

Private and confidential

Commodity Derivatives Presentation

Retail Equity Derivatives

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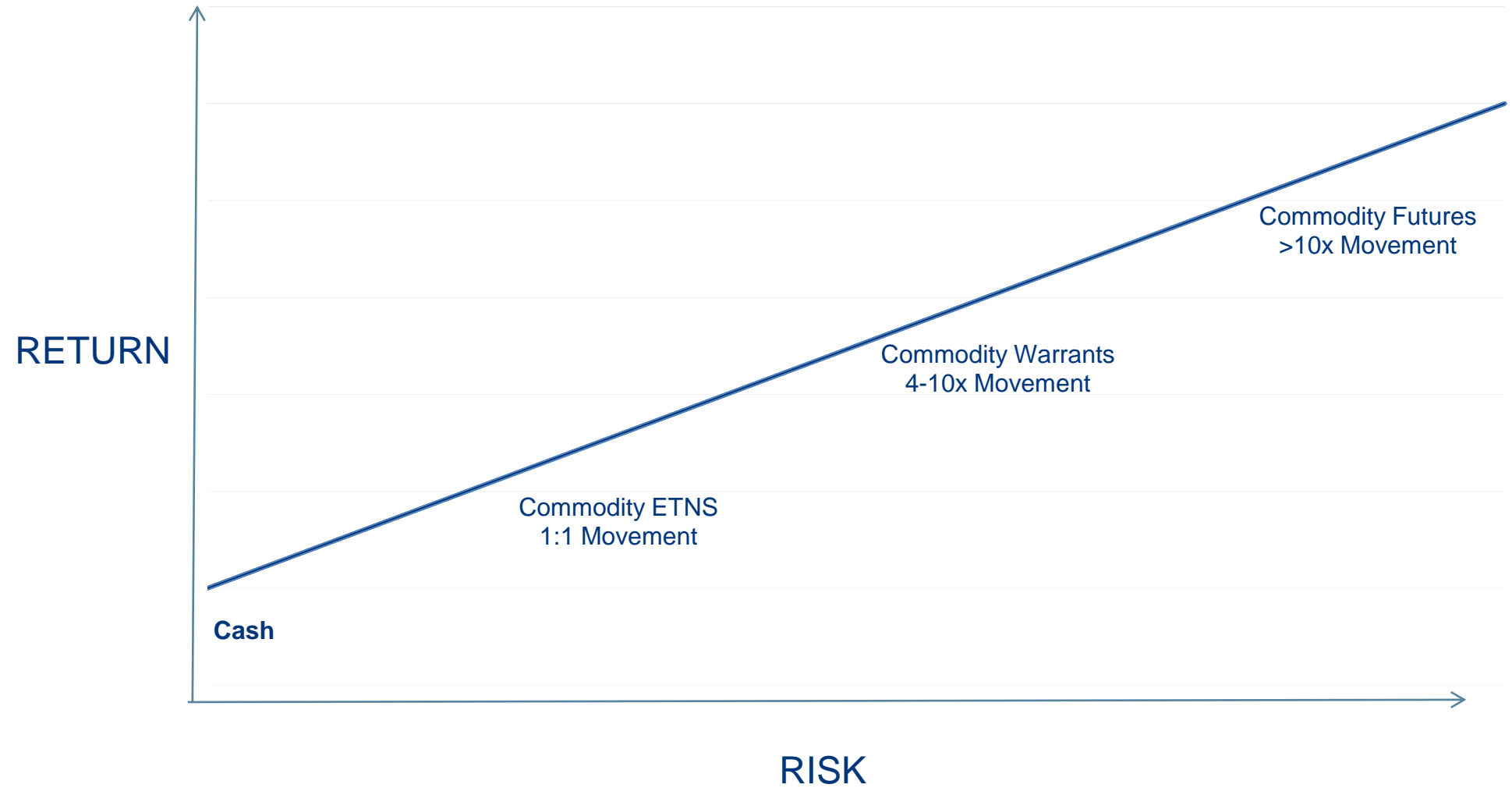
- **Today we will cover several types of Listed Derivatives**
 - **ETNs (Exchange Traded Notes)**
 - **Warrants (options)**
 - **Futures**

- **What is a listed derivative?**
 - **A financial instrument, traded on an exchange, the price of which is directly dependent upon (i.e., "derived from") the value of one or more underlying commodity**

- **Standard Bank is a leader in Listed Retail Derivatives on the JSE**
 - **By retail we mean: Derivatives for the private Trader**

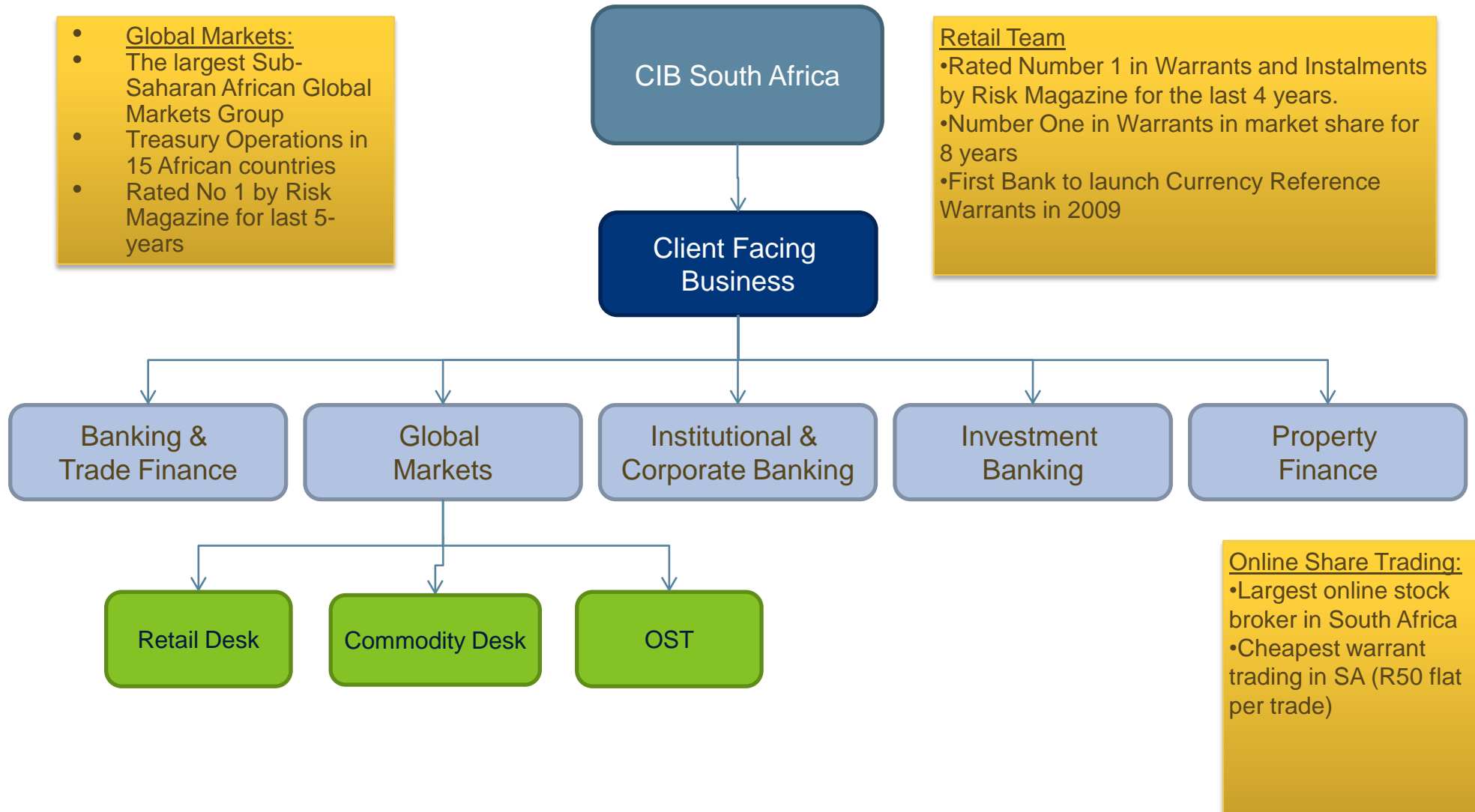
Risk Return Profile

3



Global Markets

4



Commodity ETNs



What are ETNs?

6

- JSE-listed instruments that track the performance of an underlying instrument or index.
- Traded in the same manner as a listed security.
- Standard Bank is the issuer and market maker of the ETNs and will therefore facilitate the buying and selling, ensuring the liquidity.
- Standard Bank ETNs will constitute senior unsecured unsubordinated obligations.
- Offering Includes: OIL, Gold, Platinum, Palladium. Silver, Wheat and Corn



Standard Bank Commodity ETNs

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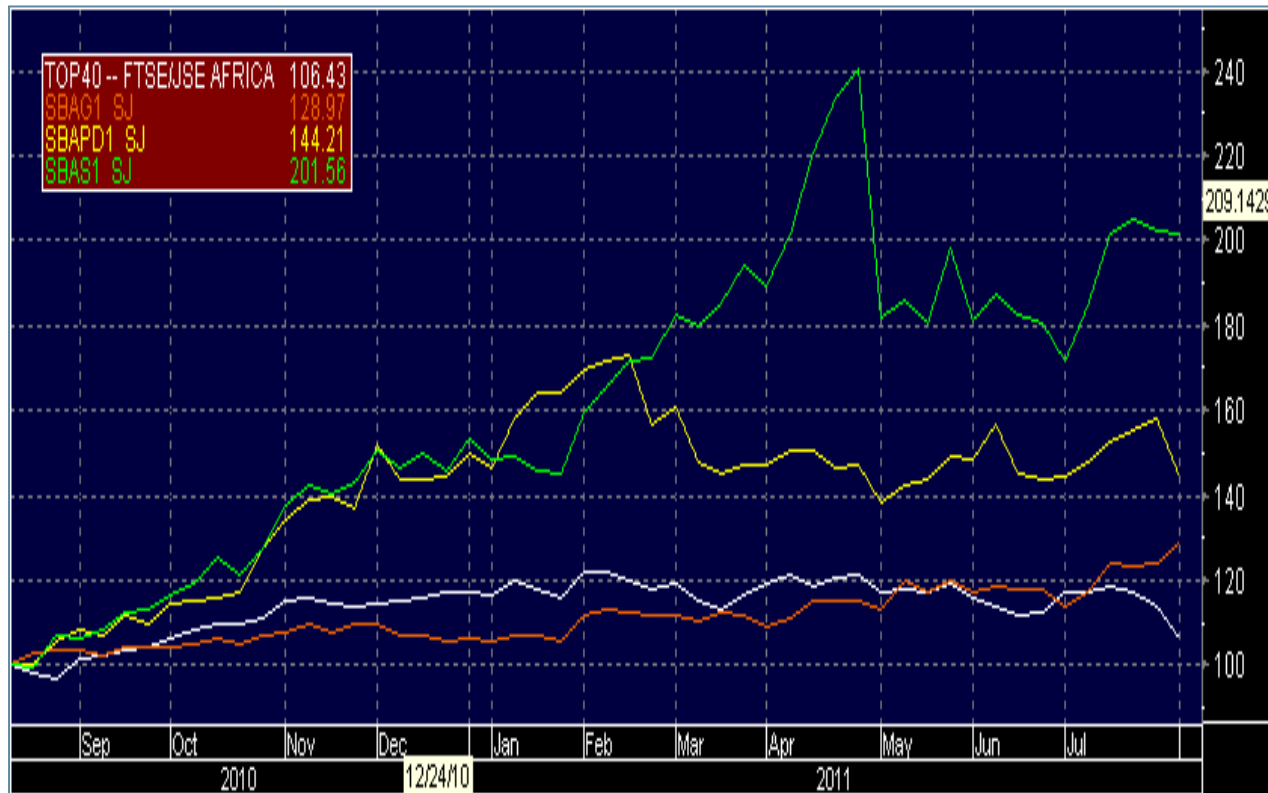
- Standard Bank's Commodity Linker ETNs provide investors with exposure to commodities in a cost effective manner.
- A total return index is created from the near dated USD commodity future, USD interest rates and the USDZAR exchange rate.
- The near-dated future is used as it is typically the most cost effective way of gaining exposure to commodities.
- The Commodity Linker ETNs therefore do not incur the costs of owning, storing and insuring physical commodities.
- Annual management fee of 0.5% is accrued daily

ETN Price

- The ETN price = ZAR commodity future price x Exposure Factor. (\$ 1,750 x 7.00 x factor)
- Each ETN gives the investor exposure to a portion of an ounce/pound/barrel or bushel of the commodity, this fraction is determined on issuance of the note and fluctuates marginally through time as interest is earned and expenses are incurred.

Commodity	Category	JSE Code	Measure Convention	Exposure Factor
Corn	Agriculture	SBACRN	Bushels	1 / 5
Wheat	Agriculture	SBAWHT	Bushels	1 / 5
Copper	Base Metals	SBACOP	Pounds	1 / 2.5
WTI - Oil	Energy	SBAOIL	Barrels	1 / 50
Gold	Precious Metals	SBAG1	Ounces	1 / 86.84
Palladium	Precious Metals	SBAPD1	Ounces	1 / 34.59
Platinum	Precious Metals	SBAPL1	Ounces	1 / 111.72
Silver	Precious Metals	SBAS1	Ounces	1 / 1.32

Commodity Linkers



-
1. No gearing
 2. Liquid
 3. No need to own physical
 4. Cost Effective

- **Commodity markets generally move in the opposite direction to fixed-income securities and equities.** This gives commodities the advantage of providing diversification benefits within investment portfolios.
- **Commodity markets are thought to offer protection against inflation.** While it has been shown that commodities are far from a perfect hedge against inflation, the inflation protection they provide is superior to that of other conventional asset classes.

Commodity Reference Warrants



An Introduction to Warrants

- Warrants are options
- They trade on the JSE in the same manner as shares
- They enable Traders to maximise returns whilst strictly limiting losses
- They give traders the opportunity to make money in rising or falling markets
- Have a limited life span
- Their price moves up and down relative to price movements in the underlying

Advantages of Warrants

- Low cost
- Potential to leverage your investment



Leverage can't make a bad investment good, but it can make a good investment bad! Leverage can limit your staying power.

- Downside limited to the initial premium paid
- Traded on exchange
- Transparency of a listed instrument
- Liquid market with tight spreads

Calls & Puts

Call Warrants

- Right to buy
- Right to buy at fixed price
- Expires on fixed date
- Increase in value if the underlying goes up



Put Warrants

- Right to sell
- Right to sell at a fixed price
- Fixed Expiry Date
- Go up if underlying goes down



What are Commodity Reference Warrants?

- A CoRW is a derivative that's value is based on an underlying, being a commodity.
- The underlying is the Rand value of the underlying commodity

$$\text{Gold } \$ 1,750 \times \text{R } 7.15 = \text{R } 12,512$$

*The investor has the **right but not the obligation** to either buy or sell the performance of the rand value of the underlying commodity, for instance the Rand Platinum price; at a specific rand value known as the strike price at a specific date; known as the expiry or maturity date.*

- CoRWs are cash settled in rands which means that no transfer or settlement of foreign currency or commodity will occur.
- CoRWs cannot be exercised into the underlying commodity.

CoRW's come in Calls and Puts

Call Warrant

PLT

GOL = GOLD
PLT = PLATINUM
OIL = OIL

SB

Issuer code:
SB = Standard Bank

A

A = the series of the
Commodity Reference
Warrant
(A being the first and B
being the second)

Put Warrant

PLT

GOL = GOLD
PLT = PLATINUM
OIL = OIL

SB

Issuer code:
SB = Standard Bank

P

P = the series of the
Commodity Reference
Warrant
(P being the first and Q
being the second)

List of Commodity Warrants

Underlying	Code	Strike	Expiry	Type	Ratio	Gearing
GOLD	GOLSBC	R 10,250	02 Aug 11	European Call	3,000	17
GOLD	GOLSBD	R 11,250	04 Jan 12	European Call	1,800	7
OIL	OILSBB	R 860	04 Jan 12	European Call	90	8
PLATINUM	PLTSBD	R 13,250	04 Jan 12	European Call	2,600	7

Commodity Futures



Trading futures can offer significant returns BUT also subject you to significant losses if the market moves against your position. You may, in a relatively short time, sustain more than a total loss of the funds placed by way of initial margin. You may be required to deposit a substantial additional sum, at short notice, to maintain your margin balance. If you do not maintain your margin balance your position may be closed out at a loss and you will be liable for any resulting deficit.

What is a Future?

A futures contract is an agreement between two parties that:

1. is of a standardised contract of a specific quantity of underlying asset
2. is listed on the exchange (SAFEX), removing counterparty risk
3. expires on a predetermined date in the future, and settled.

Features

- Require reduced capital to trade – Only pay a deposit (initial margin) – This LEVERAGE / GEARING adds risk.
- Allow you to benefit in both rising and falling markets – (short / bear sales).
- As the underlying asset price goes up and down, so to does the futures price.
- Unlike most investments, profits and losses on futures are realised and settled on a daily basis.

Margin

- Every trade that takes place on SAFEX is guaranteed by SAFEX.
- By a process known as novation SAFEX becomes the counterparty and thus guarantees the performance on each trade and removes the risk of counterparties not meeting their obligations.
- In order to protect itself against any particular party failing to meet its obligations SAFEX employs a process of margining.
- There are 2 types of margin:
 - Initial margin
 - Variation margin

Initial Margin

- To ensure that you meet the obligations of your trade, SAFEX requires that you post (deposit) initial margin.
- This money remains on deposit as long as the position is open.
- The initial margin is returned to the investor when the position is closed out, or the contract expires.
- Initial margin can vary from under 5% to 50% of the underlying value of the position.
- It is meant to equal the highest loss that may occur in a one day's trade.
- Online Share Trading requires an extra 50%. This is referred to as the “buffer” and is included in the Initial Margin.

Variation margin

- At day end, the JSE calculates a closing price (mark-to-market “MTM”) for each future.
- The profit or loss for the day for each position is calculated based on the MTM of the current day less the MTM of the previous business day.
- The profit or loss is referred to as the “**variation margin**” and is settled the next business day into your trading account.
- Online Share Trading does this calculation on a real-time basis during the course of the business day to give clients a real-time view of the status of the portfolio.
- Once your available cash is depleted and 50% buffer is gone, you will be closed out.

Futures Pricing

1. In most cases the price of a Futures will be above the price of the underlying with the price of the Future and the underlying asset converging as we get closer to the expiry date
2. The price at which the Future is priced is referred to as the “Fair Value”

Fair value = The underlying price + carrying costs

- Because the Future ties up less money, there's an opportunity cost to holding the physical over the Future (interest = carrying costs).

Traded Price = Fair value +/- Market makers & brokers commissions

List of Commodity Futures

Contract Code	Expiry Date	SBG Initial Margin	Contract Size	Est. Exposure	Gearing
COPP SEP 11	01-Sep-11	R 9,000	2500 lb	R 70,000	8
COPP DEC 11	01-Dec-11	R 9,000	2500 lb	R 70,000	8
SILV SEP 11	01-Sep-11	R 18,750	500 oz	R 140,000	7
SILV DEC 11	01-Dec-11	R 18,750	500 oz	R 140,000	7
GOLD OCT 11	03-Oct-11	R 9,600	10 oz	R 130,000	14
PLAT OCT 11	03-Oct-11	R13,050	10 oz	R 130,000	10
WTIO DEC 11	01-Dec-11	R10,500	100 oz	R 65,000	6

Comparing Costs

Comparing Brokerage Costs

ETNs: 0.5%
B/O: 0.5% - 1%

Projected costs

Projected share cost at bid price:	R 100,000.00
Securities transfer tax:	R 0.00
STRATE:	R 10.92
Brokerage:	R 50.00
VAT on charges:	R 8.53
Investor Protection Levy:	R 0.19
Overall projected cost:	R 100,069.65

Projected costs

Projected share cost at bid price:	R 150,000.00
Securities transfer tax:	R 0.00
STRATE:	R 10.92
Brokerage:	R 750.00
VAT on charges:	R 106.53
Investor Protection Levy:	R 0.30
Overall projected cost:	R 150,867.75

Warrants: R50 Flat
B/O: 1 cent

Projected costs

Current position:	
Number to buy:	1
New position:	1
Initial margin on current position:	R 0.00
Initial margin required for this trade:	R 10,500.00
Initial margin on new position:	R 10,500.00
Brokerage:	R 62.00
VAT:	R 8.68
Net cash amount required:	R 10,570.68

Futures: 0.1%
B/O: 0.5%

Using the Websites

Using the OST Site - Looking for a ETN

Standard Online Share Trading

Home My account Easy Trader Instruments Market Info Tools Help

Homepage

Welcome Brett Duncan

Select ETNs From Instrument List

Shares

Warrants

Share Instalments

CFD's

Futures

Commodity Futures

Exchange Traded Funds

Exchange Traded Notes

Preference Shares

Filters

Exchange Traded Funds

1 month 3 months 3 years 5 years

SHARE 10 Aug (29049pts +2)

Price type : ☒ Delayed ☐ Live


The following shares were found under

Sector Shares - 10 Aug 2011 12:35

Share Code	Share Name	Sector	Price	Change	Volume	Open	High	Low	Close	Quote	Trade	C	H	W
DBAFRI	DBAFRIETN	exchange traded notes	5200	-	4961	5026				Quote	Trade	C	H	W
DBCHIN	DBCHINETN	exchange traded notes	2300	-0.6%	2300	2333				Quote	Trade	C	H	W
DBEMER	DBEMERETN	exchange traded notes	2700	+0.73%	2700	2725				Quote	Trade	C	H	W
DBGAIN	DBGAIN16	exchange traded notes	0	-	0	0				Quote	Trade	C	H	W
COLRMB	RMBCOAL16	exchange traded notes	82326	+0.47%	80311	84281				Quote	Trade	C	H	W
OILRMB	RMBOIL15	exchange traded notes	52201	-1.60%	52334	52951				Quote	Trade	C	H	W
SBAEI	SB AE IDX	exchange traded notes	767	0.00%	763	775				Quote	Trade	C	H	W
SBAPD1	SBADAUG20	exchange traded notes	14521	-0.70%	15078	15242				Quote	Trade	P	C	H
SBAG1	SBAGAUG20	exchange traded notes	14501	+5.91%	14243	14261				Quote	Trade	P	C	H
SBAPL1	SBAPAUG20	exchange traded notes	10486	-2.01%	10984	11036				Quote	Trade	P	C	H
SBAS1	SBASAUG20	exchange traded notes	20549	+0.27%	20293	20349				Quote	Trade	P	C	H
SBACOP	SBCOP	exchange traded notes	1187	+5.42%	1134	1147				Quote	Trade	C	H	W
SBACRN	SBCRN	exchange traded notes	897	-5.97%	968	978				Quote	Trade	C	H	W
SBAQIL	SBOIL	exchange traded notes	1211	+2.98%	1166	1180				Quote	Trade	C	H	W
SBR003	SBRJNOV13	exchange traded notes	10036	-0.10%	10036	10061				Quote	Trade	S	P	C
SBR002	SBRJSEP11	exchange traded notes	10065	-0.19%	9975	10000				Quote	Trade	S	P	C
SBAWHT	SBWHT	exchange traded notes	910	-1.09%	968	977				Quote	Trade	C	H	W
CBN013	SWCCN	exchange traded notes	13960	0.00%	0	13938				Quote	Trade	C	H	W

List of all ETNs

Using Warrants Site (www.warrants.co.za)– ETNs


Standard Bank

Warrants and Share Instalments

[Home](#)
[Market Overview](#)
[Live Futures Prices](#)
[Find Warrants](#)
[Find Knockouts](#)
[Find Currency Reference Warrants](#)
[Find Commodity Reference Warrants](#)
[Find Reset Warrants](#)
[Find Exchange Traded Notes **New**](#)
[Find Share Instalments](#)
[Upcoming Dividends](#)
[Extended Warrant Matrix](#)
[Warrant & Instalment News](#)
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Find Exchange Traded Notes

Disclaimer: Even though every effort has been made to ensure this warrant data's accuracy, Standard Bank, or an associated company can not be held responsible for any errors contained herein. Please use the data with caution. We recommend that you contact the issuer for confirmation of key data.

Date	Underlying	JSE Code	Price Per ETN	Factor*	Underlying Price**
2011-08-08	African Equity Index	SBAEI	R 7.67	1 / 100	\$ 107.952
2011-08-08	Silver	SBAS1	R 204.93	1 / 1.326	\$ 38.62
2011-08-08	Platinum	SBAPL1	R 107.01	1 / 112.756	\$ 1,714.30
2011-08-08	Palladium	SBAPD1	R 146.24	1 / 34.811	\$ 723.27
2011-08-08	Gold	SBAG1	R 136.92	1 / 87.261	\$ 1,697.50
2011-08-08	WTI	SBAOIL	R 11.76	1 / 49.8883053912558	\$ 83.35
2011-08-08	Wheat	SBAWHT	R 9.20	1 / 5	\$ 6.58
2011-08-08	Corn	SBACRN			\$ 4.84
2011-08-08	Copper	SBACOP			\$ 3.9

Replicating the ETN Price

The ETN price comprises of the ZAR future or Index

Exchange Traded Notes (ETNs) Description

Commodity Linked ETNs provide investors with exposure to near dated USD commodity future, USD interest rates and the most cost effective way of gaining exposure to the underlying in a cost effective manner. A total return index is created from the exchange rate. The near-dated future is used as it is typically the

Standard Bank Africa Equity Index ETNs offer investors a cost effective and convenient way to access a broad range of listed companies active across Africa (excluding South Africa, Lesotho and Swaziland). The Investment tracks the Standard Bank Africa Total Return Index (SBAFRITR), which is a passive, dollar-based index and aims to reflect a diversified basket of liquid shares in companies that have their majority of exposure to Africa.

More Information

[Commodity-Linker ETN Brochure](#)
[Commodity-Linker ETN Fact Sheet](#)
[Latest Commodity View](#)
[Standard Bank Africa Equity Index ETNs Brochure](#)

Trade Now

Contact Standard Bank's [Online Share Trading](#) or your JSE broker to start trading.
For product information contact Standard Bank on ETNS@standardbank.co.za.

Using Warrants Site (www.warrants.co.za)– Looking for a Warrant

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The screenshot shows the Standard Bank Warrants Site interface. A green callout points to the 'Find Exchange Traded Notes New' link in the left sidebar. Another green callout points to the 'List of all CoRWs' table. A third green callout points to the 'Select ETNs From Instrument List' section.

Select ETNs From Instrument List

- [Commodity-Linker ETN Fact Sheet](#)
- [Standard Bank Africa Equity Index](#)
- [Reset Warrants Brochure](#)
- [Commodity Reference Warrants Brochure](#)
- [Currency Reference Warrants Brochure](#)
- [The Danger Of Trading Knockout Warrants](#)
- [Knockout Warrants Brochure](#)
- [The Danger of Busted Instalments Bid Only](#)
- [The Danger of Trading 10c Warrants](#)

List of all CoRWs

Underlying Commodity	Code	Strike Price	Expiry	Type	Ratio	Effective Gearing
GOLD	GOLSBG	10 250.00	02-Aug-11	European Call	3 000.00	16.58
GOLD	GOLSDG	11 250.00	04-Jan-12	European Call	1 800.00	7.07
GOLD	GOLSBQ	9 250.00	02-Aug-11	European Put	2 000.00	0.26
OIL	OILSBB	800.00	04-Jan-12	European Call	90.00	8.38
PLATINUM	PLTSBG	12 250.00	02-Aug-11	European Call	3 500.00	34.88
PLATINUM	PLTSBG	13 250.00	04-Jan-12	European Call	2 500.00	7.45
PLATINUM	PLTSBQ	11 000.00	02-Aug-11	European Put	2 500.00	80.15

Market Report

Date Updated: 2011/08/10 09:16:43 AM

Using Warrants Site - Looking for a Warrant

The screenshot shows the Standard Bank website's 'Warrants and Share Instalments' section. A green callout bubble points to the 'Help & Education' link in the left sidebar, with the text 'Select Help & Education'. Another green callout bubble points to a 'WARRANTS TUTORIAL' banner on the right, with the text 'Download the warrants tutorial'. The banner also features the quote: 'Bulls make money Bears make money Pigs get slaughtered!'.

Standard Bank

Warrants and Share Instalments

Welcome to The Standard Bank of South Africa on the warrants and share instalments issued on the warrants and share instalments issued and market information. Access to and use of the warrants and share instalments is subject to the [Conditions](#), [Privacy and Security Statement](#) and [Other Documents](#).

Financial and other information relating to Standard Bank's warrants and share instalments, including the terms and conditions governing the warrants and share instalments, related annexures and/or supplements. The warrants and share instalments are subject to the selling restrictions which are documented in the particular warrants and share instalments may be subject to further restrictions. If you are familiar with the warrants and share instalments, you may wish to visit the [Warrants and Share Instalments](#) page.

WARRANTS TUTORIAL

Select Help & Education

Download the warrants tutorial

**"Bulls make money
Bears make money
Pigs get slaughtered!"**

Fact Sheet

- [Standard Bank Africa Equity Index ETNs Brochure](#)
- [Reset Warrants Brochure](#)
- [Commodity Reference Warrants Brochure](#)
- [Currency Reference Warrants Brochure](#)
- [The Danger Of Trading Knockout Warrants](#)
- [Knockout Warrants Brochure](#)
- [The Danger of Busted Instalments Bid Offer](#)
- [The Danger of Trading 10c Warrants](#)

Market Report

Date Updated: 2011/08/10 09:16:43 AM

Using the OST Site - Looking for a Commodity Future

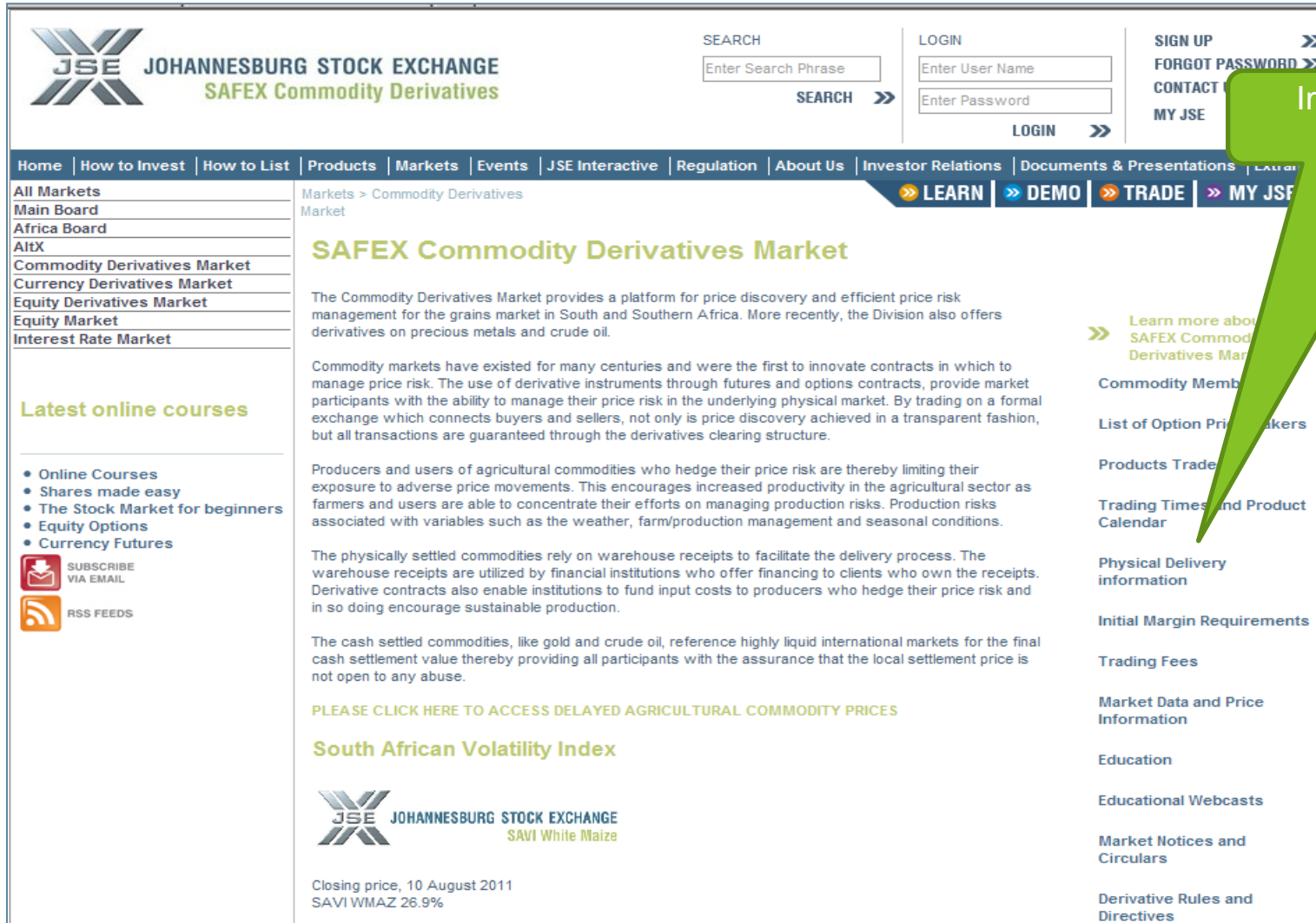
Select ETNs From Instrument List

List of all Commodity Futures

Wealth begins with better knowledge - Upcoming courses/presentations		News Headlines				
Date	City	Topic	Cost	Source	Date	Headline
13 Aug	Durban	Detailed option course (warrants & instalments)	Free Book	Sens	12:35	EXT - Extrac
13 Aug	Joburg	Introduction to Technical Analysis (full day)	Free Book	Sens	12:07	BIFR1 - First
15 Aug	Durban	Investing and Trading in Commodities	Free Book	Sens	12:00	ADW - Afric
17 Aug	Joburg	Investing and Trading in Commodities	Free Book	Sens	11:50	SKY - Sea Kay Holdings Limited - Further cautionary announcement
17 Aug	Pretoria	Introduction to Contracts For Difference (CFDs)	Free Book	Sens	11:29	SPA - Spanjaard Limited - Dealings in securities by a director
20 Aug	Durban	Introduction to Technical Analysis (full day)	Free Book	Sens	11:21	BIFR1 - FirstRand Bank Limited - Listing of Tap Issue
24 Aug	Pretoria	Trading Index Futures	Free Book	Sens	11:12	BSS - BSI Steel Limited - Dealing in securities by a director
25 Aug	Cape Town	Introduction to Contracts For Difference (CFDs)	Free Book	Sens	11:11	BEL - Bell Equipment Limited - Reviewed interim report for the six months ended
-- Full list of upcoming courses --				Sens	11:02	BIFR1 - FirstRand Bank Limited - Listing of New Financial Instrument

Filtered Products		
Contract Code	Expiry Date	Standard Initial Margin (R)
COPP Sep-11	01 Sep 2011	9,000.00
SILV Sep-11	01 Sep 2011	18,750.00
GOLD Oct-11	03 Oct 2011	9,600.00
PLAT Oct-11	03 Oct 2011	13,050.00
COPP Dec-11	01 Dec 2011	9,000.00
SILV Dec-11	01 Dec 2011	19,050.00
WTIO Dec-11	01 Dec 2011	10,500.00
PLAT Jan-12	03 Jan 2012	13,200.00

Using the JSE Site - <http://www.jse.co.za/Markets/Commodity-Derivatives-Market.aspx>



JSE JOHANNESBURG STOCK EXCHANGE
SAFEX Commodity Derivatives

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Africa Board
AltX
Commodity Derivatives Market
Currency Derivatives Market
Equity Derivatives Market
Equity Market
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Markets > Commodity Derivatives Market

SAFEX Commodity Derivatives Market

The Commodity Derivatives Market provides a platform for price discovery and efficient price risk management for the grains market in South and Southern Africa. More recently, the Division also offers derivatives on precious metals and crude oil.

Commodity markets have existed for many centuries and were the first to innovate contracts in which to manage price risk. The use of derivative instruments through futures and options contracts, provide market participants with the ability to manage their price risk in the underlying physical market. By trading on a formal exchange which connects buyers and sellers, not only is price discovery achieved in a transparent fashion, but all transactions are guaranteed through the derivatives clearing structure.

Producers and users of agricultural commodities who hedge their price risk are thereby limiting their exposure to adverse price movements. This encourages increased productivity in the agricultural sector as farmers and users are able to concentrate their efforts on managing production risks. Production risks associated with variables such as the weather, farm/production management and seasonal conditions.

The physically settled commodities rely on warehouse receipts to facilitate the delivery process. The warehouse receipts are utilized by financial institutions who offer financing to clients who own the receipts. Derivative contracts also enable institutions to fund input costs to producers who hedge their price risk and in so doing encourage sustainable production.

The cash settled commodities, like gold and crude oil, reference highly liquid international markets for the final cash settlement value thereby providing all participants with the assurance that the local settlement price is not open to any abuse.

[PLEASE CLICK HERE TO ACCESS DELAYED AGRICULTURAL COMMODITY PRICES](#)

South African Volatility Index

JSE JOHANNESBURG STOCK EXCHANGE
SAVI White Maize

Closing price, 10 August 2011
SAVI WMAZ 26.9%

» Learn more about SAFEX Commodity Derivatives Market

Commodity Membership

List of Option Price Makers

Products Traded

Trading Times and Product Calendar

Physical Delivery information

Initial Margin Requirements

Trading Fees

Market Data and Price Information

Education

Educational Webcasts

Market Notices and Circulars

Derivative Rules and Directives

Important Commodity Information

Contact details

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Richard Juchniewicz

Equity Derivatives

Corporate and Investment Banking Division of Standard Bank

Email: richard.juchniewicz@standardbank.co.za / Contact number: +27 11 384 2514

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