

APPROVED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY DERIVATIVES RULES AND DIRECTIVES

General explanatory notes:

1. Words underlined with a solid line (___) indicate the insertions in the existing rules.
2. Words in bold and in square brackets ([]) indicate deletions from the existing rules

All references to the trading system will be prefixed with “JSE” and references to “reported” transactions will be replaced with “off book” where appropriate.

Approved amendments to the JSE interest rate and currency derivatives rules

Section 2: Definitions and Interpretation

“aggressive order”	<u>means an order that matches with an existing order in the central order book when it is entered;</u>
“agricultural derivatives”	means those commodity <u>derivatives</u> , [securities which are derivative instruments and] the financial terms of which are determined by an underlying agricultural product [which is physically settled in terms of the derivatives rules];
“allocation”	means a transfer of a trade or divided trade, or a transfer of aggregated trades, executed on the central order book of the <u>JSE trading system</u> or <u>negotiated off book and</u> reported to the <u>JSE trading system</u> in an agency capacity, from a trading member’s suspense account to a client at the price or the average price of the original trade or trades;
“bonds”	means those [IRC] <u>JSE listed securities</u> [which] that create or acknowledge <u>the</u> indebtedness of [the] an issuer, and “bond” has a corresponding meaning;
“clearing”	means the process in terms of which JSE Clear becomes the buyer from the seller and the seller to the buyer in every matched transaction in an IRC security executed on the central order book or where a clearing member accepts an [reported] <u>off book</u> transaction for risk management, whereupon the clearing member guarantees to JSE Clear all obligations arising out of any position resulting from such transaction in terms of these rules;
“commodity <u>derivatives</u> [securities]”	means <u>those derivative securities, the financial terms of which are determined by an underlying commodity</u> [JSE listed securities traded on the JSE commodities trading system];
“currency derivatives”	means those [IRC] <u>derivative securities</u> , [which are derivative instruments and] the financial terms of which are determined by a rate of exchange;
“<u>deal management</u>”	<u>means the aggregation, division and allocation of on book and off book trades as contemplated in rule 7.100;</u>
“derivative securities”	means those <u>derivative instruments that are</u> JSE listed securities <u>and</u> traded on the [applicable] JSE [derivatives] trading system <u>in terms of these IRC rules;</u>
[“equity securities”	[means those JSE listed securities traded on the JSE equities trading system;]

"IRC securities"	means the <u>bonds</u> , interest rate <u>derivatives</u> and currency <u>derivatives</u> that are <u>JSE listed securities</u> [listed on the JSE] and traded on the <u>JSE trading system</u> ;
"JSE authorised investments"	means – <ul style="list-style-type: none"> (a) IRC securities; (b) JSE listed securities traded on the JSE equities <u>market</u> [trading system] or [the JSE] derivatives <u>market</u> [trading system]; (c) securities listed on an exchange in the Republic other than the JSE; (d) securities listed on an external exchange; (e) participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and units or any other form of participation in a foreign collective investment scheme approved by the Registrar of Collective Investment Schemes in terms of section 65 of that Act; (f) units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and (g) funds intended for the purchase of such securities, units or participation;
"JSE [commodities] trading system"	means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market <u>or markets</u> for the trading of [commodity] <u>JSE listed securities</u> ;
["JSE derivatives trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of derivative securities;]
["JSE equities trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of equity securities;]
"JSE listed securities"	means those securities included in the list of securities kept by the JSE;
["JSE systems"]	[means any system, device or network which is operated by or on behalf of the JSE for the purpose of providing a market;]
["trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of IRC securities;]
"match"	means the matching of a buy order with a sell order on the central order book or the matching of [reported] <u>off book</u> transactions executed by trading members;
<u>"off book" or "off book trade"</u>	<u>means a transaction in IRC securities negotiated off the central order book and reported by a member to the JSE trading system;</u>
<u>"on book" or "on book trade"</u>	<u>means a transaction in IRC securities executed by a member on the central order book of the JSE trading system;</u>

<u>“passive order”</u>	<u>means an order that does not match with an existing order in the central order book when it is entered, or an order that remains unmatched in the central order book;</u>
["principal assignment trade"]	[means the assignment of a trade or divided trade or aggregated trades, executed on the central order book of the trading system for a trading member’s principal assignment stock account to a client or clients as a separate trade at a price or at an average price which includes such trading member’s profit;]
["reported transaction"]	[means a value eligible transaction in IRC securities or such other eligible transactions that the JSE may determine, as set out in rule 7.120.1, which may be conducted off the central order book of the trading system but must be reported through the trading system;]
"top-up margin"	means the amount of margin payable as a result of an adverse mark-to-market of unsettled positions in bonds executed on the central order book <u>or negotiated off book</u> and reported to the <u>JSE</u> trading system, and accepted by the respective clearing members as an [reported] off book transaction for risk management purposes;
<u>“trade”</u>	<u>means to buy or to sell JSE listed securities whether on book or negotiated off book and reported to the JSE trading system;</u>
["trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of IRC securities;]

Section 7: Trading

7.10 Buying and selling of IRC securities

- 7.10.1 The business of the buying and selling of IRC securities by trading members as contemplated by section 24(a) and (b) of the Act must be conducted on the JSE trading system: Provided that –
- 7.10.1.1 a trading member may execute transactions in IRC securities on another exchange as an authorised user or as a client of an authorised user of such exchange; or
- 7.10.1.2 transactions in IRC securities which meet the criteria set out in rule 7.120 may be negotiated off **[the trading system] book** and reported to the JSE trading system
- 7.10.2 A transaction negotiated off **[the trading system] book** in terms of rule 7.10.1.2 is only deemed to be a valid transaction once the transaction has been reported to the JSE trading system by the member or members who are party to the transaction.

7.70 Trading capacity

- 7.70.3 A trading member may not make a profit in respect of an agency transaction executed on behalf of a client other than **[commission] fees** or brokerage.
- 7.70.4 All fees must be separately charged and may not be included in the price of the transaction.
- 7.70.[4]5 A trading member may trade **[for] with** a client as principal by -
- 7.70.[4]5.1 entering the client’s order directly in the trading system for the client’s account and where such order matches with an opposite order entered in the trading system for the trading member’s own account; or

[7.70.4.2 entering the client's order in the trading system for the member's principal assignment stock account and assigning the resultant trade or trades to the client, either with or without aggregating such trades, by reporting a principal assignment trade to the trading system; or]

7.70.~~[4.3]~~~~5.2~~ executing a principal trade with a client off the central order book and reporting such trade to the trading system, provided such trade qualifies as a reported transaction in terms of rule 7.120.

7.70.~~[5]~~~~6~~ A trading member may trade for a client as agent by –

7.70.~~[5]~~~~6.1~~ entering the client's order directly in the trading system for the client's account and where such order matches with an opposite order of another trading member or another client; or

7.70.~~[5]~~~~6.2~~ entering the client's order in the trading system for the member's agency suspense account and allocating the resultant trade or trades to the client, after aggregating and/or dividing such trades; or

7.70.~~[5]~~~~6.3~~ executing an agency trade between two clients or between a client and another trading member off the central order book and reporting such trade to the JSE trading system, provided such trade qualifies as a reported transaction in terms of rule 7.120.

7.80 Trading with or on behalf of clients

7.80.3 Best execution

7.80.3.1 When acting for a client in the buying or selling of IRC securities, a trading member must at all times adhere to the best execution principle taking reasonable care to obtain the result which is the best available in the market for the client: Provided that the trading member must at all times act in accordance with the terms and conditions of the client agreement or mandate.

7.80.3.2 In support of the best execution principle, all transactions in IRC securities by members must be conducted through the central order book, unless the negotiation of the terms of a transaction between the parties to the transaction and the reporting of the transaction to the JSE trading system is in the best interests of the client, provided the transaction qualifies to be reported in terms of rule 7.120.

7.80.4 Notification of transactions

7.80.4.1 A trading member must ensure that clients are notified of all transactions executed on or reported to the trading system, for or on behalf of such clients, in the manner and within the time period as set out in the directives.

7.80.4.2 The transaction notification referred to in rule 7.80.4.1 must set out –

7.80.4.2.1 the terms of the transaction;

7.80.4.2.2 the capacity in which the trading member acted; and

7.80.4.2.3 if the transaction is executed by the member in an agency capacity, the details of any **[commission]** fees charged by the trading member.

7.100 [Aggregation, division and allocation of trades] Deal management

7.100.1 When bulking or aggregating agency client orders and trades, trading members are required to use designated agency suspense accounts, as specified in the directives, for the order entry, trading, consolidation, division or allocation of such orders and trades.

7.100.2 Trading members are precluded from trading on the designated agency suspense accounts for their own account or for any accounts in which employees have a direct or indirect beneficial interest.

7.100.3 A trading member may aggregate a number of trades that were executed on the JSE trading system for an agency suspense account and allocate such aggregated trades to a client at a price equal to the

average price of the original trades [: **Provided that a trading member may not aggregate reported transactions with trades executed in the central order book of the trading system**].

- 7.100.4 A trading member may divide a trade that was executed on the JSE trading system for an agency suspense account: Provided that the trading member allocates such subdivided trades to two or more clients at the price of the original trade.
- 7.100.5 Trading members are responsible for the time priority of allocations of the trades in respect of which orders have been bulked.
- 7.100.6 All trades on the designated agency suspense accounts must be allocated to the relevant clients on the day of the trading and no positions must remain on such suspense accounts overnight.
- 7.100.7 If a trading member uses an agency suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the allocation of a trade to the dedicated suspense account is deemed to be an allocation to the client for the purposes of rule 7.100.6.
- 7.100.8 A trading member may allocate a trade in futures or option contracts executed on the JSE trading system for an agency suspense account to another trading member, provided that the trade is pursuant to a tripartite agreement, as set out in the directives, and that the trade is allocated to the other trading member at the price of the original trade.

7.110 Reserved [Principal assignment trades

- 7.110.1 **When filling a client's order through a principal assignment trade, trading members are required to use designated principal assignment stock accounts, as specified in the directives, for the order entry, trading, consolidation, division and assignment of such orders and trades.**
- 7.110.2 **A trading member may aggregate a number of trades that were executed on the trading system for a principal assignment stock account and assign the resultant aggregated trades to a client as a separate trade at a price which includes such trading member's profit: Provided that a trading member may not aggregate reported transactions with trades executed in the central order book of the trading system.**
- 7.110.3 **A trading member may divide a trade that was executed on the trading system for a principal assignment stock account and assign the resultant subdivided trades to two or more clients as separate trades at a price which includes such trading member's profit.**
- 7.110.4 Trading members are responsible for the time priority of principal assignment trades in respect of which orders have been bulked.
- 7.110.5 **A trading member may assign a trade in futures or option contracts executed on the trading system for a principal assignment stock account to another trading member as a separate trade, provided that the trade is pursuant to a tripartite agreement, as set out in the directives, and the assignment trade may include the assigning member's profit.**
- 7.110.6 **All trades on the principal assignment stock accounts must be assigned to the relevant clients or member on the day of the trade.**
- 7.110.7 **If a trading member uses a suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the assignment of a trade to the dedicated suspense account is deemed to be an assignment to the client for the purpose of rule 7.110.6.]**

7.120 [Reported transactions] Off book trading

- 7.120.1 **[Reported]** Subject to members complying with the best execution principle in rule 7.80.3 when trading with or on behalf of clients, the transactions listed in rule 7.121 do not have to be executed through the central order book[.] and may be validly submitted to the JSE trading system as off book trades.
- 7.120.2 In the case of an off book trade between two members, the members must agree on which member will initiate the submission of the trade to the JSE trading system.
- 7.120.3 Off book trades negotiated after trading hours in accordance with rule 7.121.5 must be submitted to the JSE trading system by no later than 08h30 on the following business day.

7.120.4 The table below lists the off book trade types and indicates –

- 7.120.4.1 whether the transaction may be conducted by one member or two members; and
7.120.4.2 whether the transaction is published by the JSE.

<u>Trade description</u>	<u>Trade type code</u>	<u>Single member</u>	<u>Two members</u>	<u>Published</u>
Roll Trade	RT	Yes	Yes	Yes
Strategy Trade	SR	Yes	Yes	Yes

7.121 Off book trading criteria

7.[120]121.1 The following transactions **[do not have to be executed through the central order book and]** may be validly reported to the JSE trading system:

7.[120]121.1.1 value eligible **[reported]** off book transactions, where the nominal or contract value of the transaction is equal to, or greater than the value determined by the JSE, as set out in the directives;

7.[120]121.1.2 trades in currency derivatives concluded by a market maker with a professional client and where the market maker, having entered the client order into the central order book-

7.[120]121.1.2.1 has, subject to rule 7.[120]121.2, been unable to satisfy that order through the central order book on **[a principal or]** an agency basis; and

7.[120]121.1.2.2 in order to satisfy that client order, reports a principal transaction with the client to the JSE trading system at the same price at which the client order was entered into the central order book;

[7.120.1.3 delta trades which comprise trades in futures contracts between two trading members or between a trading member and a client that provide the delta hedge in respect of trades in option contracts executed on or reported to the trading system on that day between the same parties;]

7.[120.1.4]121.1.3 late trades concluded by a trading member after trading hours and where the member:-

7.[120]121.1.[4]3.1 is trading in currency derivatives or interest rate derivatives with or on behalf of a client in fulfilment of an order that was received during trading hours and where, despite the best efforts of the member to fill that order during trading hours, the order remained unfilled at the market closing time; or

7.[120]121.1.[4]3.2 is a market maker trading in currency derivatives for its own account with another member; or

7.[120]121.1.[4]3.3 is trading in bonds for its own account with another member or with or on behalf of a professional client;

7.[120.1.5]121.1.4 Roll Trade

[r]Roll trades which give effect to the closing out of positions in futures contracts for one expiry date and the opening of positions in the same number of futures contracts on the same underlying for a later expiry date, and where the member is able to achieve a better average price for all of its clients whose positions are being rolled than the average price at which it could give effect to the rolling of the positions through the central order book;

7.121.1.5 Strategy Trade

A strategy trade that is comprised of two or more transactions in options or futures in respect of one or more underlying instruments, which are linked in the JSE trading system to give effect to the strategy of the member or client; and

7.[120]121.1.6 the expiry of physically settled futures contracts, as instructed by the Market Controller, in terms of rule 8.30.7.; **and]**

[7.120.1.7 principal assignment trades.]

7.[120]121.2 Prior to reporting a currency derivatives transaction in terms of rule 7.[120]121.1.2, a market maker must initially endeavour to satisfy the client's order through the central order book on an agency basis, failing which it must endeavour to satisfy the order through the central order book on a principal basis. However, in endeavouring to satisfy the client's order through the central order book on a principal basis, the market maker shall not be obliged to satisfy any orders in the central order book which are at a better price or which have time priority over the client's order.

7.[120]121.3 Subject to rule 7.[120]121.4 and rule 7.[120]121.7, **[reported]** off book transactions between two trading members must be reported to the trading system, by the trading members who are party to the transaction, within 30 minutes of the transaction being concluded.

7.[120]121.4 Trading members must take reasonable steps to ensure that all **[reported]** off book transactions between two trading members that are concluded within the 30 minute period before the trading system closing time, as stipulated in the directives, are reported to the trading system before the system closing time. If despite taking all reasonable steps, trading members are unable to report transactions concluded during this 30 minute period to the trading system before the system closing time, the transaction must be reported by no later than **[09h00]** 08h30 on the following business day.

7.[120]121.5 Subject to rule 7.[120]121.6 and rule 7.[120]121.7, **[reported]** off book transactions between a trading member and a client must be reported to the JSE trading system without delay but by no later than the JSE trading system closing time on the trade date.

7.[120]121.6 Trading members must take reasonable steps to ensure that all **[reported]** off book transactions between the trading member and a client that are concluded within the 2 hour period before the JSE trading system closing time, as stipulated in the directives, are reported to the JSE trading system before the system closing time. If despite taking all reasonable steps, trading members are unable to report transactions concluded within this 2 hour period to the JSE trading system before the system closing time, the transaction must be reported by no later than 09h00 on the following business day.

7.[120]121.7 All **[reported]** off book transactions that are concluded by trading members after the closing time of the JSE trading system, as stipulated in the directives, must be reported to the JSE trading system by no later than **[09h00]** 08h30 on the following business day.

7.[120]121.8 A trading member who reports a transaction in bonds **[must]** in terms of rule 7.[120]121.1.1 or a market maker who reports a currency derivatives transaction in terms of rule 7.[120]121.1.2 must ensure that the date and time at which the transaction was concluded is included when the transaction is reported to the JSE trading system.

7.[120]121.9 If an **[reported]** off book transaction **[in bonds]** is reported to the JSE trading system by a person other than a trader, the trading member must retain a record identifying the trader who was responsible for executing the transaction.

7.121.10 Off book transactions that do not comply with one or more of the criteria specified in this rule may be cancelled by the JSE at the sole discretion of the Director: Market Regulation.

7.130 **[Correction trades]** Trade cancellations

7.130.1 A key component of market integrity is the assurance that once executed, a trade will stand and will not be subject to cancellation. However, if a trade is executed as a result of an error by a member or its client, there may be significant adverse consequences for the affected member or client and therefore it is appropriate in certain circumstances to correct such errors.

7.130.1.2 Therefore, [N]otwithstanding any other provision of these rules or any directive, the Director: Market Regulation may, where in his opinion a central order book trade has been matched as a result of a clear

error, **[by a trading member]** grant permission to or instruct the affected [the relevant trading] member or members to effect a trade cancellation. [the trade and may –

7.130.1.1 instruct the member or members to enter an equal and opposite correction trade on the original trade date; or

7.130.1.2 instruct the Settlement Authority to effect an equal and opposite correction trade on behalf of the member or members on the day after the original trade date.]

7.130.3 A request for an alleged error trade to be cancelled in terms of these rules will be considered provided that the request meets at least the following requirements:

7.130.3.1 the nature of the error is that the order submitted to the trading system is different to that which the member or its client intended to submit at the time that the order was submitted; and

7.130.3.2 the request is received by the Director: Market Regulation within 20 minutes from the time of the erroneous trade; and

7.130.3.3 the price or contract value of the trade or trades executed in error is away from the reference price at the time that the error occurred by more than the Rand value or the percentage used to determine the no cancellation range as set out in the directives; and

7.130.3.4 the difference between the aggregate consideration or contract value of the trades that qualify in terms of 7.130.3.3 and the consideration or contract value that would have resulted had such trades been executed at the futures or the options reference price is R50 000 (fifty thousand Rand) or more; and

7.130.3.5 a passive order which has been entered into the central order book and which gives rise to an alleged error trade will only be considered for cancellation where it has been matched within 30 minutes of having been entered.

7.130.4 In making the determination as to whether an alleged error trade qualifies for cancellation in terms of rule 7.130.3, the Director: Market Regulation will also consider whether the reference price at the time that the error occurred is a representative fair value price for the relevant contract at that time. In this regard, the Director: Market Regulation will take into account all relevant factors which shall include, but not be limited to -

7.130.4.1 the market price level in the relevant underlying JSE cash market immediately prior to the error trade, if applicable;

7.130.4.2 the price movements in other expiry dates of the same contract;

7.130.4.3 in the case of options, where the volatility of trades which have occurred prior to the alleged error trade on that day, either in the same option contract or in option contracts at different strike prices for the same expiry date and on the same underlying instrument, indicates that market volatility levels have materially changed since the previous day's mark to market;

7.130.4.4 current market conditions, including volatility and liquidity; and

7.130.4.5 the release of economic data and other relevant news affecting the relevant security.

7.130.5 In exceptional circumstances, and after taking all relevant factors into account as provided for in rule 7.130.4, the Director: Market Regulation may make a determination that the futures or the options reference price at the time that the error occurred is not representative of the fair value for the relevant contract at that time and will deem another price, being a fair value price, as being more appropriate for the determination as to whether the alleged error trade qualifies to be cancelled.

7.130.6 If the Director: Market Regulation determines that the reference price at the time that the error occurred is the appropriate price to use in determining whether the alleged error trade qualifies to be cancelled, the error trade must meet the criteria set out in rule 7.130.3 in order for it to be cancelled.

- 7.130.7 If the Director: Market Regulation determines that a fair value price is the appropriate price to use in determining whether the alleged error trade qualifies to be cancelled, the error trade must meet the criteria set out in rule 7.130.3 in order for it to be cancelled except that, as regards the criteria in rules 7.130.3.3 and 7.130.3.4, the fair value price will be used instead of the reference price.
- 7.130.8 Where the Director: Market Regulation determines that an erroneous trade needs to be cancelled, the trade will be cancelled in terms of the process set out in the directives.
- 7.130.9 Where an off book transaction has been reported to the trading system in error in that the terms of the transaction differ to those that were agreed to by the counterparties to the trade before the reporting of the trade, the member or members shall be permitted to:
- 7.130.9.1 cancel an erroneous trade in currency derivatives on the JSE trading system; or
- 7.130.9.2 report an equal and opposite cancellation trade in bonds or interest rate derivatives to the trading system;
- on the same day that the erroneous trade was reported.
- 7.130.10 If, in the opinion of the Director: Market Regulation, an on book trade, auction trade or off book transaction materially impacts the integrity of the market, the maintenance of a fair and orderly market or the correctness of the market statistics, the Director: Market Regulation may cancel a trade executed in error, even where there has been no request from a market participant to do so.
- 7.130.11 If the JSE's trading system experiences technical problems and matches orders that should not be matched, whether before the JSE is able to halt trading on the trading system or subsequent to the resolution of the technical issue, requests for cancellation of such resultant matched trades may be submitted to the Director: Market Regulation if the member was unable to delete or amend their order as a result of the technical problems. Where a request is received from a member to cancel a trade resulting from such a match because the member did not intend to retain the relevant order in the central order book at the time that it was matched, the Director: Market Regulation may deal with the trade as an error trade in terms of this rule 7.130 and may authorize a trade cancellation.
- 7.130.12 In considering an error trade in terms of rule 7.130.11, the Director: Market Regulation will apply all of the relevant provisions of this rule 7.130 except that instead of applying the criteria in rule 7.130.3 in determining whether the trade qualifies for a trade cancellation, the Director: Market Regulation will only consider whether -
- 7.130.12.1 the price of the relevant trade was outside of the no cancellation range relative to the reference price at the time that a confirmation of the trade was sent to the member; and
- 7.130.12.2 the request is received by the Director: Market Regulation within 20 minutes from the time that a confirmation of the trade was sent to the member.
- 7.130.13 Where consequential trades have occurred as a direct result of an error trade, such as spread trades, the Director: Market Regulation will consider these on a case by case basis and may, after taking into consideration all relevant factors and circumstances, instruct the member or members to execute a trade cancellation or may make a determination that the consequential trades shall stand.
- 7.130.14 Notwithstanding any provision of rule 7.130, in considering a request from a member in terms of this rule, the Director: Market Regulation may decide that the alleged error trade and any consequential trades shall stand and shall not be cancelled. In arriving at his decision the Director: Market Regulation will take into account all relevant factors which shall include, but not be limited to:
- 7.130.14.1 the complexity and extent of any consequential trades in futures or options or trades in underlying JSE cash markets which have been triggered by the alleged error trade; or
- 7.130.14.2 the amount of time remaining in the trading session or before the expiry of the relevant futures or option contracts within which the JSE would be required to investigate, evaluate

and conclude on the merits of an alleged error trade and any consequential trades, as well as give effect to any consequential trade cancellations or; and

7.130.14.3 the best interests of the affected market participants.

[7.130.2] [Equal and opposite correction trades in respect of central order book trades will only be considered in exceptional circumstances and provided the trade meets at least the following requirements -

7.130.2.1 the request is received by the Director: Market Regulation within 20 minutes from the time of the erroneous trade;

7.130.2.2 the consideration or contract value of the trade or trades for which the correction trade is requested is 5% or more away from the consideration or contract value immediately before the erroneous trade occurred, or, if there were no automated or auction trades on that day, the consideration or contract value per the previous day's closing price; and

7.130.2.3 the difference between the aggregate consideration or contract value of the trades that qualify in terms of rule 7.130.2.2 and the consideration or contract value that would have resulted had such trades been executed at the reference price is R50 000 (fifty thousand Rand) or more.]

[7.130.3] [If a trading member has reported a trade in error to the JSE trading system, the trading member may correct the error either by-

7.130.3.1 reporting an equal and opposite correction trade to the JSE trading system by 17h00 on the second business day after the trade date; or

7.130.3.2 in exceptional circumstances where the trading member is unable to correct the error by 17h00 on the second business day after the trade date, requesting the Settlement Authority to effect an equal and opposite correction trade on behalf of the relevant member or members on that business day.]

Section 8: Clearing

8.20 Clearing

8.20.1 JSE Clear shall perform the clearing and ensure the performance of –

8.20.1.1 trades in IRC securities executed on the central order book of the trading system;

8.20.1.2 reported transactions in futures and options contracts reported to and matched by the trading system; and

8.20.1.3 reported transactions in bonds reported to the trading system, where the respective clearing members accept the reported transactions for risk management purposes.]; and]

[8.20.1.4 principal assignment trades in bonds reported to the trading system, where the original trade being assigned is cleared in terms of rule 8.20.1.1 or rule 8.20.1.3.]

8.20.2 Upon the transaction being cleared, JSE Clear shall replace the buyer and become the counterparty to the seller and it shall replace the seller and become the counterparty to the buyer.

Section 9: Settlement

9.30 Settlement Authority

9.30.1 The Settlement Authority will manage –

- 9.30.1.1 the settlement of transactions in bonds executed on the central order book of the trading system as referred to in rule 8.20.1.1;
- 9.30.1.2 the settlement of transactions in bonds reported to the trading system, where the respective clearing members accept the reported transactions for risk management purposes as referred to in rule 8.20.1.3;
- [9.30.1.3 the settlement of principal assignment trades in bonds reported to the trading system as referred to in rule 8.20.1.4;]**
- 9.30.1.~~[4]~~³ the settlement of all other reported transactions in bonds reported to the trading system as contemplated in rule 7.120; and
- 9.30.1.~~[5]~~⁴ the risks associated with the settlement of the transactions referred to in rules 9.30.1.1 to 9.30.1.4.
- 9.30.2 ...

9.70 Settlement of bonds

- 9.70.1 All transactions in bonds shall only be settled electronically through Strate in accordance with the principles set out in rule 9.20.
- 9.70.2 A trade in bonds by a trading member shall –
 - 9.70.2.1 ...
 - 9.70.2.2 **Reserved** [if the trade is effected through a principal assignment stock account, be assigned to a client on the trade date in accordance with rule 7.110: Provided that where a trade has not been assigned on the trade date in contravention of rule 7.110, to ensure that the trade still settles on settlement date, late principal assignment trades must be effected by the trading member –
 - 9.70.2.2.1 up to 15h00 on the trade date for trades due to settle on the first business day after the trade date;
 - 9.70.2.2.2 up to 15h00 on the first business day after the trade date for trades due to settle on the second business day after the trade date; or
 - 9.70.2.2.3 up to 18h00 on the first business day after the trade date for trades due to settle on the third business day after the trade date.

All late principal assignment trades, in contravention of this rule, will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment trades shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;]
 - 9.70.2.3 ...
 - 9.70.2.4 ...
 - 9.70.2.5 ...
 - 9.70.2.6 ...
 - 9.70.2.7 ...
 - 9.70.2.8 ...
- 9.70.3 Notwithstanding rules 9.70.2.1 to 9.70.2.3 –
 - 9.70.3.1 ...
 - 9.70.3.2 **Reserved** [principal assignment corrections in respect of trades due to settle on the third business day after the trade date or a later settlement date may be effected up to 18h00 on the first business day after the trade date if they have not been effected on the trade date. All late principal assignment corrections after 18h00 on the first business day after the trade date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive.

Any late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.7.2.5;]

9.30.3.3 allocations corrections **[and principal assignment corrections]** in respect of trades due to settle on the first or the second business day after the trade date may be effected –

9.70.3.1.1 up to 15h00 on the trade date for trades due to settle on the first business day after the trade date; or

9.70.3.1.2 up to 15h00 on the first business day after the trade date for trades due to settle on the second business day after the trade date.

All late allocation corrections **[and late principal assignment corrections]** will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections or late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5.

Section C: Trading

CB Agency Suspense Accounts

- 1 For the purpose of this directive, an agency suspense account and an allocation account are synonymous.
- 2 Subject to CB 8, any unallocated purchase or sale which emanates from a firm order from a client must be placed in a suspense account and must be allocated to a client's account by the close of business.
- 3 Transactions must not be allocated from an agency suspense account to accounts of interested parties, unless the member can demonstrate that no **[agency]** client is prejudiced as a result thereof.
- 4 Adequate controls to prevent the prejudice of **[agency]** clients when utilising agency suspense accounts must include, but not be limited to, the following –
 - 4.1 the use of separate suspense accounts for interested party trades;
 - 4.2 the use of separate suspense accounts dedicated to specified **[agency]** clients;
 - 4.3 the use of separate suspense accounts where the trading instruction and allocation instruction vests with one person, such as an investment manager; and
 - 4.4 an adequate segregation of duties over accounts managed with full discretion on behalf of interested parties to ensure that the interested parties have no influence over either the trading instruction or the allocation instruction.
- 5 For the purposes of this directive and directive CC, an interested party trade is a trade in which the member, a director, officer or employee of the member has a direct or indirect beneficial interest.
- 6 Trades not allocated to clients by the close of business on the trade date must be transferred to a misdeals account by the close of business on the following business day.
- 7 At no time may a member realise a profit or loss in a suspense account.
- 8 If a trading member uses an agency suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the allocation of a trade to the dedicated client suspense account is deemed to be an allocation to the client for the purpose of CB 2 and CB 6.

CC Reserved [Principal Assignment Stock Accounts]

- 1 **Any unassigned purchase or sale position which emanates from a firm order from a client must be placed in a principal assignment stock account and must be assigned to a client's account by the close of business.**
- 2 **Transactions must not be assigned from the principal assignment stock account to accounts of interested parties, unless the member can demonstrate that no client is prejudiced as a result thereof.**
- 3 **Adequate controls to prevent the prejudice of clients when utilising principal assignment stock accounts must include, but not be limited to, the following –**
 - 3.1 **the use of separate principal assignment stock accounts for interested party trades;**
 - 3.2 **the use of separate principal assignment stock accounts dedicated to specified clients;**
 - 3.3 **the use of separate principal assignment stock accounts where the trading instruction and assignment instruction vests with one person, such as an investment manager; and**
 - 3.4 **an adequate segregation of duties over accounts managed with full discretion on behalf of interested parties to ensure that the interested parties have no influence over either the trading instruction or the assignment instruction.**
- 4 **Trades not assigned to clients by the close of business on the trade date must be transferred to a misdeals account by the close of business on the following business day.**

- 5 If a trading member uses a suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the assignment of a trade to the dedicated suspense is deemed to be an assignment to the client for the purpose of CC1 and CC 4.]

CD Misdeal Accounts

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CE Reported Transactions

1. The minimum number of contracts, as determined by the JSE, for value eligible reported transactions in respect of interest rate derivatives is 20 (twenty) contracts.
2. The minimum nominal values, as determined by the JSE, for value eligible reported transactions in respect of bonds are as follows –
 - 2.1 R1 (one Rand) nominal; and
 - 2.2 R1 (one Rand) nominal, per leg, in respect of carry transactions.
3. The minimum number of contracts, as determined by the JSE, for value eligible reported transactions in respect of currency derivatives are as follows –
 - 3.1 Currency futures

<i>Contract Code</i>	<i>Minimum number of contracts</i>
Dollar/Rand (\$/R)	201 (two hundred and one) contracts
[Euro/Rand (€/R)] <u>All other currency pairs</u>	1 (one) contract
[Sterling/Rand (£/R)]	[1 (one) contract]
[Australian Dollar/Rand (AU\$/R)]	[1 (one) contract]
[Japanese Yen/Rand (¥/R)]	[1 (one) contract]
[Canadian Dollar/Rand (CAD/R)]	[1 (one) contract]

3.2 Currency options

<i>Contract Code</i>	<i>Minimum number of contracts</i>
All option contracts	10 (ten) contracts

- [4. A trading member who reports a transaction in terms of rule 7.120 must ensure that the following transaction type code is included when the transaction is reported to the trading system.

Transaction Description & Rule Reference	Transaction type code
Value Eligible – 7.120.1.1	Field to be left blank
Market Maker - 7.120.1.2	MMT
Delta trades - 7.120.1.3	DEL
Late trades – 7.120.1.4	LAT
Roll trades – 7.120.1.5	ROL
Physical Settlement – 7.120.1.6	EXP]

CF Client Information

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CG [Reserved] Trade cancellations

1. A member seeking permission to have an alleged error trade considered by the JSE for treatment in terms of rule 7.130 must immediately upon becoming aware of the error trade, inform the Director: Market Regulation of the trade, giving details of such trade and the circumstances which resulted in it being executed in error.
2. In determining whether to submit a request to the JSE to have an alleged error trade considered for cancellation in terms of these rules, the member must ensure that the trade meets the criteria set out in rule 7.130.3 or rule 7.130.14, whichever is applicable.
3. The Director: Market Regulation shall, upon receipt of the request and after due consideration of all of the relevant factors, decide to either accept or decline the request and will contact the member who has initiated the request to inform the member of his decision. The decision of the Director: Market Regulation shall be final.
4. Where permission has been granted or where the Director: Market Regulation has issued an instruction to a member or members to cancel an error trade as contemplated in rule 7.130.8, the affected members shall, without delay, take the necessary action to cancel the error trade, in accordance with any instructions given by the Director: Market Regulation.
5. Where a member submits a request for an alleged error trade to be considered by the JSE in terms of these rules and such request fails to meet the criteria set out in rule 7.130.3, the member will be liable for payment of an administration fee of R2 000.
6. When an error trade request is approved by the Director: Market Regulation for cancellation, the member responsible for the error that gave rise to the request will be liable for payment of an administration fee of R 5 000.
7. The no cancellation range referred to in the rules is that range in the table below, above or below the futures or the options reference price, or the fair value price, whichever is applicable, within which an alleged error trade will not be considered for treatment in terms of rule 7.130

<u>No Cancellation Range</u>		
<u>Instrument</u>	<u>Futures - % of reference price</u>	<u>Options – volatility %</u>
<u>Currency derivatives</u>	<u>1.5%</u>	<u>1.5%</u>
<u>Interest rate derivatives</u>	<u>1.5%</u>	<u>1.5%</u>

8. In the case of options with a value of zero and therefore a no cancellation range of zero, the Director: Market Regulation may determine that the price of any cancellation trade price shall be a value other than zero.
9. Where a member or members wish to cancel an off book transaction which has been reported to the JSE trading system in error, the cancellation of the off book transaction shall be effected as follows:
 - 9.1 in the case of a transaction in the currency derivatives market, the member or members shall use the trade cancellation functionality on the JSE trading system; or
 - 9.2 in the case of a transaction in bonds or interest rate derivatives, the member or members shall report an equal and opposite trade to the JSE trading system.