

Developing a Futures Market

Why do we need a Futures Market

➤ Price Discovery

➤ Risk Management

History of the South African Market

- April 1987 - RMB started the informal futures market.
- April 1990 - SAFCOM took full control of the Futures Market
- 10 August 1990 - SAFEX was formally opened
- October 1991 - Non residents
- October 1992 - Options on futures
- January 1995 - Agricultural Products Division opened
- May 1996 - Fully automated trading system
- September 1997 - Individual Equity Options
- March 1998 - Options on agriculturals
- February 1999 - Individual Equity Futures replaced IEO's
- August 2001 - SAFEX was bought out by the JSE

Factors required for a Futures Market

- Interested Parties
- Market Structure & Financing
- Legislation & Rules
- Risk Management
- System & Technology
- Market Infrastructure
- Education

Interested Parties

Original Financial Institutions

Hedgers

Speculators

Investors

Arbitrageurs

Current Participants

➤ Local & International Banks

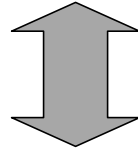
➤ Interdealer Brokers

➤ Local Institutions

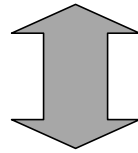
➤ Private Clients

Market Structure & Financing

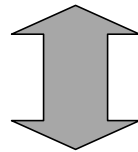
SAFEX - The Exchange



Clearing Members



Members



Clients

Legislation & Rules

- Stock Exchanges Control Act
- Financial Markets Control Act
- Financial Services Board
- Financial & Agricultural Derivative Rules
- Agreements
- Financial Intelligence Centre Act

Risk Management

➤ Exposure Risk

➤ Counterparty Risk

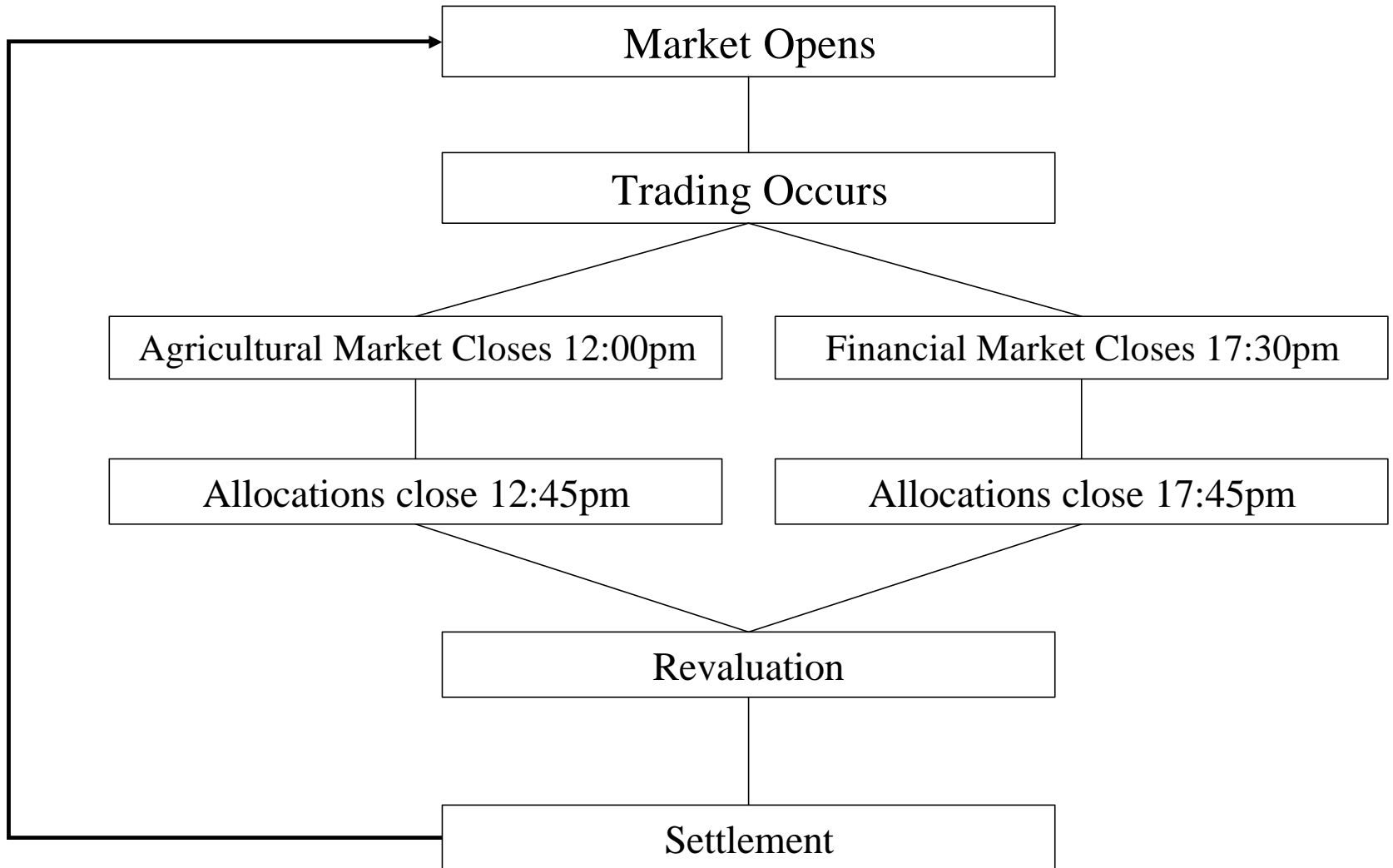
➤ Settlement Risk

➤ Liquidity Risk

Market Infrastructure

- Dissemination of Information
- Daily Settlement
- Settlement Infrastructure

Futures Market - 24 hour cycle



Systems & Technology

➤ Reuters

➤ ATS

➤ Clearing Systems

➤ Banking Systems

➤ Internet

Education

- SAIFM
- Dealer Qualification
- Compliance Officers
- Client Education

Financial Market Contracts Listed

- Index Futures & Options
 - ALSI, INDI, RESI, FINI, GOVI, CTOP, DTOP, GLDX
- Bond Futures & Options
 - Government Bonds
- Individual Equity Futures & Options
 - ± 85 Individual Equities listed
- Dividend Futures
 - To be listed in November 2003
- JBAR
- KRGD
- RNDD

Agricultural Market Contracts Listed

➤ Maize Futures & Options

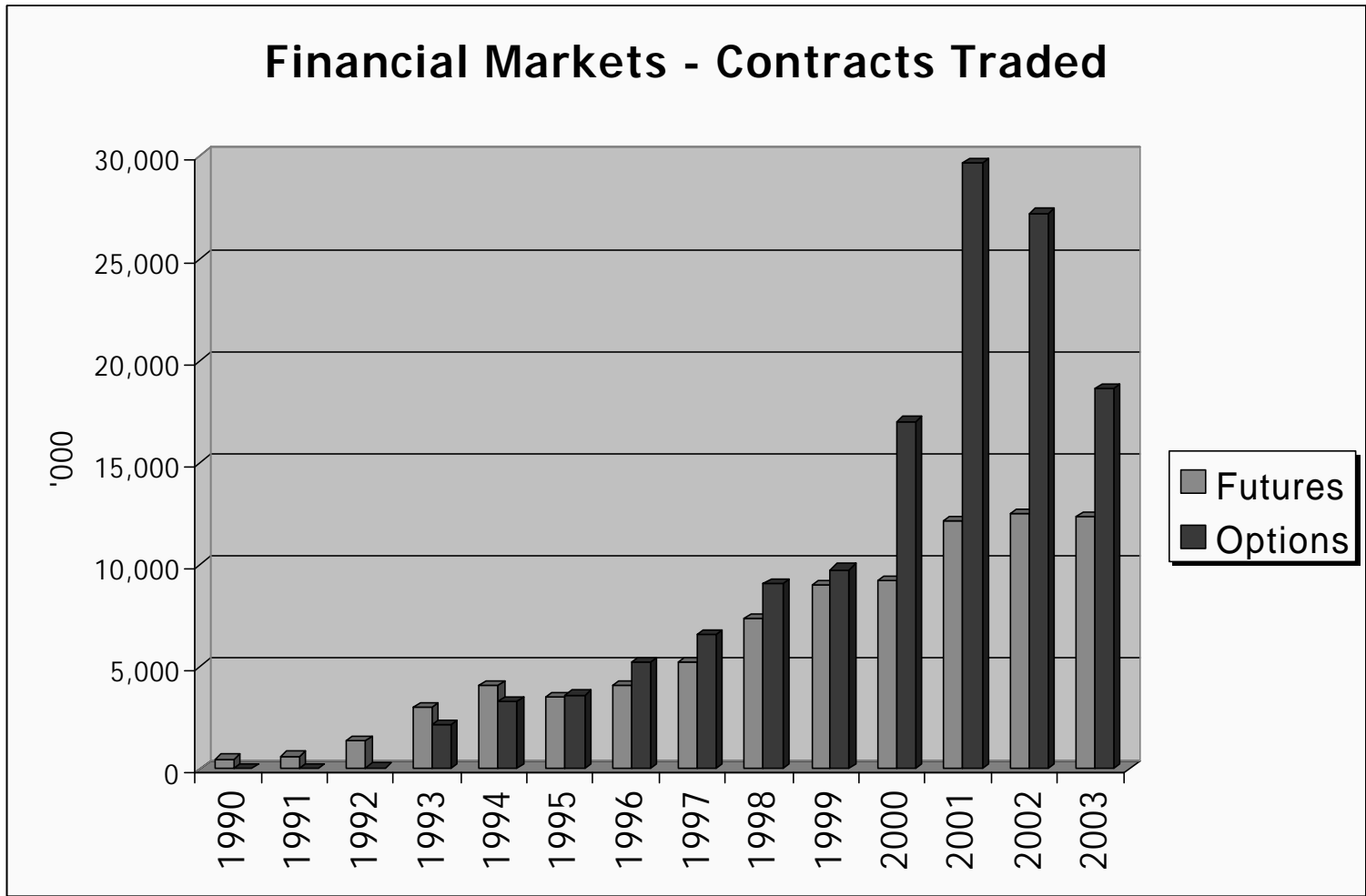
- White, Yellow, 1st & 2nd Grade

➤ Wheat Futures & Options

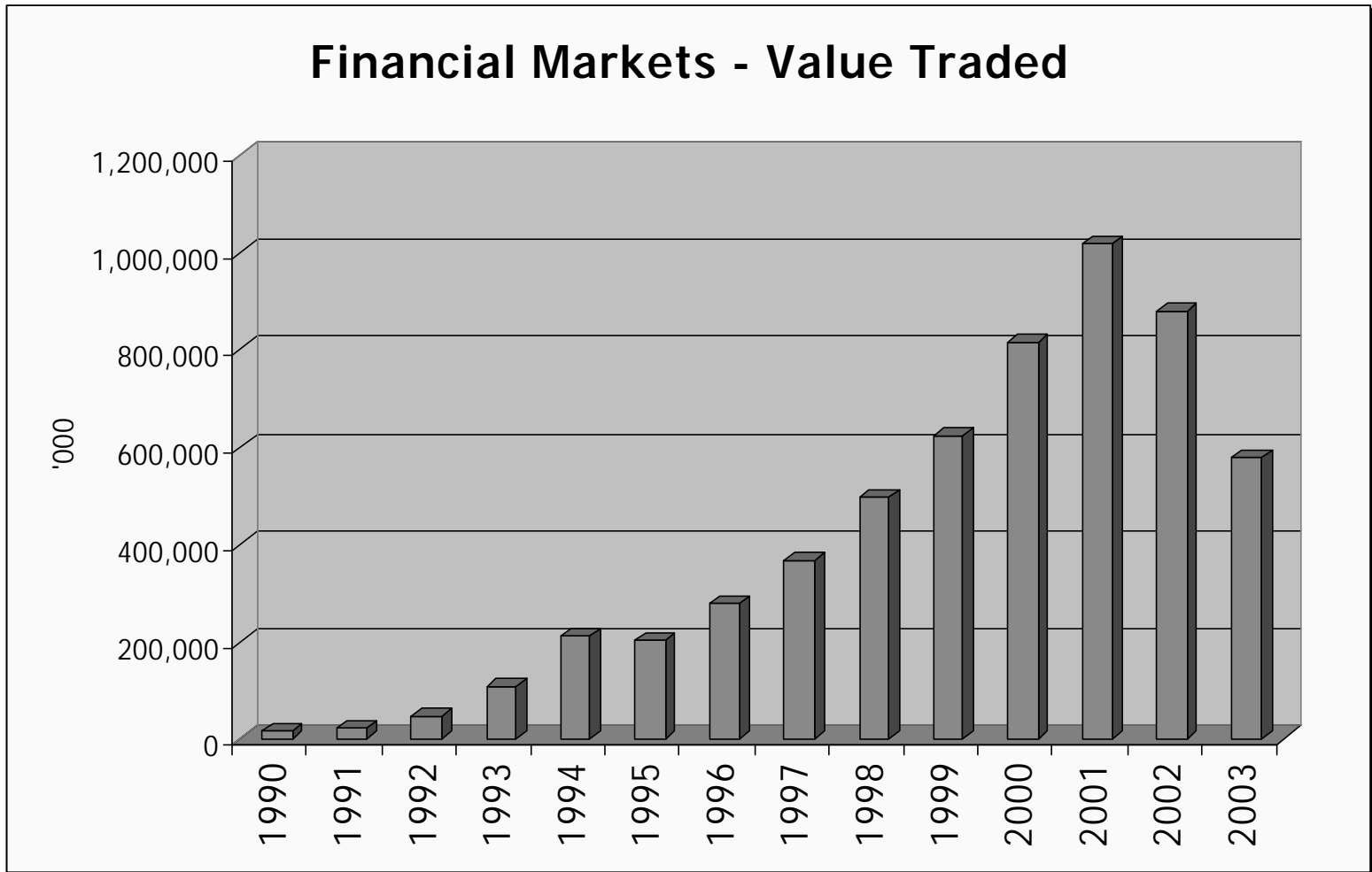
➤ Sunflower Seeds Futures & Options

➤ Soya Futures & Options

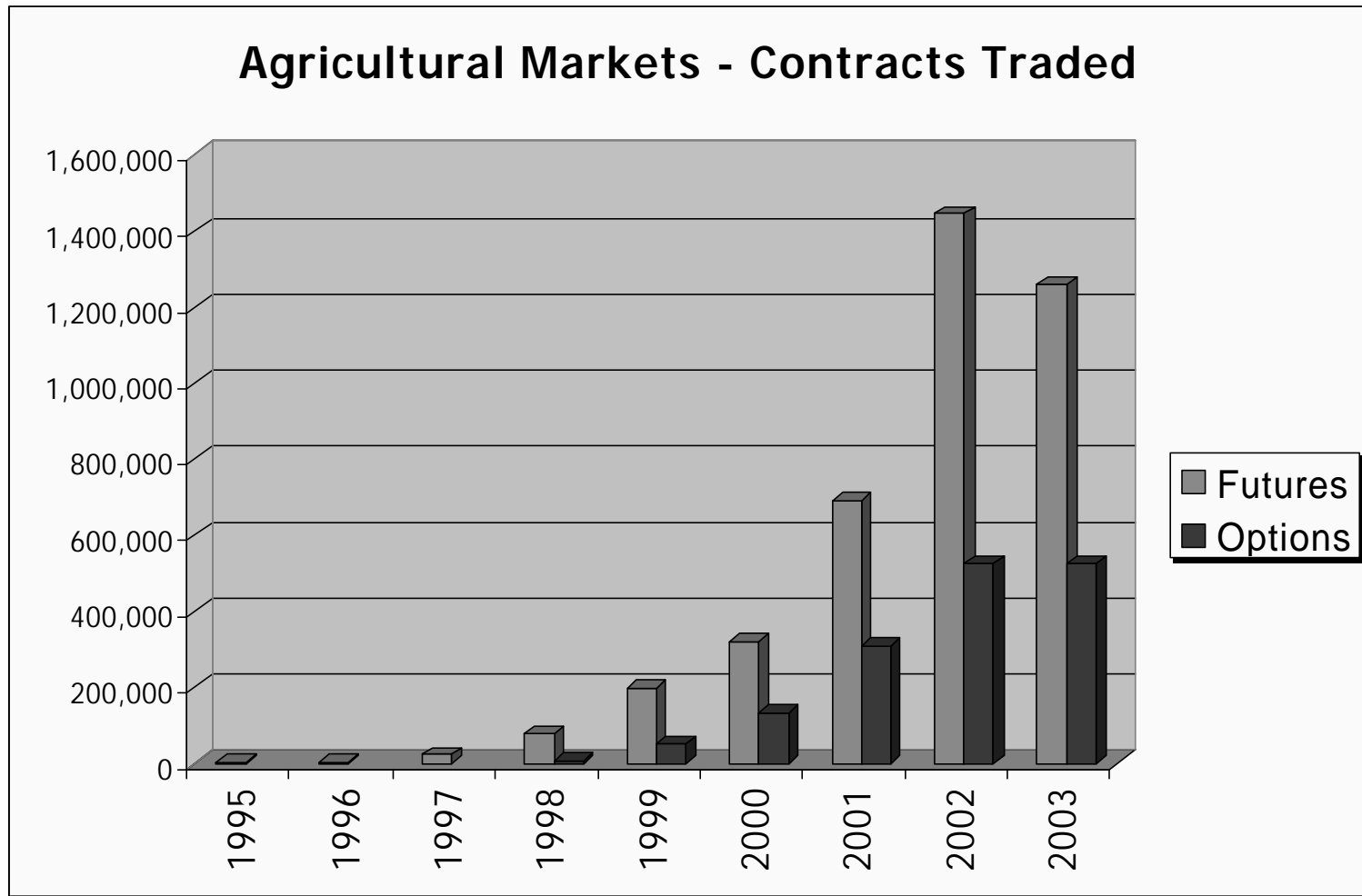
Financial Market Statistics



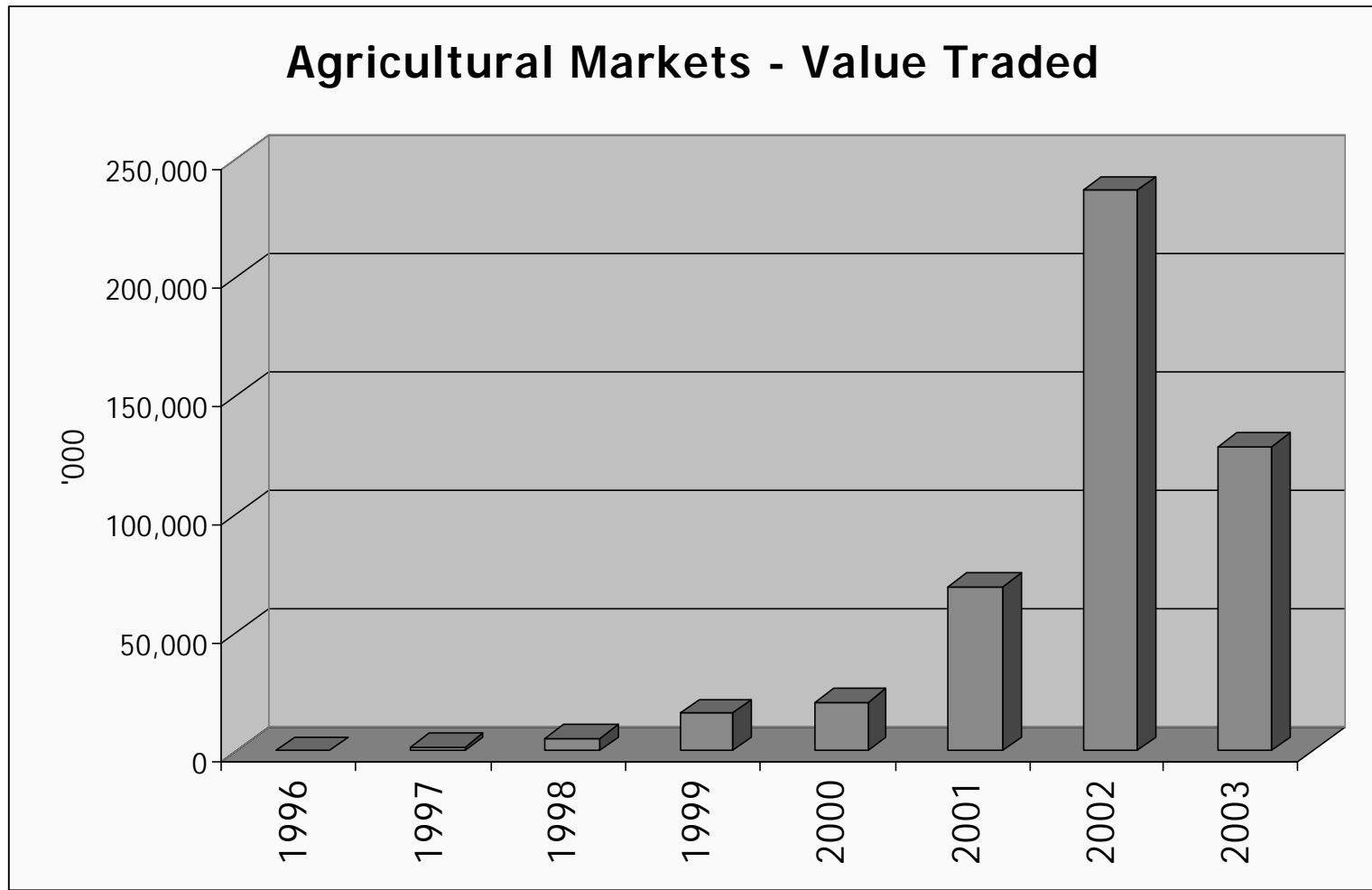
Financial Market Statistics



Agricultural Market Statistics



Agricultural Market Statistics



Market Statistics

