

PROPOSED AMENDMENTS TO THE JSE EQUITIES 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

Section 1: Interpretation and definitions

“central securities depository”	has the same meaning as that contained in section 1 of the Act. <u>For the purposes of these rules, any reference to “the central securities depository” means a central securities depository as identified by the JSE in the directives;</u>
“CSD”	<u>means a central securities depository;</u>
[“Strate”	means Strate Limited, a public company licensed as a central securities depository in terms of the Act;]

10.10 Applicability of Section 10

Section 10 is applicable to the clearing of transactions in equity securities and the electronic settlement of such transactions through **[Strate]** the central securities depository. This section is binding on members and clients and any agent acting on their behalf.

10.30 Settlement principles for transactions in equity securities

- 10.30.1 All transactions in equity securities must be settled electronically through **[Strate]** the central securities depository in accordance with the following principles -
- 10.30.1.1 contract note by contract note;
 - 10.30.1.2 between the ultimate buyer and the ultimate seller;
 - 10.30.1.3 on a rolling and contractual basis, whereby transactions become contractually due to be settled a prescribed number of days after the trade date; and
 - 10.30.1.4 on a net basis per member, per trade type and per equity security, whereby individual contract notes are consolidated and offset into net amounts of securities and funds for settlement.
- 10.30.2 In addition to rule 10.30.1, where ring-fencing of off book trades occurs –
- 10.30.2.1 multiple settlement groups per equity security, per settlement date, per trade type will result;
 - 10.30.2.2 a contract note per trade type will result, with each contract note settling in a settlement group per trade type; and

10.10 amended with effect from 16 October 2008

10.30.1.4 amended with effect from 16 October 2008

10.30.2 amended with effect from 2 July 2012

- 10.30.2.3 transactions which are ring-fenced may be linked to other transactions on the systems of **[Strate]** the central securities depository to indicate a settlement dependency.

10.90 Member settlement obligations

- 10.90.1 A member must at all times endeavour to ensure that the settlement of transactions in equity securities effected by the member takes place.
- 10.90.2 The settlement officer of a member must immediately inform the Settlement Authority when any transaction in equity securities is unlikely to settle.
- 10.90.3 No member may, on settlement date, alter or stop payment in respect of a **[Strate]** central securities depository settlement instruction.
- 10.90.4 If a member employs or retains a CSP or a settlement agent to perform its obligations or to take any action in terms of the rules, such member must ensure that the obligations performed or actions taken are in accordance with the rules.

10.105 Rolling of settlement

- 10.105.1 The rolling of settlement will be carried out in the following manner:
- 10.105.1.1 The Settlement Authority will match the transaction for which settlement is being rolled against an opposite transaction or transactions represented by one or more contract notes, being mindful of any apparent implications for the parties concerned.
- 10.105.1.2 The Settlement Authority will advise the failing and non-failing member that the transaction will be rolled to a revised settlement date determined by the Settlement Authority, which should not be more than 3 business days after the settlement date of the original transaction
- 10.105.1.3 If the non-failing party is a client, the Settlement Authority will transfer the original transaction of the non-failing party to a proprietary account of the non-failing member so that the settlement of the transaction may be rolled
- 10.105.1.4 The Settlement Authority will book an opposite settlement transaction through **[Strate]** the central securities depository between the failing member and the non-failing member for the same quantity and at the same price as the non-failing party's original transaction.
- 10.105.1.5 The Settlement Authority will re-book the settlement transaction through **[Strate]** the central securities depository between the failing member and the non-failing member for the same quantity and at the same price as the non-failing party's original transaction for settlement on the revised settlement date
- 10.105.1.6 If the non-failing party is a client, the Settlement Authority will re-book the original transaction back to the account of the client, but for settlement on the revised settlement date
- 10.105.1.7 If the failing party is a client, the member that transacted on behalf of the client must re-book the original transaction to the client for settlement on the revised settlement date

10.30.2.3 amended with effect from 11 July 2016

10.105 introduced with effect from 16 October 2008

10.105.1.2 amended with effect from 11 July 2016

10.105.1.3 amended with effect from 11 July 2016

10.105.1.4 deleted with effect from 11 July 2016 and 10.105.5 renumbered 10.105.4 and 10.105.1.6 renumbered 10.105.5 accordingly

New 10.105.1.5 introduced with effect from 11 July 2016

New 10.105.1.6 introduced with effect from 11 July 2016

10.105.1.7 amended with effect from 11 July 2016

10.110 Failed trades

10.110.1 A failed trade will be dealt with in the following manner:

- 10.110.1.1 The Settlement Authority will match a failed trade against an opposite transaction or transactions represented by one or more contract notes, being mindful of any apparent implications for the parties concerned.
- 10.110.1.2 The Settlement Authority will advise the non-failing member that its transaction has been selected in terms of rule 10.110.1.1.
- 10.110.1.3 If the non-failing party is a client, the Settlement Authority will transfer the original transaction of the non-failing party to a proprietary account of the non-failing member.
- 10.110.1.4 The Settlement Authority will book an opposite settlement transaction through **[Strate]** the central securities depository between the failing member and the non-failing member for the same quantity and at the same price as the non-failing party's original transaction.

10.110.1 deleted and replaced with effect from 16 October 2008

10.110.1.3 amended with effect from 11 July 2016

10.110.1.4 deleted and 10.110.1.5 renumbered accordingly with effect from 11 July 2016

PROPOSED AMENDMENTS TO THE JSE EQUITIES DIRECTIVES

General explanatory notes:

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

EA Applicability of section E

1. Section E applies to the clearing of transactions in equity securities and the electronic settlement of such transactions through **[Strate]** the central securities depository.

EB Operation of accounts of a member at its CSDP

1.
2.
3.

EC Electronic communication between a member and its CSDP

1.
2.
3.

ED Information to be submitted to the Settlement Authority

No member may conduct a transaction in equity securities unless the following information has been advised in writing to the Settlement Authority –

1. member's SWIFT Bank Identifier Code (BIC);
2. member's CSDP name;
3. member's CSDP SWIFT BIC;
4. member's Business Partner ID with **[Strate]** the central securities depository;
5. member's CSDP's Business Partner ID with **[Strate]** the central securities depository;
6. member's CSDP's **[Strate]** Securities Custody Account (SCA) or Segregated Depository Account (SDA) number for proprietary and controlled client settlements with the central securities depository;

EE Operation of accounts in the BDA system

1.
2.

EF Settlement timetable for transactions conducted in equity securities

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EG Borrowing of equity securities through the Settlement Authority

1.
2. Terms and conditions

The Settlement Authority will facilitate the borrowing of equity securities on behalf of a member under the following terms and conditions –

- 2.1 a member must ensure that sufficient cash is available in its funds settlement account or its proprietary funds settlement account, whichever is applicable, with its CSDP to meet the initial and any subsequent collateral requirement;
- 2.2 the Settlement Authority will initiate the borrowing by sending the necessary lending orders to **[Strate]** the central securities depository, and will advise a member of the transactions giving rise to the loaned equity securities and the collateral requirement;

EH Lending of funds by the Settlement Authority

1.
2. Terms and conditions

The Settlement Authority will facilitate the lending of funds to a member under the following terms and conditions –

- 2.1 a member must ensure that the equity securities which constitute the failing transaction forms the initial collateral for the funds advanced;
- 2.2 the Settlement Authority will initiate the funding by sending the necessary lending orders to **[Strate]** the central securities depository, and will advise a member of the transactions giving rise to the loaned funds and the collateral;

EI [Reserved] Appointment of the central securities depository

1. The central securities depository currently appointed by the JSE is Strate Limited.