

FSCA suspends Exchange licence of ZAR X (PTY) LTD

The Financial Sector Conduct Authority (FSCA) has, in terms of section 60(1) of the FMA, suspended the exchange licence of ZAR X PTY LTD (ZAR X) effective from 16:00 on Friday 20 August 2021. The suspension resulted from ZARX's non-compliance with section 8(1)(a) of the Financial Markets Act (FMA), read with Regulation 8 and 43(2) of the FMA Regulations, which relate to the liquidity and capital adequacy requirements of an exchange.

Section 60(1) of the FMA provides that the FSCA may, with the concurrence of the Prudential Authority (PA) and the South African Reserve Bank (SARB) and by notice to a market infrastructure, suspend an exchange licence, for the period specified in the notice, in the circumstances contemplated in that section. In compliance with the section, the suspension was effected with the concurrence of the PA and the SARB.

Conditions have been imposed with the suspension in terms of section 60(4) of the FMA, requiring ZAR X to:

- *Immediately inform all affected persons, including (i) issuers with listed securities on its exchange; (ii) authorised users of its exchange; (iii) investors; (iv) appointed CSD's; and all its stakeholders that its licence has been suspended.*
- *Provide the FSCA with weekly progress reports in respect of the matters referred to in the notice.*

FSCA Commissioner, Unathi Kamlana says: "We don't take this regulatory action lightly, given its impact. Our view however, is that this is a necessary step to safeguard market integrity and the interest of issuers and the broader investing public. This is the cornerstone of our mandate as the FSCA"

ZARX is allowed to operate as an exchange to give effect to transactions in progress or otherwise not finalised at the date of suspension, but may not allow further trading or accept new issuers to its list. The suspension will remain effective until such time as the earlier of either of the following has taken place:

- *ZARX rectifies its non-compliance with the capital adequacy requirements to the satisfaction of the FSCA and the PA, in which case the suspension may be lifted; or*
- *The FSCA makes a final decision on the cancellation of ZARX's exchange licence.*

The FSCA intends to proceed, **three months after the date of suspension**, with the cancellation of ZARX's exchange licence should ZARX fail to rectify its non-compliance with the capital adequacy requirements.

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