the options market.

4 GENERAL: ANY OTHER BUSINESS

4.1 Proposed changes to agricultural contracts specifications

Mr. Sturgess stated that the JSE would consult with the market extensively before making any major changes to the specifications. The JSE is currently investigating the following potential changes:

1. Improvements to good delivery, which are currently being reviewed by legal.
2. Stock turnover, JSE is now examining the risk associated with stock turnover as well as monitoring it.
3. Protection for JSE receipt holder in the event that a storage operator fails. The JSE will begin discussions with insurance companies to get additional buffers to insure JSE receipts.
4. Business Rescue Plan. This was raised as it was not clearly defined on the contract specifications therefore business has drafted wording and submitted to legal for assessment.
5. Access to stock. This point is to provide certainty that long position holders get access to stock in a timely manner.

All of the recommendations for the five points will be discussed at the next technical advisory meeting before being distributed to members.

4.2 Multiple reference points

Mr. Mpumza reported that this is an update following the two market notices sent out in January and March 2023. It was noted that;

1. The JSE had received comments and queries about the model, to which responses were provided.
2. The JSE will revise some of the CPK numbers used in calculating the reported indicative differentials and add one reference point to the model.
3. The JSE will hold two information sessions to aid the uncertainty around the model, with a hybrid format to suit individuals who cannot travel to Johannesburg.

4.3 **Analysis of historical deliveries & redeliveries on JSE**

Mr. Theron presented his analysis on historical JSE deliveries and re-deliveries and raised concerns on cash and future contracts convergence. Committee members took cognisance of Mr. Theron's presentation, and it was noted that;

1. JSE needs to ensure stock is accessible within a reasonable time.
2. Look at silo outload performance and assess performance overtime to ensure long position holder has been able to access stock and have the ability to outload the product.
3. JSE to look at standardizing and defining the time frame to outload product in a silo.

5 **MEETING DATES FOR 2023**

Thursday 16 November 2023

The chairperson thanked Committee members for their valuable input and called the meeting to a close.