

**Amendments to the JSE Debt Listings Requirements (the “Debt Requirements”)
Introduction of Section 19 – Specialist Securities
Explanatory Memorandum
August 2023**

The JSE issued a Consultation Paper in May 2022, whereby it made certain proposals to reform its listings framework and updated the market on its work in progress items. One of the many work in progress items referred to the Section 19 (Specialist Securities) Rejuvenation Project, which involved a review of the appropriateness and composition of the current Section 19 of the JSE Listings Requirements (the “**Equity Requirements**”).

The focus areas of the review included the following:

- Making the provisions applying to Section 19 easier to apply, in that similar instruments will apply the same framework;
- Removing ambiguities;
- Removing provisions that are administrative in nature;
- Simplifying the outlay of the provisions dealing with admission criteria, listing particulars, financial information, continuing obligations and corporate governance;
- Restructuring the section to make it easier to add new types of instruments in the future; and
- Aligning the provisions with international best practice within the local regulatory framework.

As part of the review process, the JSE made the decision to remove Section 19 from the JSE Listings Requirements (the “**Equity Requirements**”) and to combine the provisions dealing with Specialist Securities, with the Debt Requirements. The Debt Requirements will now include Specialist Securities, and this combined set of listings requirements will now be known as the Debt and Specialist Securities Listings Requirements (“**DSS Requirements**”). The Equity Requirements will now be limited to equity securities and the DDS Requirements will focus on debt securities and specialist securities. All references to the “*Debt Listings Requirements*” in the Debt Requirements, will be amended globally to refer to the “*DSS Requirements*”, as defined.

Furthermore, before being transferred to the Debt Requirements the listings requirements for Specialist Securities as set out in Section 19 of the Equity Requirements were redrafted, in their totality, and are now repackaged based on the type of issuer issuing the Specialist Securities. The redrafted listings

requirements for Specialist Securities were then added to the appropriate sections of the Debt Requirements, dealing with admission criteria, disclosures on listing, financial information, continuing obligations and corporate governance. In order to facilitate the application of the newly formulated DSS Requirements, Sections 3 – 6 (Conditions of Listing, Listing Particulars, Financial Information and Continuing Obligations), have been broken down into three main parts:

- **Part A General**, dealing with the general provisions applicable to all issuers of Debt and Specialist Securities.
- **Part B Debt Securities**, dealing with the provisions applicable to the various types of debt securities. Asset backed securities and credit linked notes were removed from Section 19 and now form part of “*debt securities*”.
- **Part C Specialist Securities**, dealing with the provisions applicable to all specialist securities such as warrants, exchange traded products, exchange traded funds, actively managed certificates/exchange traded funds. Structured products were removed from the definition of “*debt securities*” to limit the application of debt securities to purely instruments with a debt characteristic. A new definition of “*structured products*” has been introduced.

Depository receipt have been moved from the current Section 19 to a more appropriate section, being Section 18 (Dual Listings and Listings by External Companies).

The Section 19 space created in the Equity Requirement will be repurposed soon, details to follow.

In summary, the proposed amendments to the Debt Requirements are the following:

	Section	Item	Comments (if applicable)
1	General		
1.1		<p>All references to the “<i>Debt Listings Requirements</i>” will be amended globally to refer to the “<i>DSS Requirements</i>”, as defined.</p> <p>The reference to “<i>debt securities</i>” will be expanded globally to “<i>debt and specialist securities</i>”, as appropriate, throughout the DSS Requirements.</p>	<p>The amendment will not be marked-up in order to allow readers to focus on the actual amendments being proposed.</p> <p>Purely naming convention amendments.</p>

		<p>The following instruments have been moved from Section 19 of the Equity Requirements to the new DSS Requirements:</p> <ul style="list-style-type: none"> • Warrants; • Exchange Traded Notes; • Structured products • Exchange Traded Funds; • Actively Managed Certificates; and • Actively Managed Exchange Traded Funds. <p>The General Principles have been moved from the Introduction to Section 1, as the Introduction will no longer form part of the DSS Requirements as per the amended definition of “DSS Requirements.</p>	<p>Redrafted in totality and inserted under the appropriate sections in the DSS Requirements:</p> <ul style="list-style-type: none"> • Conditions of Listing; • Listings Particulars; • Financial Information; • Continuing Obligations; and • Corporate Governance. <p>The introduction provides an overview of the JSE objectives and competent authority, and need to be included as part of the DSS Requirements.</p>
1.2		Depository Receipts	<p>Moved to Section 18 of the Equity Requirements.</p> <p>The provisions applicable to Depository Receipts have been copied across <i>verbatim</i>, with further amendments being marked-up.</p>
2	Definitions		
2.1		New and amended definitions to be included.	

		See the marked-up amendments in the definitions section, clearly indicating which are new definitions and amended definitions. Also, definitions that have been copied across <i>verbatim</i> from Section 19 have been highlighted.	
2.2		A new definition for “ <i>Green Finance Taxonomy</i> ” is being proposed.	The JSE will add a requirement for issuers in the sustainability segment to disclose whether the use of the proceeds align with the Green Finance Taxonomy.
2.3		<p>“<i>structured products</i>” have been removed from the definition of “<i>debt securities</i>”.</p> <p>Structured products will have a standalone new definition which forms part of specialist securities (as defined).</p>	Structured products will be removed from the definition of “ <i>debt securities</i> ” and going forward will fall under Specialist Securities.
2.4		Asset backed securities and credit linked notes will be moved to the new definition of “ <i>debt securities</i> ”.	
2.5		“Debt securities “ definition has been amended and a definition for “Hybrid debt securities” has been included to differentiate between vanilla debt and hybrid debt securities	
3	Section 1: Authority of the JSE		
3.1		<p>Suspension initiated by the JSE</p> <p>The JSE proposes to expand the provisions in paragraphs 1.9 and 1.10 dealing with suspension initiated by the JSE. An event will be included where the issuer has</p>	

		adopted a resolution to be wound up voluntarily and the relevant statutory approvals have been obtained. In such a case, the JSE may consider suspension of the securities.	
3.2		<p>Removal at the request of the issuer</p> <p>The JSE proposes to amend paragraph 1.16 to merely clarify an existing position, that when the issuer owns all the securities that it will be excluded from the application of paragraph 1.17.</p>	
3.3		<p>Removal at the request of the issuer</p> <p>The JSE proposes to introduce a new paragraph 1.18, specifically applicable to ETFs and AMETFs issuers, when the assets or securities underlying the ETF or AMETF have been liquidated for the benefit of unit holders or an in specie pro-rata distribution of the assets or securities underlying the ETF or AMETF has been made to unit holders, the issuer will be exempted from paragraph 1.17.</p>	
3.4		<p>Annual revision of the List</p> <p>The JSE proposes to amend paragraph 1.19(c) to afford the JSE an enabling provision to suspend and not an outright ability, as the JSE must comply with the provisions of the Financial Markets Act No 19 of 2012, when undertaking a suspension (which requires the issuer to make representations to the JSE before a decision on suspension is made by the JSE.</p>	

4	Section 2: Sponsors and Designated Persons		
4.1		<p>Appointment</p> <p>The JSE proposes to amend this section to make provision for sponsors, registered in terms of the JSE Listings Requirements to act as sponsor for issuers of specialist securities.</p> <p>For purposes of Section 2, the responsibilities placed on the debt sponsor will equally apply to a sponsor.</p> <p>The JSE further propose to amend Section 2 to make provision for a designated person to be appointed, not only by a secondary registered debt issuer but by also issuers of specialist securities.</p>	
5	Section 3: Conditions of Listing		
5.1		<p>General</p> <p>The JSE proposes to –</p> <ul style="list-style-type: none"> • amend paragraphs 3.1 to 3.9 in relation to general obligations to also apply to specialist securities; 	

		<ul style="list-style-type: none"> • introduce a new paragraph 3.6 to require all issuers to be approved by the JSE approved central security depository; and • introduce a new paragraph 3.7, that all holders of a series/class of securities be treated equally and specifically mention voting rights; and • introduce a new paragraph 3.8, that issuer shall not issue any securities with voting rights differing from other securities of the same series/class. 	
5.2		<p>General</p> <p>Exchange control approval section is merely moved forward to the general provisions applying to all types of securities, copied <i>verbatim</i>.</p>	Exchange control approval is applicable to all issuers of debt and specialist securities and not only debt issuers.
5.3		<p>Structured Products and Index Linked Notes</p> <p>The JSE propose to remove the provisions dealing with Structured Products and Index Linked Notes from the Debt Requirements portion, as these types of instruments will now going forward be listed under Exchange Traded Products in the Specialist Security section. As such, the existing paragraphs 3.26 - 3.29 will be removed.</p>	<p>Currently there is structured product requirements in Section 19 as well in the Debt Listings Requirements.</p> <p>Removing these sections from the Debt Listings Requirements will result in the JSE being able to regulate structured products across the board based on the same regulation.</p>
5.4		Specialist Securities	

		<p>Part B will be added to detail the specific listings requirements that issuers of Specialist Securities must comply with in registering a programme, being:</p> <ul style="list-style-type: none"> • Warrants; • IP; • ETN; • ETF; • AMC; and • AMETF. <p>The provisions in relation to AMETFs have been copied verbatim from Section 19, as indicated.</p> <p>The provisions for AMCs from section 19 were amended, to allow portfolios to invest in underlying assets in accordance with the FSCA requirements for retail hedge funds.</p>	<p>This requirement aims to align the AMC requirements with the retail hedge fund requirements</p>
6	Section 4: Listing Particulars		
6.1		<p>Incorporation by reference</p> <p>Paragraphs 4.19 and 4.21 dealing with Incorporation by Reference have been moved forward in Section 4, under the general provisions.</p>	<p>Incorporation by reference will apply to both Debt and Specialist Securities.</p>
6.2		<p>Secondary Registered Issuers and fast track listing process</p> <p>Paragraph 4.37 – 4.41 have been moved forward in section 4, under the general provisions, to allow issuers of debt and structured products the ability to list as secondary registered issuers</p>	<p>Issuers of debt securities and structured products will be able to sue the fast track listing process as secondary registered issuers</p>

6.2		<p>Documents available for inspection</p> <p>The JSE proposed to amend paragraph 4.16 (a)(vi) to remove the requirement for the issuer to make annual financial statements for all guarantors available on the website. Only the annual financial information of the holding company will be made available on the website.</p>	<p>The financial information of subsidiary guarantors are already consolidated in the issuers financial information. Therefore, it is viewed that investor only require the annual financial information of the holding company guarantor available publicly on a website.</p>
6.3		<p>Credit Linked Notes</p> <p>The JSE proposed to amend paragraph 4.32(c)(iii) to remove the requirement for the financial results of the reference entity to be made available within 6 months.</p>	<p>Publishing the financial information of the reference entity within 6 months is not under the control of the issuer. There for the JSE propose to remove this requirement</p>
6.4		<p>Credit Linked Notes</p> <p>The JSE proposed to introduce paragraph 4.32(d) to make provision for materiality of the reference entity.</p>	<p>The aim is to align the provisions dealing with publication of reference entities annual financial statements for Credit Link Notes, with that of Asset Backed Securities.</p>
6.5		<p>Index Linked Notes</p> <p>The JSE propose to remove paragraph 4.33 as index linked notes are regarded as IPs which forms of the Specialist Securities section.</p>	<p>This will enable the JSE to regulate the same type of product under one set of requirements</p>
6.6		<p>Specialist Securities</p>	

		<p>The JSE propose to add Part C detailing the provisions for the placing documents for Specialist Securities, being:</p> <ul style="list-style-type: none"> • Warrants; • IP; • ETN; • ETF; • AMC; and • AMETF. 	
6.7		<p>Secondary registered issuers</p> <p>Section 4.35 to 4.39 has been brought forward to the general section</p>	The fast track process and ability to list as secondary registered issuer will be applicable to issuers of debt securities and structured products.
7	Section 5: Financial Information		
7.1		<p>New paragraph 5.18 and 5.19</p> <p>The JSE proposes to introduce new paragraphs 5.18 and 5.19 detailing the process followed by the JSE in reviewing annual financial statements for IFRS compliance.</p>	This amendment is proposed to give clarity to the market on its review process involving the Financial Reporting Investigations Panel.
	Section 6: Continuing Obligations		

8.1		<p>Introduction</p> <p>The JSE proposes to introduce new paragraph 6.2 dealing with the appointment of a sponsor, debt sponsor or designated person, as the case may be. Furthermore, paragraph 6.31 of the Debt Requirements is combined with this requirement dealing with engagements with the JSE.</p>	<p>This provision is added to make it clear that an issuer of debt and specialist securities need to maintain the appointment of a sponsor, debt sponsor or designated person for as long as the issuer's programme is registered with the JSE.</p>
8.2		<p>Financial Statements</p> <p>Paragraph 6.14 to 6.30 dealing with financial statements, auditors, etc is removed from Part B Debt securities to Part A General and now reflects as paragraph 6.4 to 6.19.</p>	<p>This section is applicable to both debt and specialist securities.</p>
		<p>Structural amendments</p> <ul style="list-style-type: none"> • Paragraph 6.31 copied verbatim and moved to paragraph 6.2; • Paragraphs 6.4 – 6.9 copied verbatim from paragraphs 6.14 -6.19; • Paragraphs 6.10 – 6.19 copied verbatim from paragraphs 6.21 -6.30; and • Paragraphs 6.20 - 6.22 copied verbatim from paragraphs 6.54-6.56. 	
8.3		<p>The JSE proposed to amend the new paragraph 6.5 to remove the requirement for the publication of interim results within three months.</p> <p>Equally the original section 6.20 is removed as it dealt with the procedures for non-compliance of the three-month period as contemplated in paragraph 6.5.</p>	<p>This requirement is removed on the basis that the publication of interim results is no longer mandatory.</p>

8.4		<p>General obligations of disclosure</p> <p>The JSE proposes to introduce new paragraph 6.23. The aim of the paragraph is to provide exclusion for debt issuers, who have their equity listed on the JSE, from complying with certain paragraphs in Section 6</p>	Issuers with equity shares listed on the JSE is already required to comply with equivalent paragraphs in the Equity Requirements.
8.5		<p>General continuing obligations</p> <p>The JSE proposed to amend paragraph 6.33 to remove the reference to interim financial reports to be open for inspection.</p>	The requirements currently require the interim financial results to be published within six months if the issuer prepares interim financial information. The JSE is removing this requirement as well as then all references to interim results in paragraph 6.33
8.6		<p>Communication with the JSE</p> <p>The JSE proposes to introduce a new paragraph 6.71(k) to the requirements to make provision for the submission of the annual declaration as a continuing obligation.</p>	Paragraph 6.71(k) is added to make it clear to issuers in the Continuing Obligation Section that the annual declaration must be submitted
8.7		<p>Specialist Securities</p> <p>The JSE propose to add Part B detailing the continuing requirements for specialist securities</p>	
9	Section 7: Corporate Governance		

9.1		The JSE proposes to introduce a new paragraph 7.1, affording exemption to Section 7 provided the issuers of debt and specialist securities has its equity shares listed on the Main Board of the JSE.	
9.2		The JSE proposes to amend the annexure to Section 7 to remove the column dealing with structured product issuers and to add the column detailing the governance requirements for Warrant and IP issuers and ETF and AMETF issuers.	
10	Section 18: Listing Process		
10.1		The JSE propose to introduce paragraph 8.3(t) to make provision for the submission for regulatory approvals required	The specialist securities requirements in certain instances require regulatory approval. This requirement gives clarity that the issuer needs to submit it to the JSE as part of the approval process
10.2		The JSE propose to amend paragraph 8.4 (b) with the wording “for the amendments to the programme or the supplement” to make it clear that this section is applicable for amendments to the programme or supplement	
11	Schedule 2		
11.1		JSE propose to amend the schedule to include the sponsor making the declaration	
11.2		Form J Schedule 2	

		Form J of Schedule 2 in the JSE Listings Requirements are moved to the Debt and Specialist Securities Requirements and is now named Form A7	
11.3		<p>Form K of Schedule 2</p> <p>Form K of Schedule 2 in the JSE Listings Requirements is moved to the Debt and Specialist Securities Requirements and is now named Form A8. An additional line item requesting information as detailed in paragraph 27(3) of board notice 52 has been included, as a consequential change to the assets underlying the AMC.</p>	This requirement provides investors with the same level of information that they would have received had they invested in a retail hedge fund
11.4		<p>Form L of Schedule 2</p> <p>Form L in the JSE Listings Requirements is moved to the Debt and Specialist Securities Requirements and is now named Form A9.</p>	
12	BEE Segment		
12.1		The JSE proposes to introduce a new section of the Listings Requirements dedicated to BEE segment requirements. The new section consolidates the requirements applicable to the BEE segment currently in paragraph 4.32 of the Listings Requirements with a revised approach to list a BEE special purpose vehicle. The new requirements also took into account the existing framework and applicable principles to list a BEE SPV largely based on Asset Backed Securities requirements under section 19 of the Listings Requirements. The new section dedicated to listing under the BEE segment also includes a guidance and general principles that will apply to a listing under the BEE segment through other sections of the Listings Requirements.	The new BEE segment requirements will be accommodated under the new Section 23

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