Currency futures

As a leading market maker and liquidity provider in the FX market, Standard Bank: Global Foreign Exchange is able to provide hedgers and investors with innovative solutions to manage their FX exposures. Currency futures are one of the tools that can be used for this purpose.

What are currency futures?

A currency futures contract is an agreement allowing market participants to buy (long) or sell (short) one currency for another at a specified price and date in the future. The underlying instrument of a currency futures contract is the exchange rate between one unit of foreign currency — USD, GBP, AUD, euro or JPY —and the South African rand.

Key features

- Protection against FX volatility
- Competitive pricing
- Earn market-related interest on margin
- Liquid market
- High gearing
- Minimum contract size is one contract that is 1 000 foreign currency nominal, for example USD1 000
- Cash settled in rand
- Market integrity — the settlement of contracts is guaranteed by Yield-X exchange, once matched

Why trade currency futures?

- Provides an additional hedging solution for FX risk
- To hedge traditionally non-permissible exchange control commitments, for example:
  - Dividends
  - Currency movements during tender process
  - Translation on balance sheet exposure
- Investor tool used to diversify portfolios
- Investor exposure to directional play
- Travel allowance

Who should trade currency futures?

Currency futures can be traded by various participants, for example, companies hedging their FX commitments, individuals hedging their travel allowance or investors trading FX as an asset class. The qualifying market participants include:

- Individuals can trade without restriction outside of their R4 000 000 foreign capital allowance
- Pension funds subject to their 20% foreign portfolio investment allowance
- Asset managers and registered collective investment schemes subject to their 30% foreign portfolio investment allowance
- SA companies (including limited or unlimited, private or public, close corporations, trusts and partnerships) are now able to trade currency futures without restriction.

	Futures	Forwards
Trade	Through a regulated exchange	Over the counter (OTC) direct with Standard Bank
Contracts	Standardised	Tailor made
Settlement	Rand cash settled and mark-to-market on a daily basis	Physically settled – receive delivery of foreign currency on the expiry date
Liquidity	Market makers allow for easy entry and exit	Can be traded out with cash flow implications
Counterparty risk	No, guaranteed by the SAFCOM (JSE clearing house)	Yes
Limitations on companies	No SARB approval necessary	SARB regulated
Firm and ascertainable commitment	No	Yes

Currency futures contracts

To find out how to start trading currency futures, contact Standard Bank's Forex Relationship Centre on 08000 FOREX (36739) toll free or email forex@standardbank.co.za

Summary specifications

Contract name	j-Rand: Derivatives on foreign currencies
Underlying instrument	Exchange rate between one unit of foreign currency and the SA rand
Contract size	1 000 foreign currency nominal (for example USD1 000)
Contract/expiry months	March, June, September and December
Expiry date	Two business days prior to the third Wednesday of the expiry month (or the previous business day if that day is a public holiday)
Expiry time	10am in New York 4pm in SA winter months 5pm in SA summer months
Expiration valuation method	Arithmetic average of the underlying spot taken every 60 seconds (30 iterations) between 3.31pm and 4pm (SA winter months) 4.31pm and 5pm (SA summer months)
Listing programme	Near, middle and far contracts
	Specials on demand (refers to contract months that fall outside the listing programme)
Price quotation	Rand per one unit of foreign currency to four decimals
Minimum price movement	ZAR0,10
Settlement	Cash settled in ZAR
Initial margin requirements	As determined by JSE Portfolio Scanning Methodology
Mark-to-market	The calculated forward value of the arithmetic average of the traded underlying spot taken for a five-minute period between 4.55pm and 5pm
Exchange fees	Futures: ZAR1,14 (incl. VAT) per contract, sliding scale fee structure applies
Market times	As determined by Yield-X (9am – 5pm)

Disclaimer

Authorised financial services provider

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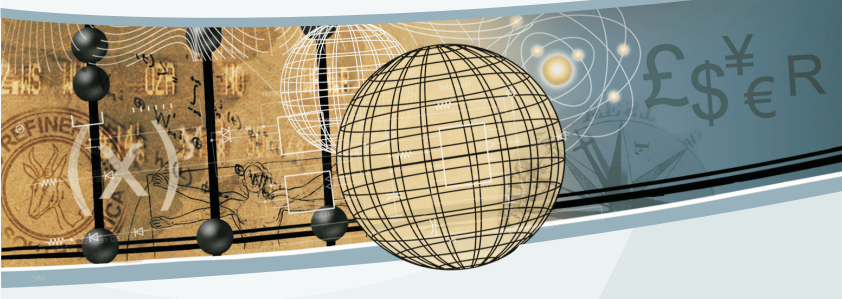

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