

# A2X TRADING RULES

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## Introduction to A2X, its controlling body and A2X rules

### **A2X**

A2X is a market infrastructure licensed as an exchange in terms of section 9 of the Financial Markets Act (Act).

### **Controlling body**

The board of directors of A2X is the controlling body of the exchange responsible for managing the affairs of the exchange. In terms of section 68 of the Act, the controlling body may delegate or assign any function entrusted to it under the Act or its rules to any person, group of persons or committee. It may also, with the approval of the registrar, delegate functions to an external party.

### **A2X Rules and directives**

In terms of section 17 of the Act, A2X must issue exchange rules to ensure the regulation of the business it conducts as an exchange in a fair and transparent manner with due regard to the rights of members and their clients. These rules are set out in this document.

The Act also authorises A2X to issue A2X directives which are necessary to supplement these rules to ensure fair, efficient and transparent markets. The A2X directives are binding on members and their staff but not clients.

These rules are binding on the entities identified in section 17 (7) of the Act and every transaction in equity securities concluded on A2X is subject to these rules, the A2X directives and the Act. The interpretation and enforcement of the rules and A2X directives vests with the controlling body.

Any proposed amendments to the rules and A2X directives should be submitted to the controlling body for consideration. Rule and A2X directive amendments approved by the controlling body will be distributed for comment by members via a trading notice. Any comments or objections by members on the proposed amendments must be submitted in writing to the controlling body within 14 days. The comments and objections will be considered by the controlling body and a written response thereto will be provided within 21 days. Amendments to the rules must thereafter be approved in accordance with the provisions of the Act.

Rules will be deemed to have been approved upon the date specified by the registrar and directives will be deemed to have been approved when members are advised of the amendments as approved by the controlling body and the date of implementation.

## Section 1: Definitions and interpretation

### Interpretations and definitions

- 1.1 Unless inconsistent with the context, the singular shall include the plural and the use of any one gender shall be interpreted as required to include any other.
- 1.2 The words defined in the Act bear the same meaning in the rules.
- 1.3 Chapter headings and sub-headings shall not be taken into account in the interpretation of any of the rules.
- 1.4 The interpretation and enforcement of these rules vest in the controlling body.
- 1.5 In the rules –

DEFINITION:	MEANING:
A2X	A market infrastructure licensed as an exchange in terms of the Act.
A2X clearing system	The A2X system which performs the function of clearing.
A2X directives	Directives issued by the controlling body in terms of these rules which are binding on members.
A2X system	Any system operated by A2X to which a member has direct or other access.
Act	The Financial Markets Act No. 19 of 2012.
advice	As defined in section 1 of the Act.
applicant	A juristic person applying to become a member in accordance with rule 2.
authorised user	As defined in section 1 of the Act.
bank	As defined in section 1 of the Act.
branch office	An office of a member other than its primary or head office which can perform trading and investment services.
business day or day	Any day on which A2X is open for business.
CEO	Chief executive officer of A2X.
clearing of equity securities	In relation to transactions in equity securities, the calculation and determination by the A2X clearing system of the amount of securities to be transferred and the amount of money to be paid to buyers and sellers of equity securities respectively to enable settlement.
client of a member	A person who is a client of a member who has appointed a CSDP in terms of the rules and to whom a member provides trading services and investment services. This includes a person that acts as an agent for another person in relation to

	those services in which case it will include the agent or exclude the other person if the contractual arrangement between the parties indicates this to be the intention.
client or member application	Any client of a member or member system which submits to, or receives data from the trading facility.
cold call	Any first communication made by an employee or representative of a member to a person which is unsolicited.
Companies Act	The Companies Act 71 of 2008.
compliance officer	A compliance officer appointed in terms of these rules who performs the role set out in rules 2.4.7 (a) to (c).
controlling body	The Board of Directors of A2X.
corporate action	An action taken by an issuer of equity securities or other party affecting the rights of holders of equity securities.
CSD	Central Securities Depository as defined in the Act.
CSDP	A Central Securities Depository Participant authorised as such by the CSD.
custody account	The account held by a client of a member with a CSDP in which account the clients equity securities are held to facilitate settlement.
defaulting client	A client of a member who defaults on its settlement obligations set out in the rules.
equity securities	The uncertificated equity securities included in the list of securities maintained by A2X for transacting on the trading facility.
employee	An employee of a member whose function requires that the employee is bound by the rules.
exchange	As defined in the Act.
failed trade	A transaction in equity securities declared to be a failed trade by the settlement committee.
financial services provider	Has the same meaning as that contained in section 1 of the Financial Advisory and Intermediary Services Act No. 27 of 2002.
funds settlement account	A funds account with a CSDP in the name of a member or a client of a member used solely for settlement of funds in respect of transactions in equity securities.
investment services	The services provided by a trading and investment services provider to its clients and includes exercising discretion and / or providing advice in the management of equity securities.

in writing	As defined in the Act.
issuer of equity securities	An entity which issues equity securities.
manage or management	To exercise discretion, either absolute discretion or with the client's prior approval, in the buying and selling of equity securities or exercising any rights attached to those equity securities on behalf of another person. This includes absolute discretion or with prior reference to the client of a member.
margin	Funds provided for the assurance of settlement.
market infrastructure	As defined in section 1 of the Act.
match or matching	The electronic matching of buy and sell orders submitted to and on the trading facility.
member	An authorised user of A2X.
member's custody account	An equity securities account with a CSDP in which account the member's equity securities are held and through which the member's principal transactions are settled.
member's funds settlement account	A funds settlement account with a CSDP in which account the member's funds are held exclusively for the settlement of the member's principal transactions.
non-failing party	The client or member who has been identified by the settlement committee as the counterparty to a failed trade in terms of the failed trade procedures set out in rule 7.
officer	Includes any officer of a member approved in terms of the rules, a stockbroker and a prescribed officer as defined in section 1 of the Companies Act.
order	A buy or sell order in relation to an equity security submitted to the trading facility by a member.
professional client	<p>A client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.</p> <p>Categories of client who are considered to be professionals are:</p> <p>1. entities which are required to be authorised or regulated to operate in the financial markets including:</p> <p>(a) banks;</p> <p>(b) long term or short term insurer;</p> <p>(c) Other authorised users;</p> <p>(d) Collective investment schemes and management companies of such</p>

	schemes; (e) Pension funds and management companies of such funds; (f) Commodity and derivatives dealers; and (g) Institutional investor.
principal transaction	A transaction in equity securities conducted by a member as principal for the member's own account.
registered securities trader	A trader appointed in terms of these rules authorised to conduct and report transactions in equity securities.
registrar	As defined in the Act.
regulated primary exchange	A market infrastructure licensed as an exchange in terms of the Act which is not A2X and on which A2X determines an equity security has its primary listing.
regulated primary exchange market closing price	In relation to an equity security, on any given day the regulated market is open for business, the price of the last transaction on the regulated market on a given day. If there are no transactions in an equity security on that day, the last regulated market closing price is used.
regulatory committee	The regulatory committee of A2X appointed by the controlling body whose functions are, inter alia, as set out in rule 9.
relevant regulator	The Financial Services Board or any licenced market infrastructure which has jurisdiction over a member.
revised settlement date	The new date for the settlement of a transaction in equity securities where the date for settlement has been changed in terms of rule 7.20.
rolling of settlement	Where the settlement committee determines that the settlement date of a transaction in equity securities be changed to a revised settlement date.
rules	These rules (including the introduction), the interpretation and enforcement of which vests in the controlling body.
settlement of equity securities	The completion of a transaction in equity securities traded on A2X through the transfer of the equity securities and the payment of funds through Strate in accordance with these rules.
settlement committee	The committee appointed by the controlling body to whom the powers set out in rule 7.20 and 7.23 are delegated.
settlement cycle	The period between the conclusion of a transaction in equity securities and the settlement of the transaction where the settlement date is not revised.

settlement date	The date on which the settlement of a transaction in equity securities takes place which is not a revised settlement date.
settlement officer or alternative settlement officer	A settlement officer or alternative settlement officer appointed in terms of these rules whose role is set out in rule 2.4.7.5.
static price collar	A price collar used as a price reference check by A2X in respect of transactions in equity securities as set out in rules 6.12 to 6.15. The range of the price collar will be as set out in the directives.
stockbroker	As defined in the Act.
Strate	Strate (Pty) Limited, a company licensed as a CSD in terms of the Act.
T	Denotes the day on which a transaction in equity securities was concluded through the trading facility.
T+1, T+2,T+3	Where T denotes that day on which the transaction in equity securities was concluded on the trading facility, with the corresponding number denoting the number of days in the clearing and settlement cycle after T, that is T+1 is the first day of the settlement cycle after the transaction date and T+3 is the last day of the settlement cycle.
trading facility	The A2X trading system.
trading notice	Any notice published or issued by or on behalf of A2X from time to time, which is displayed on the A2X website and emailed or copied to all members.
trading services	The service of conducting transactions in equity securities on the trading facility by a member for clients or for itself.
trading services provider	A member authorised to provide trading services in terms of the rules.
trading and investment services provider	A member authorised to provide trading and investment services in terms of the rules.
transaction in equity securities	Means a contract of purchase and sale of equity securities entered into on A2X.
transaction confirmation	A transaction confirmation issued in terms of rules 3.9 to 3.11.
uncertificated securities	As defined in the Act.



## Section 2: Membership

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## Section 2: Membership

### Applications for Membership

- 2.1 Participation in A2X is at the discretion of A2X and open to applicants who meet the admissibility criteria as set out in 2.4.
- 2.2 Applications for membership must be made to A2X in the form set by A2X.
- 2.3 An applicant for membership must apply for approval for admission to be authorised to:
  - 2.3.1 trading services; or
  - 2.3.2 provide trading and investment services for equity securities.

### General Eligibility for Membership Criteria

- 2.4 To be eligible to be authorised as, or remain a member, an entity must satisfy A2X that it:
  - 2.4.1 is an authorised user of a licenced exchange or such person who A2X believes is suitable for admission;
  - 2.4.2 is incorporated and registered as a domestic company under the Companies Act or such other foreign corporate entity with a local office as A2X may determine;
  - 2.4.3 has adequate staff, systems, procedures, facilities and technical capacity enabling it to fulfil its obligations and operational requirements in terms of the rules promptly and accurately;
  - 2.4.4 complies with the technology and technology security requirements as set by A2X including having the necessary connectivity infrastructure to facilitate connectivity between A2X, the member, CSDP, CSD and any other party as may be required;
  - 2.4.5 is financially sound and complies with the financial resource, guarantee and capital adequacy requirements which A2X believes are adequate to meet the business requirements and commitments and to withstand the risks to which the member's business is subject, the details of which are set out in the A2X directives;
  - 2.4.6 has management and officers that comply with the fit and proper requirements, and have the standards of training and experience as set by A2X;
  - 2.4.7 has appointed a:
    - 2.4.7.1 CSDP;
    - 2.4.7.2 stockbroker, who is a director and employed on a full time basis, for its primary place of business as well as a stockbroker for each of its other branch offices. The stockbroker must have adequate knowledge of the Act, these rules and A2X directives and comply with the fit and proper requirements as set by A2X;
    - 2.4.7.3 a registered securities trader who complies with such

- qualifications and the fit and proper requirements as set by A2X;
- 2.4.7.4 suitably qualified compliance officer with adequate ongoing knowledge of the Act, these rules and A2X directives who complies with the fit and proper requirements as set by A2X and whose role is to:
- a. assist the member with ensuring compliance by the member and its employees with the Act and these rules and A2X directives;
  - b. report any breaches of the Act and these rules and A2X directives or other suspected irregularities to A2X;
  - c. communicate of any information received from A2X to all relevant employees;
- 2.4.7.5 suitably qualified settlement office with adequate ongoing knowledge of the Act, these rules and A2X directives and who complies with the fit and proper requirements as set by A2X and whose role is:
- a. to be A2X's contact point in relation to any matters relating to settlement of equity securities; and
  - b. the responsibility for facilitating the clearing and settlement of all transactions in equity securities executed on A2X in accordance with the rules and A2X directives, including advising A2X of any issue that may impact on the settlement of any of the member's transaction in equity securities;
- 2.4.8 it has created and maintains a nominee company as approved by the FSB in respect of the member's own principal positions;
- 2.4.9 has entered into and signed such agreements as prescribed by A2X; and
- 2.4.10 any natural shareholder holding directly or indirectly ten percent of the issued shares of the member complies with the fit and proper requirements as set by A2X.
- 2.5 In addition to complying with the admission criteria, an applicant who wishes to provide trading services must:
- 2.5.1 comply, and continue to comply with the trading system requirements as set by A2X;
  - 2.5.2 have and maintain adequate internal procedures and controls to prevent the submission of erroneous orders to the A2X trading facility;
  - 2.5.3 have and maintain controls to ensure that any person who submits orders to the A2X trading facility through the member is:
    - 2.5.3.1 sufficiently trained, and adequately supervised, and has adequate experience, knowledge and competency to abide by and comply with these rules; and
    - 2.5.3.2 aware of and abides by any applicable market abuse provisions or legislation.

- 2.6 In addition to complying with the admission criteria, an applicant who wishes to provide trading and investment services must:
  - 2.6.1 be authorised to perform trading services; and
  - 2.6.2 employ and continue to employ the necessary resources, systems, controls and procedures to perform investment services.

### **Continuing Obligations**

- 2.7 Members must at all times continue to comply with these rules including the admissibility criteria, A2X directives and any decision or direction of A2X.
- 2.8 Each member is responsible for compliance with its legal and regulatory responsibilities.
- 2.9 Members must ensure that any information, statement or representation made by it, or its representatives is not false or misleading.
- 2.10 Each member must ensure the timeous payment of fees levied by A2X from time to time.
- 2.11 Members must co-operate with A2X and or any other relevant regulator in any investigation conducted in relation to its interaction with A2X and provide A2X with any information reasonably requested by A2X.
- 2.12 A member must ensure that if a vacancy arises in respect of the position of stockbroker, compliance officer or settlement officer, the member must apply to A2X to condone the vacancy for a limited period on such terms and conditions as set by A2X.
- 2.13 Members must comply with such risk management requirements as may be necessary for the effective conducting of its business by, as a minimum, implementing and maintaining:
  - 2.13.1 the required resources, procedures and technological systems;
  - 2.13.2 systems of internal control which must be designed to ensure that:
    - 2.13.2.1 the business is carried on in an orderly and efficient manner;
    - 2.13.2.2 financial and other information used or provided by the member is reliable;
    - 2.13.2.3 all transaction in equity securities and financial commitments entered into by the member are recorded and are within the scope of authority of the member or the employee acting on behalf of the member;
    - 2.13.2.4 procedures to safeguard the assets of the member and to control liabilities;
    - 2.13.2.5 measures that, so far as are reasonably practicable, minimize the risk of loss to the member or its clients which may result from any irregularity, fraud or error and to detect any irregularity, fraud or error so that prompt remedial action may be taken by the member;

- 2.13.2.6 appropriate levels of insurance cover which are commensurate with the members business model;
  - 2.13.2.7 the risk of market abuse by representatives of the member or its clients are effectively managed and mitigated; and
  - 2.13.2.8 sound risk management principles and procedures appropriate to its business activities.
- 2.14 The principles and procedures of risk management must be designed to ensure that the records of the member are maintained in such a manner so as to allow for prompt disclosure of financial and business information that will enable the member to:
- 2.14.1 identify, quantify, control and manage the risk exposures of the member;
  - 2.14.2 make timely and informed business decisions;
  - 2.14.3 monitor the performance and all aspects of the business of the member;
  - 2.14.4 monitor the capital of the member to ensure compliance with the capital adequacy requirements imposed in terms of the rules and A2X directives; and
  - 2.14.5 monitor the quality of the member's assets.
- 2.15 A member must be able to describe and demonstrate the objectives and operation of such systems, principles and procedures referred to in rules 2.13 to 2.14 to its auditors and to A2X.

### **Disclosure of information**

- 2.16 A member has the obligation to advise A2X in writing of any information which it believes may have an impact on its business which information includes:
- 2.16.1 any change in the name of the member or its address or contact details;
  - 2.16.2 any change or conditions applicable to any registration, authorisation or licence which may impact its business as a member;
  - 2.16.3 if the member is provisionally or finally liquidated or under business rescue;
  - 2.16.4 any change to the appointment of a compliance officer, settlement officer, stockbroker, registered trader or any person becoming or ceasing to be a director of a member;
  - 2.16.5 a change impacting the ability of any relevant person to meet the fit and proper requirements set out in these rules including but not limited to being prosecuted or convicted of any offence relating to fraudulent or dishonest conduct;
  - 2.16.6 the dismissal of an employee for committing or attempting to commit a dishonest or fraudulent act; and
  - 2.16.7 the ceasing to satisfy any of the general or ongoing eligibility requirements set out in Rule 2.

## **Suspension and Termination of membership**

- 2.17 A member must give A2X 30 calendar days notice in writing of its intention to terminate its membership.
- 2.18 A2X may, in its absolute discretion, refuse to accept a notice of termination if it considers there to be an outstanding matter concerning the member that is subject to ongoing investigation.
- 2.19 A member's termination of membership is not effective, and the rules will continue to bind the member until all the member's obligations under the rules are met.
- 2.20 A2X may, in its absolute discretion, suspend or terminate the membership of a member or restrict its right to place orders with, or receive information from the trading facility, if it appears that the member:
  - 2.20.1 does not comply with these rules;
  - 2.20.2 is in a financial position leading A2X to reasonably believe that it would not be prudent to continue to permit the member to continue trading on the trading facility;
  - 2.20.3 ceases to meet one or more of the admissibility criteria;
  - 2.20.4 is subject to investigation by a relevant regulator;
  - 2.20.5 fails to pay any fees, charges or other amounts due to A2X within 20 business days of date for payment; or
  - 2.20.6 engages in or is suspected of engaging in any activity which has or is likely to effect the ability of A2X to operate a fair and orderly market.
- 2.21 In addition to suspending or terminating the membership of the member, A2X may also report the behaviour of the member to a relevant regulator.
- 2.22 Where an investigation or disciplinary procedures in relation to the conduct of the member are underway under these rules, a member's obligations under these rules will continue for 1 calendar year after a member ceases to be a member.
- 2.23 A2X has the right to bring disciplinary action against a member, its directors, officers and employees under these rules for 1 calendar year after the termination of membership where the cause of action occurred prior to the termination of membership.

### Section 3 – Code of conduct

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## **Section 3: Code of conduct**

### **General duties of a member**

- 3.1. When dealing with a client of a member, a member must at all times:
  - 3.1.1 act honestly, fairly, professionally and with due skill, care and diligence;
  - 3.1.2 act in the best interests of clients; and
  - 3.1.3 conduct activities in a manner that is compatible with the objects of these rules and the Act;

### **Disclosure to client of a members**

- 3.2 Any communication with a client must be:
  - 3.2.1 factually correct and unambiguous;
  - 3.2.2 appropriate in the context of the factually established or assumed level of knowledge of each client.

### **Fees and commissions**

- 3.3 Information in respect of fees and commissions to be charged by a member must be communicated to clients in advance of the provision of any services and be clear and specific. If an amount is not pre-determinable, then the basis of the calculation must be provided.
- 3.4. A member may charge such fees and commissions for transactions in equity securities as may be agreed in advance with the client.
- 3.5 A member may:
  - 3.5.1 conclude a transaction in equity securities with a client as a principal provided that the member and the client have agreed, in advance of the transaction, that the member may transact in this capacity;
  - 3.5.2 not make a profit from a transaction in equity securities concluded as agent other than the agreed commission.

### **Client information**

- 3.6 In respect of client information:
  - 3.6.1 a member must maintain sufficient information in relation to each client to ensure that it can appropriately provide an efficient service and that the client is FICA compliant. The information must include, as a minimum, the full name, identity or registration number, address, contact telephone number, electronic mail address, banking details, tax number and legal status of the client or person responsible for placing an order on behalf of the client as well as the name and account details of the accounts held by the client with its CSDP; and
  - 3.6.2 a client must as soon as possible advise the member of any changes to this information.



### **Maintenance of client records**

- 3.7 A member must:
- 3.7.1 maintain comprehensive and accurate records of services rendered to clients; and
  - 3.7.2 be in a position to securely store the records of the services rendered to clients and retain the records for the period set by any applicable statute.

### **Advertising**

- 3.8 A member may advertise its services provided that the advertising:
- 3.8.1 is compatible with the objects of these rules and the Act;
  - 3.8.2 provides accurate and complete information that differentiates clearly between fact and opinion and is not misleading in any way;
  - 3.8.3 clearly states that no guarantees of performance are provided and highlights the risks involved in buying and selling securities.

### **Transaction confirmations**

- 3.9 A member must provide a transaction confirmation to clients for each transaction in equity securities.
- 3.10 The transaction confirmation must be sent to the client by no later than 20:00 on T and must include at least the following information in respect of the transaction:
- 3.10.1 name and number of shares;
  - 3.10.2 date and time of transaction in equity securities;
  - 3.10.3 price at which the transaction in equity securities was concluded;
  - 3.10.4 capacity in which the member conducted the trade;
  - 3.10.5 nature and amount of the member's charges;
  - 3.10.6 total amount due to or by the client; and
  - 3.10.7 the settlement date.
- 3.11 A member may issue a transaction confirmation reflecting average prices for transactions in equity securities allocated to the accounts of the underlying beneficiaries in terms of rules 3.15 to 3.18, provided that such transaction confirmations disclose the fact that the price is an average price and the member has notified the client or, if relevant, the agent appointed by the client that the prices and times of each transaction are available from the member on request.

### **Conflicts of interest**

- 3.12 A member must establish and maintain controls and procedures to manage any conflicts of interest that may arise between the member and a client, specifically in relation to:
- 3.12.1 transaction in equity securities entered into for the indirect or direct benefit of the member or staff of the member; and

- 3.12.2 the offering, solicitation, providing and acceptance of inducements by members or any person acting on behalf of the member.

#### **Cold calling**

- 3.13 A member may enter into a transaction in equity securities resulting from a cold call provided that the member has made full disclosure of:
  - 3.13.1 all applicable fees and charges;
  - 3.13.2 the fact that no guarantees of performance are provided; and
  - 3.13.3 the risks involved in buying and selling securities.

#### **Allocation accounts**

- 3.14 A member may allocate transactions in equity securities executed for a client to a specifically designated allocation account, either in the name of the client or in the name of an agent appointed by the client to transact on his behalf.
- 3.15 A designated allocation account in the name of a client may be utilised if the member's client is placing instructions in respect of one or more underlying accounts controlled by the client.
- 3.16 A designated allocation account in the name of an agent appointed by a client to transact on his behalf, may be utilised if a number of the member's clients have appointed an agent to transact on their behalf.
- 3.17 If the designated allocation accounts are utilised, the member may allocate transactions in the same equity security on the same day to the accounts of the underlying beneficiaries, at an average price, based on the instructions of the client or the appointed agent respectively.

#### **Management of equity securities and cash**

- 3.18 Representatives of a member authorised to provide investment services must have the required qualifications and experience as prescribed by A2X in the directives.
- 3.19 A member authorised to provide investment services must have entered into a written mandate with a client.
- 3.20 In exercising discretion in the management of equity securities on behalf of client, a member authorised to provide investment services must, in addition to complying with the other provisions of section 3:
  - 3.20.1 Have due regard to information about the client's financial situation, investment experience, particular needs and objectives and conduct an analysis based on this information to make an appropriate investment decision;
  - 3.20.2 Identify the investment best suited to the client's risk profile, financial need and agreed mandate.

### **Provision of advice**

- 3.20 Representatives of a member authorised to provide advice must have the required qualifications and experience as prescribed by A2X in the directives.
- 3.21 When providing advice to a client, other than a professional client, in respect of equity securities, a member authorised to provide investment services must take reasonable steps to obtain information regarding the client's financial situation, investment experience, particular needs and objectives in connection with the services required, to enable the member to provide the client with sound advice and thereafter conduct an analysis, based on the information obtained, for the purpose of advising the client.
- 3.22 The member must take reasonable steps to ensure that the client understands any advice that has been provided, as well as the nature and material terms and risks involved in the relevant transaction, so as to enable the client to make an informed decision.

### **Record keeping**

- 3.23 A member must retain each record required to be kept under the Act, the Companies Act and the rules. These records must be kept for at least the period required by the Act and the Companies Act and be capable of being produced for inspection by A2X on demand and in legible form.
- 3.24 No member may conduct business with a person whom the member believes or suspects requires approval:
  - 3.24.1 as a nominee under section 76 of the Act; or
  - 3.24.2 as a financial services provider to undertake management of securities in terms of any law, without having taken reasonable measures to ascertain that the necessary approvals have been obtained.
- 3.25 A member must immediately inform A2X of any matter which in the opinion of the member poses a systemic risk to the financial markets.

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**Section 4 – Best execution**

Best execution:	4.1 – 4.5
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## Section 4 – Best Execution

### Best Execution

- 4.1 Best execution can be described as obtaining the best possible result for clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and any other relevant order execution consideration.
- 4.2 A member must put in place a policy and processes which are designed to consistently obtain the best possible result. This is subject to and taking into account, the nature of the orders, the execution venues available and the priorities the client has placed upon the member executing those orders.
- 4.3 The policy and processes must provide the best balance across a range of sometimes conflicting factors.
- 4.4 The member must also take into account other factors, including the need for timely execution, availability of price improvement, the liquidity of the market, potential price impact, the size of the order, and the cost effectiveness of any related clearing and settlement facilities.
- 4.5 When executing a transaction for a client, a member must adhere to the best execution principle taking reasonable care to obtain the result which is the best available for the client, provided that the member must at all times act in accordance with the provisions of the agreed mandate from the client.

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## Section 5 – Market abuse

Market abuse:	5.1 – 5.2
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## Section 5 – Market abuse

### Market abuse

- 5.1 When transacting on A2X, a member and its employees must:
  - 5.1.1 not behave in a manner which results in a contravention of sections 78 to 80 of the Act;
  - 5.1.2 ensure the integrity of the market and must not use or participate in the use of prohibited trading practices which will result in a breach of the provisions of section 80 of the Act;
  - 5.1.3 must not directly or indirectly make or publish false, misleading or deceptive statements, promises and forecasts in respect of the past or future performance of a company whose equity securities are listed on A2X in the circumstances set out in section 81 (a) and (b) of the Act.
- 5.2 A member must ensure that:
  - 5.2.1 it has processes and procedures in place to identify orders of clients which may constitute market abuse;
  - 5.2.2 all of its employees who are involved in the execution of transactions in equity securities are aware of and acquainted with the market abuse provisions in sections 77 to 81 of the Act;
  - 5.2.3 its employees receive training to assist them in recognising and avoiding transactions which will or may result in a breach of sections 77 to 81 of the Act.

## Section 6 – Trading

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## **Section 6 – Trading**

### **Section 6 Trading Facility and trading**

#### **A2X trading system**

- 6.1 All transactions in equity securities by a member must be conducted through the trading facility.
- 6.2 Orders entered into the trading facility are matched based on the following order of priority:
  - 6.2.1 price; and
  - 6.2.2 time.

#### **Trading times**

- 6.3 The trading facility will operate on every business day as follows:
  - 6.3.1 08:30 to 09:00 – open for order entry and modification;
  - 6.3.2 09:00 to 16:50 – continuous trading; and
  - 6.3.3 16:50 to 17:00 – auction.

#### **Trade types**

- 6.4 The trade and order types that may be submitted to the trading facility and the applicable requirements for the trade and order types are:
  - 6.4.1 limit order: where the quantity and price of the equity securities to be executed are specified;
  - 6.4.2 market order (only in an auction): where no price limit is specified and the order may execute in full or part against eligible orders;
  - 6.4.3 immediate or cancel order: all or part of the order is required to be executed immediately and the residual order is cancelled;
  - 6.4.4 fill or kill order: the entire order must be executed immediately or the order is cancelled;
  - 6.4.5 good for day order: an order that is not executed on the day entered is deleted from the trading facility;

#### **Removal of orders**

- 6.5 An order that is not matched at the close of trading will automatically be removed from the trading facility.

#### **Order and tick sizes**

- 6.6 The minimum order is 1.
- 6.7 The minimum tick size is 1.

## **Suspension and halting of the market**

- 6.8 Despite any other provisions set out in the rules or the A2X directives, the CEO of A2X or such other person authorised by him, may in that persons absolute discretion and without notice:
- 6.8.1 suspend trading in any equity security if requested to do so by the registrar;
  - 6.8.2 pause, halt or suspend trading in any equity security if that equity security is also traded on another exchange and trading on that exchange is paused, halted or suspended;
  - 6.8.3 pause, halt or suspend trading in any equity security or close the market if he is of the opinion that a fair and orderly market does not exist;
  - 6.8.4 reduce or extend the hours of operation of the trading system for any particular business day;
  - 6.8.5 pause, suspend, halt or close the trading system for trading at any time and for any period; and
  - 6.8.6 take such other action as may be necessary to ensure an orderly market.
- 6.9. Where transactions in an equity security have been halted or suspended on the primary regulated exchange, A2X may in its absolute discretion:
- 6.9.1 cancel the orders in the equity security; and
  - 6.9.2 declare void any transactions in equity securities executed after the halt or suspension on the primary regulated exchange and deal with the said transactions in terms of rule 6.10.
- 6.10 A2X may declare as void any transaction concluded on the trading facility for any reason, including but not limited to where there is a malfunction in the use of any A2X system or other unusual market conditions and take such further action as may be taken in terms of the rules and A2X directives to resolve any issues that may arise when there is a failure of a trading facility, or the facility is halted or failed.
- 6.11 In the event that A2X halts or suspends trading in any or all equity securities, declares a transaction void or changes the hours of operation of the market, A2X must immediately notify the registrar.

## **Price reference checks**

- 6.12 All orders entered into the trading facility are subject to price reference checks to prevent a disorderly market and extreme price movements.
- 6.13 The price reference checks are:
- 6.13.1 static price collars in the form of:
    - 6.13.1.1 at market open, the open price or in the absence of an open price, the previous day's closing price of the regulated primary exchange;
    - 6.13.1.2 in continuous trading, using the open traded price and /or intra-day volatility auction reference price on the regulated primary exchange;

- 6.13.2 irregular price movements and order volumes.
- 6.14. An order submitted to the trading facility that breaches the static price collar will be rejected by the trading facility.
- 6.15 In the event that A2X deems price movements and order volumes to be irregular, A2X may immediately halt transactions in an equity security.

#### **Members accessing A2X systems**

- 6.16 Members accessing A2X systems must:
  - 6.16.1 maintain and enforce appropriate procedures designed to ensure compliance with sections 80 and 81 of the Act;
  - 6.16.2 maintain and enforce appropriate security procedures which are designed to prevent unauthorised persons from having access to any A2X systems, member trading applications or client applications; and
  - 6.16.3 have systems and controls in place to ensure that any data sent to or received from the A2X systems does not hamper the efficiency and integrity of the market or the proper functioning of the A2X systems.
- 6.17 A2X may instruct a member to discontinue using a member or client application or restrict the use by a member of any or all components of a member or client application.
- 6.18 Any information received by the A2X system from a member will be deemed to have been submitted with the knowledge of the member.

#### **Fair Usage**

- 6.19 In preserving the integrity and quality of the A2X market, A2X may, in its discretion, manage the use of and access to A2X systems and services by a member where a member's use of A2X systems or services:
  - 6.19.1 is considered not to be fair or appropriate;
  - 6.19.2 affects or may affect other members' use of the systems and services; or
  - 6.19.3 is significantly different from the usage of other members.
- 6.20 The management of the use of, and access to A2X systems and services by A2X may include suspending or limiting a member's access to the trading facility.

#### **Procedure for correction of an erroneous trade**

- 6.21 Under exceptional circumstances, A2X may cancel a transaction in equity securities where the transaction results from an order which is submitted in error, invalid, fraudulent, manipulative or where a cancellation is required to preserve a fair and orderly market.
- 6.22 A member may request A2X to correct a transaction in equity securities.

- 6.23 The member must advise the Head of Legal and Regulation of the error as soon as the member becomes aware of same but no later than 30 minutes after the initial trade transacted in error and request that the trade be cancelled. The member must confirm the request in writing within the time period stipulated by the Head of Legal and Regulation.
- 6.24 The Head of Legal and Regulation will consider the request taking into account the applicable circumstances including the price at which the transaction referred to in 6.21 was concluded, the last traded price prior to the erroneous transaction, the amount of loss suffered by the member, and whether both parties to the transaction have agreed to the cancellation. A cancellation will only be considered if the amount of the potential loss to the member is R100 000 or more in relation to a transaction conducted in one equity security on the trading facility and R200 000 or more in relation to transactions conducted in more than one equity security on the trading system.
- 6.25 The Head of Legal and Regulation must approve or refuse the request and immediately thereafter facilitate the booking of an equal but opposite transaction to the transaction conducted in error.
- 6.26 When a transaction in equity securities is cancelled, the member who requested the cancellation must provide the other member with compensation for any loss of price and time priority. The compensation will be in the amount as determined by the Head of Legal and Regulation and must be passed on to the affected client.
- 6.27 An appeal against the decision taken not to cancel a transaction may be submitted to the CEO for consideration provided the appeal is submitted in writing and within 24 hours of having received notification of the decision.
- 6.28 Administration fees in such amount as prescribed by A2X will be payable in respect of:
  - 6.28.1 the requested cancellation, irrespective of the success of the application to cancel the transaction; and
  - 6.28.2 an appeal lodged in terms of section 6.27. This fee or a portion thereof may be refundable at the discretion of A2X.

#### **Information assimilated as a result of the provision of the trading facility**

- 6.29 All information assimilated by A2X as a consequence of the operation of the trading facility and A2X systems is the sole and exclusive property of A2X and may be published and distributed as A2X in its sole discretion decides.

## Section 7 – Clearing and settlement

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Role of the CSD:	7.4 – 7.5
Appointment of a CSDP:	7.6 – 7.7
Member settlement obligations in respect of principal transactions in equity securities:	7.8 – 7.9
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## Section 7: Clearing and settlement

### Principles of Clearing and settlement

- 7.1 All transactions in equity securities conducted on A2X will be cleared and settled in accordance with these rules.
- 7.2 Transactions in equity securities will be settled:
  - 7.2.1 on a rolling contractual basis according to which buyers and sellers of equity securities agree to settle 3 days after the day of trade;
  - 7.2.2 on the basis that individual transaction confirmations per trade type and equity security are consolidated and offset into net amounts of securities and funds for settlement at a CSDP level; and
  - 7.2.3 in the most cost efficient net batches on a delivery versus payment and receipt versus payment basis.
- 7.3 The overriding settlement assurance principles are that:
  - 7.3.1 the client is responsible for the settlement of the client's transactions in equity securities;
  - 7.3.2 if the client does not meet its settlement obligations, the member assumes the client's obligations and becomes responsible to settle the transaction;
  - 7.3.3 a member may take reasonable action to mitigate its risk arising out of the client's breach of its settlement obligations; and
  - 7.3.4 the member is responsible for settlement of its principal transactions.

### Role of the CSD

- 7.4 A2X has appointed Strate as the CSD for transactions in equity securities conducted on the trading facility and all transactions in equity securities will be settled through Strate or such other CSD as A2X may nominate from time to time.
- 7.5 Members must comply with such requirements and pay such fees for the use of Strate as A2X may prescribe.

### Appointment of a CSDP

- 7.6 All members must appoint and enter into an agreement with a CSDP as well as open the required accounts with a CSDP to facilitate the clearing and settlement of member principal transactions conducted on A2X. The following accounts are required:
  - 7.6.1 custody account;
  - 7.6.2 funds settlement account;
  - 7.6.3 current account.
- 7.7 All clients must appoint and enter into an agreement with a CSDP as well as open the required accounts with a CSDP to facilitate the clearing and settlement of transactions in equity securities conducted by members for clients. The following accounts are required:

- 7.7.1 custody account; and
- 7.7.2 funds settlement account.

#### **Member settlement obligations in respect of principal transactions in equity securities**

- 7.8 a member must take all the necessary steps to ensure that settlement of the member's transactions in equity securities takes place in accordance with these rules, including
  - 7.8.1 make arrangements to ensure that equity securities or cash required for a transaction in equity securities are available for settlement in terms of these rules;
  - 7.8.2 take steps to ensure that its CSDP settles the transaction in equity securities, including:
    - 7.8.2.1 providing an instruction to the CSDP to settle the said transaction as soon as practicable but no later than 18:00 on T+1; and
    - 7.8.2.2 secure the commitment of the CSDP to settle the transaction as early as possible in the settlement cycle but by no later than 12:00 on T+2.
- 7.9 In the absence of an instruction from A2X, a member may not instruct its CSDP to revoke a commitment to settle the transaction in equity securities.

#### **Client settlement obligations**

- 7.10 A client must take all the necessary steps to ensure that settlement of the client's transactions in equity securities takes place in accordance with these rules, including:
  - 7.10.1 prior to instructing a member to execute a transaction in equity securities, provide its member with evidence of the appointment of a CSDP as well as the required details of the client's accounts, including the names and account numbers of the custody account and funds settlement account of the client with the CSDP;
  - 7.10.2 make arrangements to ensure that equity securities or cash required for a transaction in equity securities are available for settlement in terms of these rules;
  - 7.10.3 confirm acceptance of the transaction in equity securities by 14:00 on T+1, failing which the transaction will be deemed to have been accepted by the client;
  - 7.10.4 where a correction to an allocation of a transaction in equity securities is required, provide the member with the new allocation as well as the confirmation of the new allocation by no later than 18:00 on T+1;
  - 7.10.5 take steps to ensure that its CSDP settles the transaction in equity securities, including:
    - 7.10.5.1 providing an instruction to the CSDP to settle the said transaction as soon as practicable but no later than 18:00 on T+1; and
    - 7.10.5.2 secure the commitment of the CSDP to settle the transaction as

early as possible in the settlement cycle but by no later than 12:00 on T+2.

- 7.11 In the absence of an instruction from A2X, a client may not instruct its CSDP to revoke a commitment to settle the transaction in equity securities.
- 7.12 A client must immediately notify the member of any issue that may impact on the settlement of a transaction in equity securities.

#### **Member settlement obligations in respect of a client**

- 7.13 Prior to executing a transaction in equity securities for a client:
  - 7.13.1 advise the client of its settlement obligations set out in the rules in section 7. Should a member fail to advise the client, the client is still bound by the said rules;
  - 7.13.2 a member must ensure that the client has appointed a CSDP and has provided the member with the name and account numbers of the custody account and funds settlement account of the client with the CSDP, which account details must be verified by the member.
- 7.14 Once a transaction in equity securities has been executed, the member must:
  - 7.14.1 allocate the transaction to the relevant client account;
  - 7.14.2 provide the client with a transaction confirmation by 20:00 on the T;
  - 7.14.3 ensure that despite any actions taken in terms of these rules, any corrections made must be communicated to and accepted by the client as soon as possible and within such time as to allow the CSDP to commit to the transaction by no later than 12:00 on T+2.
- 7.15 If no commitment to settle is obtained from the CSDP of the client or it becomes evident that the client is not able to settle the transaction in equity securities, the member will, by no later than 16:00 on T+2, assume responsibility for the settlement of the transaction of the client. In this case, the member must ensure that the CSDP of the member commits to settle the transaction by 18:00 on T+2 and must ensure settlement on settlement date by all the means available to the member;
- 7.16 A member must immediately notify A2X of any issue that may impact on the settlement of a transaction in equity securities or if the member is unable to arrange settlement.

#### **Mitigation of losses by a Member**

- 7.17 Subject to any agreement with or notification to the defaulting client and to any intervention by A2X, the member may, to mitigate its loss:
  - 7.17.1 in respect of a sale, purchase the equivalent equity securities that were sold by the defaulting client; or



- 7.17.2 in respect of a purchase, sell the equivalent equity securities that were purchased by the defaulting client.
- 7.18 If a member proceeds according to rule 7.17.1 or 7.17.2, the timing of, and the price at which, these purchases or sales are executed should take into account:
  - 7.18.1 when the breach by the client was, or reasonably should have been identified by the member;
  - 7.18.2 any agreement with or notification to the client with regard to the timing of such transactions; and
  - 7.18.3 relevant market conditions.
- 7.19 Any losses, costs or interest incurred by the member as a consequence of the actions taken in 7.17 may be claimed from the client. Losses may include any difference between the selling and purchase consideration or purchase and selling consideration, as the case may be.

#### **Role of A2X in the clearing and settlement process**

- 7.20 The clearing and settlement of transactions in equity securities conducted on the trading facility, and any risks related thereto, will be managed by A2X in terms of these rules.
- 7.21 To perform this function, A2X is authorised to do all things necessary to facilitate the settlement of equity securities executed on A2X, including the borrowing of equity securities, through the use of an agent if required, the lending of funds, the changing of any of the times for settlement of equity transactions set out in this rule 7 and the buying and selling of equity securities on the trading facility.
- 7.22 The controlling body delegates the power set out in rule 7.20 and 7.21 to the settlement committee.

#### **Actions to be taken by the settlement committee in respect of transactions in equity securities that are unlikely to settle**

- 7.23 If it appears to the settlement committee that the settlement of a transaction in equity securities is unlikely to take place on settlement date, the settlement committee may:
  - 7.23.1 roll the date for the settlement of the transaction in terms of rule 7.24 to a revised settlement date and follow the procedures set out in rule 7.25;
  - 7.23.2 declare the transaction to be a failed trade in terms of rule 7.36 and follow the procedure set out in rule 7.37 and 7.38; and
  - 7.23.3 levy such fees, penalties and interest, as prescribed in the A2X directives, on the member that is in breach of its settlement obligations. The fees, penalties and interest may be recovered by the member from the client where the client is in breach of its settlement obligations.

#### **Process for the revision of a settlement date for a transaction in equity securities**

- 7.24 If at any time during the settlement cycle it is evident to the settlement committee that due to the temporary unavailability of equity securities or funds, the settlement

of a transaction will not take place on the settlement date but that the equity securities or funds are likely to become available for settlement within 3 days or such other period as the settlement committee may determine, the settlement committee may elect to roll the settlement date for that transaction (the “rolled transaction”) and allocate a revised settlement date.

- 7.25 Should A2X elect to proceed in terms of rule 7.24:
  - 7.25.1 in accordance with the principles of clearing and settlement of equity securities set out in rules 7.1 to 7.3, a transaction or transactions which in the opinion of the settlement committee best correlate with the rolled transaction, will be identified by the settlement committee as the transaction or transactions to be matched with the rolled transaction (the “corresponding transaction/s”), the settlement of which will take place on the revised settlement date;
  - 7.25.2 the members responsible for the rolled transaction and the corresponding transaction/s will be notified that these transactions will now settle on the revised settlement date and any margin taken in respect of the rolled transaction will be retained pending settlement on the revised settlement date;
  - 7.25.3 an instruction will be provided by the settlement committee to the CSDP/s designated for the corresponding transaction/s to withdraw their commitment/s to settle;
  - 7.25.4 if the corresponding transaction/s was concluded for a client, an instruction will be provided to the member of the corresponding transaction/s to transfer the transaction/s to the member’s principal account;
  - 7.25.5 the settlement committee will instruct Strate to process a settlement in respect of the rolled transaction and the corresponding transaction/s for settlement; and
  - 7.25.6 If the rolled transaction or corresponding transaction/s were concluded for a client, the said transaction/s must be re-transacted for the client for settlement on the revised settlement date to place the client in the same position as the client would have been if the transaction had not been declared a rolled transaction. The transaction/s will be processed for settlement in terms of the rules.
- 7.26 In the event that the member advises the settlement committee that the rolled transaction or the corresponding transaction/s are subject to any corporate action taken by an issuer of equity securities which effects the rights attaching to the equity securities, the settlement committee will use its reasonable endeavours to ensure that the rights of the parties in relation to the corporate action are not prejudiced as a result of the revised settlement date.
- 7.27 In the event that the member advises the settlement committee that the rolled transaction or the corresponding transaction/s resulted in the member incurring expenses or the loss of income, including interest, the settlement committee will use its reasonable endeavours to ensure that the member is reimbursed for the expenses, loss of income and interest.
- 7.28 If the rolled transaction and the corresponding transaction/s do not settle on the

revised settlement date, the transaction will be declared a failed trade in terms of rule 7.36 and the procedure set out in rules 7.37 and 7.38 will apply.

### **Management of the settlement risks**

- 7.29 A2X will require the member to make payment of margin in respect of transactions in equity securities:
- 7.29.1 when the CSDP has failed to provide a commitment in respect of a client's transaction by 19:00 on T+1;
  - 7.29.2 in respect of a member's principal purchase transactions, where the same day purchases and sales of the member in any particular equity security are not equal;
  - 7.29.3 in respect of a member's principal sales transactions, where the same day purchases and sales of the member in any particular equity security are not equal, if by 19:00 on T+1 the member does not have sufficient equity securities available to effect settlement of the transactions on T+3.
- 7.30 Any margin required to be paid as a result of a client not complying with its settlement obligations may be recovered from the client but must be repaid to the client on the same business day as the margin has been repaid to the member by A2X.
- 7.31 The margin required to be paid in terms of rule 7.29 will be:
- 7.31.1 in such amount and payable at such times as are set out in the A2X directives; and
  - 7.31.2 will be retained by A2X until such time as all obligations in respect of the transaction for which the margin has been levied have been met to the satisfaction of A2X.

### **Interventions by the settlement committee to avoid a failed trade**

- 7.32 If at any time during the settlement cycle it appears that a transaction in equity securities will not settle, the settlement committee will intervene and endeavour to facilitate settlement.
- 7.33 An intervention by the settlement committee or its duly appointed agent to facilitate the member meeting its settlement obligations may take the form of the:
- 7.33.1 borrowing of equity securities, as an agent on behalf of the member as undisclosed principle; or
  - 7.33.2 lending of funds to the member.
- 7.34 In the event that the settlement committee takes action in terms of 7.33.1 or 7.33.2, the borrowing or lending as the case may be, will be on the terms and conditions as set out in the A2X directives.
- 7.35 The client on whose behalf the member executed the transaction in equity securities who was unable to comply with the settlement obligations will be

responsible for all costs and penalties incurred in the borrowing of the equity securities and penalties incurred by the member in lending funds, as the case may be.

### **Failed trade procedure**

- 7.36 If at any time during the settlement cycle it becomes evident to the settlement committee that the settlement of a transaction in equity securities will not take place, the settlement committee may declare the transaction a failed trade.
- 7.37 If the settlement committee elects to proceed in terms of rule 7.36:
  - 7.37.1 as per the principles of clearing and settlement of equity securities set out in rules 7.1 to 7.3, a transaction or transactions which in the opinion of the settlement committee best correlate with the failed trade will be identified by the settlement committee as the transaction or transactions to be matched with the failed trade ("the affected transactions") will be part of the failed trade process;
  - 7.37.2 the members responsible for the failed trade and the affected transactions, will be notified that these transactions are subject to the failed trade process;
  - 7.37.3 an instruction will be provided by the settlement committee to the CSDP/s of the affected transaction/s to withdraw the commitment/s to settle;
  - 7.37.4 if the affected transaction/s were concluded for a client, an instruction will be provided to the member of that client to transfer the said transaction/s to the member's principal account;
- 7.38 the settlement committee will instruct Strate to process an equal but opposite settlement transaction, for the same quantity and price, in respect of the failed trade and the affected transaction/s.

### **Consequences of a transaction in equity securities being declared as a failed trade**

- 7.39 Where a failed trade has been declared, the settlement committee will consider the implications of the failed trade and having taken into consideration all relevant factors, make a ruling on and notify the parties to the failed trade whether:
  - 7.39.1 another transaction in equity securities should be concluded to place the clients of the affected transaction in the same position as they would have been if the transaction had not been declared a failed trade; or
  - 7.39.2 the transaction should be cancelled and the client of the affected transaction should receive monetary compensation for financial prejudice suffered; and
  - 7.39.3 any other action needs to be taken.
- 7.40 Should the settlement committee elect to proceed in terms of 7.39.1, it will instruct the member of the client of the affected transaction to re-transact the original transaction on the trading facility for the member's account and allocate the transaction to its client at the price that the original transaction was executed.

- 7.41 The member of the client of the affected transaction must within 2 days of complying with the settlement committee's instruction to proceed in terms of 7.39.1, provide the settlement committee with a written representation:
  - 7.41.1 detailing any profit or loss suffered as a result of the failed trade, including interest, and the action taken in terms of 7.39.1 as well as the resultant impact of any corporate actions; and
  - 7.41.2 setting out any factors which the member believes should be taken into account by the settlement committee when determining the financial loss.
- 7.42 After considering the representation made in terms of 7.41 and any other relevant factors, the settlement committee will reimburse the member of the client of the affected transaction for any financial loss that the committee decides has been suffered by that member in complying with the settlement committee's instruction in terms of 7.39.1. The reimbursement will be funded from the margin of the member who transacted the failed trade retained by A2X in respect of the failed trade. Any shortfall in the margin will be for the account of that member and payable on the same business day as the written demand is received from A2X.
- 7.43 Any financial gain resulting from the member complying with the settlement committee's instruction in terms of 7.39.1, will be dealt with in the manner determined by the settlement committee.
- 7.44 Should the settlement committee elect to proceed in terms of 7.39.2, the member of the client of the affected transaction must within 2 days of complying with the settlement committee's instruction to proceed in terms of 7.39.2, provide the settlement committee with written representation:
  - 7.44.1 detailing any profit or loss suffered as a result of the failed trade, including interest, and the resultant impact of any corporate actions; and
  - 7.44.2 setting out any factors which the member believes should be taken into account by the settlement committee when determining the financial loss.
- 7.45 After considering the representation made in terms of 7.44 and any other relevant factors, the settlement committee will reimburse the non-failing member for any financial loss the committee decides has been suffered by that member. The reimbursement will be funded from the margin of the failing member retained by A2X in respect of the failed transaction. Any shortfall in the margin will be for the account of the failing member and payable on the same business day as the written demand is received from A2X.

#### **Penalties and fees**

- 7.46 The settlement committee may impose on members such fees and penalties as it may prescribe in the A2X directives for any breach of the settlement obligations by a member or its client.
- 7.47 Any fees or penalties imposed in terms of rule 7.44 must be paid by the member within 3 days of notification of same.

- 7.48 Where the fees or penalties resulted from a breach by the client of its settlement obligations, the fees and penalties may be recovered by the member from the client.

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**Section 8 – Default**

Member default:	8.1 – 8.2
General default management:	8.3
Recovery of losses or costs by A2X:	8.4

## Section 8: Default Procedures

### Member default

- 8.1 An act of default is when:
- 8.1.1 a member fails to meet a commitment arising out of a transaction in equity securities on A2X;
  - 8.1.2 a member is placed into provisional or final liquidation; or
  - 8.1.3 a member fails to pay any fees to A2X when due and payable; or
  - 8.1.4 A2X in its sole discretion, declares that an act of default has occurred; or
  - 8.1.5 a member is declared to be a defaulting member by another exchange.
- 8.2 A defaulting member will be dealt with in the same way as if its membership has been suspended and will continue to be bound by the rules and A2X directives but will forfeit all rights of membership.

### General default management

- 8.3 If a member is in default, A2X has the right to elect, at the expense of the defaulting member, to take one or more of the measures stated below. Unless otherwise specified, A2X has the right to take the following measures without consulting the defaulting member in advance:
- 8.3.1 withhold settlement or delivery due to the defaulting member;
  - 8.3.2 ensure that all open transactions in equity securities between the defaulting member and other counterparties are settled, by taking such steps as may be necessary;
  - 8.3.3 in the settlement of open transactions in equity securities, A2X will require clients of the defaulting member to meet their settlement obligations in respect of all open transactions executed on their behalf;
  - 8.3.4 in achieving the settlement of open transactions in equity securities, A2X may buy in or sell out equity securities which cannot be either delivered or paid for by the defaulting member or its client; and
  - 8.3.5 if the A2X is unable to procure the settlement of any open transactions in equity securities, the failed trade procedures set out in rule 7 will be applied.

### Recovery of losses or costs by A2X

- 8.4 Any losses or costs incurred by A2X in relation to any action taken in terms of these default rules that A2X is unable to recover from the defaulting member may be recovered out of any guarantees issued in terms of the rules and A2X directives.



## Section 9 – Investigation and disciplinary functions

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## Section 9: Investigation and disciplinary functions

### Maintenance of systems

9. The controlling body will set up and maintain systems for:

- 9.1 monitoring compliance by members, officers and employees with the Act, these rules and the A2X directives;
- 9.2 the surveillance and enforcement of any matter relevant for the purposes of the Act, these rules and the A2X directives; and
- 9.3 supervising compliance by members with the Financial Intelligence Centre Act.

### Investigative functions

9.4 The controlling body may investigate:

- 9.4.1 A2X related activities of any member or person who at the relevant time was a member or an employee of a member;
- 9.4.2 whether any member or any of its employees comply with the Act, these rules, the A2X directives and the Financial Intelligence Centre Act;
- 9.4.3 whether a member is trading in such a manner that there is a danger that such member may not be able to meet its commitments to clients, other members, A2X and Strate; and
- 9.4.4 whether a member is conducting its business in a manner which could be detrimental to the interests of A2X, its members or clients.

### Access to and use of information

- 9.5 The controlling body may require any member or person who at the relevant time was a member, officer, or an employee of a member to furnish information on the subject of any investigation and deliver any book, document, tape or record, electronic or otherwise or other object which has a bearing on the subject of the investigation.
- 9.6 The controlling body may on 2 business days prior notice to members attend at the members' premises to conduct an investigation. If the controlling body is of the opinion that this notice will prejudice the investigation, no prior notice is required.
- 9.7 A person proceeding in terms of 9.6 or conducting an investigation must provide proof of the fact that the person is a designated representative of A2X and, in terms of rule 9.4 may:
  - 9.7.1 enter the member's premises and the member must, upon request, provide any specified document or record;
  - 9.7.2 examine, make extracts from and copy any document, which may provide proof of any failure to comply with the provisions of the Act, rules or A2X directives;
  - 9.7.3 require the member to produce at a specified time and place any specified documents or documents of a specified description in the possession or under the control of the member; and

- 9.7.4 require any person that is holding or is accountable for any specified document, to provide information and to provide an explanation of the contents thereof.
- 9.8 A person conducting an investigation at the premises of the member must do so with due respect for the member's property and staff.
- 9.9 Any information, document, book, tape or electronic record or other object obtained by A2X, may be used in evidence in any disciplinary proceedings conducted by A2X and may be provided by A2X to any other body which may have jurisdiction over the matter under consideration.

### **Financial Intelligence Centre Act**

- 9.10 Any non-compliance by a member or its employees with the duties imposed on them in terms of the Financial Intelligence Centre Act that A2X becomes aware of, must be notified to the registrar.
- 9.11 A2X will also assist the registrar in any action that may be taken against a member or its employees in relation to non-compliance with the Financial Intelligence Centre Act.

### **Disciplinary process**

- 9.12 Where A2X believes there has been improper conduct by a member or officers and employees of a member, A2X may commence disciplinary action against such member, officers or employees and refer the matter to the regulatory committee if required.

### **Improper conduct**

- 9.13 Improper conduct may be alleged against any member, officer or employee of a member where such member, officer or employee fails to comply with the provisions of the Act, rules and A2X directives or any other law relating to the business of A2X or a member, officer or employee has committed any of, but not limited to, the following acts or practices:
  - 9.13.1 participating in, assisting in or withholding knowledge of, any acts in violation of any applicable law, regulations or the rules and A2X directives governing the activities of the member;
  - 9.13.2 committing or attempting to commit any act which is dishonest or fraudulent;
  - 9.13.3 being a party to, or facilitating or conducting a transaction in equity securities which has a dishonest or unlawful motive;
  - 9.13.4 failing to act in accordance with the mandate of a client;
  - 9.13.5 negligently or recklessly conducting its business or affairs in a way that causes prejudice to, or may be prejudicial to A2X, any other member or a client. The failure by a member to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may be treated where

- appropriate as constituting either negligence or recklessness;
- 9.13.6 committing or attempting to commit any act which is detrimental to the interest, good name or welfare of A2X, its members or clients;
- 9.13.7 failing, when requested, to assist the controlling body or committee appointed by the controlling body in the exercise of its duties (which shall include, but shall not be limited to, failure without sufficient cause to provide information in accordance with the provisions of rule 9.5);
- 9.13.8 failing to act with integrity, proper skill, care, diligence and with due regard for the interests of clients; or
- 9.13.9 acts in contravention of sections 78 to 81 of the Act.

### **Regulatory Committee**

- 9.14 The regulatory committee will hear and determine charges against a member, officers and employees of members (referred to collectively as the member in rules 9.15 – 9.34) in respect of improper conduct.
- 9.15 The chairman of the regulatory committee may appoint a legally qualified adviser who is independent of any party to provide legal advice to the committee in respect of the hearing if deemed necessary. Such legal adviser will not be counted as a member of the regulatory committee, but will only advise the regulatory committee on legal matters.
- 9.16 The regulatory committee may also co-opt any person whom it considers appropriate. No-one who is a member of A2X staff may be appointed or co-opted to the Committee.
- 9.17 A party may be legally represented at the hearing.
- 9.18 Where the regulatory committee finds an allegation proven on the balance of probabilities, the regulatory committee may impose as a penalty:
  - 9.18.1 a written warning which may be public or private;
  - 9.18.2 an unlimited fine for each breach;
  - 9.18.3 an order that the member make restitution to any person (when the member has profited from a breach of the rules at that person's expense);
  - 9.18.4 suspension of membership; and
  - 9.18.5 termination of membership.
- 9.19 The quorum for the regulatory committee is 3 members.
- 9.20 The names of the members of the regulatory committee are available on the A2X website.

### **Confidentiality**

- 9.21 Other than as set out in these rules, and other than as between a party and its advisers, each party must keep confidential any matters relating to any proceedings except where disclosure is permitted or required by law.

### **Mode of referral**

- 9.22 Proceedings before the regulatory committee must be commenced by A2X submitting a statement of case to the member. The statement of case must set out the charge(s) and all material facts taken into account and must have attached to it copies of all documents relevant to the charge(s).
- 9.23 The member may submit a statement in response setting out all material facts and copies of all documents relied upon, which statement must be submitted within 21 days of receipt of the statement of case of A2X.
- 9.24 The regulatory committee may vary the period referred to in rule 9.23 at the request of the member.
- 9.25 At the expiry of the period referred to in rule 9.23, A2X must submit to the regulatory committee the statement of case and the member's response, together with copies of all other relevant documents.

### **Procedure**

- 9.26 Except where either party notifies the regulatory committee that it believes an oral hearing is essential to establish all the relevant facts, the regulatory committee may allow proceedings before the regulatory committee to take place through the consideration of documents with no oral hearing.
- 9.27 Where there is to be a hearing in accordance with rule 9.26, the regulatory committee will conduct it in private.
- 9.28 The regulatory committee will give not less than 14 days notice of the time and place of any hearing to the parties. This notice period may be shortened with the agreement of the parties.

### **Deliberations and decisions**

- 9.29 The regulatory committee is required to reach decisions on a majority basis.
- 9.30 Following its determination, the regulatory committee will notify the parties in writing of:
- 9.30.1 its decision;
  - 9.30.2 the reason(s) for its decision; and
  - 9.30.3 whether any penalty is to be imposed under rule 9.18.

### **Payment of Fine**

- 9.31 Any fine must be paid by the member within 20 days of receipt of such notification unless an appeal is lodged in accordance with these rules.

- 9.32 Should a member or other person fail to comply with rule 9.32, the controlling body may, after serving notice of not less than 5 business days on such person:
- 9.32.1 recover the fine in a court of competent jurisdiction; and
  - 9.32.2 terminate the member's membership or suspend the provision of further services by A2X to the member (on such conditions as the controlling body may deem fit) or in the case of an officer or employee of a member, require the member to hold a disciplinary enquiry to consider what action should be taken against the officer or employee.
- 9.33 Any fine and costs paid to A2X pursuant to a ruling made in terms of these rules must be used to further the regulatory and supervisory objectives of A2X in terms of the Act.
- 9.34 The controlling body may charge interest on any overdue fine imposed on a member or other person under the rules at the prime lending rate offered by A2X's principal bank.

### **Appeals**

- 9.35 A party has the right to appeal any decision of the regulatory committee in terms of section 105 of the Act.

### **Report on disciplinary proceedings**

- 9.36 A2X will provide the registrar with a report on any disciplinary proceedings conducted in terms of rule 9 within 30 days of completion of such proceedings.

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**Section 10 – Complaints and disputes – member, clients and A2X**

Complaints:	10.1 -10.4
Unresolved client complaints:	10.5 – 10.7
Dispute resolution:	10.8 – 10.18
Procedures for the lodging of complaints against A2X:	10.19 – 10.26

## **Section 10: Complaints and disputes – Member, Clients and A2X**

### **Complaints**

- 10.1. A member must implement appropriate procedures for the handling of complaints by clients in respect of a breach by a member of the code of conduct set out in rule 3 or any other contravention of the rules and A2X directives.
- 10.2 The procedures must provide for the receipt, investigation, speedy response to and where appropriate, resolution of complaints in a fair, efficient and transparent manner.
- 10.3 A detailed register of complaints, with supporting documentation must be maintained by the member.
- 10.4 The member must ensure that:
  - 10.4.1 all its staff are aware of the complaint handling process;
  - 10.4.2 it identifies and rectifies any recurring problems that become evident as a result of the complaints process.

### **Unresolved client complaints**

- 10.5 Where the member is unable to resolve the complaint, the member must, in the same correspondence in which the member advises the client that the complaint cannot be resolved, advise the client that they have the option to lodge the unresolved complaint with the CEO of A2X.
- 10.6 The lodgement by the client of the unresolved complaint must be submitted to the CEO of A2X within a week of receiving the member's notification of non-resolution. The CEO may elect to condone a late lodgement by the client.
- 10.7 Should the CEO of A2X, or person authorised by him not be able to resolve the complaint to the satisfaction of the member and the client, the dispute resolution rules will apply.

### **Dispute resolution**

- 10.8 These dispute resolution rules apply to a dispute between a member and a client that is not able to be resolved in terms of the complaints procedure detailed above and is in respect of transactions in equity securities where the amount in dispute is less than R 400 000 or the parties agree to submit the dispute for resolution in terms of the dispute resolution process.
- 10.9 A2X will appoint a presiding officer to consider a dispute, who is a retired judge of the High Court of South Africa or a Senior Counsel.
- 10.10 For the dispute resolution proceedings to commence, both parties must have deposited with A2X a deposit in the amount determined by the presiding officer as security for the costs of the proceedings.



- 10.11 The presiding officer must provide the parties to the dispute with the time lines within which documentation must be submitted to the presiding officer as well as guidelines in respect of the form and content of the documents to be provided.
- 10.12 It is the intention of these rules to facilitate an informal and speedy resolution to the dispute with the claiming and responding parties being given the opportunity to verbally present their version of the facts to the presiding officer as well as having a right of response, with the onus of proof being a balance of probabilities.
- 10.13 The parties may not be accompanied to the hearing by legal counsel unless the presiding officer agrees.
- 10.14 The presiding officer will provide a written ruling on the dispute to the parties at the hearing or provide the parties with his ruling no later than one week after the hearing.
- 10.15 The presiding officer may make a ruling on who should bear the costs of the proceedings and must include this in the written ruling.
- 10.16 Any ruling made in terms of this rule is final and must be complied with by the party against whom the decision is made within one week of the decision having been made by the presiding officer.
- 10.17 Should a member not be able to comply with the presiding officer ruling within the set period, A2X may declare the member to be a defaulting member.
- 10.18 The proceedings, documents and ruling are to remain confidential unless A2X, the presiding officer and the parties to the dispute agree otherwise.

#### **Procedure for the lodging of complaints against A2X**

- 10.19 Any person may submit a formal complaint to A2X in respect of the exercise of functions by A2X or by an officer or employee of A2X or the conduct of any member, its officers and employees.
- 10.20 Complaints must be submitted in writing to the Head of Legal and Regulation of A2X.
- 10.21 the Head of Legal and Regulation of A2X must, within 7 days, respond to the complainant in writing acknowledging receipt of the complaint.
- 10.22 If the complaint relates to a breach of any provisions of the Act or the Rules, the Head of Legal and Regulation of A2X must refer the matter to the Regulatory committee for further investigation.
- 10.23 Where any matter has been referred to the Regulatory committee, the Committee must investigate the matter and ensure that any potential or actual breach of the Act or the rules is rectified. The Committee may also take such further action that it may deem appropriate in order to resolve the matter fairly for all parties.

- 10.24 All complaints received in terms of rule 11 must be resolved within 90 days of receipt of the complaint. If, despite the reasonable efforts of the Head of Legal and Regulation or the regulatory committee, the complaint is not resolved within 90 days, the Head of Legal and Regulation must report to the complainant, in writing, on the status of the complaint, and will continue to do so every 30 days until the complaint is resolved.
- 10.25 Once a matter has been fully investigated and resolved, the Head of Legal and Regulation must respond to the complainant in writing with information on the outcome of the investigation and the actions taken to rectify the matter, if any.
- 10.26 On an annual basis, the regulatory committee must submit:
- 10.26.1 a report to the controlling body specifying the number and nature of all complaints received, the results of the investigations, and the actions taken to rectify them. These details must also be published in the A2Xannual report; and
  - 10.26.2 a report to the registrar specifying the number and nature of all complaints received, the results of the investigations, and the actions taken to rectify them, if any

## Section 11 – General provisions

Limitations of liabilities, warranties and indemnities:	11.1 -11.5
Market participant committees	11.6 – 11.7
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Obligation to report any matter which may pose a systemic risk to the financial markets:	11.14
Applicable law and jurisdiction:	11.15 – 11.16

## **Section 11: General provisions**

### **Limitation of liabilities, warranties and indemnities**

- 11.1 Any action taken in terms of the rules, A2X directives and listing requirements is subject to the limitation of liability provisions set out in section 72 of the Act.
- 11.2 A2X and a member are not liable for any loss or damage resulting from force majeure.
- 11.3 A2X, any director, chief executive officer, officer, employee or representative of A2X or any member of the controlling body or a committee of the controlling body is not liable for any loss sustained by or damage caused to any person as a result of anything done or omitted by:
- 11.3.1 a director, chief executive officer, officer, employee or representative of A2X, controlling body or any committee of the controlling body in the bona fide performance of any function under or in terms of the Act, the Rules, A2X directives or listing requirements; or
- 11.3.2 a member.
- 11.4 In addition to the statutory warranties and indemnities provided for in the Act, every member and client shall be deemed to have indemnified A2X, its directors, officers, employees or agents against any loss, legal costs, damage or liability suffered or incurred by A2X, as a result of any grossly negligent or wilful act or omission, on the part of such member or client, as the case may be, or any of their officers, employees or agents.
- 11.5 Each member and client will be deemed to have waived any claim that it may have against A2X, its directors, chief executive officer, officers, employees or representatives resulting from any negligent performance or failure to perform by A2X, its directors, chief executive officer, officers, employees or representatives of any function under or in terms of the Act, Companies Act, the rules, A2X directives or listings requirements.

### **Market participant committees**

- 11.6 The controlling body is mindful of the need to take into account issues relating to the public interest and the interests of stakeholders and accordingly it may appoint market participant committees to make recommendations to A2X on operational matters.
- 11.7 The composition of and the terms of reference for the committees will be determined by the controlling body, with members of the committee being appointed based on their knowledge of and experience in the equity securities market.

### **Insurance policy**

- 11.8 A2X will establish, control and maintain an insurance policy to allow A2X to provide compensation to clients transacting on A2X for loss of cash or equity securities as a result of fraud or dishonesty by members ("A2X policy").
- 11.9 Claims to be processed in terms of the A2X policy may be submitted in respect of the loss of cash or equity securities suffered by a client as a result of dishonesty or fraud by the member and where the client is not able to obtain a refund of cash or the delivery of equities from the member.
- 11.10 The claims qualifying for submission under the A2X policy are limited to claims resulting from transactions in equity securities and subject to such terms, conditions and restrictions on claims as are set out in the A2X policy.
- 11.11 The terms of the A2X policy are set out in the directive "F".
- 11.12 A2X may impose a levy in an amount as determined by A2X for the purpose of administering and maintaining the A2X policy to be payable by members on transactions in equity securities for the purposes of funding the premium of the insurance policy, which levy may be recovered from clients.

### **A2X Investor protection fund**

- 11.13 A2X will:
- 11.13.1 establish and maintain an investor protection fund ("A2X Investor Protection Fund") for the protection of clients of members, the operation of which is governed by the A2X Investor Protection Fund Rules which will be binding on members and their clients;
  - 11.13.2 determine a levy on all transactions in equity securities to be payable by members to the A2X Investor Protection Fund, which levy may be recovered from clients on whose behalf the members have transacted.

### **Obligation to report any matter which may pose a systemic risk to the financial markets**

- 11.14 A2X must immediately inform the registrar of any matter which in the opinion of the member poses a systemic risk to the financial markets.

### **Applicable Law and Jurisdiction**

11.15 The Rules are to be interpreted by the controlling body in accordance with the laws of the Republic of South Africa.

11.16 Subject to Rule 9, all parties submit to the jurisdiction of the High Court of South Africa