

PROPOSED AMENDMENTS TO THE JSE CLEAR RULES

General explanatory notes:

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

Proposed amendments to the JSE Clear rules:

1.1 Definitions

"default margin"¹

means –

- (a) the margin paid as collateral by clearing members to the Default Fund for the due performance of clearing members' obligations as set out in the clearing rules; and/or
- (b) the securities - specifically South African Government Bonds listed on the JSE, as determined by JSE Clear - pledged by clearing members to JSE Clear, in accordance with section 39 of the Act, representing collateral provided by clearing members to the Default Fund for the due performance of clearing members' obligations as set out in the rules.

"initial margin"²

means the amount of money paid to, or the South African Government Bonds listed on the JSE, as determined by JSE Clear pledged to, JSE Clear in accordance with section 39 of the Act, as determined by JSE Clear and held in respect of the aggregate position of an exchange member or a client;

1 New "default margin" definition change introduced with effect from 28 March 2023

2 Edit made to "initial margin" definition with effect from 28 March 2023

5.4 Margin payments

5.4.1 Initial margin

Initial margin must be paid by or to JSE Clear to or by an exchange member or client whenever the risk of loss, as determined by JSE Clear, changes with respect to the aggregate position of such exchange member or client. Initial margin must be paid in cash and/or may be posted by pledging South African Government Bonds listed on the JSE, as determined by JSE Clear³ to JSE Clear in accordance with section 39 of the Act, subject to the policies and procedures of the JSE Clear and these rules and the directives.

5.7 Settlement procedures

5.7.2 An amount due from a clearing member in terms of rule 5.7.1 must be paid to JSE Clear not later than 10h00[12h00]⁴ on the business day following the day on which such payment accrued or such other time as JSE Clear may in its sole discretion determine.

5.7.6 An amount due to a clearing member in terms of rule 5.7.5 must be paid to the clearing member by the exchange member at such time as the exchange member and the clearing member have specifically agreed upon with respect to a particular payment, provided that payment due to the clearing member is made at a time which enables the clearing member to pay the amount due to the clearing house by no later than 10h00[12h00]⁵ on the business day following the day on which such payment accrued.

5.7.9 An amount due to an exchange member in terms of rule 5.7.8 must be paid to the exchange member by the client at such time as the exchange member and the client have specifically agreed upon with respect to a particular payment, provided that payment to the exchange member is made by a time that enables the exchange member to pay the amount due to the clearing member and ultimately enables the clearing member to pay the amount due to the clearing house by no later than 10h00[12h00]⁶ on the business day following the day on which such payment accrued.

³ Edit made to section 5.4.1 with effect from 28 March 2023

⁴ Edit made to section 5.7.2 with effect from 28 March 2023

⁵ Edit made to section 5.7.6 with effect from 28 March 2023

⁶ Edit made to section 5.7.9 with effect from 28 March 2023

6.1 Management of funds by JSE Clear

- 6.1.1 JSE Clear must separate the margins and other moneys, securities⁷ and other corporeal and incorporeal things of any clearing member, exchange member or client from its own assets and must manage and invest such margins and other moneys in a manner and subject to such terms and conditions as the controlling body may decide.

7.3 Disclosure to clients

7.3.2 A clearing member –

- 7.3.2.1 must disclose full and accurate information about the fees and any other charges that may be levied on clients;
- 7.3.2.2 may not disclose any confidential information acquired or obtained from a client about such client, unless the written consent of the client has been obtained beforehand or disclosure of the information is required to further the objectives of the Act or is required under any law;
- 7.3.2.3 must advise a client in advance of any restrictions or limitations that may affect the access of that client to their funds or securities pledged as collateral.⁸

10.2 Consequences of default by a clearing member

- 10.2.5 JSE Clear will, without prior notice to the clearing member, take any steps as appropriate to promote a stable market environment, to maintain financial stability and/or to reduce systemic risk, including –

- 10.2.5.1 close out all of or any portion of the futures and option contract positions of the clearing member in terms of rule 10.2.19 and rule 10.2.20;

⁷ Edit made to section 6.1.1 with effect from 28 March 2023

⁸ Edit made to section 7.3.2.3 with effect from 28 March 2023

10.2.5.2 execute hedging transactions in futures and option contract positions for the account of, and at the risk of, the clearing member, provided that the new contract positions eliminate or reduce market risk resulting from the clearing member's portfolio of futures and option contract positions; and

10.2.5.3 sell securities pledged to JSE Clear and immediately apply the proceeds of such sales in terms of rule 10.4.⁹

10.2.6 Any amount payable to the clearing member by JSE Clear as a result of such termination or arising from any suretyship, cession, pledge or other security¹⁰ or from any other cause, will be set off against any amount payable by the clearing member in terms of rule 5.7.1.

10.3 Consequences of default by a exchange member

10.3.1.3 any amount payable to the exchange member as a result of such close out or arising from any suretyship, cession, pledge or other security¹¹ or from any other cause, will be set off against any amount payable by the exchange member in terms of the exchange rules and/or these clearing rules;

10.4 Securities pledged to JSE Clear¹²

10.4.1 Securities pledged by exchange members and clients to JSE Clear in accordance with rule 5.4.1 are pledged in accordance with these rules, the applicable agreements and JSE Clear's policies and procedures, and on the basis that *parate executie* is expressly permitted. The securities pledged by defaulting exchange members and clients will be sold by JSE Clear within three business days from the date of default, without the intervention of the courts. JSE Clear will sell the pledged securities at a market related price at the time of such sale.

10.4.2 Securities pledged by a clearing member to JSE Clear as payment of default margin to the Default Fund are pledged in accordance with these rules, the JSE Clear agreement and JSE Clear's policies

⁹ New section 10.2.5.3 introduced with effect from 28 March 2023

¹⁰ Edit made to section 10.2.6 with effect from 28 March 2023

¹¹ Edit made to section 10.3.1.3 with effect from 28 March 2023

¹² New section 10.4 introduced with effect from 28 March 2023

and procedures, and on the basis that *parate executie* is expressly permitted. The securities pledged by defaulting clearing members will be sold by JSE Clear within three business days from the date of default, without the intervention of the courts. JSE Clear will sell the pledged securities at a market related price at the time of such sale.

- 10.4.3 Clearing members, Trading members and clients that have elected to pledge securities to JSE Clear in terms of these Rules provide JSE Clear with express consent to instruct their CSDPs to move the pledged securities to JSE Clear's account to sell the pledged securities as contemplated in Rules 10.4.1 and 10.4.2.

AS A RESULT OF THE INCLUSION OF THE NEW SECTION 10.4, THE NUMBERING OF THE SUBSEQUENT SECTIONS OF THE RULES WILL CHANGE AS FOLLOWS:

- *Section 10.4 "JSE Clear liquidity facility" (as well as all sub-sections) is now renumbered to Section 10.5*
- *Section 10.5 "Consequences of default of JSE Clear" (as well as all sub-sections) is now renumbered to Section 10.6*
- *Additionally, any cross references will also be updated*

10.5 JSE Clear liquidity facility (Previously section 10.4)

10.5.1.2 a clearing member who has acquired positions as a result of the default provisions provided for in these clearing rules, on the relevant clearing member's behalf, in circumstances where such clearing member has been unable to satisfy their obligations in terms of a trade or a position as provided for in these clearing rules; and/or¹³

10.5.1.3 defaulting clients, exchange members and/or clearing members that have pledged securities to JSE Clear in accordance with these clearing rules, where the JSE has sold the pledged securities pursuant to a default and the JSE is awaiting the proceeds of the sale of such pledged securities.¹⁴

¹³ Edit made to section 10.5.1.2 with effect from 28 March 2023

¹⁴ New section 10.5.1.3 introduced with effect from 28 March 2023

10.6

Consequences of default of JSE Clear *(Previously section 10.5)*

10.6.1.10 once all of the obligations of JSE Clear, clearing members, exchange members and clients of exchange members have been met in terms of these clearing rules following the closing out of all positions by JSE Clear in terms of rule 10.6.1.6, JSE Clear will refund any remaining Default Fund contributions to the relevant parties and will return any remaining securities pledged to JSE Clear¹⁵ in terms of these clearing rules to the relevant clearing members, exchange members and clients.

¹⁵ Edit made to section 10.6.1.10 with effect from 28 March 2023