

MEMORANDUM

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To: The Financial Sector Conduct Authority
From: Andre Visser: Director – Issuer Regulation
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Subject: Simplification Project: Application - Amendments to the JSE Listings Requirements
Pages: 5

Introduction

The purpose of this memorandum is to support the application to the Financial Sector Conduct Authority (the “**FSCA**”) in relation to proposed amendments to the JSE Listings Requirements (the “**Requirements**”) dealing with the Simplification Project.

In May 2022, as part of its ongoing efforts to ensure that the bourse is fair, efficient, transparent and competitive, the JSE released a consultation paper, requesting stakeholders to comment on a raft of proposals. The JSE proposed various initiatives to enable it to remain competitive, one of which was the Simplification Project for which overwhelming support was received.

The decline in listings on the JSE over the past few years are well recorded. To attract companies and securities to list on its exchange the JSE must ensure that it remains competitive and has therefore deemed it necessary to review its listings framework to establish what role it can play to retain and attract more listings and to promote capital markets activity.

In support of the “*Cutting Red Tape Project*” initiated in 2022, the aim of the Simplification Project is to reposition the Requirements in its entirety using plain language to record concise regulatory objectives with the ultimate aim of significantly cutting the complexity of the Requirements. An additional benefit of simplification is the significant reduction in the volume of the Requirements.

Since the launch of the Simplification Project in September 2023, the Simplification Project has been well received by the market with various positive media reports, as extracted below for ease of reference:

<https://www.businesslive.co.za/bd/companies/financial-services/2023-09-20-jse-aims-to-stem-exits-with-simpler-listing-rules/> (20 September 2023)

JSE aims to stem exits with simpler listing rules

Analysts welcome 'simplification project' as a positive and necessary step

"The JSE, which has almost halved in size over the past two decades, is looking at rewriting its listing requirements and cutting the red tape that has made it unattractive for local and offshore companies. Africa's biggest exchange by value said on Tuesday it will embark on a "simplification project" over the next 18 months with the aim of using understandable language in its listing requirements in the hope of attracting more companies. The bourse also hopes the project will lead to a reduction in the volume of listing requirements.

Market players welcomed the move as a positive and necessary step because the shrinking number of listed companies on the JSE poses a threat to savers, the economy and the exchange itself. More than 20 companies were delisted in 2022 for reasons that included mergers & acquisitions, especially among small caps and medium caps.

Activist shareholder Chris Logan, chief investment officer and owner of Opportune, said the JSE is experiencing its eighth successive year of net delistings, which is an alarming indicator. Logan said that the changes announced and contemplated by the JSE demonstrate its endeavour to create a fair, efficient, transparent and competitive exchange.

"The JSE needs to prioritise to a greater degree the importance of attracting IPOs and retaining listings. Part of this would be reviewing its listings requirements and cutting red tape, which it is currently doing.

"I think it's incumbent on the JSE to drum up greater support from government and other important role players like the big institutions for a vibrant listings environment," said Logan."

Big changes to the Listings Requirements

<https://dailyinvestor.com/investing/56264/big-changes-to-jse-listing-requirements1/> (3 July 2024)

"The JSE has taken another step forward in its plan to simplify listing requirements, which aims to attract more companies to the stock exchange. The JSE has been under a lot of pressure as an increasing number of companies delist in search of more affordable and less regulated financing options.

Chief Investment Officer at PSG Wealth, Adriaan Pask, said the number of listed companies dropped drastically from 850 in the 1990s to less than 300 in 2024. "This decline is attributed to several factors such as significant costs associated with compliance, reporting, legal and administrative requirements," Pask explained.

Overregulation and unfavourable market conditions have made the JSE less appealing to businesses, many of which now choose to dual-list overseas or not list on the JSE at all.

The JSE is aware of these challenges and is actively working on initiatives to attract investors and simplify the listing process, Pask said."

Amendment Process

Recognising the magnitude of the Simplification Project, the Issuer Regulation Division (the "**Division**") envisaged that it would take up to 18 months to complete. The JSE first engaged with the FSCA on the Simplification Project in August 2023. The JSE further initiated regular engagements with the FSCA during 2024 to keep the FSCA abreast of developments on the Simplification Project. The JSE concluded all its drafting and public consultation processes on 21 October 2024, thus within a period of just under thirteen months.

In order to support full transparency and to make the public consultation process more palatable, an unprecedented staggered and open public consultation process was followed by the JSE, which commenced on 23 September 2023 and closed on 21 October 2024 (the "**public consultation window**"). What this meant for the market, stakeholders, investors and the general public at large was that all amendments to the Requirements remained open for public consultation for the duration of the public consultation window, whereby commentators could monitor developments and comment on any of the proposed amendments at any point in time.

In support of the public consultation process, a dedicated public consultation portal was created on the JSE website to house all amendments, new releases and SENS announcements. The main objective was to keep the public consultation process accessible, transparent and fluid, to better support market participation on the Simplification Project. A key amendment schedule accompanied each section under amendment to clearly highlight amendments not considered simplification.

As Listings Authority and custodian of the Requirements and the Simplification Project, the Division confirms that the proposed amendments are appropriate, it enhances the integrity of the Requirements and is consistent with, and not in conflict with the provisions of the Financial Markets Act ("**FMA**"), and addresses all the provisions in Section 10 of the FMA, being to make listings requirements which prescribe:

- the manner in which securities may be listed or removed from the list or in which the trading in listed securities may be suspended;
- the requirements with which issuers of listed securities and of securities which are intended to be listed, as well as such issuer's agents must comply;
- the standards of conduct that issuers of listed securities and their directors, officers and agents must meet;
- the standards of disclosure and corporate governance that issuers of listed securities must meet; and
- the steps that must be taken for the investigation and discipline of an issuer or director, officer or employee of an issuer that fails to comply with the Requirements.

Application to the FSCA

The JSE has included the following documents in its application to the FSCA in terms of Section 11(6)(b) of the FMA, whereby the JSE must submit (i) proposed amendments to the Requirements, (ii) together with an explanation of the reasons for the proposed amendments, and (iii) any concerns or objections raised during the consultation process for approval:

- Clean Simplified version of the Requirements;
- Simplification Guide;
- Key Amendment Schedules per Section; and
- Objections and Concerns.

The purpose of the Simplification Guide is to support the simplification review by highlighting key amendments per section, along with a table of contents guide (reflecting the composition of the Requirements before and after the Simplification Project).

In support of the application, the FSCA is directed to the JSE's dedicated consultation portal, where all mark-ups and announcements can be viewed, as was made available to the public for the duration of the public consultation window:

<https://clientportal.jse.co.za/communication/issuer-regulation-simplification-project>

FSCA Process

A proposal was made by the JSE early in 2024, whereby simplified sections that have undergone public consultation could be reviewed by the FSCA in order to make the simplification review more palatable. Although initially supported by the FSCA at the time, the FSCA opted in July 2024 for an approach whereby one submission should be made to the FSCA (rather than on a *piece meal* basis).

The JSE has invested a considerable amount of resources and effort into the Simplification Project, and the project has received positive support from the market, investors, issuers and sponsors. It is vital that momentum be maintained on the Simplification Project otherwise the initiative and positive messaging to the market may become lost, considering that (i) JSE formally introduced the Simplification Project to the market in September 2023 and (ii) the project has been well aired in the market over the course of the past several months. The JSE is already fielding several requests from the market enquiring about the anticipated implementation date of the new simplified Requirements.

The JSE truly believes that Simplification Project is good for the South African financial markets and will play a meaningful role in stemming the delistings tide and promoting capital markets activity. On this basis and as previously discussed in July 2024, the JSE would like to make the following recommendations to supports of the FSCA's process leading to the approval of the amendments:

- The JSE is of the view that the amendments could be published in the Gazette as soon as possible after receipt of the proposed amendments as contemplated in Section 11(6)(c) of the FMA, to allow the market to comment on the project early in 2025 and to show that the momentum on the project is being maintained;
- The FSCA indicated that they would afford the JSE dedicated time on the Simplification Project, provided the JSE communicated the intended time of the application to the FSCA. The JSE shared the intended application date to the FSCA in July 2024 as *“the JSE expects to make its application to the FSCA towards the end of November or early December 2024”*. As such, this application meets the indicative application date communicated to the FSCA; and
- The JSE would further like to extend the availability of Alwyn Fouchee: Head – Regulatory Compliance to support the FSCA in any capacity advisable. Alwyn can be made available to the FSCA, as mutually agreed by the JSE and the FSCA, which can even include Alwyn spending exclusive time with the FSCA, say two or more days a week or as may be required by the FSCA. It should be mentioned that this offering is intended to streamline effective communication between the JSE and the FSCA considering the magnitude of the Simplification Project.

The JSE is very hopeful to receive the FSCA’s positive support and backing on the amendments to the Requirements, which will be regarded as transformational for the South African financial markets and support the objects of the FMA, being -

- to ensure that the South African financial markets are fair, efficient and transparent; and
- promote the international and domestic competitiveness of the South African financial markets and of securities services in the Republic.

Request for Meeting

The JSE will reach out to the FSCA in January 2025 to discuss this memorandum in more detail and to discuss measures on how the JSE can better support the FSCA to gain positive traction and maintain momentum on this meaningful initiative.