

APPROVED AMENDMENTS TO THE JSE DERIVATIVES RULES AND DIRECTIVES

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

All references to the “clearing house” will be replaced with “JSE Clear” where appropriate.

All references to “order book” will be preceded by “central” where appropriate.

Approved amendments to the JSE derivatives rules

Section 2: Definitions and Interpretation

2.10 Definitions

<u>“aggressive order”</u>	<u>means an order that matches with an existing order in the order book when it is entered;</u>
“agricultural derivatives”	means those commodity <u>derivatives</u> , [securities, which are derivative instruments and] the financial terms of which are determined by an underlying agricultural product;
["automated trading system" or "ATS"]	[means the computerised facility of the JSE by means of which a member shall make an offer in respect of a trade in derivative securities, that shall, in terms of the derivatives rules, be done on the ATS or reports an off-ATS trade to the clearing house and on which the JSE and the clearing house may display notices to members;]
“bonds”	means those [Yield X] <u>JSE listed securities</u> [which] <u>that create or acknowledge the indebtedness of [the] an issuer, and "bond" has a corresponding meaning;</u>
<u>“central order book”</u>	<u>means the order matching mechanism of the JSE trading system in which orders are matched on the basis of price-time priority;</u>
“commodity derivatives [securities]”	means those derivative securities, the financial terms of which are <u>determined by an underlying commodity;</u> [JSE listed securities traded on the JSE commodities trading system;]
“currency derivatives”	means those [Yield X] <u>derivative securities</u> , [which are derivative instruments and] the financial terms of which are determined by a rate of exchange;
<u>“deal management”</u>	<u>means the aggregation, division and allocation of on book and off book trades as contemplated in rules 7.140 and 7.150;</u>
“derivative securities”	means those derivative instruments [listed on the JSE] <u>that are JSE listed securities and traded on the JSE [derivatives] trading system in terms of these derivatives rules;</u>
<u>“eCFDs”</u>	means <u>a derivative security, the financial terms of which require the buyer and seller to exchange the difference in the price of the underlying JSE listed security upon which the contract is based over the period of the contract;</u>
“Exchange for Physical” or “EFP”	means a type of EFRP where two trading members, a trading member and a client or two clients enter into an agreement whereby

	one of the parties purchases a physical commodity from the other and the two parties conclude a simultaneous but opposite <u>off book</u> transaction in commodity futures [off-ATS] , and report the futures transaction to the JSE [commodities] trading system;
"Exchange for Related Positions" or "EFRP"	means a futures transaction in the JSE commodity derivatives market negotiated <u>off book</u> [off-ATS] and reported to the exchange, and the simultaneous conclusion of a transaction in the underlying physical market or in an over the counter ("OTC") derivative instrument where the underlying asset corresponds to the commodity underlying the exchange contract;
"Exchange for Risk" or "EFR"	means a type of EFRP where two trading members, a trading member and a client or two clients enter into an agreement whereby the parties unwind an existing OTC derivative contract between them by concluding an [off-ATS] <u>off book</u> transaction in commodity futures which replaces the OTC derivative contract, and report the futures transaction to the JSE [commodities] trading system;
["equity securities"]	[means those JSE listed securities traded on the JSE equities trading system;]
"futures reference price"	means, for the relevant futures contract, the price as determined by the Director: Market Regulation, taking into consideration the last auction price, the last [automated] <u>on book</u> trade price, or the last mark-to-market futures price, whichever is the most recent;
<u>"initial margin"</u>	means the amount of money determined by [the clearing house] <u>JSE Clear</u> on the basis specified by the JSE and held in respect of the aggregate position of a member or a client;
"IRC securities"	means the <u>bonds</u> , interest rate <u>derivatives</u> and currency <u>derivatives</u> that are JSE listed securities [listed on the JSE] and traded on the <u>JSE</u> trading system;
"JSE authorised investments"	means – (a) derivative securities; (b) JSE listed securities traded on the JSE <u>interest rate and currency derivatives market or equities market</u> [trading system or the Yield-X trading system]; (c) securities listed on an exchange in the Republic other than the JSE; (d) securities listed on an external exchange; (e) participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and units or any other form of participation in a foreign collective investment scheme approved by the Registrar of Collective Investment Schemes in terms of section 65 of that Act; (f) units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and (g) funds intended for the purchase of such securities, units or participation;
"JSE [commodities] trading system"	means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market <u>or markets</u> for the trading of [commodity] <u>JSE listed</u>

	securities;
["JSE derivatives trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of derivative securities;]
["JSE equities trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of equity securities;]
"JSE listed securities"	means those securities included in the list of securities kept by the JSE;
"Market Controller"	means the person appointed by the JSE, to supervise, administer and control the daily operations of the [ATS] <u>JSE trading system</u> ;
"member application"	means an electronic system used by a trading member to submit orders to the [ATS] <u>JSE trading system</u> ;
["off-ATS"]	[means, in relation to an offer, acceptance of an offer or a trade, that the offer is made by one member to another verbally or in writing and not on the ATS;]
<u>"off book" or "off book trade"</u>	<u>means a transaction in derivative securities negotiated off the central order book and reported by a member to the JSE trading system;</u>
<u>"on book" or "on book trade"</u>	<u>means a transaction in JSE listed securities executed by a member on the central order book of the JSE trading system;</u>
"trade"	means to buy or to sell [derivative] <u>JSE listed securities whether on book [by means of the ATS] or negotiated [off-ATS] off book and reported to the JSE trading system;</u>
["Yield-X securities"]	[means those JSE listed securities traded on the Yield-X trading system;]
[Yield-X trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of Yield-X securities.]

Section 4: Derivatives Membership

4.10 Categories of authorised users

- 4.10.1 ...
- 4.10.2 ...
- 4.10.3 ...
- 4.10.4 ...
- 4.10.5 A trading member authorised to trade in the equity derivatives market and a clearing member authorised to perform clearing in the equity derivatives market is also authorised to trade or perform clearing, respectively, in those derivative securities that are traded in both the equity derivatives and commodity derivatives markets, as stipulated by the JSE.

Section 7: Trading

7.10 Buying and selling of derivative securities

- 7.10.1 The business of the buying and selling of derivative securities as contemplated by sections 24(a) and (b) of the Act shall be conducted by means of the **[ATS]** JSE trading system, except for transactions which meet the criteria set out in rule 7.115 which may be negotiated **[off-ATS]** off book and then reported to the trading system.
- 7.10.2 A transaction negotiated off book **[off-ATS]** in terms of rule 7.115 is only deemed to be a valid transaction once the transaction has been reported to the trading system by the member or members who are party to the transaction.

7.15 Trading with or on behalf of clients – best execution

- 7.15.1 When acting for a client in the buying or selling of derivative securities, a trading member must at all times adhere to the best execution principle taking reasonable care to obtain the result which is the best available in the market for the client: Provided that the trading member must at all times act in accordance with the terms and conditions of the client agreement or mandate.
- 7.15.2 In support of the best execution principle, all transactions in derivative securities by members must be conducted through the central order book, unless the negotiation of the terms of a transaction between the parties to the transaction and the reporting of the transaction to the JSE trading system as an off book trade is in the best interests of the client, provided the transaction qualifies to be reported in terms of rule 7.115.

7.20 Offers and acceptances

- 7.20.1 Two members, or a member and a client, trading **[off-ATS]** off book **[or a member and a client]** shall have **[concluded]** negotiated a trade in commodity derivatives when a valid offer made by one of them is accepted by the other.
- 7.20.2 An offer in terms of rule 7.20.1 may include the following specifications -
- 7.20.2.1 the particular exchange contract;
 - 7.20.2.2 the number of exchange contracts to be bought or sold;
 - 7.20.2.3 a clear indication of whether the offer is to buy or sell;
 - 7.20.2.4 the price at which the offeror is prepared to trade expressed as -
 - 7.20.2.4.1 the best price; or
 - 7.20.2.4.2 any price that is better than a specified worst price; or
 - 7.20.2.4.3 a specific price;
 - 7.20.2.5 a clear indication of whether the member to whom the offer is made is to exercise his discretion in terms of either rule 7.20.2.4.1 or rule 7.20.2.4.2;
 - 7.20.2.6 the period of time for which the offer will remain open: Provided that in the case of -
 - 7.20.2.6.1 a verbal offer, if no such period is specified and if the offer is not accepted immediately, it shall be deemed to have been withdrawn on termination of the verbal communication;
 - 7.20.2.6.2 a written offer, a period of time shall be specified;
 - 7.20.2.7 subject to rule 7.20.2.10, a clear indication of whether the member is to trade with the client as an agent or as a principal: Provided that, if no such stipulation is made, the member shall trade with the client in the capacity specified in the client agreement or,

- if no such specification is made in the client agreement, then the member may trade with the client as a principal in terms of the derivatives rules;
- 7.20.2.8 the date and precise time when the offer is made or varied;
- 7.20.2.9 a clear indication of whether in the case of an order the member is allowed any discretion as to the number of exchange contracts more or less than those specified under rule 7.20.2.2 that the offeror shall be prepared to buy or sell;
- 7.20.2.10 a clear indication of whether in the case of an order the member shall be entitled to fill the order in more than one purchase or sale in the market and whether or not such purchases or sales are to be concluded by the member as the offeror's agent as specified in rule 7.40.3 or as the offeror's principal, as specified in rule 7.40.2;
- 7.20.2.11 a clear indication of whether in the case of an order the acceptance of the offer shall be conditional upon the acceptance of an offer to buy or sell another exchange contract;
- 7.20.2.12 the place where and/or telephone or facsimile number or electronic mail address at which the client is to be contacted to confirm the acceptance of the offer; and
- 7.20.2.13 any other particular which the JSE may require.
- 7.20.3 For an offer made in terms of rule 7.20.1 to be valid the terms contained in rules 7.20.2.1, 7.20.2.2, 7.20.2.3, 7.20.2.4 and 7.20.2.8 shall be specified.
- 7.20.4 An offer may be made by a client to a member either telephonically or in writing; and
- 7.20.4.1 the member shall ensure that the requirements set out in rule 7.20.3 are clearly and unambiguously confirmed to or by the client; and
- 7.20.4.2 the member shall keep a tape recording of a telephonic offer in terms of rule 10.20.4; and
- 7.20.4.3 the member shall keep a record of the offer for a period of not less than six months after the offer was made, in terms of rule 16.10.5.
- [7.20.5 A member may make an offer in respect of a trade exempted in terms of rule 7.10 of at least the standard lot size off-ATS by displaying, on the Reuters screen designated for that exchange contract, the price at which he is prepared to buy or sell, and any other member shall be entitled to accept the offer telephonically, unless -**
- 7.20.5.1 the member has, within a period of not more than two minutes, or such other period as the JSE may decide, prior to the verbal acceptance, traded with another member at the same price or, with respect to the member making the offer, at a worse price; or**
- 7.20.5.2 for a period of not less than two minutes the offering member has been unable to remove its offer due to a technical fault of the screen.]**
- 7.20.5[6] Members may only address offers to clients with whom they have entered into client agreements or to other members.
- 7.20.6[7] When accepting an offer to effect an **[off-ATS] off book** trade, a member shall clearly and unambiguously state to the offeror and not to an intermediary that he has accepted the offer, and in the case of an order he shall repeat the following details -
- 7.20.6[7].1 the particular exchange contract;
- 7.20.6[7].2 the number of the exchange contracts being bought or sold;
- 7.20.6[7].3 the price at which the exchange contracts are being bought or sold; and
- 7.20.6[7].4 the date and the precise time when the offer was accepted.
- 7.20.7[8] If a member trades for or on behalf of a client pursuant to an order from the client, he shall, provided the client can be reached at the address or telephone number stated in the client agreement or at any other place or at any other telephone number given by the client at the time the offer was made, use his best endeavours to confirm the acceptance of the offer -
- 7.20.7[8].1 within the period agreed upon for confirmation of the trade; or

- 7.20.7[8].2 if no time was agreed upon, within the period as specified in the client agreement; or
- 7.20.7[8].3 if no such period is stipulated in the client agreement, within the period specified for the acceptance of the offer as contemplated in rule 7.20.2.5[6].

7.40 Trading capacity

- 7.40.1 Where a member trades for a client as agent or with a client **[(as agent or) as principal[]]** or with another member -
- 7.40.1.1 the member shall be liable to the client or other member for the due fulfilment of all obligations arising out of the trade; and
- 7.40.1.2 any claims by the client or a member in respect of a trade shall be against the member with whom he traded and not against any other person with whom the member may have traded as contemplated by rule 7.40.2.
- 7.40.2. 7.40.2.1 A member will trade with his client as principal, as defined in these rules, by trading with his client for his own account and by -
- 7.40.2.1.1 entering the client order directly on the client account; or
- 7.40.2.1.2 **[filling the client's order by trading and aggregating the contracts in the members' client sub account, before allocating to the client;]** executing a principal trade with a client off the central order book and reporting such trade; or
- 7.40.2.1.3 employing another member to fill the client order on behalf of such a member.
- 7.40.2.2 A member will trade for his client as agent, as defined in these rules, by trading with another member or with another client and by -
- 7.40.2.2.1 entering the client order directly on the client account; or
- 7.40.2.2.2 filling the client's order by trading and aggregating the contracts in the members' **[client sub]** agency suspense account, before allocating to the client; or
- 7.40.2.2.3 employing another member to fill the client order on behalf of such member.
- [7.40.3 Notwithstanding the provisions of rule 7.40.2, if for any reason, after the member has reported an off-ATS trade to the clearing house, a mistake has occurred, the member may trade with the client as principal in order to correct the mistake.]**
- 7.40.[4]3 Subject to rule 7.10, a member who has an offer from one client to buy and an offer from another client to sell the same exchange contract, may simultaneously trade **[off-ATS]** off book with both clients as agent: Provided that -
- [7.40.4.1 offers to buy and sell the particular contract are reflected on the Reuters screen as contemplated by rule 7.20.5; and]**
- 7.40.[4.2]3.1 if the price of the offer from both clients is as contemplated by rules 7.20.2.4.1 or 7.20.2.4.2, the price at which the member shall trade with both clients shall be the midpoint between the prevailing market prices of the exchange contract **[reflected on the Reuters screen as contemplated by rule 7.40.4.1];** or
- 7.40.[4.3]3.2 if the price of one offer is specified as contemplated by rule 7.20.2.4.3, the member shall trade with both clients at that price: Provided **[it]** that the price of such trades is better than or equal to the prevailing market price of the exchange contract[s on the Reuters screen].
- 7.40.[5]4 A member off-setting an **[off-ATS]** off book trade with another member with an equal and opposite **[off-ATS]** off book trade with a third member, shall not, for a valuable consideration, remove himself from the trades with the two members concerned, but shall, in order to receive any valuable consideration, trade with both members as a principal at different prices.

7.60 Trading for or on behalf of clients

7.60.2 Client registration

7.60.2.1 A member shall not trade for or on behalf of a client until registration of the client has been effected.

7.60.2.2 To register a client, a member shall submit the following mandatory details:

7.60.2.2.1 The full name and description of legal capacity and a clear indication whether the person is a resident, non-resident or emigrant client;

7.60.2.2.2 the identity number, or registration number of a company or close corporation;

7.60.2.2.3 the physical address;

7.60.2.2.4 the telephone[, **facsimile or telex number**] number and email address;

7.60.2.2.5 the duly authorised contact person;

7.60.2.2.6 the name of the authorised bank at which the non-resident client has opened a non-resident account or, in the case of an emigrant client, the name of the authorised bank at which the emigrant client has opened an emigrant's blocked account and a non-resident account and the telephone, telex and facsimile numbers of the authorised bank concerned;

7.60.2.2.7 where applicable, the numbers of the emigrant's blocked and non-resident accounts referred to in rule 7.60.2.2.6;

7.60.2.2.8 the name of the contact person at the authorised bank concerned where the emigrant's blocked and non-resident accounts referred to in rule 7.60.2.2.6 are kept; **[and]**

7.60.2.2.9 the margin category in respect of a non-resident client or emigrant client[.];

7.60.2.2.10 whether the account is a personal trading account for an employee of the member ("staff account"), which includes any client account on which an employee of the member places the instructions or gives a mandate to the member;

7.60.2.2.11 whether the client has entered into a discretionary mandate with the member; and

7.60.2.2.12 whether an employee of the member has a beneficial interest in the client account.

7.60.2.3 The JSE shall maintain a record of the clients which are registered as clients of trading members and it shall keep a record of the particulars associated with each client as required under rule 7.60.2.2.

7.60.2.3.1 A member shall ensure that the particulars relating to his clients are correct and up to date at all times.

7.60.2.3.2 The member shall ensure that clients, which have ceased trading with the member, are removed from the register as being the clients of the member.

7.60.2.4 The client's registration shall be retained by the JSE for as long as it deems necessary, after the client has ceased trading.

7.60.3 Notification of transactions

- 7.60.3.1 A trading member must ensure that clients are notified of all transactions executed on or reported to the derivatives trading system, for or on behalf of such clients, in the manner and within the time period as set out in the directives.
- 7.60.3.2 The transaction notification referred to in rule 7.60.3.1 must set out –
 - 7.60.3.2.1 the terms of the transaction;
 - 7.60.3.2.2 the capacity in which the trading member acted; and
 - 7.60.3.2.3 if the transaction is executed by the trading member in an agency capacity, the details of any **[commission] fees** charged by the trading member to its client, which must be separately itemised and may not be included in the price of the transaction.

7.70 [Automated] JSE trading system

In accordance with the procedures set out in the User Manual as amended from time to time and/or as determined by the JSE, other than in relation to the trades exempted in terms of rule 7.10.1, a member shall make an offer to buy or sell either for his own account or for the account of a client on the **[ATS] JSE trading system**.

7.80 Members obligations in relation to the [ATS] JSE trading system

- 7.80.1 A member shall be bound by all offers, acceptances or entries made in his name on the **[ATS] JSE trading system** regardless of whether or not such offer or acceptance or trade was authorised by the member and the member shall –
 - 7.80.1.1 by keeping all codes, passes, passwords or other security devices confidential and privy only to the compliance officer and the registered trader for whom they are intended, control access to the **[ATS] JSE trading system**; and
 - 7.80.1.2 ensure that only the registered trader to whom a valid password is allocated by the **[clearing house] JSE**, or the compliance officer, shall use such password to gain access to the **[ATS] JSE trading system**.
- 7.80.2 ...

7.90 Trading times

- 7.90.1 The **[ATS] JSE trading system** will operate on every business day according to standard periods and times as set out in the directives.
- 7.90.2 The Market Controller and any one of the JSE Executive may decide that the commodity derivatives market or equity derivatives market be closed in the event that a fair and realistic market does not exist. A fair and realistic market will be deemed not to exist after consideration of the percentage of members not able to access the **[ATS] JSE trading system**, their contribution to price formation and the reasons for such lack of access.
- 7.90.3 Despite any other provision of the derivatives rules or any directive and subject to rule 1.40, the JSE Executive, in accordance with prevailing circumstances, may –
 - 7.90.3.1 reduce or extend the hours of operation of the **[ATS] JSE trading system** for any particular business day;
 - 7.90.3.2 without prior notice to any person, halt or close the **[ATS] JSE trading system** for trading at any time and for any period;
 - 7.90.3.3 without prior notice to any person suspend automated trading;
 - 7.90.3.4 if there has been any failure of the **[ATS] JSE trading system**, for any reason, or if the **[ATS] JSE trading system** has been closed, suspended or halted, declare that a transaction executed through or by the **[ATS] JSE trading system** is void. Such declaration is binding on the members who entered into such transaction and on the clients for or on whose behalf the transaction was executed;

- 7.90.3.5 exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of the derivatives rules and directives, and as may be necessary to resolve any issue which may arise from the closure, suspension, halt or failure of the **[ATS] JSE trading system** ; and
- 7.90.3.6 take such other steps as may be necessary to ensure an orderly market.

7.100 Cross trades

A member who has an order from one client to buy and an order from another client to sell the same exchange contract shall, where such orders are to be executed by means of offers that shall be made on the **[ATS] JSE trading system**, acting as the agent of the clients -

- 7.100.1 first offer to buy or sell the particular contract for the client that first placed the order; and
- 7.100.2 after a period of time determined by the JSE, enter an offer for the second client in the opposite direction at the same price in order to ensure that the first client's order shall be fulfilled.

7.110 Reserved [Pre-arranged trades]

Two members shall not trade on the ATS pursuant to a prior agreement between them without a period of at least 30 seconds, or such other time as the JSE may determine, having elapsed between entering the offer on the ATS and the acceptance thereof.]

7.114 Off book trading

- 7.114.1.1 Subject to members complying with the best execution principle in rule 7.15 when trading with or on behalf of clients, the transactions listed in rule 7.115 do not have to be executed through the central order book and may instead be submitted to the JSE trading system as off book trades.
- 7.114.1.2 In the case of an off book trade between two members, the members must agree on which member will initiate the submission of the trade to the JSE trading system.
- 7.114.1.3 Off book trades negotiated after trading hours must be submitted to the JSE trading system in accordance with rule 8.10.
- 7.114.1.4 The table below lists the off book trade types and indicates –
- 7.114.1.4.1 whether the transaction may be conducted by one member or two members; and
- 7.114.1.4.2 whether the transaction is published by the JSE.

<u>Trade description</u>	<u>Trade type code</u>	<u>Single member</u>	<u>Two members</u>	<u>Published</u>
<u>Index options, index futures, equity options, equity futures, single stock futures and single stock options</u>	<u>NT</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>eCFDs</u>	<u>CD</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Exchange for Physical</u>	<u>EFP</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Exchange for Risk</u>	<u>EFR</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Roll Trade</u>	<u>RT</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Strategy Trade</u>	<u>SR</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>

7.115 [Off-ATS Transactions] Off book trading criteria

7.115.1 Subject to members complying with the best execution principle in rule 7.15 when trading with or on behalf of clients, [T]the following transactions do not have to be executed through the central order book and may be validly reported to the JSE trading system:

7.115.1.1 **[Transactions in futures or options larger in value or number of contracts than the minimum value or number of contracts as determined by the JSE.]** All transactions in index options and futures, equity options and futures, single stock futures and options and eCFDs.

7.115.1.2 Exchange for Physical Trade

A futures transaction associated with an EFP where the parties to the futures transaction have entered into a written contract in terms of which the buyer of the futures contract sells the underlying physical commodity to the seller of the futures contract (the “physical contract”), and where -

7.115.1.2.1 the delivery month referred to in the physical contract and the expiry month of the futures contract are within two months of each other;

7.115.1.2.2 in respect of the physical contract, delivery and cash settlement occurs at the time that the futures transaction is entered into or at a later date; and

7.115.1.2.3 the physical contract shall contain the terms and conditions as provided for in the Contract for the Purchase and Sale of Grain, Pulses, Oilseeds and Products Derived Therefrom (“SAGOS”) agreement for the purchase of grain products or be of an equivalent standard.

7.115.1.3 Exchange for Risk Trade

A futures transaction associated with an EFR where the parties to the futures transaction have previously entered into an OTC derivative contract based on the commodity underlying the futures contract (the “OTC contract”), and where -

7.115.1.3.1 the OTC contract is in the form of an International Swaps and Derivatives Association (“ISDA”) agreement or is an agreement of an equivalent standard; and

7.115.1.3.2 the OTC contract is to be unwound at or about the same time that the futures transaction is reported to the **[ATS]** JSE trading system.

7.115.1.4 Roll Trade

A roll trade is a transaction that gives effect to the closing out of positions in futures contracts for one expiry date and the opening of positions in the same number of futures contracts on the same underlying for a later expiry date, and where the member is able to achieve a better average price for all of its clients whose positions are being rolled than the average price at which it could give effect to the rolling of the positions through the central order book.

7.115.1.5 Strategy Trade

A strategy trade is a transaction that is comprised of two or more transactions in options or futures in respect of one or more underlying instruments, which are linked in the JSE trading system to give effect to the strategy of the member or client.

7.115.1.6 Any other transaction in commodity derivatives of a type which may validly be reported to the JSE trading system and not executed through the central order book, as determined by the JSE.

7.115.2 ...

7.115.3 ...

7.115.4 ...

7.115.5 Off[**-ATS**] book transactions which do not comply with one or more of the criteria specified in this rule may be cancelled by the JSE at the sole discretion of the Director: Market Regulation.

7.120 Solicitation of offers

7.120.1 In the manner determined by the JSE and/or as set out in the user manual, a member may solicit offers that will be made on the [**ATS**] JSE trading system from the other members to both buy and sell an exchange contract according to the terms and conditions determined by the JSE in relation to such futures or option contract. Such solicitation of an offer shall be referred to as a "request for a double".

7.120.2 ...

7.130 [Delta trades] Reserved

[A member may offer to buy or sell an option in combination with the underlying futures contract in a specific ratio and/or at a specific price. Such a combined trade shall be referred to as a "delta trade".]

7.139 [ATS 4-Digit Sub Account] Designated suspense accounts

7.139.1 When bulking or aggregating client orders, or orders received from other members, members are required to use [**dedicated 4-digit sub**] agency suspense accounts, as specified by the JSE, for the order entry[, **trading, consolidation, division or allocation**] and deal management of such orders and trades;

7.139.2 Members are responsible for the time priority of allocations of the transactions in respect of which orders have been bulked;

7.139.3 Members are precluded from trading on the [**dedicated sub**] designated agency suspense accounts for their own account[s] or for any accounts in which employees have a direct or indirect beneficial interest; and

7.139.4 All trades on the [**sub**] agency suspense accounts shall be allocated to the relevant clients or members on the day of the trading and no positions must remain on such [**sub**] designated client suspense account overnight.

7.140 [Aggregation and division of trades] Deal management

A member may -

7.140.1 aggregate a number of trades that were [**done**] executed on the [**ATS**] JSE trading system by means of offers made by the member for [**this 4-digit sub account/s**] a designated agency suspense account and, in terms of rule 7.150, allocate such aggregated trade to a client or other member in terms of an order from the client or other member at a price, calculated by the [**ATS**] JSE trading system equal to the average price of the original trades; [**or**]

7.140.2 divide a trade that was [**done**] executed on the [**ATS**] JSE trading system by means of an offer made by the member for [**this 4-digit sub account/s**] an agency suspense account and, in terms of rule 7.150, allocate such subdivided trades to two or more clients and/or other members in terms of orders from such clients or other members at the original price of the trade [.]; or

7.140.3 allocate trades that have been executed on the JSE trading system to a client or another member, as contemplated in rule 7.150.

7.150 Trade allocation

A member shall allocate **[a]** on book trades that **[has]** have been **[done on]** executed on the JSE trading system for an **[the ATS]** agency suspense account **[on the particular business day for his 4-digit sub account/s to a]** to a client or another member on the day that they are executed -

- 7.150.1 pursuant to a tripartite agreement that was executed by means of an offer made on the **[ATS]** JSE trading system by the member for **[his 4-digit sub account]** one of its designated client suspense accounts;
- 7.150.2 when the member has aggregated or divided trades **[done]** executed in terms of an order from a client or another member as contemplated in rule 7.140; or
- 7.150.3 as a result of an order from the other member which has been executed on his behalf by means of the offer on the **[ATS]** JSE trading system: Provided that:
 - 7.150.3.1 the allocation of a single trade or a subdivided trade shall take place within a period of time determined by the JSE; and
 - 7.150.3.2 the JSE may determine that the original price or average of the original prices or the price prevailing at the time of the allocation shall be made known to the client or the member giving the order referred to in rule 7.10.2.

7.160 Trading restriction

It shall be a contravention in terms of rule 3.285.3 for a member to

- 7.160.1 make or accept an offer on the **[ATS]** JSE trading system when he has placed an order with another member in terms of rule 7.10.2 in the opposite direction in the same or a related exchange contract; or
- 7.160.2 to place an order with another member in terms of the said rule if he has made an offer on the **[ATS]** JSE trading system in the opposite direction in the same or a related exchange contract.

7.180 Declarations of transactions being void

- 7.180.1 Despite any other provision of the derivatives rules or any directive, the JSE Executive may, if there has been any failure of the JSE systems for any reason, or if JSE systems have been closed, suspended or halted, declare that a transaction effected through or by the JSE **[derivatives]** trading system is void. Such declaration shall bind a trading member and a client of a trading member on behalf of or with whom the transaction was effected.
- 7.180.2 ...

7.181 Trade cancellations and trade price adjustments

- 7.181.1 A key component of market integrity is the assurance that once executed; a trade will stand and will not be subject to cancellation. However, if a trade is executed as a result of an error by a member or its client, there may be significant adverse consequences for the affected member or client and therefore it is appropriate in certain circumstances to correct such errors.
- 7.181.2 Therefore, notwithstanding any other provision of the derivative rules or any directive, the Director: Market Regulation may, where in his opinion a trade has been matched as a result of a clear error, grant permission to or instruct the affected member or members to execute a trade cancellation **[or effect a trade price adjustment]**.
- 7.181.3 A request for an alleged error trade to be cancelled **[or adjusted]** in terms of these rules will be considered provided that the request meets at least the following requirements:
 - 7.181.3.1 the nature of the error is that the order submitted to the trading system is different to that which the member or its client intended to submit at the time that the order was submitted; and
 - 7.181.3.2 the request is received by the Director: Market Regulation within 20 minutes from the time of the erroneous trade; and

- 7.181.3.3 the price or contract value of the trade or trades executed in error is away from the reference price at the time that the error occurred by more than the Rand value or the percentage used to determine the no cancellation range as set out in the directives; and
- 7.181.3.4 the difference between the aggregate consideration or contract value of the trades that qualify in terms of 7.181.3.3 and the consideration or contract value that would have resulted had such trades been executed at the futures or the options reference price is R50 000 (fifty thousand Rand) or more; and
- 7.181.3.5 a passive order which has been entered into the central order book and which gives rise to an alleged error trade will only be considered for cancellation **[or adjustment]** where it has been matched within 30 minutes of having been entered.
- 7.181.4 In making the determination as to whether an alleged error trade qualifies for cancellation **[or adjustment]** in terms of rule 7.181.3, the Director: Market Regulation will also consider whether the reference price at the time that the error occurred is a representative fair value price for the relevant contract at that time. In this regard, the Director: Market Regulation will take into account all relevant factors which shall include, but not be limited to -
- 7.181.4.1 the market price level in the relevant underlying JSE cash market immediately prior to the error trade, if applicable;
- 7.181.4.2 the price movements in other expiry or delivery months of the same contract;
- 7.181.4.3 in the case of options, where the volatility of trades which have occurred prior to the alleged error trade on that day either in the same option contract or in option contracts at different strike prices for the same expiry month and on the same underlying instrument indicate that market volatility levels have materially changed since the previous days mark to market;
- 7.181.4.4 current market conditions, including volatility and liquidity; and
- 7.181.4.5 the release of economic data and other relevant news affecting the relevant security.
- 7.181.5 In exceptional circumstances, and after taking all relevant factors into account as provided for in rule 7.181.4, the Director: Market Regulation may make a determination that the futures or the options reference price at the time that the error occurred is not representative of the fair value for the relevant contract at that time and will deem another price, being a fair value price, as being more appropriate for the determination as to whether the alleged error trade qualifies to be cancelled **[or adjusted]**.
- 7.181.6 If the Director: Market Regulation determines that the reference price at the time that the error occurred is the appropriate price to use in determining whether the alleged error trade qualifies to be cancelled **[or adjusted]**, the error trade must meet the criteria set out in rule 7.181.3 in order for it to be cancelled **[or adjusted]**.
- 7.181.7 If the Director: Market Regulation determines that a fair value price is the appropriate price to use in determining whether the alleged error trade qualifies to be cancelled **[or adjusted]**, the error trade must meet the criteria set out in rule 7.181.3 in order for it to be cancelled **[or adjusted]** except that, as regards the criteria in rules 7.181.3.3 and 7.181.3.4, the fair value price will be used instead of the reference price.
- 7.181.8 Where the Director: Market Regulation determines that an erroneous trade needs to be cancelled, the trade will be cancelled **[through a] in terms of the** process set out in the directives. **[in which the effective price of the trade cancellation includes the no cancellation range, as determined in the directives, as follows:**
- 7.181.8.1 **if a transaction is being cancelled due to an error by the buyer, the effective cancellation price is derived by deducting the no cancellation range from the price of the original erroneous trade; and**

- 7.181.8.2 if a transaction is being cancelled due to an error by the seller, the effective cancellation price is derived by adding the no cancellation range to the price of the original erroneous trade.]
- 7.181.9 In respect of an alleged error trade in commodity derivatives that meets the criteria in rules 7.181.2 and 7.181.3, [T]he Director: Market Regulation will assess the circumstances of the [each error] trade and may, if he is of the opinion that a trade cancellation will have material adverse consequences for the counterparty to the error trade, decide to adjust the price of the [an] error trade instead of instructing the affected member or members to cancel the trade. In determining whether to adjust the price of [an alleged] a commodity derivatives error trade, the Director: Market Regulation will take into account all relevant factors which shall include, but not be limited to, whether the error trade was part of or triggered spread trades [or trades executed simultaneously in an underlying cash market].
- 7.181.10 Where the Director: Market Regulation has in terms of rule 7.181.9 decided to adjust the price of a[n] commodity derivatives error trade, the trade price shall be adjusted to a price that equals the futures or the options reference price, or where the Director: Market Regulation has invoked rule 7.181.5, the fair value price as determined by the JSE, whichever is applicable. [, **plus or minus an amount equal to the no cancellation range as determined in the directives, as follows:**
- 7.181.10.1 **the adjusted price of a transaction in which an error was made by the buyer shall be the futures or the options reference price, or the fair value price, for that instrument, whichever is applicable, plus an amount equal to the no cancellation range; and**
- 7.181.10.2 **the adjusted price of a transaction in which an error was made by the seller shall be the futures or the options reference price, or the fair value price, for that instrument, whichever is applicable, minus an amount equal to the no cancellation range.]**
- 7.181.11 Where an **[reported]** off book transaction has been reported to the JSE trading system in error in that the terms of the transaction differ to those that were agreed to by the counterparties to the trade before the reporting of the trade, the member or members shall be permitted to
- 7.181.11.1 cancel an erroneous transaction in equity derivatives on the JSE trading system; or
- 7.181.11.2 report an equal and opposite cancellation trade in commodity derivatives to the trading system on the same day that the erroneous transaction was reported[, in accordance with the procedures set out in the directives].
- 7.181.12 If, in the opinion of the Director: Market Regulation, an **[automated]** on book trade, auction trade or **[reported transaction]** off book trade materially impacts the integrity of the market, the maintenance of a fair and orderly market or the correctness of the market statistics, the Director: Market Regulation may **[adjust a price or]** cancel a trade **[executed in error]** or adjust the price of a transaction in commodity derivatives, even where there has been no request from a market participant to do so.
- 7.181.13 If the JSE's trading system is unable to match orders during continuous trading as a result of technical problems, an order may be matched when these technical issues are resolved but before the JSE is able to halt trading on the trading system. Where a request is received from a member to cancel a trade resulting from such a match because the member did not intend to retain the relevant order in the central order book at the time that it was matched but was unable to delete or amend the order as a result of these technical problems, the Director: Market Regulation may deal with the trade as an error trade in terms of this rule 7.181 and may authorize a trade cancellation or, if appropriate in relation to a transaction in commodity derivatives, a trade price adjustment.
- 7.181.14 In considering an error trade in terms of rule 7.181.13, the Director: Market Regulation will apply all of the relevant provisions of this rule 7.181 except that instead of applying the criteria in rule 7.181.3 in determining whether the trade qualifies for a trade cancellation or a trade price adjustment, the Director: Market Regulation will only consider whether :-

- 7.181.14.1 the price of the relevant trade was outside of the no cancellation range relative to the reference price at the time that a confirmation of the trade was sent to the member; and
- 7.181.14.2 the request is received by the Director: Market Regulation within 20 minutes from the time that a confirmation of the trade was sent to the member.
- 7.181.15 Where consequential trades have occurred as a direct result of an error trade, such as spread trades, the Director: Market Regulation will consider these on a case by case basis and may, after taking into consideration all relevant factors and circumstances, instruct the member or members to execute a trade cancellation or, if appropriate in relation to a transaction in commodity derivatives, a trade price adjustment, or may make a determination that the consequential trades shall stand.
- 7.181.16 Notwithstanding any provision of rule 7.181, in considering a request from a member in terms of this rule, the Director: Market Regulation may decide that the alleged error trade and any consequential trades shall stand and shall not be cancelled or have their price adjusted. In arriving at his decision the Director: Market Regulation will take into account all relevant factors which shall include, but not be limited to:
 - 7.181.16.1 the complexity and extent of any consequential trades in futures or options or trades in underlying JSE cash markets which have been triggered by the alleged error trade; or
 - 7.181.16.2 the amount of time remaining in the trading session or before the expiry of the relevant futures or option contracts within which the JSE would be required to investigate, evaluate and conclude on the merits of an alleged error trade and any consequential trades, as well as give effect to any consequential trade cancellations or price adjustments; and
 - 7.181.16.3 the best interests of the affected market participants.

7.190 Suspension or halting of trading in derivative securities

- 7.190.1 ...
- 7.190.2 7.190.2 No trading member may trade that derivative security for the duration of the trading halt but may delete orders from the **[derivatives]** JSE trading system.

7.200 Prevention and detection of market abuse

- 7.200.1 A member must give consideration to the circumstances of orders placed by clients before entering such orders in the JSE **[derivatives]** trading system and must take reasonable steps to satisfy itself that such orders and any resultant trades will not result in a breach of the provisions of section 80 of the Act (Prohibited trading practices).
- 7.200.2 A member must ensure that all of its employees involved in the receipt of orders from clients and the execution of transactions in derivative securities on the JSE **[derivatives]** trading system are familiar with the market abuse provisions in sections 77 to 80 of the Act and that those employees receive adequate training and guidance to enable them to recognise and avoid entering into any transaction on behalf of the member or its clients which will result in, or is likely to result in, a breach of those provisions.
- 7.200.3 A member's compliance monitoring procedures must specifically include procedures to monitor orders entered into, and transactions executed on, the JSE **[derivatives]** trading system by the member and its employees, with the objective of identifying and taking appropriate action in relation to orders or trades that, in the reasonable opinion of the member, may constitute a breach of the provisions of sections 78 and 80 of the Act.
- 7.200.4 In formulating and implementing the compliance monitoring procedures referred to in rule 7.200.3, a member is not expected to monitor every order entered into and every trade executed on the JSE **[derivatives]** trading system by the member, for the purpose of identifying potential market abuse.

Nevertheless, whilst members are encouraged to implement monitoring procedures to detect any activity undertaken by the firm's employees or its clients which may constitute a breach of the provisions of sections 78 and 80 of the Act, the procedures should, as a minimum, aim to detect activity which, to a reasonable person observing or reviewing such activity, would constitute a blatant breach of the provisions of sections 78 and 80 of the Act taking into account all relevant factors such as:

- 7.200.4.1 the identity of the parties to the transaction;
- 7.200.4.2 the perceived intention of the parties to the transaction;
- 7.200.4.3 the frequency and pattern of transactions over a period of time;
- 7.200.4.4 the effect of the transaction on market prices or volumes;
- 7.200.4.5 the size and timing of the transaction; or
- 7.200.4.6 a combination of two or more of these factors.

Section 8: Positions

8.10 Reporting

- [8.10.1]** Within ten minutes of trading, or such other time as the JSE may decide, a member shall report his off-ATS trades to the clearing house through the ATS without delay, in the manner and form prescribed by the clearing house.]
- [8.10.2]** Off[-ATS] book trades concluded after 17:30, or such later time on a business day as the JSE may determine, shall be reported to the [clearing house] JSE [in such manner] by no later than 09:00 on the following business day.
- 8.10.3** In the event of a failure of the ATS or in circumstances beyond the control of the member preventing him from complying with the provisions of this rule 8.10, the member may, with the prior written approval of the JSE and for the duration of such failure or circumstances, report his off-ATS trades to the clearing house by fax or other means acceptable to the JSE.]

8.20 Matching

- 8.20.1 Within ten minutes of trading, or such other time as the JSE may decide, a member shall report his off[-ATS] book trade to the [clearing house] JSE through the [ATS] JSE trading system in the manner and form prescribed by the [clearing house] JSE.
- 8.20.2 Off[-ATS] book trades concluded after 17:30, or such later time on a business day as the JSE may determine, shall be reported to the [clearing house] JSE in such manner no later than 09:00 on the following business day
- 8.20.3 In the event of any off[-ATS] book trade not being matched by [17:30] 18h30 or such later time that the JSE [clearing house] determines on the day it is reported, it shall be reported anew by both members on the following business day.

8.30 Clearing

- 8.30.1 Trades will be cleared by [the clearing house] JSE Clear -
 - 8.30.1.1 when an off[-ATS] book trade between the member and a client is reported to the [clearing house] JSE; or
 - 8.30.1.2 when an off[-ATS] book trade involving two members has been reported and matched as contemplated by rule 8.20; or
 - 8.30.1.3 when a trade is done as the result of an offer made on the [ATS] JSE trading system or an allocation of a trade in accordance with rule 7.150.
- 8.30.2 ...

8.80 Trading fees

- 8.80.1 ...

- 8.80.2 ...
- 8.80.3 ...
- 8.80.4 A member shall not levy a fee or any **[commission or]** other charges on a client in respect of a trade in terms of which he has traded as a principal with the client, without the prior written agreement of the client having been recorded in the client agreement.
- 8.80.5 All fees must be separately charged and may not be included in the price of the transaction, with the exception of fees charged by a member for a transaction in commodity derivatives assigned by the member to another member or a client of another member.

8.100 Exercise and assignment of option contracts

- 8.100.1 Exercise
- 8.100.1.1 ...
- 8.100.1.2 A member who has a proprietary long position in an option contract registered in his name may exercise the option at any time until the expiry of the exchange contract, and shall exercise the option on a client's behalf on the instruction of the client by executing the exercise on the **[ATS] JSE trading system** in the manner prescribed by the JSE and/or as set out in the user manual.

[OFF-ATS TRANSACTIONS]

[A trading member who reports a transaction in terms of rule 7.115 must ensure that the following transaction type code is included when the transaction is reported to the trading system.]

[Transaction Description & Rule Reference]	Transaction type code
Exchange for Physical 7.115.1.2	EFP
Exchange for Risk 7.115.1.3	EFR]

TRADE CANCELLATIONS AND TRADE ADJUSTMENTS

1. A member seeking permission to have an alleged error trade considered by the JSE for treatment in terms of rule 7.181 must immediately upon becoming aware of the error trade, inform the Director: Market Regulation of the trade, giving details of such trade and the circumstances which resulted in it being executed in error.
2. In determining whether to submit a request to the JSE to have an alleged error trade considered for cancellation **[or adjustment]** in terms of these rules, the member must ensure that the trade meets the criteria set out in rule 7.181.3 or rule 7.181.14, whichever is applicable.
3. The Director: Market Regulation shall, upon receipt of the request and after due consideration of all of the relevant factors, decide to either accept or decline the request and will contact the member who has initiated the request to inform the member of his decision. The decision of the Director: Market Regulation shall be final.
4. Where permission has been granted or where the Director: Market Regulation has issued an instruction to a member or members to cancel an error trade as contemplated in rule 7.181.8 [-]
 - [4.1]** the affected members shall, without delay, **[report an equal and opposite cancellation trade to the trading system using the Report Only Trade functionality]** take the necessary action to cancel the error trade, in accordance with any instructions given by the Director: Market Regulation.
 - [4.2]** the member who was responsible for the error trade shall assign the original error trade back to the member who was the counterparty to the error trade at a price determined by the Director: Market Regulation in terms of rule 7.181.8; and
 - 4.3** the counterparty member shall, having accepted the assigned trade, re-assign this trade back to the member who was responsible for the error but at the price of the original error trade.]
5. Where **[permission has been granted or where]** the Director: Market Regulation has **[issued an instruction to a member or members]** decided to adjust the price of a[n] commodity derivatives error trade as contemplated in rule 7.181.10, the affected members shall, without delay take the action necessary, in accordance with any instructions given by the Director: Market Regulation. [, using the Report Only Trade functionality] -
 - [5.1]** report an equal and opposite cancellation trade to the trading system; and]
 - [5.2]** [re-book the original error trade by reporting a trade to the trading system at an adjusted price as determined by the Director: Market Regulation in terms of rule 7.181.10.]

6. Where a member submits a request for an alleged error trade to be considered by the JSE in terms of these rules and such request fails to meet the criteria set out in rule 7.181.3, the member will be liable for payment of an administration fee of R2 000.
7. When an error trade request is approved by the Director: Market Regulation for cancellation or a price adjustment, the member responsible for the error that gave rise to the request will be liable for payment of an administration fee of **[R10 000]** R 5 000.
8. The no cancellation range referred to in the rules is that range in the table below, above or below the futures or the options reference price, or the fair value price, whichever is applicable, within which an alleged error trade will not be considered for treatment in terms of rule 7.181.

Commodity Derivatives Market - No Cancellation Range		
Instrument	Futures - Rand value or % of reference price	Options – volatility %
White Maize & Yellow Maize	R60	4%
Sunflower & Wheat	R75	4%
Soya	R98	4%
Sorghum	R38	4%
Foreign Commodity Derivatives	4%	4%
Can Do	10%	10%

Equity Derivatives Market - No Cancellation Range		
Instrument	Futures - % of reference price	Options – volatility %
Index Futures	3%	3%
Single Stock Futures / CFDs	5%	6%
IDX	5%	6%
Foreign Commodity Derivatives	4%	4%
Can Do	10%	10%

9. In the case of options in commodity derivatives with a value of zero and therefore a no cancellation range of zero, the Director: Market Regulation may determine that the price of any cancellation trade or any adjusted trade price shall be a value other than zero.
10. Where a member or members wish to cancel an off book transaction which has been reported to the JSE trading system in error, the cancellation of the off book transaction shall be effected as follows:
 - 10.1 in the case of a transaction in the equity derivatives market, the member or members shall use the trade cancellation functionality on the JSE trading system; or
 - 10.2 in the case of a transaction in commodity derivatives, the member or members shall report an equal and opposite trade to the JSE trading system.