

TRADING CURRENCY OPTIONS TO BECOME EASIER FOR INVESTORS

JOHANNESBURG, 11 AUGUST 2009. Trading in currency options is set to become easier and more accessible due to the introduction of the first currency options market maker ABSA Capital. Previously, options traders had to find their own market maker to execute the trade. This latest development should further increase participation in the JSE's well-established currency derivatives market.

"We anticipate that the introduction of ABSA Capital as a new market maker and the on-screen pricing functionality will make trading currency options more attractive to the market," says Warren Geers General Manager of Yield-X at the JSE. To begin with, market making will be on the Dollar / Rand currency options with the minimum size per trade being 10 contracts.

Justin Nichols, Head of Forex and Fixed Income Options at ABSA Capital: "Our participation should bring much needed liquidity to the currency options market and as such, facilitate the participation of more and more retail, but also institutional investors in this space."

Currency options were launched in September 2008. Like currency futures, currency options allow investors to hedge their currency exposure, but differ in that they come with a 'built-in insurance policy' where the investor is able to resign a contract at any point in the contract term. "The flexibility that options offer investors is especially relevant during volatile financial times," adds Geers.

Despite global economic conditions, the Yield-X market has exceeded growth expectations. Year-on-year, for the first 6 months of 2009, on Yield-X has grown 122% in value of trades. Much of this growth can be attributed to currency futures which have grown by 205%. The value of trades in currency futures currently stands at more than R88 billion since inception. The value of trades in currency options currently stands approximately R1 billion.

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As South Africa's only full service securities exchange, the JSE connects buyers and sellers in four different financial markets, namely equities, equity derivatives, agricultural derivatives and interest rate instruments (Yield-X). The JSE Ltd offers the investor a truly first world trading environment, with world class technology, surveillance and settlement in an emerging market context. It is amongst the top 20 largest equities exchanges in terms of market capitalisation in the world.

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