



Equities Directives



Equities Directives 22 August 2005

As amended by

Date	Notice No.	Amendment
24 April 2007	041	Amendments to Directive BT
19 December 2007	104	Amendments to Directive DC
16 October 2008	082	Amendments to Directive E
8 January 2009	001	Introduction of Directive AD and replacement of Directive BL
17 August 2009	049	Amendments to Directive EL
7 September 2009	057	Amendments to Directives EJ and EK
12 July 2010	080	Amendments in respect of the introduction of the hidden order functionally and certain deadlines in the settlement cycle.
11 October 2010	112	Amendments to Directive AD Qualifications to manage investments and provide investment advice.
15 February 2011	152	Introduction of transactions in BEE securities in terms of the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003).

The term "STRATE" wherever the same appeared was substituted by "Strate" with effect from 16 October 2008.

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Directive A - Authorisations and Approvals

Scope of section

AA	Reserved
AB	Operation of Foreign Offices by members
AC	Operation of Branch and Agency Offices by a Member
AD	Qualifications to manage investments and provide investment advice
AE	Reserved
AF	Reserved
AG	Reserved
AH	Reserved
AI	Reserved
AJ	Reserved
AK	Reserved
AL	Reserved
AM	Provision by a member of accounting and administrative functions on behalf of another member
AN	Reserved
AO	Reserved

AA Reserved

AB Operation of Foreign Offices by members

1. No member shall, without the written approval of the JSE, carry on the business of a member within the Common Monetary Area, but outside the Republic, either through the operation of an office or in any association such as via a corporate body, partnership or joint venture with an overseas stockbroker or an institution offering stockbroking or similar services. The JSE may at any time review and withdraw such approval.
2. No member shall, without written approval of both the JSE and the Exchange Control Department of the South African Reserve Bank (“the Exchange Control Department”), carry on the business of a member outside the Common Monetary Area either through the operation of an office or in any association such as via a corporate body, partnership or joint venture with an overseas stockbroker or an institution offering stockbroking or similar services. The JSE or the Exchange Control Department may at any time review and withdraw such approval.
3. An office maintained by a member within or outside the Common Monetary Area shall be subject to the following conditions in addition to any imposed by the Exchange Control Department from time to time:
 - 3.1 the office shall solely promote investment in securities;
 - 3.2 the office shall be utilised as an order receiving office for the member’s local office. All orders received through the branch office shall be dealt with by the local office in the normal course of business with all deal reporting and settlements taking place through the local office and all revenue accruing to the local office. A foreign bank account may be maintained for the sole purpose of payment of overhead expenses on an imprest basis;
 - 3.3 the office shall in all respects be subject to the rules and directives, the Act and the Exchange Control Regulations which may, from time to time, be in force;
 - 3.4 the office shall be subject to the investigative powers as prescribed in rule 12.10;
 - 3.5 the branch shall be under the direct and personal control of a stockbroker, or a compliance officer or such other person as may in exceptional circumstances be approved by the JSE;
 - 3.6 prior to the JSE granting approval to operate a foreign office, the member shall satisfy the JSE that it has evaluated the risk profile of such office with particular regard to the regulations governing investment activities in the area concerned;
 - 3.7 The name of the stockbroker or compliance officer referred to in AB 3.5 shall be advised to the JSE. Any changes to these appointments shall be advised to the JSE within seven days of such change. Where the position of a stockbroker or a compliance officer appointed in terms of AB 3.5 becomes vacant, such position shall be filled within 2 months of it having become vacant;
 - 3.8 For the purpose of this directive the person in control of a foreign office of a member shall be personally resident in the area where the office is located.

AC Operation of Branch and Agency Offices by a Member

No member shall open or maintain a branch office or an agency office without the prior consent of the JSE. Any consent so granted may be withdrawn by the JSE on giving reasonable notice in writing to the member.

AD Qualifications to manage investments and provide investment advice

This directive sets out the qualification requirements for employees of a member who manage investments or provide investment advice in respect of equity securities, JSE authorised investments not traded on a JSE market and securities traded on a JSE market of which the equities member is not a member.

1. Equity securities and those JSE authorised investments not traded on a JSE market

- 1.1 An employee of a member may exercise discretion in the management of equity securities and those JSE authorised investments not traded on a JSE market or provide investment advice to clients on any transaction in such securities if the employee -
- 1.1.1 is a stockbroker; or
 - 1.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
 - 1.1.2.1 *Introduction to the Financial Markets;*
 - 1.1.2.2 *Regulation and Ethics of the South African Financial Markets;* and
 - 1.1.2.3 *The Equity Market;* or
 - 1.1.3 has qualified as a Regular Member or Charterholder Member of the Chartered Financial Analyst Institute; or
 - 1.1.4 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 1.1.5 has been accustomed to exercising discretion in the management of equity securities or providing investment advice on transactions in equity securities since prior to 1 December 2000 and has continued to do so since such date.
- 1.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of AD 1.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in AD 1.1.2 or 1.1.4 prior to managing investments or advising on transactions again.

2. Derivative securities

- 2.1 An employee of a member may exercise discretion in the management of derivative securities or provide investment advice to clients on any transaction in such securities if the employee -
- 2.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 2.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
 - 2.1.2.1 *Introduction to the Financial Markets;*
 - 2.1.2.2 *Regulation and Ethics of the South African Financial Markets;*
 - 2.1.2.3 *The Equity Market;* and
 - 2.1.2.4 *The Derivatives Market;* or
 - 2.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 2.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or

Directive AD introduced with effect from 24 December 2008

AD 2 amended with effect from 11 October 2010

AD 2.1 amended with effect from 11 October 2010

- 2.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in *The Derivatives Market* and *Regulation and Ethics of the South African Financial Markets* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 2.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of AD 2.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in AD 2.1.2, 2.1.3 or 2.1.5 prior to managing investments or advising on transactions again.
- 3 Agricultural derivatives**
- 3.1 An employee of a trading member may exercise discretion in the management of agricultural derivatives or provide investment advice to clients on any transaction in such securities if the employee -
- 3.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* and *JSE Agricultural Products Market Dealers* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 3.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
- 3.1.2.1 *Introduction to the Financial Markets*;
- 3.1.2.2 *Regulation and Ethics of the South African Financial Markets*;
- 3.1.2.3 *The Derivatives Market*; and
- 3.1.2.4 *JSE Agricultural Products Market Dealers*; or
- 3.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* and the *JSE Agricultural Products Market Dealers* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 3.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in the *JSE Agricultural Products Market Dealers* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 3.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in *The Derivatives Market*, *Regulation and Ethics of the South African Financial Markets* and *JSE Agricultural Products Market Dealers* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 3.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of 3.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in 3.1.2, 3.1.3, 3.1.4 or 3.1.5 prior to managing investments or advising on transactions again.

AD 3 amended with effect from 11 October 2010

AD 3.1 amended with effect from 11 October 2010

4. Foreign commodity derivatives

- 4.1 An employee of a trading member may exercise discretion in the management of foreign commodity derivatives or provide investment advice to clients on any transaction in such securities if the employee -
- 4.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 4.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
 - 4.1.2.1 *Introduction to the Financial Markets*;
 - 4.1.2.2 *Regulation and Ethics of the South African Financial Markets*; and
 - 4.1.2.3 *The Derivatives Market*; or
 - 4.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 4.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or
 - 4.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in *The Derivatives Market* and *Regulation and Ethics of the South African Financial Markets* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 4.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of 4.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in 4.1.2, 4.1.3 or 4.1.5 prior to managing investments or advising on transactions again.

5. Bonds

- 5.1 An employee of a member may exercise discretion in the management of bonds or provide investment advice to clients on any transaction in such securities if the employee –
- 5.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Bond Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 5.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets :
 - 5.1.2.1 *Introduction to the Financial Markets*;
 - 5.1.2.2 *Regulation and Ethics of the South African Financial Markets*;
 - 5.1.2.3 *The Bond Market*; and
 - 5.1.2.4 *The South African Money Market*; or
 - 5.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The South African Money Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 5.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or

AD 4 amended with effect from 11 October 2010

AD 4.1 amended with effect from 11 October 2010

AD 5 amended with effect from 11 October 2010

AD 5.1 amended with effect from 11 October 2010

- 5.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 5.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of AD 5.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in AD 5.1.2, 5.1.3 or 5.1.5 prior to managing investments or advising on transactions again.
- 6. Interest rate derivatives**
- 6.1 An employee of a member may exercise discretion in the management of interest rate derivatives or provide investment advice to clients on any transaction in such securities if the employee –
- 6.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market*, *The Bond Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 6.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets :
- 6.1.2.1 *Introduction to the Financial Markets*;
- 6.1.2.2 *Regulation and Ethics of the South African Financial Markets*;
- 6.1.2.3 *The Derivatives Market*;
- 6.1.2.4 *The Bond Market*; and
- 6.1.2.5 *The South African Money Market*; or
- 6.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 6.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or
- 6.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets*, *The Derivatives Market*, *The Bond Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 6.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of AD 6.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in AD 6.1.2, 6.1.3 or 6.1.5 prior to managing investments or advising on transactions again.

AD 6 amended with effect from 11 October 2010

AD 6.1 amended with effect from 11 October 2010

7. Currency derivatives

- 7.1 An employee of a member may exercise discretion in the management of currency derivatives or provide investment advice to clients on any transaction in such securities if the employee –
- 7.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* and *The South African Foreign Exchange Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 7.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets :
 - 7.1.2.1 *Introduction to the Financial Markets;*
 - 7.1.2.2 *Regulation and Ethics of the South African Financial Markets;*
 - 7.1.2.3 *The Derivatives Market;* and
 - 7.1.2.4 *The South African Foreign Exchange Market;* or
 - 7.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* and *The South African Foreign Exchange Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 7.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The South African Foreign Exchange Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
 - 7.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets*, *The Derivatives Market* and *The South African Foreign Exchange Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 7.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of AD 7.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in AD 7.1.2, 7.1.3, 7.1.4 or 7.1.5 prior to managing investments or advising on transactions again.

8. Transitional provision

A person who qualified, as at 31 October 2008, to manage JSE authorised investments on behalf of clients or advise on any transaction in JSE authorised investments on behalf of a member in terms of rule 4.50, as it existed at 31 October 2008, must be exempted from or obtain a pass in the additional applicable modules of the Registered Persons Examination of the South African Institute of Financial Markets prescribed in this directive by 31 March 2009.

AD 7 amended with effect from 11 October 2010

AD 7.1 amended with effect from 11 October 2010

9 Exemptions from the Registered Persons Examination of the South African Institute of Financial Markets by the South African Institute of Financial Markets

The South African Institute of Financial Markets may exempt an employee of a member from certain modules of the Registered Persons Examination of the South African Institute of Financial Markets if the employee has obtained a substantially equivalent qualification as set out in the table below.

Qualification obtained	Modules of the Registered Persons Examination				
	Introduction to the Financial Markets	Regulation and Ethics of the South African Financial Markets	The Equities Market	The Derivatives Market	The Bond Market
SAIFM Dealer Certificate	✓	✓	✓	✓	✓
Financial Services Authority recognition	✓		✓	✓	✓
Securities and Investments Institute – Certificate in Securities	✓		✓		✓
Securities and Investments Institute – Certificate in Securities and Financial Derivatives	✓		✓	✓	✓
Securities and Investments Institute – Certificate in Derivatives	✓		✓	✓	✓

AE Reserved

AF Reserved

AG Reserved

AH Reserved

AI Reserved

AJ Reserved

AK Reserved

AL Reserved

AM Provision by a member of accounting and administrative functions on behalf of another member

1. Subject to the written approval of the JSE, a member (the host member) may enter into an arrangement to provide the full spectrum of accounting and administrative functions on behalf of another member (the satellite member). A member may not function as a host member unless its administration is, in the opinion of the Director: Surveillance, adequately staffed and being conducted in an expert and orderly manner with all requisite controls in place.
2. The host member must advise the JSE if it intends to terminate its arrangement with the satellite member at least one month prior to the intended date of termination of the agreement.

AN Reserved

AO Reserved

Directive B - Transactions and Trading Procedures

Scope of section

BA	Reserved
BB	Reporting of Non-Exchange Traded Derivative Instruments
BC	Reserved
BD	Clients Trust Banking Accounts
BE	Reserved
BF	Reserved
BG	Reserved
BH	Reserved
BI	Client Accounts, Suspense Accounts and Misdeal Accounts
BJ	Reserved
BK	Operation of Non-resident Controlled Client Accounts
BL	Transactions in Inward Listed Securities – Exchange Control
BM	Transactions in BEE securities
BN	Reserved
BO	Auditors of Stockbrokers – Independence
BP	Reserved
BQ	Reserved
BR	Pledge of certain items forbidden
BS	Controlled Client Accounts and Managed Portfolios
BT	Trading and Trade Reporting
BU	Reserved
BV	Reserved
BW	Reserved
BX	Reserved
BY	Reserved
BZ	Reserved

BA Reserved

BB Reporting of Non-Exchange Traded Derivative Instruments

1. For the purposes of this Directive, non-exchange traded derivative instruments shall mean those derivative instruments not listed on a licensed exchange.
2. A member shall maintain a register of all transactions in non-exchange traded derivative instruments by reporting on a daily basis all transactions in such derivative instruments to the derivative trade recording system.
3. The register referred to in 2 shall contain the following information –
 - Deal date
 - Trade number
 - Contract number
 - Purchase or sale
 - Type of option – put or call
 - Type of option – American or European
 - Grantor/writer
 - Quantity
 - Description of financial instrument
 - Strike price
 - Strike date and time
 - Settlement date
 - Premium
 - Premium settlement date
 - Other party
 - Dealt as principal or agent
 - Date sold, exercised or lapsed
4. A sequentially numbered advice note shall be issued by members to clients for every transaction in non-exchange traded derivative instruments.

BC Reserved

BD Clients Trust Banking Accounts

1. **Operation of Trust Accounts**
 - 1.1 Members shall, in a form prescribed by the JSE grant to the bank at which it maintains its trust account in terms of rule 9.60.3, authority for the JSE through the facility of the Broker Deal Accounting system, to effect transfers of funds between the member's business account and the member's trust account or JSE Trustees (Pty) Limited ("transfer of funds").
 - 1.2 A member shall not be permitted to interfere with or reverse any transfers of funds effected in terms of BD 1.1 except in the circumstances set out in BD 1.3 and BD 1.4 below.
 - 1.3 Where a member is aware that the transfer of funds to be effected in terms of BD 1.1 will result in insufficient funds being held in the member's trust account or JSE Trustees (Pty) Limited as envisaged in rule 9.60.3, the member may, with the prior written concurrence of the Director: Surveillance, instruct the bank to amend the transfer of funds accordingly.
 - 1.4 Where a member is of the opinion that the transfer of funds to be effected in terms of BD 1.1 will result in the amount held in the member's trust account or JSE Trustees (Pty) Limited being materially in excess of the amount envisaged in rule 9.60.3, the member may, with the prior written concurrence of the Director: Surveillance, instruct the bank to amend the transfer of funds effected by the amount of such excess.

2. Failure by Brokers to meet the Transfer of Funds

- 2.1 Members are required to ensure that there are, at all times, sufficient funds or facilities made available to them by their commercial bankers to effect any transfer of funds from the member's current account to a trust bank account in accordance with the requirement to segregate clients' funds.
- 2.2 If a member is unable to meet this requirement, the JSE may declare the member to be in default in terms of rule 13.10.

BE Reserved

BF Reserved

BG Reserved

BH Reserved

BI Client Accounts, Suspense Accounts and Misdeal Accounts

1. Client accounts

- 1.1 A separate account shall be maintained for each client. The use of sundry accounts is not permissible except –
- 1.1.1 by prior arrangement with the Director: Surveillance in respect of new issues or similar instances; or
- 1.1.2 to maintain the balances in securities held on behalf of clients where the securities have been delisted or where the listing of the securities has been suspended.
- 1.2 All sundry accounts utilised in terms of BI 1.1 shall be supported by appropriate records identifying the clients on whose behalf transactions on the accounts have been executed or on whose behalf securities on the accounts are held.

2. Suspense accounts

- 2.1 For the purpose of this directive, a suspense account and an allocation account shall be synonymous.
- 2.2 All purchases and sales executed with or on behalf of clients shall be allocated to clients by the close of business on the date of the transaction. The allocation of a transaction to a suspense account dedicated to a particular client shall be deemed to be an allocation to a client.
- 2.3 Transactions shall not be allocated from suspense accounts to accounts of interested parties, unless the member can demonstrate that no client is prejudiced as a result thereof.
- 2.4 Adequate controls to prevent the prejudice of clients when utilising suspense accounts shall include, but not be limited to, the following –
- 2.4.1 the use of separate suspense accounts for interested party trades, such as employee suspense, principal suspense and stock suspense;
- 2.4.2 the use of separate suspense accounts dedicated to specified clients;
- 2.4.3 the use of separate suspense accounts where the trading instruction and allocation instruction vests with one person, such as a portfolio manager; and
- 2.4.4 an adequate segregation of duties over accounts managed with full discretion on behalf of employees to ensure that the employee has no influence over either the trading instruction or the allocation instruction.
- 2.5 For the purposes of this directive, an interested party trade is a trade in which the member or employee of the member has a direct or indirect beneficial interest.
- 2.6 Reserved.
- 2.7 At no time shall a member realise a profit or loss in a suspense account.
- 2.8 Separate contract notes shall be issued for each day's transactions in a particular security for a particular client. This applies whether or not such deals have been booked through a suspense account. Contract notes and the member's accounting records shall reflect the actual date on which the deal was originally effected.

3. **Misdeals**

- 3.1 A separate misdeals account or accounts shall be maintained in which all error transactions and missed deals shall be recorded.
- 3.2 All error transactions with or on behalf of clients shall be transferred into a misdeals account. Transactions out of misdeals accounts shall only be effected through the JSE equities trading system.
- 3.3 Transactions placed into a client account resulting from a missed deal shall be booked via the on-line backdating facility in the BDA system using the deal code MD to ensure, *inter alia*, that the contract note issued to the client reflects that the member traded as principal with the client to correct the missed deal.
- 3.4 A member must ensure that –
- 3.4.1 misdeals accounts are only used for the purpose of correcting error transactions or missed deals; and
- 3.4.2 transactions recorded in misdeals accounts are appropriately controlled to avoid any potential prejudice to clients affected by such transactions.

4. **Arbitrage**

A separate arbitrage account or accounts shall be maintained through which all arbitrage deals shall be routed.

5. In order to distinguish clearly between client's positions in suspense accounts and various stock accounts of members and to identify the nature of certain accounts, the following account type codes and account identification codes shall be loaded on the various accounts:

<i>Account Description</i>	<i>Account Type Code</i>	<i>Account Identification</i>
Overseas agent – in which no member has a financial interest	A or C	FNI
Overseas agent – in which any member has a financial interest	A or C	FMI
Stock accounts of member's principals in their client's ledger	C	SBP
Client's agency allocation/suspense accounts	DA	CAS
Client's deal adjustment accounts	DA	CDA
Stock accounts – arbitrage	S or C	ARB
Stock accounts – investment	S or C	INV
Stock accounts – jobbing	S or C	JOB
Stock accounts – misdeals	S or C	MIS
Stock accounts – suspense	S or C	SUS

6. Information to be recorded on client accounts –

- 6.1 Every member shall ensure that at least the following client information is recorded in the BDA system as stipulated:
- 6.1.1 the full name, address, telephone number and identification number or registration number (if applicable) of the account holder shall be loaded on the client maintenance (CLMNT) screen of the relevant account;
- 6.1.2 unless the client is a bank or a financial services provider or the regulated foreign equivalent of such entities, the full name, identity number or registration number, address and telephone number of the person or persons responsible for placing instructions on the account, if the person placing the instructions is not the individual in whose name the account is held or the account is not in the name of an individual. This information shall be loaded either on the Client Maintenance (CLMNT) screen of the relevant account or on the Account Relationship (ARMNT) screen using the REL code "OR";

- 6.1.3 the type of account holder, as referred to in rule 8.60.3.3, shall be loaded in the Institution Code field of the Client Maintenance (CLMNT) screen of the relevant account, if the account holder is not an individual;
- 6.1.4 staff indicators shall be loaded in the Staff Indicator field of the Client Maintenance (CLMNT) screen of the relevant account for all accounts in which an employee of the member has a beneficial interest or on which they place instructions.

BJ Reserved**BK Operation of Non-resident Controlled Client Accounts**

1. Prior to loading a controlled client as a non-resident on the BDA system, a member must verify that the client is in fact a non-resident and must maintain a record of such verification. If the member has appointed a CSP in terms of Directive FL, the CSP shall also verify that the client is a non-resident with reference to the relevant documentation obtained by the member.
2. A CSP must ensure that all uncertificated securities received from a non-resident controlled client are in fact non-resident securities by verifying that the securities have been transferred from another non-resident account operated by another member, a CSDP or a financial services provider and retaining a record of such verification.
3. Under no circumstances may a CSP transfer securities within a nominee register from a resident controlled client account to a non-resident controlled client account, other than in respect of the settlement of transactions in securities where the transfers are automatically generated by the BDA system.
4. In order to ensure that certificates which are dematerialised by a CSP on behalf of a non-resident controlled client reflect a non-resident endorsement when they are submitted for dematerialisation, certificates held on behalf of non-residents reflecting a non-resident endorsement must be submitted for dematerialisation in separate batches from certificates held on behalf of residents which are not endorsed.
5. The covering document submitted by a CSP with their non-resident batches of certificates for dematerialisation must clearly indicate that the certificates are held on behalf of non-resident controlled clients, to enable the CSD participant of the relevant member to confirm on the covering document, by signing such document, that all of the certificates in the batch are endorsed non-resident.
6. The covering document signed by the CSD participant, referred to in BK 5, must be retained by the CSP as evidence that the relevant certificates were endorsed non-resident at the time of dematerialisation.
7. No CSP may submit certificates held on behalf of a non-resident controlled client for dematerialisation if they do not reflect a non-resident endorsement.
8. If a CSP wishes to dematerialise a certificate held on behalf of a non-resident client but the certificate was not endorsed at the time that the securities were acquired by the client or came into the possession of the member, the CSP should obtain an endorsement prior to submitting the certificate for dematerialisation.
9. If a CSP wishes to dematerialise a certificate held on a non-resident client account but the certificate does not reflect a non-resident endorsement and the member identifies that the client is not in fact a non-resident and the Exchange Control indicator on the Client Maintenance (CLMNT) screen on the BDA system is incorrect, the CSP should transfer the shares to a resident account in the name of the client prior to submitting the certificate for dematerialisation.

BL Transactions in Inward Listed Securities – Exchange Control

1. For the purpose of this directive, "inward listed securities" means shares issued by foreign companies which have been listed on the JSE in terms of the South African Reserve Bank's exchange control regulations.
2. A member may not trade in inward listed securities for a non-resident blocked rand account (emigrant client). In the event that the Settlement Authority identifies a transaction for or on behalf of an emigrant client, the Settlement Authority will instruct the member to transfer the transaction from the client's account to the member's misdeals account and the member will assume responsibility for settling the transaction on settlement day.
3. The prohibition in relation to emigrant clients and the action to be taken by the Settlement Authority, as referred to in BL 2, is derived from Exchange Control Circular 7/2008 of 20 February 2008.

BM Transactions in BEE securities

1. A member must confirm, by recording in the BDA system, that a BEE contract has been duly signed by the relevant parties thereto prior to placing an order in the trading system to purchase BEE securities.
2. A member must ensure that the BEE certificate referred to in rules 8.65.3.1 and 8.65.3.2 is valid (unexpired) at the time of the acceptance of the controlled client or non-controlled client and prior to each purchase transaction in BEE securities, and must record the date of expiry of the BEE certificate in the BDA system.
3. The JSE will issue JSE Gazettes from time to time to provide members with –
 - 3.1 the prescribed BEE contracts;
 - 3.2 a list of verification agencies accredited by the accreditation body contemplated in the BEE Codes;
 - 3.3 pro-forma BEE certificates; and
 - 3.4 guidance in respect of the procedures to confirm and record that a proposed registered owner or, if the proposed registered owner will be acting as a nominee on behalf of a beneficial owner, the proposed beneficial owner of BEE securities qualifies as a BEE compliant person.

BN Reserved**BO Auditors of Stockbrokers – Independence**

No member shall knowingly transact business on behalf of a partner or member of the staff of its auditor appointed in terms of the Act, if such partner or staff member is actively involved in the audit of the member concerned.

BP Reserved**BQ Reserved****BR Pledge of certain items forbidden**

1. Subject to the provisions of sections 24 and 26 of the Act, no member shall –
 - 1.1 pledge or retain in pledge any JSE authorised investments, any portion of which has been or could be allocated to a client who has paid in full for such investments;
 - 1.2 pledge any JSE authorised investments in its possession and which have been received from a client prior to the settlement date of the particular transaction.
2. Pledge of JSE authorised investments
 - 2.1 A member which pledges or retains in pledge any JSE authorised investments shall –
 - 2.1.1 ensure that the quantities, certificate numbers (where applicable) and securities codes of all deposits and withdrawals of JSE authorised investments are recorded into the BDA system;
 - 2.1.2 ensure that all cash receipts from clients for banking on that day are processed, and
 - 2.1.3 furnish the bank with a provisional computer report (PBNKBP) daily when JSE authorised investments are pledged detailing the investments pledged and whether or not such investments are available for pledge at that time.
 - 2.2 The member shall, at the commencement of business on the following business day, furnish the bank with the final computer report (PBNKPL) produced in the overnight run which will report updated values, and details of JSE authorised investments which should not have been pledged. The bank shall be provided with explanations for these items.
 - 2.3 The member shall ensure that arrangements with its bankers clearly specify that only items appearing on the final report (PBNKPL) as available for pledge, will be legally enforceable as having been pledged.

BS Reserved**BT Trading and Trade Reporting**

The words defined in the rules will, if not inconsistent with the subject or content and unless they are defined in this directive, bear the same meaning in this directive.

DIRECTIVE B – TRANSACTIONS AND TRADING PROCEDURES

1. A TSP is responsible for identifying the origin and the accuracy, integrity, and bona fides of all data submitted to JSE systems by or on behalf of that TSP. Any information received by JSE systems is deemed for all purposes under the rules and directives to have been submitted to JSE systems by, and with the knowledge of the TSP.
2. Data from or submitted on behalf of a TSP may only be submitted to the JSE equities trading system in a manner approved by the JSE.
3. A member may only access and utilise JSE systems with the approval of the Market Controller and subject to such instructions as may be issued by the Market Controller.
4. In order to utilise the services of, and access JSE systems, a TSP must:
 - 4.1 enter into and sign the agreements; and
 - 4.2 adhere to the requirements and specifications of such agreements;as may be prescribed by the JSE Executive from time to time.
5. The JSE or its agent may conduct an audit of compliance by the TSP with such requirements as have been prescribed by the JSE from time to time and the TSP must assist any representative of the JSE appointed to conduct such audit.

6. Order details and order types
- 6.1 An order submitted to the JSE equities trading system must at least contain the following detail:
- 6.1.1 capacity (agent or principal);
 - 6.1.2 client account reference number to which any associated trades will be booked;
 - 6.1.3 institutional identification number (where applicable);
 - 6.1.4 quantity of securities;
 - 6.1.5 minimum execution size (MES) in respect of a hidden order;
 - 6.1.6 ISIN code;
 - 6.1.7 JSE alpha code;
 - 6.1.8 trader group;
 - 6.1.9 trader identification number; and
 - 6.1.10 such other information as determined by the Market Controller from time to time.
- 6.2 The only valid order types to be submitted to the JSE equities trading system are –
- 6.2.1 limit order;
 - 6.2.2 market order; and
 - 6.2.3 hidden order (hidden pegged order or hidden limit order).
- 6.3 The quantity of securities of a hidden order at the time of submission of the order and, if applicable, on modification of the order must be greater than or equal to the Minimum Order Size (MOS).
- 6.4 The MES of a hidden order must be greater than or equal to the MOS.
- 6.5 If the unexecuted quantity of a partially executed hidden order is less than the MOS, the order must either be deleted or it must be modified to ensure that it continues to meet the MOS and MES requirements in BT 6.3 and 6.4.
- 6.6 The MOS per equity security will be determined by the Market Controller and the JSE will publish the MOS per equity security in a JSE Gazette.

Existing BT 6.1.3 deleted with effect from 24 April 2007
 BT 6.1.4 to BT 6.1.6 renumbered BT 6.1.3 to BT 6.1.5 with effect from 24 April 2007
 New BT 6.1.5 introduced with effect from 12 July 2010
 BT 6.1.5 to BT 6.1.9 renumbered BT 6.1.6 to BT 6.1.10 with effect from 12 July 2010
 New BT 6.1.7 introduced with effect from 24 April 2007
 Existing BT 6.1.7 renumbered BT 6.1.6 with effect from 24 April 2007
 BT 6.2.1 amended with effect from 12 July 2010
 BT 6.2.2 amended with effect from 12 July 2010
 BT 6.2.3 introduced with effect from 12 July 2010
 BT 6.3 amended with effect from 12 July 2010
 BT 6.4 amended with effect from 24 April 2007 and 12 July 2010
 BT 6.5 introduced with effect from 12 July 2010
 BT 6.6 introduced with effect from 12 July 2010

7. Contra trades, post contra trades and transaction corrections
- 7.1 A TSP seeking permission for a contra or post contra trade or transaction correction must —
- 7.1.1 subject to rule 6.50.1, immediately upon becoming aware of the erroneous trade, request permission from the Director: Surveillance to correct the trade by informing him of the original trade, giving details of such trade and the circumstances or reasons which resulted in the original trade; and
- 7.1.2 within 20 minutes confirm these details in writing.
- 7.2 The Director: Surveillance shall, upon receipt of the written request, without delay, either accept or decline the request.
- 7.3 Within 5 minutes of permission being granted, one of the following actions must be taken:
- 7.3.1 in respect of an automated or auction trade matched on the current business day, a contra trade must be entered into the JSE equities trading system by a TSP designated by the Director: Surveillance; or
- 7.3.2 in respect of an automated or auction trade matched on the previous business day, a post contra trade must be reported to the JSE equities trading system by a TSP designated by the Director: Surveillance.
- 7.4 Where a TSP has to correct a reported transaction that was reported on the current business day or the previous business day, the TSP must advise the Director: Surveillance and a transaction correction must be sent to the JSE equities trading system by that TSP. Where the correction is in respect of a two-member reported transaction the originator of the report must send the transaction correction.
- 7.5 Where a TSP requests permission to correct a trade via a contra or a post contra trade and such request fails to meet the criteria described in rule 6.50.2, the TSP will be liable for payment of an administration fee of R2 000.
- 7.6 Whenever a contra or a post contra trade is executed, the TSP responsible for the error that gave rise to the correction will be liable for payment of an administration fee of R10 000. The TSP who requested the contra trade or post contra trade must compensate the opposite TSP, who in turn must compensate its client, for any damages suffered due to the loss of price/time priority. The Director: Surveillance will, on request, determine the amount of compensation.
- 7.7 A TSP may appeal to the JSE against a ruling given in terms of rule 6.50.3 subject to –
- 7.7.1 the appeal being lodged with the Director: Surveillance before 12h00 on the business day following the ruling; and
- 7.7.2 the payment of a fee of R2000 which, at the discretion of the JSE, may be refundable in whole or in part.
8. In managing orders received from clients and submitting such orders to the JSE equities trading system, as well as in submitting proprietary orders to the JSE equities trading system, a TSP must meet the following objectives, in addition to any other requirements in the rules and directives relating to the submission of orders to the JSE equities trading system:
- 8.1 Avoidance of erroneous orders
- The TSP must implement appropriate procedures to ensure that orders are not submitted to the JSE equities trading system or left open in the JSE equities trading system where such orders could result in erroneous trades.
- 8.2 Settlement assurance
- The TSP must implement appropriate procedures to ensure, prior to submitting a client or proprietary order to the JSE equities trading system, that it has the capacity to settle trades resulting from such orders on the settlement date, and that all such trades will not adversely affect the TSP's ability to meet its financial resources requirements as set out in the rules and directives.

9. A TSP shall not operate an Order Entry Application (“OEA”) that provides Direct Market Access (“DMA”) without the prior written approval of the JSE. The approval when granted will be for the use of an OEA by the member to facilitate the electronic submission of orders by controlled clients or non-controlled clients, or both, and shall be on the condition that the member ensures at all times that the OEA meets the key objectives set out in BT 10. The JSE may at any time review and withdraw such approval.
10. A member applying to operate an OEA that provides DMA must be able to demonstrate, to the satisfaction of the JSE, that the OEA meets all of the following key objectives:
 - 10.1 Avoidance of Erroneous Orders and Manipulative Practices

The OEA must ensure that orders are not submitted to the JSE equities trading system or left open in the JSE equities trading system where such orders could result in erroneous trades, a false appearance of trading activity or an artificial price for a security.
 - 10.2 Management of Order Limits and Order Types

Adequate controls should be implemented to ensure that orders are within the normal trading patterns of the relevant clients. The OEA should also be able to limit the life of an order and be able to control each of the relevant order types.
 - 10.3 Settlement Assurance

The OEA must be able to verify, before submitting any orders to the JSE equities trading system, the capacity of the client to settle trades resulting from orders processed via the application, through the use of appropriate exposure limits for non-controlled clients and checks on availability of funds and securities for controlled clients.
 - 10.4 Adherence to Trading Phases

The OEA must be able to detect and react to the various JSE defined period schedules.
 - 10.5 Maintenance of Audit Trails

The OEA must be able to identify the source of all order details submitted to the JSE equities trading system and must ensure and be able to evidence the maintenance of the integrity of the order details from the receipt thereof by the member to the submission of the order to the JSE equities trading system.
 - 10.6 Adherence to the rules and directives.

All orders submitted to the JSE equities trading system by the OEA and the trades resulting from those orders must comply with the requirements of the rules and directives..
 - 10.7 Adherence to security and technical requirements

The technical specifications of the OEA must comply with the JSE Users Specification Documentation and must ensure that the operation of the application will not adversely impact the operation of the market. Access to the application software and the data utilised by that software must be strictly controlled to prevent undue manipulation.

An application to the JSE to operate an OEA that provides DMA shall be in the form prescribed by the JSE from time to time.
11. The JSE may from time to time request such information from a TSP as the JSE deems necessary to monitor the usage by members and their clients of OEAs that provide DMA and to assess the effectiveness of the measures implemented by the member to control the use of such applications on an ongoing basis.
12. A TSP that operates or intends to operate a member trading application or any other system that generates proprietary orders to be submitted to the JSE equities trading system without the intervention of a registered securities trader, may be required to submit such information to the JSE as is deemed necessary to satisfy the JSE that the TSP meets or will meet the objectives of BT 8 and any other requirements in the rules and directives relating to the submission of orders to the JSE equities trading system, in utilizing such a system.
13. A TSP that operates an OEA that provides DMA or a member trading application that automatically generates orders for the member’s own account shall ensure that the JSE allocates one or more trader identification numbers to the member in respect of such systems which will facilitate the identification of orders processed by such systems as being DMA orders or automated proprietary orders respectively.

14. In requesting the JSE to allocate a trader identification number in respect of a member trading application that automatically generates orders for the member's own account, a member may be required to provide the JSE with information regarding the manner in which orders are generated by the application. This information will assist the JSE in identifying those applications that may, in certain circumstances, generate an excessive number of orders which may adversely impact the operation of the JSE equities trading system.

BU Reserved

BV Reserved

BW Reserved

BX Reserved

BY Reserved

BZ Reserved

Directive C - Corporate Actions

Scope of section

CA	Definitions
CB	Event types
CC	Corporate actions timeline
CD	General principles
CE	Principles applying to specific event types
CF	Reconciliation of corporate action control accounts

CA Definitions

“circular”	means any document sent to registered owners and beneficial owners of listed securities by an issuer of securities (including notices of meetings), but excluding listing particulars, company reports, proxy forms and corporate action notices;
“company reports”	means annual or interim reports and financial statements;
“corporate action”	means an action, taken by an issuer or any other entity or third party, which affects the registered owner and the beneficial owner of securities in terms of an entitlement;
“cum”	means including or qualifying for an entitlement arising from a corporate action;
“Declaration Date”	means the business day determined by the issuer, on which the corporate action (including any condition precedent to which the action is subject) shall be announced and captured in SENS;
“election”	means the exercise of any or all of the elective, voting, conversion, redemption or other rights attached to securities;
“Election Date”	means the business day by which an election in relation to a corporate action must be received by an CSDP;
“election deadline”	means 11h00 on Election Date by which a member or, if applicable, its CSP must convey to a CSDP an election;
“entitlement”	means any one or more of the rights or benefits which flow in respect of the securities with which the rights or benefits are integrated and any other rights or benefits accruing in respect of such securities, other than the right to ownership of the securities themselves;
“event type”	means a classification of a corporate action;
“ex”	means excluding or non-qualifying for an entitlement arising from a corporate action;
“Finalisation Date”	means the business day determined by the issuer on which the details of a corporate action become unconditional in all respects and irrevocable;
“First Day to Trade”	means the first business day on which – (a) any new securities, arising from a corporate action, are listed and may be traded; and (b) any mother securities are traded ex;
“holding company”	means a company that has one or more subsidiaries;
“issuer”	means any company, any class of whose securities has been admitted, or is the subject of an application for admission, in terms of the Listing Requirements;
“Last Day to Trade”	means the last business day to trade in securities, which are subject to a corporate action, in order to ensure settlement on RD and to qualify for the entitlement;
“LDT”	means Last Day to Trade;
“LDT+ (inserted number)”	means the same number of business days as the inserted number after the LDT;
“LDT- (inserted number)”	means the same number of business days as the inserted number before the LDT;
“listed company”	means a company, any class of whose securities are listed;
“mother share”	means the security on which the corporate action has been declared;
“notice”	means any notification in writing to the registered owners and beneficial owners of securities by an issuer of securities for the purpose of informing such owners of a corporate action;
“odd lot”	means a quantity of securities which is less than 100 shares. In certain circumstances, an odd lot may be defined by an issuer and approved in terms of the Listings Requirements as any quantity of securities less than a specified quantity;

“Payment Date”	means the business day on which an entitlement will be paid or distributed in cash or securities, as the case may be;
“projected holdings”	means, for the purposes of an election, the total holdings of securities as at LDT adjusted for any unsettled transactions in the affected securities that are due to settle on or before RD;
“proxy form”	means a document issued to the registered owners and beneficial owners of listed securities by an issuer of securities for the purpose of enabling registered owners to vote at a meeting of shareholders;
“publication”	means, in relation to a transaction, the disclosure of the price and quantity of securities traded to the equities market via the JSE systems;
“ratio”	means any basis of the entitlement reflected as a ratio. The ratio shall be depicted to five (5) decimal places;
“RD”	means Record Date;
“RD+ (inserted number)”	means the same number of business days as the inserted number after the RD;
“RD- (inserted number)”	means the same number of business days as the inserted number before the RD;
“Record Date”	means the business day determined by the issuer on which the holding, upon which the entitlement is based, is ascertained;

CB Event types

All corporate actions are classified into one or more of the following event types:

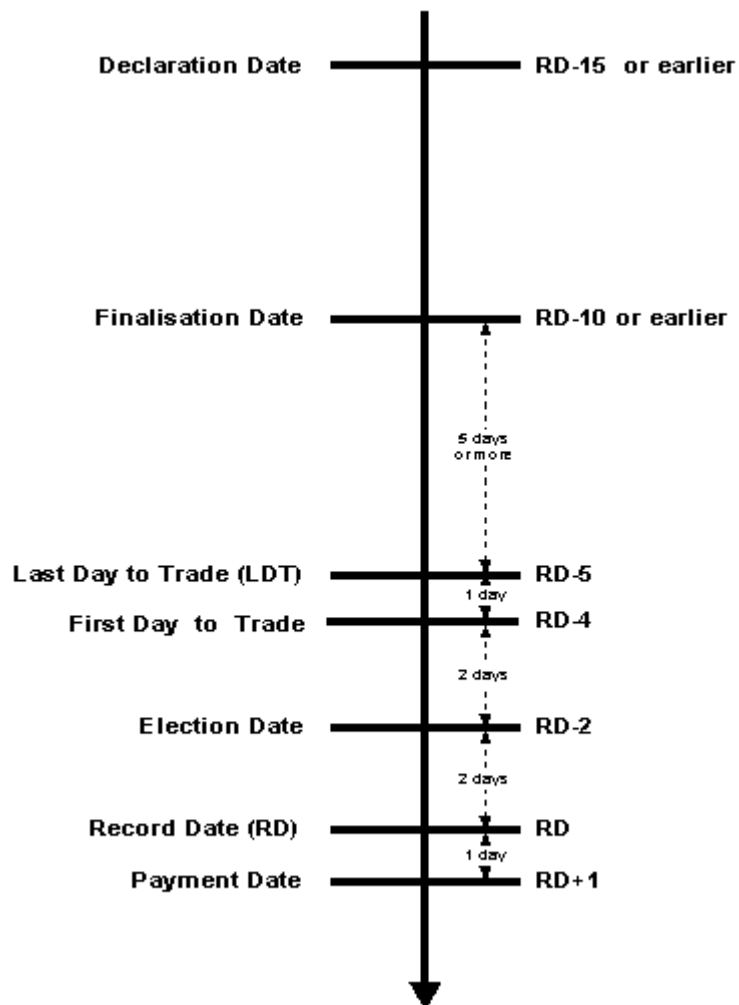
1. A **Capital Reduction with Cash Payout** is an event where a payment of cash is made to registered owners when excess capital held in the company is distributed.
2. A **Capital Reduction with Securities Payout** is an event where a distribution of new securities or a new class of securities is made to registered owners when excess capital held in the company is distributed.
3. A **Capital Repayment (Full)** is an event where the issuer repays the entire issued capital in respect of one or more classes of securities to the registered owners.
4. A **Capital Repayment (Partial)** is an event where the issuer repays a part of the issued capital in respect of one or more classes of securities to the registered owners.
5. A **Capitalisation Issue** (including a “Bonus Issue” and a “Capitalisation Award”) is an event where fully paid shares, capitalised from an issuer’s reserves, are issued to existing registered owners in proportion to their holdings on RD.
6. A **Cash Dividend** is an event where an issuer distributes reserves in cash to the registered owners.
7. A **Claw Back Offer** is an event where an issuer issues securities for cash to a third party and that third party offers all or a portion of such securities to registered owners, in proportion to their holdings.
8. A **Consolidation** is an event where the number of issued shares of a class is consolidated into a lesser quantity of shares of the same class with a corresponding increase in the par value of the resultant number of issued shares of the same class. The effect of a consolidation is that the number of shares of the same class in issue reduces but the total nominal value of the issued share capital in respect of that class remains the same.
9. A **Conversion – Auto (Full)** is an event where all of the issued securities of a class are automatically converted into new securities of a different class by the issuer, without an election.
10. A **Conversion – Auto (Partial)** is an event where a portion of the issued securities of a class is automatically converted into new securities of a different class by the issuer, without an election.
11. A **Conversion – Election (Full)** is an event where the registered owners, where applicable acting on instructions of beneficial owners, are entitled to elect whether they wish to convert all of the issued securities of a class held by them into new securities of a different class.
12. A **Conversion – Election (Partial)** is an event where the registered owners, where applicable acting on instructions of beneficial owners, are entitled to elect whether they wish to convert a specified portion of the issued securities of a class held by them into new securities of a different class.

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13. A **Dividend Option** is an event where an issuer distributes reserves to registered owners, and the registered owner, where applicable acting on the instructions of the beneficial owner, has the option to elect either capitalisation shares or cash.
14. An **Interest Payment** is an event where interest is paid to registered owners of interest bearing securities, at a fixed or variable rate.
15. A **Liquidation Payment (Interim and Final)** is an event where the payment of cash to registered owners is made on the winding up of the company and subsequent termination of the securities. A liquidation payment can be made in stages (Interim and Final). In the case of an interim liquidation payment, the cash entitlement will be paid out whilst the securities are still listed. In the case of a final liquidation payment, once the payment has been made, the securities will be de-listed.
16. A **Name Change** is an event where the registered name of a company is changed.
17. A **New Listing** is an event where a new type or class of securities is to be issued by an issuer and listed on the JSE. A New Listing can occur as a result of –
- 17.1.1 a public offer: an offer to the public to subscribe for securities;
 - 17.1.2 a private placing: a non-renounceable offer to specified persons or entities identified by the issuer (excluding an offer to the public or to existing holders of the issuer's securities) to subscribe for securities; or
 - 17.1.3 a preferential offer: an offer to some or all directors, employees, pensioners and direct business associates of the issuer (including customers with whom there is a direct and enduring contractual relationship) to subscribe for securities.
18. An **Odd Lot Offer** is an event where a listed company offers all registered owners of odd lots the option of either –
- 18.1.1 electing to retain their odd-lot holding;
 - 18.1.2 electing to top up their holding to a round lot of securities; or
 - 18.1.3 electing to sell their odd-lot holding;
- and failing an election, the odd lot will be sold for the benefit of registered owners.
19. A **Redemption with Election** is an event where an issuer repays the redeemable preference share capital or the debenture securities in full to the registered owners. The registered owner, where applicable acting on the instructions of the beneficial owner, has the option to elect either a cash repayment or new securities.
20. A **Redemption without Election** is an event where an issuer repays the redeemable preference share capital or the debenture securities in full to the registered owners, in cash or new securities, as stipulated by the issuer prior to the Finalisation Date.
21. A **Rights Offer** is an event where an offer is made by an issuer to registered owners, to subscribe for further securities, or purchase securities held by the issuer in other issuers, in proportion to their existing holdings. This offer is made either by means of the issue of a renounceable letter of right that may be sold, taken up or lapsed or by the issue of a non-renounceable letter which may only be taken up or lapsed.
22. A **Scheme of Arrangement** is an event where registered owners are obliged to dispose of the relevant securities in terms of a scheme, for a consideration which may or may not be subject to an election as to its content and, if so, where the registered owner (where applicable acting on the instructions of beneficial owners) may exercise the election. The scheme shall have been proposed in terms of Section 311 of the Companies Act, which has been approved by registered owners, where applicable acting on instructions of beneficial owners, and which shall have been sanctioned by the High Court and where the sanctioning order has been registered by the Registrar of Companies.
23. A **Sub-Division** is an event where the number of issued shares of a class is split into a greater quantity of shares of the same class with a corresponding decrease in the par value of the resultant number of issued shares of the same class. The effect of a sub-division is that the number of shares of the same class in issue increases but the total nominal value of the issued share capital remains the same.
24. A **Termination** is an event where the listing status of securities on the JSE is withdrawn.

25. An **Unbundling** is an event where an issuer distributes in specie to the registered owners, whether by way of –
- 25.1.1 a dividend (including a liquidation dividend);
 - 25.1.2 a total or partial reduction of capital (including any share premium);
 - 25.1.3 a redemption of redeemable preference shares;
 - 25.1.4 an acquisition of shares in terms of Section 85 of the Companies Act; or
 - 25.1.5 all or any part of any securities in another issuer whose securities are, or are about to be, listed and which securities are held by the issuer or by a subsidiary of such issuer.
26. A **Special Corporate Action** is any event which varies from, or is not covered by, or is a combination of, any of the classifications of corporate actions set out in CB, provided such corporate action is first approved in writing by the Listings Advisory Committee of the JSE.

CC Corporate actions timeline

A diagrammatical representation of the generic corporate actions timeline is set out below for illustrative purposes.



CD General principles

1. On Declaration Date, the corporate action will be captured into SENS. This announcement will be made at least fifteen business days before RD.
2. The Finalisation Date shall not be less than 10 business days before RD and shall not be less than 5 business days before the LDT. On the Finalisation Date the issuer shall procure that there is announced and captured on SENS that –
 - 2.1 the details of the corporate action have become unconditional in all respects and are irrevocable;
 - 2.2 no further changes can be made to any of the pertinent details of the corporate action which may only thereafter be cancelled by agreement between the JSE Listings Advisory Committee and the issuer; and
 - 2.3 an RD for the corporate action has been selected, and, as a consequence, the LDT, the First Day to Trade, the Election Date (if applicable) and the Payment Date are determinable.
3. Dematerialisation or re-materialisation of the affected securities shall not be permitted during the period RD-4 to RD.
4. Due to the five-day rolling settlement cycle in respect of transactions in securities on the JSE, LDT will always occur at least five business days after Finalisation Date. LDT is the last business day to trade cum the corporate action.
5. The First Day to Trade must be the business day following the LDT (LDT+1) and any existing securities will be treated ex the corporate action entitlement from this business day. The maximum number of new securities (if any) possible for issue in terms of the relevant corporate action will be listed by the JSE on the First Day to Trade with an adjustment to the actual number listed being made on the RD.
6. The Election Date must be the third business day after the LDT (LDT+3) and must be two business days before the RD (RD-2) and affected parties are required to make an election, if applicable, on or before this date.
7. If applicable, a beneficial owner and a member or that member's CSP is required to base their election on the projected holdings as at RD.
8. Any elections not made before the election deadline by a member or that member's CSP will result in the default provisions set out in the conditions applicable to the relevant corporate action being applied by the CSDP in respect of those securities for which no election was made.
9. The RD must be –
 - 9.1 at least 15 business days after the announcement of the corporate action made on Declaration Date;
 - 9.2 at least 10 business days after the Finalisation Date;
 - 9.3 5 business days after the LDT; and
 - 9.4 on the business day before Payment Date.All entitlements will be allocated to beneficial owners based on their holdings as at the RD.
10. On Payment Date (RD+1) the dematerialisation and re-materialisation of affected securities may re-commence.
11. No cash payments will be made in lieu of fractional shares. The published ratio for the calculation of the securities entitlement will be applied to the beneficial owners' holdings on RD and the resultant number of securities will be rounded up or down in terms of CD 12.
12. Fractions resulting from the calculations in CD 11 will be rounded down to the nearest whole number if they are less than 0,5 and will be rounded up to the nearest whole number if they are equal to or greater than 0,5. Where an entitlement has been rounded down, the fraction will therefore be forfeited.
13. Any issuer must procure that any circular, listing particulars, company report, proxy form and notice issued by that issuer must be submitted to every registered owner and to such beneficial owners as may at the time of the issue of the relevant document be recorded on the BDA system as requiring to receive the relevant document.
14. A member and, where applicable, that member's CSP, must by not later than the relevant deadline, convey the election decision to that member's CSDP, whether in terms of a standing mandate applicable in terms of rule 8.140 or otherwise, or in terms of a specific mandate conveyed by the beneficial owner in the manner prescribed by the written arrangements referred to in rule 8.140.

CE Principles applying to specific event types

1. On the First Day to Trade (RD-4), the new securities referred to in CD 5 arising from the corporate events listed below, are listed and may be traded, and, if applicable, the price of the affected securities and any indices in which the securities are included is adjusted:
 - 1.1 Capital Reduction with Securities Payout
 - 1.2 Capitalisation Issue
 - 1.3 Claw Back Offer
 - 1.4 Conversion – Auto (Full)
 - 1.5 Conversion – Auto (Partial)
 - 1.6 Conversion – Election (Full)
 - 1.7 Conversion – Election (Partial)
 - 1.8 Dividend Option
 - 1.9 Name Change
 - 1.10 Odd Lot Offer
 - 1.11 Rights Offer
 - 1.12 Scheme of Arrangement
 - 1.13 Unbundling
2. At the commencement of business on the First Day to Trade (RD-4), the mother share will be delisted and may not be traded in respect of the following corporate events:
 - 2.1 Capital Repayment (Full)
 - 2.2 Conversion – Auto (Full)
 - 2.3 Conversion – Election (Full)
 - 2.4 Liquidation (Final)
 - 2.5 Name Change
 - 2.6 Redemption With Election
 - 2.7 Redemption Without Election
 - 2.8 Scheme of Arrangement
 - 2.9 Termination
3. On the First Day to Trade (RD-4), the mother share in respect of the following corporate events will continue to be listed and may be traded, and the price of the mother share and any indices in which it is included is adjusted:
 - 3.1 Capital Repayment (Partial)
 - 3.2 Capital Reduction with Cash Payout
 - 3.3 Capital Reduction with Securities Payout
 - 3.4 Capitalisation Issue
 - 3.5 Cash Dividend
 - 3.6 Conversion Auto (Partial)
 - 3.7 Conversion Election (Partial)
 - 3.8 Dividend Option
 - 3.9 Interest Payment
 - 3.10 Unbundling

4. A member and, where applicable that member's CSP, is required to make an election and convey the election decision to the relevant CSDP by the election deadline for inter alia the following corporate events:
 - 4.1 Claw Back Offer
 - 4.2 Conversion – Election (Full)
 - 4.3 Conversion – Election (Partial)
 - 4.4 Dividend Option
 - 4.5 Odd Lot Offer
 - 4.6 Proxy for voting at any meeting of the issuer
 - 4.7 Rights Offer
 - 4.8 Redemption With Election
 - 4.9 Schemes of Arrangement (with election)

CF Reconciliation of corporate action control accounts

1. A member shall reconcile the designated corporate action control accounts as frequently as is appropriate for the volume of transactions on the control accounts and in any event not less than every two days.
2. Any differences, other than differences in timing between the records of the member and the member's CSDP shall be corrected within five days of the Payment Date of the specific corporate action.
3. Any differences between the designated corporate action control account and the total of the underlying entitlements allocated to controlled clients of the member, shall be corrected within five days of the Payment Date of the specific corporate action.

Directive D - Members’ Financial Management and Reporting

Scope of section

DA	Financial Records, Credit Risk Management and Insurance
DB	Financial Reporting
DC	Members’ Financial Resources Requirements
DD	Reserved
DE	Accounting Services
DF	Auditors Professional Indemnity Insurance
DG	Appointment and Duties of Auditors
DH	Reserved
DI	Reserved
DJ	Reserved
DK	Special Audit of a Member
DL	Notification
DM	Reserved
DN	Production and distribution of client statements

DA

1. Financial Records

- 1.1 A member shall maintain accounting records on a continual basis so that at all times its records are up-to-date.
- 1.2 All transactions in JSE authorised investments and Krugerrands, securities lending and borrowing transactions, financial transactions and transfers or movements of clients assets, but excluding those transactions referred to in DA 1.11, shall be recorded in the BDA system at the date on which the member enters into an irrevocable commitment to carry out the transaction.
- 1.3 A member’s accounting records should be sufficient to show and explain the member’s transactions and commitments, whether effected on its own behalf or on behalf of others, so that these records disclose with substantial accuracy the financial position of the member at the close of business on any day.
- 1.4 A member’s accounting records shall comply with the requirements of the Act and as a minimum shall contain –
 - 1.4.1 entries from day to day of all sums of money received and expended by the member, whether on its behalf or on behalf of others, and the matters in respect of which the receipt and expenditure takes place;
 - 1.4.2 a record of all income and expenditure of the member explaining its nature;
 - 1.4.3 a record of all assets and liabilities of the member, including any provisions for commitments or contingent liabilities;
 - 1.4.4 entries from day to day of all transactions in JSE authorised investments by the member, distinguishing those which are made by the member on its own account and those which are made by or on behalf of others;
 - 1.4.5 entries from day to day of the receipt and despatch of documents of title which are in the possession or control of the member; and
 - 1.4.6 a record of all securities and documents of title in the possession or control of the member showing the physical location, the owner, the purpose for which they are held and whether they are subject to any charge.
- 1.5 A member shall reconcile all balances with banks, custodians and clearing houses as frequently as is appropriate for the volume of transactions on the accounts and in any event not less than every two days. Any differences, other than differences in timing between the records of the member and the bank, custodian or clearing house should be corrected forthwith.
- 1.6 A member shall promptly make provision for doubtful debts and accrue for all liabilities.
- 1.7 The provisions made for taxation should be based upon the tax that would be payable if the member had ceased business on the last day of the financial period, realised its assets at prevailing prices and incurred no further costs.
- 1.8 A member may keep a record in a form other than a document provided that the record can be reproduced in hard printed form.
- 1.9 A member shall keep its accounting records as well as any working papers necessary to show the preparation of any statutory financial report for a period of five years after the date on which they are first made or prepared.
- 1.10 A member shall maintain adequate procedures for the maintenance, security, privacy and preservation of records, working papers and documents of title belonging to the member or others so that they are reasonably safeguarded against loss, unauthorised access, alteration or destruction.

- 1.11 A member shall not be obliged to record the details of transactions executed on behalf of its clients in the following JSE authorised investments and financial products in the BDA system:
- 1.11.1 securities listed on an external exchange;
 - 1.11.2 participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 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;
 - 1.11.3 units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and
 - 1.11.4 any other financial product, other than JSE authorised investments.
- 1.12 Notwithstanding the provisions of DA 1.11, all receipts and payments of funds through the member’s bank accounts relating to transactions in the JSE authorised investments and financial products referred to in DA 1.11 shall be recorded in the BDA system.
- 1.13 A member who elects to utilise an accounting system other than the BDA system for the purpose of recording the details of client transactions in one or more of the JSE authorised investments and financial products referred to in DA 1.11 shall nevertheless comply with all of the other provisions of this directive and the Act relating to the maintenance of accounting records.

2. Credit Risk Management

- 2.1 In extending credit to a client or counterparty, either through a loan of funds, a loan of securities or an indulgence in relation to an obligation of a client or counterparty to the member, a member must ensure that –
- 2.1.1 the granting of credit does not compromise its ability to meet its financial resources requirements as specified in the rules and directives;
 - 2.1.2 the granting of credit does not adversely impact its liquidity to the extent that it may not have sufficient funds to meet its short term commitments; and
 - 2.1.3 the realisable value of any collateral or other security provided by the client or counterparty which reduces the exposure on which the member’s Counterparty Risk Requirement is calculated, in terms of DC 9.4, can be reliably measured.
- 2.2 In managing its credit risk and, specifically, in ensuring that it meets the requirements of DC 2.4.2, a member should measure and monitor its material credit exposures and any associated collateral or other security, on an ongoing basis, to ensure that actual and potential fluctuations in the value of the relevant loans or the security held against such loans do not adversely affect the member’s ability to meet its financial resources requirements.

3. Insurance

- 3.1. Every member shall at all times be covered by a Stockbrokers’ Indemnity Policy of Insurance (“In and Out” Policy) which shall be negotiated by the JSE Executive.
- 3.2 A member shall pay premiums and carry such excesses in respect of each and every loss as the JSE Executive may from time to time determine.

DB

1. Financial Reporting

- 1.1 A member shall submit to the Director : Surveillance the reporting statements set out in Table 1.1 by the date specified therein and such other reporting statements or supplementary information as the Director : Surveillance may require.

Table 1.1

Reporting Statements	Frequency	Due Date
Annual Financial Statements	Annually	3 months
Capital Adequacy Return	Monthly	10th of each month
Annual Reconciliation Statement	Annually	3 months
Auditors’ Special Reports		
• Report in terms of the Act and JSE directives	Annually	3 months
• Report on Annual Reconciliation Statement	Annually	3 months
Note: All dates or calendar months are from the date as at which the reporting statement is prepared.		

- 1.2 A member shall prepare its annual financial statements in a form which is appropriate to its business and in a manner which complies with the Companies Act and Statements of Generally Accepted Accounting Practice effective at the relevant time.
- 1.3 A member shall submit to the Director: Surveillance within the period laid down in Table 1.1 returns in the prescribed form in relation to the member’s capital adequacy. Upon completion of its annual financial statements, it shall complete and submit the Annual Reconciliation Statement reconciling the amounts reflected in its Annual Financial Statements with the capital adequacy returns previously submitted in respect of the period ending on the last day of its financial year.
- 1.4 The Capital Adequacy Return and Annual Reconciliation Statement referred to in DB 1.1 shall be signed by the compliance officer or a director of the member.

DC Members Financial Resources Requirements

1. Objectives and Administrative Procedures

Objectives

- 1.1 Members should be established as entities of substance so as to evidence to the investing public and other market participants their financial capacity to ensure continuity of service delivery and market participation.
- 1.2 Additional levels of capital will be required of members to the extent that their business operations expose them to levels of risk in excess of that covered by their base level financial requirement. Such additional levels of capital will be determined by the JSE at amounts which are designed to protect the investing public and other market participants from loss as a result of the failure of a member’s business as a consequence of market conditions which could be reasonably foreseen.
- 1.3 The manner in which the required capital is held will be prescribed by the JSE so as to ensure that it is in sufficiently liquid form to be available to meet the member’s potential obligations as and when they become due.
- 1.4 These financial resources requirements are not designed to afford protection against significant fraud or other risks which are not reasonably foreseeable. Such risks are addressed through comprehensive fidelity insurance cover and the JSE Guarantee Fund.

Administrative Procedures

- 1.5 The Director: Surveillance shall be entitled to full access to members’ financial and other records at any time, in order to confirm a member’s compliance with the Financial Resources Requirements.
- 1.6 Any reference to the Director: Surveillance in these directives shall be deemed to include his deputy and any other member of the JSE Surveillance Department authorised by the Director to act on his behalf.
- 1.7 The requirements in the rules and directives relating to the adequacy of a member’s financial resources and the submission of monthly returns to the Director: Surveillance reflecting the member’s risk positions and its financial resources, shall apply regardless of the fact that the details of client transactions in certain financial products may not be recorded in the BDA system in terms of DA 1.11. In addition, any risk or loss to the member arising out of such transactions, which is not reflected in the BDA system and which is material in relation to the member’s risk positions or financial resources, shall, as soon as the risk or the loss has been incurred, be reported, in writing, to the Director: Surveillance.

2. Financial Resources

- 2.1 A member shall calculate its financial resources in accordance with Table 2.1 below –

Table 2.1

Ordinary share capital	X
Preference share capital	X
Share premium account	X
Reserves	X
Audited retained earnings (or accumulated losses)	X
Unaudited profit (or loss)	X
Owners’ equity	XXX
Subordinated loans	X
Guarantees received	X
Total capital resources	XXX
Less: Impaired capital	XXX
Intangible assets	X
Guarantees provided	X
Material holdings in credit institutions and investment firms	X
Available capital resources	XXX
Less: Illiquid assets	XXX
Fixed assets, net of related secured loans	X
Investments in unlisted securities	X
Guarantees provided to clearing houses	X
Adjusted liquid capital	XXX

- 2.2 A member may add to the adjusted liquid capital calculated in 2.1, solely for the purpose of meeting its Fixed Expenditure Base Requirement, such amount as can be evidenced to the Director: Surveillance that the illiquid assets are capable of realising within a period of thirteen weeks, after repayment of any related secured loans.
- 2.3 A member may include the following sources of capital in the determination of its financial resources to the extent that they meet the following criteria –
 - 2.3.1 Redeemable preference shares shall have an initial period to redemption of at least two years and their remaining period to redemption shall be more than three months.
 - 2.3.2 Reserved

DIRECTIVE D – MEMBERS’ FINANCIAL MANAGEMENT AND REPORTING

- 2.3.3 Audited retained earnings shall be subject to an independent auditor’s unqualified report and shall be determined after any charges, such as taxation and any proposed distributions to owners.
- 2.3.4 Unaudited profits and losses, net of tax. However, the Director: Surveillance may limit the extent to which unaudited profits are recognised where he is of the opinion that a member’s financial reporting and management systems do not provide acceptable levels of assurance regarding the accuracy of reported interim results.
- 2.3.5 Subordinated loan accounts, which include shareholders loan accounts, shall be legally subordinated in the manner prescribed by the Director: Surveillance but may be repaid subject to the prior written approval of the Director: Surveillance.
- 2.3.6 Guarantees received shall be provided by a guarantor which is proved to the satisfaction of the Director: Surveillance to be of sufficient substance to assure performance, irrevocable for at least a further period of three months and capable of being drawn upon on presentation.
- 2.4 A member shall deduct the following amounts from its financial resources in determining its available capital resources –
 - 2.4.1 The full balance sheet amount of intangible assets including goodwill, capitalised development costs, licences, trademarks and similar rights.
 - 2.4.2 The maximum current exposure of the member arising from any guarantee given, or assets pledged, to secure the obligations of a third party.
 - 2.4.3 The full value of its holdings in credit institutions and investment firms which exceed either –
 - 2.4.3.1 10% of the capital of the issuer; or
 - 2.4.3.2 10% of the member’s available capital resources, before deducting these holdings.
- 2.5 A member shall deduct from its available capital resources the following illiquid assets in determining its adjusted liquid capital –
 - 2.5.1 The net book value of its tangible fixed assets. Where such fixed assets are used as security for loans, the amount to be deducted may be reduced to the extent of the secured loan outstanding.
 - 2.5.2 The book value of its investments in unlisted securities other than JSE Limited shares, including its investment in any subsidiary company. In addition, a member shall make provision for any deficiency in shareholders funds of a subsidiary, except to the extent that such deficiency has already been funded by the member and the resultant liability of the subsidiary to the member has been taken into account in determining the member’s CRR. Where the JSE operates a market for the trading of unlisted shares, including JSE shares, such shares shall be treated as if they were listed shares.
 - 2.5.3 The margin required by the JSE in respect of uncommitted securities transactions on behalf of non-controlled clients.

3. Position Risk Requirement (PRR)

General Principles

- 3.1 A member shall calculate its risk exposures arising from different classes of securities in accordance with the method prescribed in DC 4.2 or DC 5.2.
- 3.2 A member shall mark to market its securities, bonds and financial instruments positions, for purposes of determining its PRR.
- 3.3 Where a member has a position in an instrument for which no PRR has been specified, the member shall immediately seek guidance from the Director: Surveillance on the PRR treatment to apply. Pending a decision, the member shall apply a PRR of 100% to its risk exposure.

4. Position Risk – Equities

- 4.1 A member shall apply the equity method to the following exchange traded securities positions (whether or not forward positions) –
- 4.1.1 a share;
 - 4.1.2 a convertible preference security which trades in a manner similar to the equity underlying the convertible (non-convertible preference securities should be treated as debt securities);
 - 4.1.3 a depository receipt;
 - 4.1.4 a convertible debt security which trades in a manner similar to the equity underlying the convertible; and
 - 4.1.5 derivative instruments and exchange traded funds based upon any of the above.
- 4.2 Calculation - equities method
- 4.2.1 A member shall calculate its equity position risk on an approach which recognises that a change in the value of an instrument may occur as a result of a change in the market as a whole – General Risk, or from factors which are specific to the issuer of the instrument – Specific Risk. General Risk and Specific Risk shall be separately identified and the charges in respect of each shall be aggregated to arrive at the total PRR.
 - 4.2.2 Reserved.
 - 4.2.3 Reserved.
 - 4.2.4 General Risk shall be computed at the percentages set out in table 4.2.7 on the market value of the net of the long and short positions of the portfolio.
 - 4.2.5 Specific Risk shall be computed at the percentages set out in table 4.2.7 on the market value of the aggregate of the long and short positions of the portfolio.
 - 4.2.6 A member may net a long against a short position only where the positions are in the same actual instrument or equity equivalent positions arising from convertibles, derivatives and equity indices.

Table 4.2.7

	General Risk	Specific Risk		
		Highly Liquid	Normal Liquidity	Illiquid
Equities	8%	5%	10%	15%
Equity indices	8%		N/A	
Equity exchange traded funds	8%		N/A	

DC 4.1.5 amended with effect from 19 December 2007
 DC 4.2.2 deleted with effect from 19 December 2007
 DC 4.2.3 deleted with effect from 19 December 2007
 Table 4.2.7 replaced with effect from 19 December 2007

- 4.2.8 The JSE shall monitor the level and frequency of trades in JSE listed securities and determine and publish schedules reflecting those securities which for the purposes of determining specific risk are to be treated as highly liquid, normally liquid and illiquid.
- 4.2.9 The PRR for a convertible is calculated on the mark to market value of the equity underlying the convertible plus any loss which would arise on conversion or less any profit which would arise on conversion but limited to such amount as reduces the PRR of the position to zero.

Treatment of Derivatives

- 4.2.10 A member shall treat a purchased call option or written put option as a long equity equivalent position and a purchased put option or written call option as a short equity equivalent position.
- 4.2.11 A member shall take the equity equivalent position of an option on an equity to be the mark to market value of the underlying equity multiplied by its delta.
- 4.2.12 The delta used shall be calculated by the member, subject to the Director: Surveillance being satisfied that the model used by the member is reasonable.
- 4.2.13 The JSE may, however, prescribe that members calculate their deltas using a specified methodology.

Futures and Options on an Index

- 4.2.14 A member shall treat the mark to market value of a notional equity portfolio underlying an equity index, either –
- 4.2.14.1 as a single equity equivalent position; or
- 4.2.14.2 as notional positions in the constituent equities.

Where a member elects option 4.2.14.1 above, the position will attract the general risk PRR attributable to that market but no specific risk amount.

Alternative Treatment of Derivatives

- 4.2.15 As an alternative to the method of treatment of derivatives set out in 4.2.10 to 4.2.13, a member may apply one of the following methods –
- 4.2.15.1 Where a derivative is traded on an exchange which requires a positive initial margin, the PRR shall be twice the initial margin requirement of the exchange.
- 4.2.15.2 Where a member does not apply a risk assessment model to the position in 4.2.11, the delta may be assumed to be 1 but with a limit being placed on the resultant PRR in the case of a purchased option of the mark to market value of the option.
- In the case of a written option, the PRR shall be the amount computed using a delta of 1, reduced by any excess of the exercise value over the mark to market value of the underlying instrument in the case of a call option or vice versa for a put option, but limited to nil if it would otherwise be negative.
- 4.2.15.3 Where a member does not use a risk assessment model and prices are not published for its option positions, a member shall determine the market value as follows –
- 4.2.15.3.1 for purchased options, the mark to market value shall be the product of the in the money amount and the quantity underlying the option;
- 4.2.15.3.2 for written options, the mark to market value shall be the initial premium received for the option plus the product of the amount by which the current in the money amount exceeds either the in the money amount at the time the contract was written, or zero if the contract was out of the money at the time it was written; and
- 4.2.15.3.3 the quantity underlying the option.
- 4.2.16 The transferor of securities or guaranteed rights relating to title to securities in a repurchase agreement and the lender of securities in a securities lending agreement shall include these securities in the calculation of its PRR.

5. Interest Rate Method

- 5.1 A member shall apply the interest rate method to the following positions (whether or not forward positions) –
- 5.1.1 a debt security
 - 5.1.2 a convertible debt security which trades in a manner dissimilar to the equity underlying the convertible
 - 5.1.3 a non-convertible preference security
 - 5.1.4 a convertible preference security which trades in a manner dissimilar to the equity underlying the convertible
 - 5.1.5 an interest rate exposure embedded in a financial instrument
 - 5.1.6 derivative instruments based upon any of the above

5.2 Calculation - interest rate method

- 5.2.1 A member shall calculate its debt position risk on an approach which recognises that a change in the value of an instrument may occur as a result of a change in the market as a whole – General Risk, or from factors which are specific to the issuer of the instrument – Specific Risk. General Risk and Specific Risk shall be separately identified and the charges in respect of each shall be aggregated to arrive at the total PRR.
- 5.2.2 General Risk shall be computed on the market value of the net of the long and short positions of the portfolio.
- 5.2.3 Specific Risk shall be computed on the market value of the aggregate of the long and short positions of the portfolio.
- 5.2.4 A member may net a long against a short position only where the positions are in the same actual instrument or debt equivalent positions arising from convertibles, derivatives and bond warrants in respect of that instrument.

Debt Equivalent and Derivatives

- 5.2.5 A member shall treat a purchased call or a written put option as a long debt equivalent position and a purchased put option or a written call option as a short debt equivalent position.
- 5.2.6 A member shall take the debt equivalent positions of an option on a debt security to be the mark to market value of the securities to which the option relates multiplied by its delta.
- 5.2.7 The delta used shall be calculated by the member, subject to the Director : Surveillance being satisfied that the model used by the member is reasonable.
- 5.2.8 The JSE may, however, prescribe that members calculate their deltas using a specified methodology.
- 5.2.9 The debt equivalent amounts for positions in derivatives shall be determined as follows –
 - 5.2.9.1 A forward or future on a debt security shall be treated as a notional long debt equivalent and a notional short debt equivalent position of a type and maturity as follows –
 - 5.2.9.1.1 Where the member has bought the future –
 - 5.2.9.1.1.1 a long position in the underlying security; and
 - 5.2.9.1.1.2 a short position in a zero coupon government security with maturity equal to the time to expiry of the futures contract.
 - 5.2.9.1.2 Where the member has sold the future –
 - 5.2.9.1.2.1 a short position in the underlying security; and
 - 5.2.9.1.2.2 a long position in a zero coupon government security with maturity equal to the time to expiry of the futures contract.

- 5.2.9.2 A future on an interest rate shall be treated as a notional long debt equivalent position and a notional short debt equivalent position in a zero coupon government security with the following maturities –
- 5.2.9.2.1 Where the member has fixed the rate of interest it will pay at some time in the future (e.g. it “sells” an interest rate future or “buys” an FRA);
- 5.2.9.2.1.1 the notional short position has a maturity equal to the time to expiry of the future plus the maturity of the borrowing period; and
- 5.2.9.2.1.2 the notional long position has a maturity equal to the time to expiry of the future.
- 5.2.9.2.2 Where the member has fixed the rate of interest it will receive at some time in the future –
- 5.2.9.2.2.1 the notional short position has a maturity equal to the time to expiry of the future; and
- 5.2.9.2.2.2 the notional long position has a maturity equal to the time to expiry of the future plus the maturity of the deposit period.
- 5.2.9.3 Swaps shall be treated on the same basis as on-balance sheet instruments. Thus an interest rate swap is equivalent to a long position if the member is receiving interest and a short position if the member is paying interest, of a maturity equal to the length of the swap for the fixed rate leg and the period remaining to the next interest rate reset date for the floating rate leg.
- Alternative Treatment of Derivatives*
- 5.2.10 As an alternative to the method of treatment of derivatives set out in 5.2.5 to 5.2.9 above a member may apply one of the following methods –
- 5.2.10.1 Where a derivative is traded on an exchange which requires a positive initial margin, the PRR shall be twice the initial margin requirement of the exchange.
- 5.2.10.2 Where a member does not apply a risk assessment model to the position in 5.2.6, the delta may be assumed to be 1 with a limit being placed on the resultant PRR, in the case of a purchased option, of the mark to market value of the option.
- In the case of a written option, the PRR shall be the amount computed using a delta of 1, reduced by any excess of the exercise value over the mark to market value of the underlying instrument in the case of a call option or vice versa for a put option but limited to nil if it would otherwise be negative.
- 5.2.10.3 The PRR of an OTC future on a debt security may be determined on the mark to market value of the future.
- Specific Risk*
- 5.2.11 A member shall assign each net position to the appropriate category in Table 5.2.11 and apply the percentage shown to arrive at the specific risk for the position.

Table 5.2.11

Issuer	Period to maturity	Specific Risk %
An issue of, or fully guaranteed by the government of the Republic of South Africa or the South African Reserve Bank.	any	0
Other listed securities	0 – 6 months	0,25
	6 – 24 months	1,00
	over 24 months	1,60

General Risk

Choice of Approaches

- 5.2.12 A member may choose to apply the maturity-based approach or the duration-based approach in order to calculate general market risk but shall apply the chosen method on a consistent basis.

Maturity-Based Approach

- 5.2.13 Members computing the general risk component of PRR under the maturity-based approach shall compute the amount required as follows:
- 5.2.13.1 Categorise positions into bands and zones on the basis of maturity, as set out in Table 5.2.13.1.
- 5.2.13.2 Multiply the gross long and gross short positions in each maturity band by the maturity-based general market risk factor for that band as set out in Table 5.2.13.1 to arrive at the risk weighted positions.

Table 5.2.13.1

Maturity-based general market risk

Zone	Maturity Band		Weighting (in %)	Assumed Interest rate change (in %)
	Coupon of 3% or more	Coupon of less than 3%		
One	> 0 ≤ 1 month	> 0 ≤ 1 month	0,00	–
	> 1 ≤ 3 months	> 1 ≤ 3 months	0,20	1,00
	> 3 ≤ 6 months	> 3 ≤ 6 months	0,40	1,00
	> 6 ≤ 12 months	> 6 ≤ 12 months	0,70	1,00
Two	> 1 ≤ 2 years	> 1,0 ≤ 1,9 years	1,25	0,90
	> 2 ≤ 3 years	> 1,0 ≤ 2,8 years	1,75	0,80
	> 3 ≤ 4 years	> 2,8 ≤ 3,6 years	2,25	0,75
Three	> 4 ≤ 5 years	> 3,6 ≤ 4,3 years	2,75	0,75
	> 5 ≤ 7 years	> 4,3 ≤ 5,7 years	3,25	0,70
	> 7 ≤ 10 years	> 5,7 ≤ 7,3 years	3,75	0,65
	> 10 ≤ 15 years	> 7,3 ≤ 9,3 years	4,50	0,60
	> 15 ≤ 20 years	> 9,3 ≤ 10,6 years	5,25	0,60
	> 15 > 20 years	> 10,6 ≤ 12,0 years	6,00	0,60
		> 12,0 ≤ 20,0 years	8,00	0,60
> 12,0 > 20 years		12,50	0,60	

5.2.13.3 Match the risk weighted long positions against the risk weighted short positions, in the sequence in A to D below, according to the procedures in 5.2.13.4 and 5.2.13.5 below –

- A the same maturity band
- B the same zone
- C adjacent zones
- D non-adjacent zones.

5.2.13.4 Multiply one side of the common amount of the matched positions by the appropriate maturity-based matching factor set out in Table 5.2.13.4 and aggregate all the results.

Table 5.2.13.4

Maturity-based matching factors

	Matching factor
Same maturity band	10%
Zone 1	40%
Zone 2	30%
Zone 3	30%
Adjacent Zones	40%
Zone 1 and Zone 3	150%

5.2.13.5 Aggregate all the unmatched amounts and add to the total in 5.2.13.4 above to determine the general market risk amount.

Duration-based Approach

5.2.14 Members computing the general risk component of PRR under the duration-based approach shall compute the amount required as follows:

5.2.14.1 Categorise all debt and debt equivalent positions into zones, as shown in table 5.2.14.2 below, on the basis of the modified duration of each instrument. The modified duration shall be calculated on the basis of the following formula:

$$\text{modified duration} = \frac{\text{duration (D)}}{(1+r)}, \text{ where :}$$

$$D = \frac{\sum_{t=1}^m \frac{tC^t}{(1+r)^t}}{\sum_{t=1}^m \frac{tC^t}{(1+r)^t}}$$

where:

- r = yield to maturity
- C_t = cash payment in time t,
- m = total maturity

5.2.14.2 Calculate the duration weighted position of each instrument by multiplying its market price by its modified duration and by the assumed interest rate change shown in table 5.2.14.2 –

Table 5.2.14.2

Zone	Modified duration	Assumed interest rate change
One	0-1	1%
Two	1-3,6	0,85%
Three	more than 3,6	0,7%

5.2.14.3 Match the duration weighted long positions against the duration weighted short positions, as permitted in A to C below, according to the procedure described in 5.2.14.4 to 5.2.14.5 below –

- A – the same zone
- B – adjacent zones
- C – zone 1 and zone 3

5.2.14.4 Multiply one side of the common amount of the matched positions by the percentages shown in the following table and aggregate all the results.

Table 5.2.14.4

Duration-based general market risk factors

	Matching factor
Positions in the same zone	2%
Positions in adjacent zones	40%
Positions spanning zones 1 and 3	150%

5.2.14.5 Aggregate all the unmatched positions and add to the total in 5.2.14.4 above to determine the general market risk amount.

6. Underwriting

- 6.1 Permission of the Director : Surveillance must be obtained before any member enters into any underwriting or sub-underwriting commitment which, together with any other current underwriting or sub-underwriting commitment of the member, exceeds R100 000.
- 6.2 A member involved in the underwriting of new issues of securities shall use the following procedure in calculating its PRR in respect of such commitment. For the purposes of this section, underwriting includes sub-underwriting, including any commitment to accept an allotment.
- 6.3 A member shall compute a PRR in respect of its commitment under an underwriting agreement from the date that the commitment is entered into. Such date shall be the working day on which the member becomes committed to accepting a known maximum quantity of securities at an agreed price.
- 6.4 The member shall compute its net underwriting commitment by adjusting its gross commitment for –
 - 6.4.1 underwriting or sub-underwriting commitments obtained from others;
 - 6.4.2 purchases and sales of the securities; and
 - 6.4.3 allocations granted or received.
- 6.5 Thereafter it shall reduce the net position by the following reduction factors –

From initial commitment	<i>Loan Stock</i>	<i>Equity Securities</i>
until Day 0–	75%	90%
Day 1–	75%	90%
Days 2 & 3–	75%	75%
Day 4–	50%	50%
Day 5–	25%	25%

- 6.6 After day 5, the member shall be required to compute its PRR on the net exposure, without reduction, in its normal manner for equity positions.
- 6.7 For purposes of calculating Large Exposure Risk, the member shall be required to include the net position (without reduction) from working day zero.

7. Other Investments

- 7.1 Where a member holds investments other than securities listed on an exchange, the following PRR’s shall apply –

<i>Nature of Investments</i>	<i>PRR</i>
Units in a registered collective investment scheme	10% of realisable value
Krugerrands	10% of market value
Interest in an unregistered futures or options fund	50% of realisable value
Any other Investments	100% of any amount at which they are included in arriving at adjusted liquid capital

- 7.2 Realisable value means a fair estimate of the value at which the position could be closed without materially affecting the market in the instrument.

8. Reserved

9. Counterparty Risk Requirement (CRR)

- 9.1 A member shall calculate its total CRR on counterparty exposures arising from its business as the sum of all the amounts calculated in accordance with table 9.14 below.
- 9.2 A member shall not include any CRR if it is a negative amount.
- 9.3 Where a member is in doubt as to the classification of an item for the purposes of CRR, it shall promptly seek advice from the Director: Surveillance. Until the Director: Surveillance determines the correct treatment in the CRR calculation, the member shall include in its CRR 100% of the credit risk exposure on the item concerned.
- 9.4 A member may reduce the exposure on which its CRR is calculated to the extent that it makes provision for a specific counterparty balance or it holds security or enforceable guarantees of the performance of a counterparty. Client’s money held in a separate trust account, including JSET, shall be regarded as security held by a member.
- 9.5 A member shall calculate a CRR for all counterparty exposures irrespective of any connection with any counterparty.
- 9.6 Amounts due to and from the same counterparty or connected counterparty, may not be off-set unless there is a legal right to do so.
- 9.7 The Counterparty Risk Requirements in terms of table 9.14 do not address the risks to a member arising from –
 - 9.7.1 clients failing to meet their obligations in relation to purchase and sale transactions in securities other than equity securities which have been executed on their behalf but which are not yet due for settlement, and
 - 9.7.2 clients that may be unable to meet their commitments in terms of written options contracts when called upon to do so.
- 9.8 Where, in the opinion of the Director : Surveillance, a member is exposed to a potential for material loss in relation to the unsettled transactions referred to in 9.7 above, the Director : Surveillance may require a member to provide acceptable evidence of the client’s commitment to meet its obligations on due date.

- 9.9 Acceptable evidence of a client’s commitment to meet its obligations on due date may take the form of –
- 9.9.1 confirmation of the transactions concerned; and
 - 9.9.2 acceptable evidence of financial standing; or
 - 9.9.3 the provision of adequate security; or
 - 9.9.4 the provision of acceptable guarantees.
- 9.10 In the absence of such acceptable evidence, the Director: Surveillance may, inter alia, require a member to increase its CRR by an amount not exceeding its exposure to loss.
- 9.11 Such exposure to loss should be determined as the difference between the amount of the client’s obligations and the amount of any assets available to meet such obligations.
- 9.12 Amounts, in relation to securities, should be determined based upon ruling prices but the Director: Surveillance may require that these be adjusted to recognise price volatility in relation to the specific securities concerned.
- 9.13 Reserved

Table 9.14 – Calculation of Counterparty Risk Requirement

Nature of Transaction	CRR Amount
9.14.1 Unsettled securities transactions, other than those specified in 9.14.6.	
9.14.1.1 Transactions in securities on behalf of controlled clients <ul style="list-style-type: none"> • From trade date onwards 	100% of the difference between the transaction value and the market value of the securities. In addition, PRR shall be computed on the market value of the net of the unsettled purchase and sale transactions in each security on each client’s account.
9.14.1.2 Transactions in securities on behalf of non-controlled clients	
9.14.1.2.1 Where the CSDP of the client has committed to settling the transaction	Nil
9.14.1.2.2 Where the CSDP of the client has not committed to settling the transaction <ul style="list-style-type: none"> • 0-2 days after trade date • 3 days after trade date • 4 days after trade date and thereafter 	2% of the greater of the aggregate value of uncommitted purchases or sales in each security on each client’s account Nil (Note: Uncommitted transactions are subject to margin on T+3 and the margin in respect of non-controlled client trades is treated as an illiquid asset) 100% of the difference between the transaction value and the market value of the securities. In addition, PRR shall be computed on the market value of the net of the unsettled purchase and sale transactions in each security on each client’s account

Nature of Transaction		CRR Amount
9.14.1.3	<p>Transactions executed on BESA</p> <ul style="list-style-type: none"> • 0-1 day after settlement • more than 1 day after settlement date 	<p>50% of the difference between the transaction value and the market value of the securities</p> <p>100% of the difference between the transaction value and the market value of the securities. In addition, PRR shall be computed on the market value of the securities.</p>
9.14.1.4	<p>Settle on balance transactions</p> <p>Amounts due in money or securities from a clearing house which fully guarantees members performance</p>	Nil
9.14.1.5	Unsettled balances with other clearing houses	Treat as free deliveries
9.14.1.6	Unsettled balances with owners, subsidiary, fellow subsidiary and associated companies, and employees of a member	100% of the balance outstanding
9.14.1.7	Free deliveries	
9.14.1.7.1	Non-payment against securities delivered	Amount due } multiplied by } % in } 9.14.1.7.3 or
9.14.1.7.2	Non-delivery of securities against payment	Market value } 9.14.1.7.4 of securities } below
9.14.1.7.3	Where the client is a regulated financial institution or regulated banking institution or a party whose obligations are guaranteed by such an institution	
	<ul style="list-style-type: none"> • 1 day since delivery/ payment • 1-7 days since delivery/ payment • Over 7 days 	<p>Nil</p> <p>25%</p> <p>100%</p>
9.14.1.7.4	Any other client, at any time	100%
9.14.2	Options purchased for a client	
	<ul style="list-style-type: none"> • Non-payment of purchase price 1 day after due date • Thereafter 	<p>Difference between purchase price and market value of option or if a market value of the option is not readily available 100% of the option premium unpaid</p> <p>100% of option premium unpaid</p>
9.14.3	Exchange traded margined transactions (includes initial margin and variation margin)	
	<ul style="list-style-type: none"> • 1 day since shortfall • 2 days and over since shortfall 	<p>Nil</p> <p>100% of shortfall</p>

Nature of Transaction	CRR Amount
<p>9.14.4 Repurchase or reverse repurchase agreements (including lending and borrowing and sale and buy back agreements)</p> <p>On the difference between the current market values of the asset received and the security provided or the asset provided and the security received</p> <p>During the period of the agreement –</p> <ul style="list-style-type: none"> • Where the counterparty is a regulated financial institution or a regulated banking institution • All other counterparties <p>Subsequent to settlement date</p> <ul style="list-style-type: none"> • All counterparties 	<p>Nil</p> <p>25%</p> <p>100%</p>
<p>9.14.5 Swaps, forward contracts, OTC options, contracts for differences and off exchange futures</p> <p>Calculation of credit equivalent amount:</p>	<p><i>Credit Equivalent Amount</i></p>
<p>9.14.5.1 Interest rate swaps single currency</p> <ul style="list-style-type: none"> • under 1 year to maturity • over 1 year to maturity 	<p>MV</p> <p>MV + 0,5% of NV</p>
<p>9.14.5.2 Cross currency swaps</p> <ul style="list-style-type: none"> • under 1 year to maturity • over 1 year to maturity 	<p>MV + 1% of NV</p> <p>MV + 5% of NV</p>
<p>9.14.5.3 FRA's, futures, purchased options and other contracts for differences based on interest rates</p> <ul style="list-style-type: none"> • under 1 year maturity • over 1 year maturity 	<p>MV</p> <p>MV + 0,5% of NV</p>
<p>9.14.5.4 Futures, purchased options and other contracts for differences based wholly or partly on currency exchange rates and equity prices</p> <ul style="list-style-type: none"> • under 14 days original maturity • under 1 year to maturity • over 1 year to maturity 	<p>Nil</p> <p>MV + 1% of NV</p> <p>MV + 5% of NV</p>
<p>Notes:</p> <p>MV = market risk of the contract or market value of the option</p> <p>NV = notional or actual principal amount or value underlying the contract</p> <p>Counterparty risk requirements = credit equivalent amount multiplied by the appropriate counterparty risk %</p> <ul style="list-style-type: none"> • state or state guaranteed entity • regulated exchanges, JSE members, supranational organisations and regulated financial and banking institutions • any other counterparty 	<p>0%</p> <p>2%</p> <p>10%</p>

Nature of Transaction	CRR Amount
9.14.6 Sums due for payment or owed on closed out transactions, unless adequately secured <ul style="list-style-type: none"> • From date of debt occurring 	100% of amount unsecured
9.14.7 Loans to clients <ul style="list-style-type: none"> • where the loan exceeds the value of securities and is not adequately secured 	100% of amount by which the loan is not adequately secured
9.14.8 Other receivables <ul style="list-style-type: none"> • commissions and fees earned • repayments of marketable investments at maturity or call • the value of scrip issues and rights issues • proceeds arising from takeovers and mergers • other receivables not covered elsewhere in this section To the extent that amounts due have been outstanding for more than 30 days	100%

10. Foreign Exchange Requirement (FER)

10.1 A member shall calculate a foreign exchange requirement to cover the foreign exchange risk resulting from –

10.1.1 foreign exchange dealing;

10.1.2 holding assets and liabilities giving rise to exposures in currencies other than in rand;

10.1.3 holding any off-balance sheet contract which gives rise to an exposure in a currency other than in rand.

10.2 Types of exposures to be included in the foreign exchange requirement –

10.2.1 General rule

A member shall calculate a foreign exchange requirement for the following positions, identifying each currency separately –

10.2.1.1 the net spot position of all asset items less all liability items including accrued interest in the currency in question;

10.2.1.2 any currency future at the nominal value of the contract;

10.2.1.3 any forward contract for the purchase or sale, at the contract value, including any future exchange of principal associated with cross-currency swaps;

10.2.1.4 any currency option;

10.2.1.5 irrevocable guarantees, and similar instruments, which are certain to be called;

10.2.1.6 with the prior written consent of the Director : Surveillance any future income or expense which is –

10.2.1.6.1 known but not yet accrued; and

10.2.1.6.2 fully hedged by forward foreign exchange transactions;

10.2.1.7 with the prior written consent of the Director : Surveillance, any structural position deliberately entered into in order to hedge adverse exchange rate movements on the value of the member’s financial resources;

10.2.1.8 with the prior written consent of the Director : Surveillance, any position already fully deducted from the member’s financial resources;

10.2.1.9 any other balance sheet asset or liability; and

- 10.2.1.10 any other off balance sheet commitment to purchase or sell an asset denominated in that currency.
- 10.3 Treatment of foreign exchange options.
 - 10.3.1 Risk assessment models

A member may use, with the JSE’s prior written approval, a risk assessment model in respect of its foreign exchange options to estimate its notional forward foreign exchange positions, provided the model forms part of the day to day management supervision of the member’s options business.
 - 10.3.2 Options at least 8% in the money

A member shall include currency positions arising from foreign exchange options in the foreign exchange requirement method if the options are at least 8% in the money, in which case the resulting currency positions shall be based on the nominal amount of the contract valued at current spot rates.
 - 10.3.3 Options less than 8% in the money

A member shall calculate, in respect of a foreign exchange option which is less than 8% in the money, its currency positions based on the nominal amount of the contract valued at current spot rates.

 - 10.3.3.1 Where a currency position derived in 10.3.3 would increase the net open position in that currency, the position shall be included in the foreign exchange requirement method.
 - 10.3.3.2 Where a currency position derived in 10.3.3 shall decrease the net open position in that currency, the position shall not be included in the foreign exchange requirement method.
 - 10.3.4 Calculation of “in the money”

For the purpose of this rule, a member shall determine the extent to which the option contract is “in the money” by reference to the difference between the exercise price and the current forward rate for the final date on which the option may be exercised as a percentage of the forward rate.
- 10.4 Method of Calculation of Foreign Exchange Requirement
 - 10.4.1 Calculation of net open position
 - 10.4.1.1 A member shall calculate a net open position for all currencies, and shall translate them to Rand using the prevailing spot rates.
 - 10.4.1.2 A member shall use Method 1 unless it has the written approval of the Director : Surveillance to use Method 2.
 - 10.4.2 Method 1

A member shall calculate the foreign exchange requirement as 10% of the higher of –

 - 10.4.2.1 the aggregate of the net open long positions in each currency; and
 - 10.4.2.2 the aggregate of the net open short positions in each currency.
 - 10.4.3 Method 2
 - 10.4.3.1 With the prior written approval of the Director : Surveillance, a member may use simulation techniques to calculate the foreign exchange requirement in respect of all, or some, of the currencies to which it is exposed.

- 10.4.3.2 The foreign exchange requirement for the currencies concerned shall be calculated in order that –
 - 10.4.3.2.1 it exceeds the losses which would have occurred in at least 95% of the rolling ten-working-day periods over the preceding five years; and
 - 10.4.3.2.2 it exceeds 2% of the higher of –
 - the aggregate of the net open long positions in each currency; and
 - the aggregate of the net open short positions in each currency.

11. Large Exposure Requirements (LER)

- 11.1 A member shall calculate its total LER arising from large exposures to third parties or groups of connected third parties in accordance with 11.5 below.
- 11.2 Exposure means the amount at risk before applying the appropriate PRR or CRR percentage in relation to –
 - 11.2.1 the excess, where positive, of the market value of a member’s long positions over its short positions in all the financial instruments issued by the third party;
 - 11.2.2 in the case of underwriting commitments, the market value of the member’s net exposure;
 - 11.2.3 counterparty exposures arising from unsettled securities transactions, repurchase, reverse repurchase, securities lending and borrowing transactions, derivatives and other financial instruments, calculated in accordance with directive DC 7; and
 - 11.2.4 all other assets and off balance sheet items constituting claims on third parties (e.g. commissions and fees receivable).
- 11.3 Exempt exposures

A member may exclude the following from its LER calculations:

 - 11.3.1 exposures to or guarantees by the government of the Republic of South Africa or the South African Reserve Bank;
 - 11.3.2 exposures secured by securities issued by the government of the Republic of South Africa or the South African Reserve Bank;
 - 11.3.3 exposures secured by cash deposited with the member, its connected credit institutions or JSET; and
 - 11.3.4 exposures with a maturity of less than one year to regulated South African financial and banking institutions, recognised clearing houses and exchanges not constituting their capital requirements.
- 11.4 Groups of connected third parties means two or more entities or natural persons which are interconnected to the extent that the financial performance or soundness of one would be materially affected by the financial performance or soundness of the other or others. Such interconnectivity would be evidenced, inter alia, where one company derives more than 20% of its earnings from another or where counterparties are linked by cross-guarantees.
- 11.5 Calculations

Where the sum of the exposures to a third party or a group of connected third parties exceeds 25% of a member’s adjusted liquid capital, a member shall calculate a LER for each such exposure in accordance with 11.5.1 to 11.5.4 below –

 - 11.5.1 calculate the excess of the exposure over 25% of adjusted liquid capital;
 - 11.5.2 rank the exposures on the basis of specific risk requirement in the case of positions and the requirement in the case of counterparty exposures, in descending order;
 - 11.5.3 add the constituent exposures, starting with the exposure attracting the highest risk requirement, until the sum equals the excess in 11.5.1 above;
 - 11.5.4 the LER shall be 200% of the specific risk requirements and CRR’s applicable to those exposures forming the excess. However, the LER shall be limited to such amount as,

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together with the PRR’s or CRR’s on the exposures making up such excess, equals 100% of any exposure forming the excess.

12. Fixed Expenditure Base Requirement (FEBR)

- 12.1 A member shall be required to hold at all times adjusted liquid capital which is adequate to fund its fixed expenditure for a period of 13 weeks.
- 12.2 Not later than 3 months after the last day of its financial year end, a member shall submit to the Director : Surveillance, together with its audited financial statements, a return of the expenses incurred by the member during that year. Such return shall be in the form prescribed in Table 12.2 and shall separately identify those expenses which are –
- 12.2.1 incurred as a result of trading activity; and
- 12.2.2 those which would continue to be incurred, in the short-term, in the absence of trading activity.

Table 12.2

COMPUTATION OF FIXED EXPENDITURE BASE REQUIREMENT			
Expense Category	Treat as Fixed Cost Amounts	Treat as Trading Costs and "non-cash" items	Expenses per Income Statement
Accounting and secretarial or other services, charges, etc.	X		
Auditors' remuneration	X		
Depreciation		X (1)	
Insurance	X		
Interest paid			
Bank Overdraft	X	X (6)	
Other Finance	X	X (6)	
JSE charges and fees	X	X (2)	
Motor vehicle expenses	X		
Net loss on realisation of fixed assets		X (1)	
Office rental	X		
Machine and other leasing charges/ rentals	X		
Printing and Stationery	X		
Salaries and wages	X	X (3)	
Telephone, telex and postages	X		
Other expenses	X	X (4)+(7)	
	Per 12.2.2	Per 12.2.1	TOTAL

In determining fixed cost amounts, the following principles shall be applied –

- Notes: (1) Depreciation and profits or losses on sales of fixed assets are non-cash items and hence shall not be taken into account.
- (2) JSE charges relating to active trading shall be excluded. Fixed charges shall be included.
- (3) Non-contractual payments by way of profit shares or performance related bonuses shall be excluded.
- (4) Exceptional or extraordinary items may be excluded, subject to approval of the Director: Surveillance.
- (5) Interest paid to counterparties which is trade related may be excluded.
- (6) Loss arising on the translation of foreign currency balances may be excluded.

- 12.3 A member shall compute its FEBR for the following year at 25% of 12.2.2 above.
- 12.4 Should a member be of the opinion that the amount computed in terms of 12.3 is inappropriate, it may –
 - 12.4.1 increase its FEBR to such higher amount as it considers necessary; or
 - 12.4.2 make application to the Director : Surveillance to apply a lower amount.
- 12.5 The Director : Surveillance may require a member to adjust its FEBR at any time and, in particular, where –
 - 12.5.1 there has been a significant change in the circumstances or activities of the member; or
 - 12.5.2 the member has a material portion of its expenditure incurred on its behalf by third parties and such expenditure is not fully recharged to the member.
- 12.6 Where a member has just commenced trading or has traded for less than 1 year at its financial year end, the return submitted for approval to the Director : Surveillance shall be based on budgeted amounts.

13. Custody Services Risk Requirement (CSRR) Applicable to a CSP

- 13.1 A CSP shall calculate its total CSRR based on the total of all assets held in custody on behalf of its own clients and/or clients of those members for whom it acts as a CSP in terms of Directive FL in accordance with 13.3 below.
- 13.2 The purpose of the CSRR is to provide additional assurance of the continuity of the business of a CSP thereby ensuring that assets held by a CSP on behalf of clients are available to the clients at all times.
- 13.3 Computation of CSRR
 - 13.3.1 A CSP's total CSRR shall be equal to:
 - 13.3.1.1 1% of client assets in custody up to R300 million, subject to a minimum of R3 million; plus
 - 13.3.1.2 0,1% of client assets in custody in excess of 300 million up to R2 billion; plus
 - 13.3.1.3 0,01% of client assets in custody in excess of R2 billion.
 - 13.3.2 For the purpose of this directive, client assets held in custody shall include:
 - 13.3.2.1 all securities held on behalf of clients;
 - 13.3.2.2 all Krugerrands held in safe custody on behalf of clients; and
 - 13.3.2.3 all funds held on behalf of clients in JSET or any other trust account opened in terms of section 27 of the Act and rule 9.60.

DD Reserved

DE Accounting Services

- 1. Every member shall utilise such accounting services as, in the opinion of the JSE comply with the requirements of section 89 of the Act and any regulations issued in terms thereof and which are made available to them from time to time by the JSE or otherwise as the JSE may determine.
- 2. For the purpose of implementing DE.1 –
 - 2.1 Reserved.
 - 2.2 Every member shall provide the JSE with such information as the JSE considers necessary to utilise the accounting services. Such information shall be provided at such times or within such periods as the JSE may from time to time determine.
 - 2.3 The JSE shall not be responsible for any damage suffered by members as a result of errors or delays in the accounting services provided by it.
- 3. The provisions of this directive shall also apply to a nominee company established in terms of rule 3.90, except where the JSE may decide otherwise.

DF Auditors Professional Indemnity Insurance

A member shall ensure that an auditor referred to in Section 88 of the Act shall have a valid Professional Indemnity Insurance Policy for at least R7,5 million and that the audit report issued by such auditor shall be accompanied by a letter from the auditor to the effect that he has such a valid policy and stating the name and address of the relevant issuer or agent. Such letter issued by the auditor shall be sufficient evidence to a member that its auditor has such a policy. If so required by the JSE any such Professional Indemnity Insurance Policy shall receive its approval.

DG

1. Appointment and Duties of Auditors

- 1.1 A member shall appoint an auditor registered as an accountant and auditor under the Public Accountants’ and Auditors’ Act, 1991, who engages in public practice as contemplated in that Act.
- 1.2 The appointment shall be conditional upon the approval of the appointee by the Director: Surveillance.
- 1.3 The Director: Surveillance may refuse the appointment of an auditor or may withdraw his approval of such appointment, and thereupon the auditor shall vacate his office as auditor of the member concerned.
- 1.4 A person is not qualified for appointment as auditor of a member if he is –
 - 1.4.1 an officer or employee of the member;
 - 1.4.2 an officer of another member;
 - 1.4.3 a person who has any direct or indirect financial interest in a member; and
 - 1.4.4 a close relative of an officer of the member. Close relative in relation to a person means the person’s spouse, children, parents, brothers and sisters.
- 1.5 A member shall ensure that its auditor has its rights and duties set out in a written engagement letter which is signed by the member and the auditor.
- 1.6 Reserved
- 1.7 Annual Audit
 - 1.7.1 Auditors’ reports shall be presented in the manner required by the Stockbrokers Audit and Accounting Guide issued by the South African Institute of Chartered Accountants in consultation with the JSE Surveillance Department, from time to time.
 - 1.7.2 In addition to the reporting requirements prescribed by section 90(2)(a) of the Act and the regulations issued in terms of section 90(2)(b) of the Act, the auditor shall report to the Director: Surveillance on –
 - 1.7.2.1 the results of procedures agreed with the Director: Surveillance to establish whether adequate controls exist to ensure that signed mandates are held for investment management and custody clients; and
 - 1.7.2.2 any material matter relating to internal controls, record keeping or non-compliance with the Act or the rules and directives which has come to the notice of the auditor and which, in his opinion, the member should give attention to or which the Director: Surveillance should be made aware of.

DH Reserved

DI Reserved

DJ Reserved

DK Special Audit of a Member

The JSE may, at its discretion, decide that a special audit of a member be conducted, either by the JSE Surveillance Department itself or in conjunction with an auditing firm nominated by it.

1. The charges for the special audit shall be for the account of the member concerned, but the JSE shall, if necessary, abate the charges in the light of the outcome of the special audit.
2. In the event that the special audit is conducted by the JSE Surveillance Department, the costs to be levied by the JSE Surveillance Department shall be based on the time charged out at a rate of 125% of the prevailing rates chargeable by Chartered Accountants for work done on behalf of the Auditor General.

DL Notification

- 1 A member shall effect any notification in terms of these Directives in writing and signed as required under DL 2 below.
- 2 If a member effects a notification without writing, the member shall confirm it in writing signed by a director, senior executive officer, or compliance officer as soon as practicable thereafter.
- 3 A member shall notify the Director: Surveillance by telephone, facsimile or other equivalent means as soon as it has reason to believe that it is, or will be, in breach of its financial resource requirements, together with details of the steps which the member is taking, or has taken to remedy or prevent the breach.
- 4 A member shall notify the Director: Surveillance as soon as it has reason to believe that it will be unable to –
 - 4.1 make payment to an exchange or clearing house by the due date, thereby causing default of the member; or
 - 4.2 submit a financial reporting statement as required by DB 1.1.
- 5 A member shall notify the Director: Surveillance as soon as it –
 - 5.1 becomes aware of any claim under a contingency made in writing by or against the member where any amount claimed or disputed is likely to exceed the lesser of –
 - 5.1.1 10% of the member’s adjusted liquid capital; or
 - 5.1.2 R500 000;
 - 5.2 has reason to believe that any reporting statement previously supplied to the Director: Surveillance was or has become misleading in any material respect;
 - 5.3 makes a claim on an insurance policy it holds relating to professional indemnity;
 - 5.4 has been informed that the member’s auditor is likely to qualify his report on the annual financial statements of the member.
- 6 A member shall notify the Director: Surveillance as soon as it decides to make a change in its financial year-end and shall, as a minimum, provide ten business days notice of any such change.
- 7 A member shall notify the Director: Surveillance of any other material circumstance which may adversely affect the member’s ability to comply with the rules and directives.

DM Reserved

DN Production and distribution of client statements

1. In addition to the general risk management and internal control requirements of rule 4.70, members shall specifically ensure that effective controls are implemented regarding the production and distribution of client statements, in order to ensure that clients are able to review the activity on their accounts and the performance of their portfolios at appropriate regular intervals.
2. A member may either utilise the BDA system or an alternative system to produce their client statements, provided that if an alternative system is utilised, the requirements of DN 3 shall be adhered to.
3. A member shall implement appropriate procedures or arrangements to ensure that if a system other than the BDA system is utilised to generate client statements, the accounting information contained in the BDA system which is required to be reflected in client statements in terms of rule 8.180 is accurately reflected in such statements.

4. Client statements may either be produced in hard copy form or in electronic form, provided that if statements are produced and distributed in electronic form, the client shall consent thereto in writing and the member shall retain a record of such consent.
5. A member shall implement effective controls to ensure that all client statements are distributed to the relevant clients. In implementing such controls, due consideration shall be given to the segregation of duties between persons responsible for the production and distribution of client statements and persons involved in transactions on client accounts, and the control over the record of the address to which a client’s statement is to be despatched.

Directive E - Clearing and Settlement

Scope of section

EA	Applicability of section E
EB	Operation of accounts of a member at its CSDP
EC	Electronic communication between a member and its CSDP
ED	Information to be submitted to the Settlement Authority
EE	Operation of accounts in the BDA system
EF	Settlement timetable for transactions conducted in equity securities
EG	Borrowing of equity securities through the Settlement Authority
EH	Lending of funds by the Settlement Authority
EI	Reserved
EJ	Penalties
EK	Settlement Authority fees
EL	Ring-fencing schedule
EM	Margin on uncovered and uncommitted trades

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.

EB Operation of accounts of a member at its CSDP

1. A member must open and maintain the following accounts at its CSDP –
 - 1.1 a custody account;
 - 1.2 a funds settlement account;
 - 1.3 a current account.
2. A member must ensure that the funds settlement account referred to in EB 1.2 has been cleared to zero by the day after settlement day for settlement day value.
3. An entry may only be effected in the funds settlement account referred to in EB 1.2 if the entry has been generated as part of the process of the settlement of transactions in equity securities by –
 - 3.1 the BDA system;
 - 3.2 the Settlement Authority; or
 - 3.3 the member's CSDP for a loan of equity securities or funds to the member.

EC Electronic communication between a member and its CSDP

1. For the purposes of settlement of transactions in equity securities, each member must ensure that it uses the JSE shared connection to SWIFT.
2. The member must use the JSE shared connection to SWIFT in accordance with the JSE SWIFT operational requirements as prescribed by the JSE from time to time.
3. A member must immediately inform the Settlement Authority if the member is unable to communicate with a CSDP electronically.

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;
5. member's CSDP's Business Partner ID with Strate;
6. member's CSDP Strate Securities Custody Account (SCA) number;
7. custody account number at the member's CSDP;
8. funds settlement account number at the member's CSDP;
9. current account number at the member's CSDP;
10. equities margin account details at the member's bank; and
11. name and contact details of the member's settlement officer and his alternate.

EE Operation of accounts in the BDA system

1. Each member must have an account in the name of the Settlement Authority in the BDA system and such account must be monitored and reconciled daily.
2. A member must ensure that all account details of non-controlled clients on the BDA system have been verified and are correct and must confirm such details with the client's CSDP through SWIFT format MT598/007 and MT598/008 messages.

EF Settlement timetable for transactions conducted in equity securities

Timing	Description	Activity	Rule
	Pre-trade	<p>Member's pre-trade obligations</p> <p>1 A member may only place an order or report a trade on the JSE trading system if such member has appointed a CSDP and has SWIFT connectivity as prescribed by directive and has taken reasonable steps to satisfy itself that –</p> <p>1.1 if the client is a non-controlled client, the client has appointed a CSDP and the appointed CSDP has confirmed, as set out in EE 2, that the details of that client held by the CSDP correspond with and match the details of the client held by such member in the BDA system; and</p> <p>1.2 in respect of a sell order –</p> <p>1.2.1 the equity securities to be sold are held in uncertificated form by the member's CSDP, in the case of a controlled client or proprietary account, or by the client's CSDP, in the case of a non-controlled client; or</p> <p>1.2.2 a controlled client has evidenced to a member that they own the equity securities to be sold, in uncertificated form, and that such securities will be available for settlement on settlement date; or</p> <p>1.2.3 another transaction has been concluded which provides for an equivalent amount of equity securities being available for settlement on settlement date; or</p> <p>1.2.4 a satisfactory borrowing arrangement is in place which provides for an equivalent amount of equity securities being available for settlement on settlement date; or</p> <p>1.2.5 a corporate action provides for an equivalent amount of equity securities being available for settlement on settlement day.</p>	<p>10.50.2</p> <p>10.50.2.1</p> <p>10.50.2.2</p>
	Post-trade	<p>Member's post-trade general settlement obligation</p> <p>2 If a client, at any stage, advises a member, or the member otherwise becomes aware, that the client is not able to settle a transaction, the member must endeavour to enter into an arrangement to ensure that the transaction settles on settlement date. If the member is unable to enter into such arrangement, the member must immediately notify the Settlement Authority.</p>	10.90.8

EF 1.2.5 introduced with effect from 16 October 2008.

Timing	Description	Activity	Rule
	Post-trade	<p>Member's sell-out or buy-in obligation</p> <p>3 Where a client has not complied with their obligations to procure settlement in terms of rule 10 or this directive and the Settlement Authority is able to procure the settlement of the transaction by means of the borrowing of equity securities or funds, as the case may be, then the member must immediately –</p> <p>3.1 in respect of a sale transaction, buy such securities for the account of the client or for the member's own account; or</p> <p>3.2 in respect of a purchase transaction, sell such securities for the account of the client or for the member's own account;</p> <p>in order to ensure the return of the equity securities or funds to the Settlement Authority.</p>	<p>10.90.9</p> <p>10.90.9.1</p> <p>10.90.9.2</p>
	Post-trade	<p>Member's sell-out or buy-in entitlement</p> <p>4 Where a client breaches his settlement obligations in terms of rule 10 and the member has assumed the obligation to settle the transaction, the member may, subject to any agreement with the client or notification to the client to the contrary, -</p> <p>4.1 in respect of a sale transaction, buy-in such equity securities for the account of the client and claim the difference between the selling consideration of such securities and the purchase consideration for such securities;</p> <p>4.2 in respect of a purchase transaction, sell-out such equity securities for the account of the client and claim the difference between the purchase consideration of such securities and the selling consideration for such securities; and</p> <p>4.3 sell for the account of such client –</p> <p>4.3.1 so many of any other equity securities belonging to such client and held by or in the custody of such member; or</p> <p>4.3.2 so many of any other equity securities to be delivered to the client in respect of any transaction relating to securities previously entered into by such client with or through the member,</p> <p>as is necessary to realise an amount equal to the amount still owing by the client in respect of such securities, after the sale or purchase of the securities in terms of EF 4.1 and EF 4.2, as the case may be.</p>	<p>10.100.1</p>

EF 4.1 amended with effect from 16 October 2008.

EF 4.2 amended with effect from 16 October 2008.

Timing	Description	Activity	Rule
	Post-trade	<p>Instances where sell-out or buy-in not required</p> <p>5 A member may not buy-in or sell-out a client in terms of EF 4 where –</p> <p>5.1 a client has not complied with their obligations to procure settlement in terms of rule 10 or this directive; and</p> <p>5.2 both the member and the Settlement Authority were unable to procure the settlement of the transaction by means of borrowing of equity securities or funds, as the case may be; and</p> <p>5.3 the Settlement Authority either rolls the settlement of the transaction in terms of rule 10.105 or declares the transaction to be a failed trade in terms of rule 10.60.3 and 10.60.4,</p> <p>but must act in accordance with the instructions received from the Settlement Authority in terms of rule 10.105 or 10.110.</p>	10.60.4 and 10.90.10
	Post-trade	<p>Failed trade declaration</p> <p>6 If –</p> <p>6.1 a member advises the Settlement Authority at any stage that the CSDP of the member will not be in a position to settle a transaction on settlement date; and</p> <p>6.2 the Settlement Authority is not able to procure that the settlement of the transaction will take place on settlement date or has decided not to roll the settlement in terms of rule 10.105,</p> <p>the transaction will be declared a failed trade by no later than 09h00 on the business day following the report and will be dealt with in terms of the failed trade procedures as set out in rule 10.110.</p>	10.60.4
T	Trade day	<p>Allocation of transactions by a member</p> <p>7 A member must allocate transactions to a client or a member's proprietary account.</p>	10.60.1.1
T+1	First business day after trade day	<p>Reporting to a client</p> <p>8 A member must by no later than 12h00 communicate to a client, details of transactions in equity securities.</p>	10.60.1.2
T+2	Second business day after trade day	<p>Client's obligations</p> <p>9.1 The client must be deemed to have accepted the transaction unless he notifies the member to the contrary by 12h00.</p> <p>9.2 A non-controlled client must provide settlement instructions to its CSDP upon acceptance of a transaction reflected on a contract note, but by no later than 12h00.</p> <p>9.3 A controlled client must by no later than 16h00 ensure that the member will be in a position to settle on settlement date.</p>	10.60.1.3 10.70.2 10.80.1

EF 5 amended with effect from 16 October 2008.

EF 6 amended with effect from 16 October 2008.

Timing	Description	Activity	Rule
T+2	Second business day after trade day	<p>Member's obligations</p> <p>10.1 If a controlled client fails to comply with EF 9 the member will be entitled to proceed in terms of rule 10.100.</p> <p>10.2 A member must ensure that no allocation corrections (deal adjustments) are made after 16h00. Any allocation correction, in the case of a non-controlled client transaction, should be communicated to the client within sufficient time to allow for the CSDP of the client to commit by no later than 12h00 on the third business day after the trade day.</p>	<p>10.80.2</p> <p>10.60.2</p>
T+3	Third business day after trade day	<p>CSDP commitment</p> <p>11.1 A non-controlled client must by no later than 12h00 ensure and procure that his CSDP has committed to settle the transaction on his behalf.</p> <p>11.2 A member must by no later than 12h00 ensure that his CSDP has committed to settle the transactions in respect of controlled accounts.</p> <p>11.3 In the event that a non-controlled client fails to comply with EF 11.1 the member will be entitled to proceed in terms of rule 10.100.</p>	<p>10.70.3</p> <p>10.90.5</p> <p>10.70.4</p>
EOD T+3	End of day on third business day after trade day	<p>Margin on transactions in equity securities</p> <p>12.1 A member will be required to provide margin for transactions which remain uncovered or uncommitted at end of day on T+3.</p> <p>12.2 Margin must be payable by a member before 12h00 on T+4.</p>	<p>10.140.1</p> <p>10.140.2</p>
T+4	Fourth business day after trade day	<p>Failure by client to meet obligations</p> <p>13 A member will, by no later than 12h00, assume the obligation to settle the transaction through the member's CSDP in the event that the CSDP of a non-controlled client fails to commit to settle a transaction by 11h00.</p> <p>14 A member must, by no later than 14h00, ensure that the CSDP of the member commits to settle the said transaction.</p>	<p>10.70.6, 10.90.6 and 10.70.5</p> <p>10.90.7</p>
12h00 – 16h00	Fourth business day after trade day	<p>Settlement Authority's procedures</p> <p>15 Where a member has acted in terms of EF 13 and is unable to procure the commitment to settle by his CSDP by 14h00, the Settlement Authority will endeavour by 16h00 to –</p> <p>15.1 in respect of a sale transaction, borrow, as agent, on behalf of the member as undisclosed principal, the equity securities required by the member to comply with its obligations to settle the transaction; or</p> <p>15.2 in respect of a purchase transaction, lend to the member the funds required by the member to comply with its obligations to settle the transaction; or</p> <p>15.3 in respect of a sale or a purchase transaction where the Settlement Authority is unable to perform in terms of EF 15.1 or EF 15.2, in its sole discretion and under exceptional circumstances, allow the rolling of settlement in terms of rule 10.105; or</p>	<p>10.120.1</p> <p>10.130.1</p> <p>10.40.2.9 and 10.40.2.10</p>

EF 13 amended with effect from 12 July 2010

EF 14 amended with effect from 12 July 2010

EF 15 amended with effect from 12 July 2010

New EF 15.3 introduced with effect from 16 October 2008

Timing	Description	Activity	Rule
12h00 – 16h00	Fourth business day after trade day	<p>Settlement Authority's procedures (cont.)</p> <p>15.4 in respect of a sale or a purchase transaction where the Settlement Authority has decided to roll settlement in terms of EF 15.3, instruct a member or a client (via the member) to close the purchase or sale transaction on the basis set out in rule 10.110.</p>	10.40.2.9
		<p>Failed Trade Procedures</p> <p>16 Where the Settlement Authority is unable by 16h00 to perform in terms of EF 15.1 or 15.2, or has decided not to roll the settlement in terms of EF 15.3, it will at 16h00 declare the said transaction a failed trade in terms of rule 10.60.3 and it will be dealt with in the following manner –</p> <p>16.1 the Settlement Authority will match such 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;</p> <p>16.2 the transactions selected in terms of EF 16.1 will be closed in terms of the principles and procedures in rule 10.110.1.3.</p>	10.60.3, 10.105 and 10.110.1
S (T+5)	Settlement day (Fifth business day after trade day)	<p>Settlement</p> <p>17 Settlement is effected by the relevant CSDP of the member and/or client and/or the Settlement Authority.</p>	10.60.1.5

EG Borrowing of equity securities through the Settlement Authority

1. Definitions

For the purposes of this directive, the following definitions apply –

“collateral” means cash provided to the Settlement Authority by a member as security for the due return of equivalent equity securities in terms of a lending transaction;

“corporate action” means any economic right or benefit flowing from ownership of the loaned equity securities;

“equivalent equity securities” means equity securities of an identical type, nominal value, description and amount to the loaned equity securities duly adjusted for any corporate action;

“lender” means the third party from which the Settlement Authority, as agent for the member as undisclosed principal, has borrowed the equity securities;

“lending fees” means the fees due by the member in respect of loaned equity securities;

“loan date” means the date on which loaned equity securities are transferred by the Settlement Authority into the custody account of a member;

“loan period” means the period of time expressed in days from the loan date to the return date;

“loan recall” means a demand by the Settlement Authority for the return of equivalent equity securities in terms of a lending transaction;

“loaned equity securities” means the equity securities borrowed by a member through the Settlement Authority;

Existing EF 15.3 amended and renumbered EF 15.4 with effect from 16 October 2008.

EF 16 amended with effect from 16 October 2008.

EF 16.1 amended with effect from 16 October 2008.

EF 16.2 deleted with effect from 16 October 2008.

Existing EF 16.3 amended and renumbered EF 16.2 with effect from 16 October 2008.

“margin” means the amount or percentage by which the value of the collateral is required to exceed the initial loan value or the current ruling price value or the highest mark-to-market value during the loan period, whichever is the greatest, of the loaned equity securities;

“return date” means the date on which a member returns equivalent equity securities to the Settlement Authority.

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 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 SWIFT messages to Strate, and will advise a member of the transactions giving rise to the loaned equity securities and the collateral requirement;
- 2.3 a member must ensure that the necessary entries are passed in the BDA system to reflect such transactions in their books by the close of business on the loan date;
- 2.4 the collateral provided will continue during the loan period and will be held by the Settlement Authority until equivalent equity securities are returned to the Settlement Authority;
- 2.5 the collateral amount must be equivalent to the initial loan value or current ruling price value or highest mark-to-market value during the loan period, whichever is the greatest, of each loaned equity securities position, plus the margin applicable thereto;
- 2.6 if on any business day, the collateral value falls below the value set out in EG 2.5, the Settlement Authority may request a member to immediately provide further collateral in the amount of any shortfall. A member will only be entitled to a refund of the collateral amount at the time of and in proportion to, the amount of the loan returned;
- 2.7 a margin equal to the margin factor (as defined in EM) will be applicable to all loaned equity securities, such that the collateral amount will be 100% plus the margin factor of the applicable value of each loaned equity securities position;
- 2.8 a member must ensure the return of the loaned equity securities within 5 business days of a loan recall;
- 2.9 a member must return equivalent equity securities in no more than two deliveries, the first delivery being not less than 50% of the loaned equity securities;
- 2.10 a member must pay to the Settlement Authority the lending fees reflected in EK 1, which will accrue over the loan period and be paid monthly in arrears;
- 2.11 a member will be entitled to interest on the margin factor of the collateral;
- 2.12 where a member notifies the Settlement Authority by 17h00 on T+3 that it is unable to enter into an arrangement to ensure that a transaction settles on settlement day as envisaged by rule 10.90.8, the penalty reflected in EJ 3.2 will be halved, while the lending fees will remain as reflected in EK 1.1.

EH Lending of funds by the Settlement Authority

1. Definitions

For the purposes of this directive, the following definitions apply –

“collateral” means the equity securities provided to the Settlement Authority as security for the due return of the funds lent to a member;

“loaned funds” means the funds provided by the Settlement Authority to a member;

“loan date” means the date on which funds are transferred by the Settlement Authority into the funds settlement account of a member;

“loan fees” means the interest and fees due to the Settlement Authority by a member in respect of the funds provided;

“loan period” means the period of time expressed in days from the loan date to the return date;

“margin” means the amount or percentage by which the value of the collateral is required to exceed the value of the loaned funds;

EG 2.10 deleted with effect from 16 October 2008.

Existing EG 2.11, 2.12 and 2.13 renumbered EG 2.10, 2.11 and 2.12 respectively with effect from 16 October 2008.

“return date” means the date on which a member returns the loaned funds to the Settlement Authority.

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 SWIFT messages to Strate, and will advise a member of the transactions giving rise to the loaned funds and the collateral;
- 2.3 a member must ensure that the necessary entries are passed in the BDA system to reflect such transactions in their books by the close of business on the loan date;
- 2.4 the collateral provided will continue during the loan period and will be held by the Settlement Authority until the loaned funds are returned to the Settlement Authority;
- 2.5 the collateral value will be equivalent to the ruling price value of the collateral less the margin applicable thereto and will be at least equivalent in value to the loaned funds;
- 2.6 if on any business day:
 - 2.6.1 the collateral value falls below the value of the loaned funds, the Settlement Authority may –
 - 2.6.1.1 request a member to immediately provide additional collateral acceptable to the Settlement Authority, to cover such shortfall, or
 - 2.6.1.2 require a member to repay so much of the loaned funds so as to ensure that the shortfall is removed;
 - 2.6.2 the collateral value exceeds the value of the loaned funds, the member may not be entitled to the return of the excess collateral except at the time of and in proportion to, the repayment of the loaned funds by the member;
- 2.7 a margin equal to the margin factor of the securities held as collateral (which margin factor is defined in EM) will be applicable to all loaned funds, such that the collateral value will be not less than the value of the loaned funds plus the margin factor;
- 2.8 a member must pay to the Settlement Authority the loan fees reflected in EK 1, which will accrue over the loan period and be paid monthly in arrears.

El Reserved

EJ Penalties

1. The following penalties will be levied by the JSE in respect of the relevant transgressions:

Transgression	Penalty
1.1 Pre-trade: Trading in equity securities where –	
1.1.1 a MT598/008 message confirming the appointment of a CSDP has not been received, and	R10 000
1.1.2 where a member does not have a SWIFT connection.	R10 000
1.2 Contravention of –	
1.2.1 rule 10.50.2.1 regarding the failure to confirm, via an MT598/008 message, that the details of a non-controlled client held by the client's CSDP match the client's details in the BDA system; or	R1 000 per contract note
1.2.2 rule 10.50.2.2 regarding the failure to ensure that a client has sufficient equity securities to cover a sale transaction.	R1 000 per contract note
1.3 T+2 Contravention of rule 10.60.2 regarding late allocation corrections	R5 000
1.4 T+4 Where a member is required to assume the obligations of a non-controlled client to settle a transaction at 12h00 on T+4 in terms of rule 10.70.6	R500 per occurrence
1.5 Where a member has assumed the obligations of a non-controlled client to settle a transaction and is unable at 14h00 to procure a commitment of its CSDP to settle the transaction in terms of rule 10.90.7.	R500 per occurrence
1.6 Where a member is unable to enter into an arrangement to ensure that a sale transaction settles on settlement date, which results in the Settlement Authority facilitating the borrowing of equity securities on behalf of the member in terms of rule 10.120	R1 000 plus the brokerage on the trade for which securities are borrowed with a minimum fine of 0,075% of the value of the trade, not exceeding R25 000
1.7 Where a member introduces a trade for which settlement is rolled in terms of rule 10.105	R1 000 plus the brokerage on the trade for which settlement is rolled with a minimum fine of 0,15% of the value of the trade, not exceeding R50 000
1.8 Where a member introduces a trade which is declared a failed trade in terms of rule 10.60.3	R1 000 plus double the brokerage with a minimum fine of 0,3% of the value of the trade, not exceeding R100 000

EJ 1.4 amended with effect from 12 July 2010

EJ 1.5 amended with effect from 12 July 2010

New EJ 1.6 introduced with effect from 16 October 2008

New EJ 1.6 introduced with effect from 7 September 2009

Existing EJ 1.6 renumbered EJ 1.7 with effect from 16 October 2008

Existing EJ 1.6 renumbered EJ 1.7 with effect from 7 September 2009

Existing EJ 1.7 amended and renumbered EJ 1.8 with effect from 16 October 2008

Transgression	Penalty
1.9 Failure by a member to pass the necessary entries in the BDA system in respect of loaned equity securities or loaned funds, rolling of settlement or failed trades by close of business on a loan date	R1 000 per day that such entries are not passed

2. Notwithstanding the provisions of EJ 1, disciplinary action in terms of the rules may be taken.

3. Payment of penalties

3.1 In the absence of an objection lodged by a member in terms of EJ 3.2, such member must pay any penalty imposed by the Settlement Authority within 5 business days of the date of invoice.

3.2 An objection to a penalty imposed by the Settlement Authority must be lodged in writing, signed by the settlement officer of the member and received by the Settlement Authority by no later than 15h00 on the day that the penalty is payable.

4. Publication of penalties

The JSE will be entitled to publish the circumstances giving rise to and the details of the penalty imposed on a member in terms of EJ 1.

EK Settlement Authority fees

1. The following fees will apply in respect of the relevant services provided by the Settlement Authority:

Service	Fee
1.1 Provision of securities lending facilities to a member to enable settlement	R1 000 administration fee plus the greater of R1 000 or 5% p.a. above the lending rate obtained by the Settlement Authority on the initial value of the loaned equity securities over the loan period
1.2 Provision of funds to a member to enable settlement	R1 000 administration fee plus an interest charge of 5% p.a. above the Prime Overdraft Rate at FirstRand Bank Limited
1.3 Execution of the process in terms of rule 10.105	R5 000 administration fee payable by the member who introduced the trade for which the settlement was rolled in terms of rule 10.105
1.4 Execution of the process in terms of rule 10.110	R5 000 administration fee payable by the member who introduced the failed trade
1.5 Resolution of a corporate action entitlement resulting from loaned equity securities, rolling of settlement or failed trades	R1 000 administration fee

2. Payment of fees

A member must pay any fees charged by the Settlement Authority within 5 business days of the date of invoice.

Existing EJ 1.7 and EJ 1.8 amended and renumbered EJ 1.8 and EJ 1.9 with effect from 7 September 2009.

EK 1.1 amended with effect from 7 September 2009.

EK 1.3 amended with effect from 16 October 2008.

EK 1.5 amended with effect from 16 October 2008.

EL Ring-fencing schedule

The table below sets out which transactions (as detailed in rule 6.30) in equity securities on the JSE will be ring-fenced for the purposes of managing the settlement of those transactions.

Transaction Description	Trade Type Code	Settlement Type Code	Risk Managed by the JSE	Ring-Fenced
Automated Trade	AT	MB	Yes	No
Auction Trade	UT	MB	Yes	No
Block Trade	BT	BT	No	Yes
Bookbuild Trade	BK	BK	No	Yes
Corporate Finance Transaction	CF	CF	No	Yes
Delta Trade	OD	OD	No	Yes
Exercise of Options	OX	OX	No	Yes
Exercise of Traded Options	TX	TX	No	Yes
Exercise of Warrants	WX	WX	No	Yes
Give-up Trade	GU	GU	No	Yes
Late Trade	LT	LT	No	Yes
Off Order Book Principal Trade	OP	OP	No	Yes
Portfolio Transaction	PF	PF	No	Yes
Post Contra Trade	PC	PC	No	Yes
Late Contra Trade	–	LC	No	Yes
Error Report Trade	–	ER	No	Yes

Notes:

1. Trade Type Code refers to the Trade Type available on the JSE equities trading system.
2. Settlement Type Code refers to the deal type created by the BDA system in relation to the Trade Type Code available on the JSE equities trading system.

EK "Asset Swap" deleted with effect from 17 August 2009.

EK "Bookbuild Trade" introduced with effect from 17 August 2009.

EK "Give-up Trade" introduced with effect from 17 August 2009.

EM Margin on uncovered and uncommitted trades

1. Definitions

For the purposes of this directive, the following definitions will apply –

“impact cost risk” means a measure of the degree to which potential costs of liquidating an open position may fluctuate in the future based on, *inter alia*, how volume and price (and their interaction) have fluctuated in the past;

“liquidity risk” means a measure of the degree to which the potential volume of trade in any equity security may fluctuate in the future based on, *inter alia*, how this has fluctuated in the past;

“margin call” means a demand by the JSE for cash from a member to cover any shortfall of a member’s margin deposit in meeting that member’s margin requirement;

“margin deposit” means the cash deposited by a member, or the bank guarantee (in a form acceptable to the JSE) lodged by a member, or a combination of the two, with the JSE;

“margin factor” means the percentage reflecting the potential adverse price movement from EOD on T+3 until settlement date for each equity security with reference to its price volatility risk, spread risk, liquidity risk, and impact cost risk and how these factors interact over time;

“margin requirement” means the amount of margin due from the member, in respect of uncovered and uncommitted trades, calculated in accordance with the principles set out in the margining procedures below;

“price volatility risk” means a measure of the degree to which the price may fluctuate in the future based on, *inter alia*, such fluctuations in the past; and

“spread risk” means a measure of the degree to which the difference between the bid and offer prices for an equity security may fluctuate in the future based on, *inter alia*, such fluctuations in the past.

2. Margining procedures

A transaction which remains uncovered or uncommitted at end of day (EOD) on T+3 in terms of rule 10.140.2 will be margined on the basis set out below.

2.1 Each member will –

2.1.1 mandate its bank, to the satisfaction of the JSE, to accept transfer instructions from the JSE on behalf of the member;

2.1.2 designate only one bank account for the above purpose; and

2.1.3 ensure that sufficient cash is available in the designated account to meet any daily margin call.

2.2 A member may establish a margin deposit to be utilised by the JSE in meeting the member’s daily margin requirement. The cash deposit and bank guarantee will be held in good faith and will only be returned on the request of the member: Provided that the JSE is satisfied that the returned portion of the margin deposit is no longer required to meet the member’s margin requirement.

2.3 The JSE will determine the margin requirement on each uncovered or uncommitted trade by netting the values calculated through establishing –

2.3.1 the mark-to-market price movement from the trade price on T of the equity securities to the closing price at EOD on T+3; and

2.3.2 the potential adverse price movement of the equity securities from EOD on T+3 until S, based on the margin factor.

2.4 Report only trades will not be margined.

2.5 The margin requirement across accounts will not be netted, with the exception of a member’s proprietary accounts which will be treated as one account for margining purposes.

- 2.6 The margin requirement on uncovered controlled client trades, will take into account:
- 2.6.1 that portion of a sale that is not covered by –
 - 2.6.1.1 equity securities in the account;
 - 2.6.1.2 a borrowing arrangement; or
 - 2.6.1.3 a purchase which is due to settle on or before the settlement date of the sale;
 - 2.6.2 that portion of a purchase –
 - 2.6.2.1 which has not been freed; or
 - 2.6.2.2 which cannot be funded by the proceeds of sales due to settle on or before the settlement date of the purchase.
- 2.7 The margin requirement on uncovered proprietary trades will take into account:
- 2.7.1 that portion of a sale that is not covered by –
 - 2.7.1.1 equity securities in the member's float;
 - 2.7.1.2 a borrowing arrangement evidenced by an entry in the member's float; or
 - 2.7.1.3 a purchase which is due to settle on or before the settlement date of the sale;
 - 2.7.2 that portion of a purchase which cannot be funded by the proceeds of sales due to settle on the settlement date of the purchase.
- 2.8 The margin requirement on uncommitted non-controlled client trades will not take into account any portion of either a sale or a purchase since the settlement risk is managed by the CSDP of such client and not the JSE.
- 2.9 The margin requirement due by a member will first be applied to the member's margin deposit and any shortfall will result in a margin call.
- 2.10 The JSE will initiate a margin call by sending the necessary SWIFT messages to the member's bank to instruct the transfer of funds for same day value.
- 2.11 The margin requirement will be payable by the member to the JSE before 12h00 on T+4 and will be repayable by the JSE to the member before 12h00 on S: Provided that the circumstances surrounding the uncovered or uncommitted trade have been resolved to the satisfaction of the JSE.
- 2.12 The margin or part thereof, may be retained by the JSE to cover a potential loss incurred in settling, rolling of settlement or closing out a member's trades.
- 2.13 The member's margin account on the BDA system and the margin accounts maintained by the JSE will be reconciled daily by the JSE, and any discrepancy will be resolved with the member by the end of the following business day.
- 2.14 The JSE will provide each member with a daily BDA system printout detailing the margin calculation on each uncovered or uncommitted trade and the net amount receivable or payable.
- 2.15 Interest will be calculated monthly in arrears on funds held as a margin deposit and/or margin call. Interest payable will be transferred to the member's designated bank account after the BDA system month-end. Members will be notified in a JSE Gazette of the monthly interest rate payable.

EN Reserved

Directive F - Custody and Settlement Services

Scope of section

FA	Reserved
FB	Reserved
FC	Reserved
FD	Reserved
FE	Reserved
FF	Reserved
FG	Reserved
FH	Reserved
FI	Appointment of a Settlement Agent
FJ	Reserved
FK	Criteria to operate as a custody services provider
FL	Duties and responsibilities of a TSP and its appointed CSP

FA Reserved

FB Reserved

FC Reserved

FD Reserved

FE Reserved

FF Reserved

FG Reserved

FH Reserved

FI Appointment of a Settlement Agent

1. A TSP may enter into an arrangement with another member (referred to as a "settlement agent") in terms of which the settlement agent assists the TSP in meeting its obligations to ensure the settlement of proprietary trades and trades executed on behalf of non-controlled clients.
2. The services which a settlement agent may provide to a TSP may include, but are not limited to, the monitoring of unsettled proprietary and non-controlled client trades executed by the TSP, and instituting any action which is necessary to ensure that the TSP meets its obligations to ensure the settlement of such trades.
3. A TSP that has entered into an arrangement with a settlement agent in terms of this directive remains fully responsible for meeting its settlement obligations in terms of the rules and directives.
4. A TSP shall advise the JSE of its intention to enter into an arrangement with a settlement agent in terms of this directive prior to entering into such an arrangement.

FJ Reserved

FK Criteria to operate as a custody services provider

- 1 A person applying to be authorised to perform custody services must be able to demonstrate, to the satisfaction of the JSE, that such person meets all of the following key objectives with regard to their structures, systems and resources so as to assure continuity of business and the total protection of client assets:
 - 1.1 Management Oversight

Governance structures and an organisational culture which evidence a commitment to effective control by executive management and the board of directors over all aspects of the business and that demonstrates a zero tolerance to management override of controls. The governance structures must, as a minimum, make provision for –

 - 1.1.1 assigning responsibility for the allocation of functions amongst the member's executive management to one or more senior executives;
 - 1.1.2 assigning responsibility for overseeing the establishment, implementation and maintenance of an effective system of internal controls to one or more senior executives; and
 - 1.1.3 assessing and monitoring the effectiveness of the member's risk management procedures and internal controls, preferably through a review of those procedures and controls by persons independent of the operation thereof.
 - 1.2 People and Resources

Evidence of commitment to the employment and retention of adequate numbers of suitably qualified personnel of integrity and the ongoing education of staff in relevant disciplines. All staff should have clearly defined responsibilities within the organisation.

1.3 Internal Controls

There is a documented system of internal controls which ensures that the business of the member is conducted effectively, that the assets of the member and its clients are safeguarded and that the records of the member faithfully reflect the information which they purport to present. The system of internal controls must, as a minimum, make provision for -

- 1.3.1 the segregation of incompatible functions;
- 1.3.2 the authorisation and review, where appropriate, of those transactions and processes that have a material impact on the safeguarding of client assets; and
- 1.3.3 the timeous and accurate recording of all transactions.

1.4 Continuity of Business

The member has adequate current and prospective financial resources together with an appropriate documented system of risk management to provide substantial assurance of continuity of business for the foreseeable future.

1.5 Information technology systems

There are appropriate documented procedures to -

- 1.5.1 prevent unauthorised access to critical systems;
- 1.5.2 ensure the thorough testing of new proprietary systems; and
- 1.5.3 provide assurance of the continuity of operation of all critical applications.

2 An application made to the JSE to be authorised to perform custody services shall be accompanied by an application to control clients' equity securities and funds which incorporates the key objectives set out in 1. The application to control clients' equity securities and funds shall:

- 2.1 be in the form as prescribed by the JSE from time to time;
- 2.2 be lodged at least 2 months prior to the required date of admission as a CSP to allow sufficient time for consideration by the JSE;
- 2.3 allow unlimited access by the JSE or its duly appointed agent/s to the applicant's business and records for the purpose of evaluating the application; and
- 2.4 must be accompanied by the application fee prescribed by the JSE.

FL Duties and responsibilities of a TSP and its appointed CSP

1. The respective responsibilities of a TSP and its appointed CSP with regard to those functions which impact on the safeguarding of controlled client assets are set out in Table 1.1.

Refer to Table 1.1 (separate schedule).

2. The responsibility for those functions set out in Table 1.1 where it is indicated that either the TSP or the CSP is responsible, will depend on which of the two parties performs the function at any given time. This directive contemplates either or both of the parties performing the particular function.

3. Notwithstanding the respective responsibilities of the TSP and its CSP set out in Table 1.1, the TSP shall not be divested of any of its obligations to the JSE, other members or its clients through the performance of certain functions by its CSP.

4. The arrangement entered into by a TSP with its CSP shall be recorded in writing, a copy of which shall be lodged by the TSP with the JSE and shall provide for the CSDP to –

- 4.1 ensure, in performing the functions for which it is responsible in terms of Table 1.1 and such other functions as may be provided for in terms of 5, that such functions are performed strictly in terms of the provisions of the Act, the rules and the directives;
- 4.2 act as an agent of the TSP in all functions which it performs on behalf of the TSP;
- 4.3 permit an audit of its affairs in respect of its role as a CSP on behalf of the TSP; and
- 4.4 utilise the BDA system.

5. A TSP may request its CSP to perform certain of the functions for which the TSP is responsible in terms of Table 1.1, provided that –
 - 5.1 the performance of such functions by the CSP is provided for in the written arrangement referred to in 4; and
 - 5.2 the TSP remains responsible for the effective performance of those functions.
6. A TSP which appoints a CSP shall –
 - 6.1 ensure that the CSP has the necessary authority to process receipts and payments on the TSP's current banking account, settlement banking account, non-resident banking account and trust account;
 - 6.2 grant to the CSP authority to utilise a securities transfer stamp bearing the TSP's name, together with an authorised signature of the CSP, for use on transfer forms and other similar documents; and
 - 6.3 ensure that a custody account in the name of a nominee company owned by the TSP and established in terms of rule 3.90 is opened at the TSP's CSDP, and that the CSDP will only accept instructions, other than those relating to the settlement of transactions in equity securities, from the CSP. The member shall not be permitted to open such an account in its own name.
7. In the event of either a TSP or its CSP becoming aware of any irregular behaviour relating to the operation of client accounts including, but not limited to:
 - 7.1 the issuing of fraudulent instructions;
 - 7.2 the provision of false information;
 - 7.3 the presentation of forged, fraudulent or stolen documents of title or instruments of payment;
 - 7.4 fraudulent electronic transfers of funds or securities to the TSP or its CSP; or
 - 7.5 the theft of clients' securities or funds;the TSP or its CSP should promptly advise the other party of such behaviour.
8. Following the discovery of any loss or occurrence likely to give rise to a loss to the TSP and/or its clients which may be covered in terms of the stockbrokers' "In and Out" fidelity policy and which had or may have occurred in the operations of the CSP,
 - 8.1 either the TSP or its CSP that discovered the actual or potential loss shall promptly advise the other party of the discovery in terms of 7; and
 - 8.2 both parties shall consider whether they may have suffered an actual or potential loss or incurred an actual or potential liability to a third party and, if so, promptly give notice in writing of the discovery to the insurance brokers acting for the JSE.
9. No arrangement entered into in terms of this directive may be terminated unless the consent of the JSE has first been obtained, which consent may not be unreasonably withheld.

Function	Responsibility
3. Receipt of certificated equity securities 3.1 Accept physical receipt of certificated equity securities from clients 3.2 Process the receipt of certificated equity securities on the BDA system 3.3 Issue a receipt for certificated equity securities received 3.4 Stamp Section A of the Securities Transfer Form signed by the client 3.5 Ensure that the receipt of certificated equity securities has been recorded in the correct client's account, with reference to the name of the registered holder of the certificate	TSP or CSP (refer FL 2) TSP or CSP (refer FL 2) TSP or CSP (refer FL 2) TSP or CSP (refer FL 2) CSP
4. Dematerialisation of certificated equity securities 4.1 Registration of the certificates into the name of the TSP's nominee company 4.2 Submit certificates to the TSP's CSDP for dematerialisation 4.3 Process the movement of securities between the relevant physical and dematerialised locations on the BDA system during the dematerialisation process, based on advices received from the TSP's CSP	CSP CSP CSP
5. Receipt of uncertificated equity securities 5.1 Receive advice of the pending receipt of uncertificated equity securities from the client 5.2 Notify the CSP of the pending receipt of equity securities 5.3 Advise the TSP's CSDP of the pending receipt of equity securities 5.4 Process the receipt of uncertificated equity securities on the BDA system upon advice of receipt from the TSP's CSDP	TSP or CSP (refer FL 2) TSP CSP CSP
6. Inter-account securities transfers 6.1 Obtain written authority from the client for the transfer of equity securities to another client account 6.2 Approve the inter-account transfer of shares after examining written authority obtained from the client 6.3 Process the inter-account transfer of equity securities on the BDA system 6.4 Levy Uncertificated Securities Tax in respect of a change of beneficial ownership of equity securities (if applicable)	TSP CSP CSP CSP
7. Withdrawal of uncertificated equity securities 7.1 Obtain written authority from the client for the withdrawal of uncertificated equity securities 7.2 Approve the withdrawal of equity securities after examining written authority obtained from the client 7.3 Advise the TSP's CSDP to transfer the equity securities to the custody account of the other TSP or the CSDP to whom the client wishes to transfer the securities 7.4 Process the withdrawal of equity securities on the BDA system upon advice of delivery from the TSP's CSDP	TSP CSP CSP CSP
8. Rematerialisation of uncertificated equity securities 8.1 Receive the request for rematerialisation and withdrawal of uncertificated equity securities from the client 8.2 Instruct the TSP's CSDP to rematerialise the uncertificated equity securities 8.3 Receive the advice of the rematerialisation of the securities from the TSP's CSDP, collect the certificate from the CSDP and process the receipt of the certificate on the BDA system	TSP CSP CSP

Function		Responsibility
8.4	Deliver the certificate to the client or the TSP and process the delivery on the BDA system	CSP
8.5	Confirm the receipt of scrip from the CSP on USITR and transfer it into the relevant scrip location on the BDA system pending delivery to the client	TSP
8.6	Deliver the scrip received from the CSP to the client and process the delivery on the BDA system	TSP
8.7	Record the acknowledgement of receipt of the scrip by the client on USTNN	TSP
8.8	Ensure that scrip deliveries from the CSP to the TSP reflected on USITR and scrip deliveries from the TSP to a client reflected on USTNN are cleared timeously	CSP
9. Balancing of nominee registers to CSDP records		
9.1	Balance the BDA system nominee register to the CSDP custody account on a daily basis in terms of rule 9.10.7	CSP
9.2	Submit monthly nominee register balancing reports to the Director: Surveillance	CSP
10. Borrowing and lending of equity securities		
10.1	Process the initiation of loans of equity securities and the associated collateral on SBORU and SCOLU on the BDA system	TSP
10.2	Instruct the TSP's CSDP to deliver or receive equity securities lent or borrowed and any associated securities collateral	CSP
10.3	Process the delivery or receipt of equity securities lent or borrowed and any associated securities collateral on SBORC and SCOLC on the BDA system	CSP
10.4	Instruct the TSP's CSDP to receive or deliver the return of equity securities lent or borrowed and any associated securities collateral	CSP
10.5	Process the receipt or delivery of the return of equity securities lent or borrowed and any associated securities collateral on SBORC and SCOLC on the BDA system	CSP
10.6	Balance open loan and collateral positions on the BDA system with the records of the lenders	TSP or CSP (refer FL 2)
11. Receipt of funds		
11.1	Physical receipt and banking of cheques	TSP or CSP (refer FL 2)
11.2	Obtain proof of the deposit identifying the depositor in respect of remote deposits or direct transfers	TSP or CSP (refer FL 2)
11.3	Process the receipt of funds on the BDA system after examining proof of the deposit	TSP or CSP (refer FL 2)
12. Inter-account funds transfers		
12.1	Obtain written authority from the client for journal transfers to another client account and submit the written authority to the CSP	TSP
12.2	Approve the transfer of funds to another client account after examining the written authority obtained from the client	CSP
12.3	Process the inter-account transfer of funds on the BDA system	CSP
13. Withdrawal of funds		
Authority for third party payments		
13.1	Obtain written authority from the client for third party payments and submit the written authority to the CSP	TSP
Electronic payments utilising a bank's payment system		
13.2	Effect electronic transfers of funds to clients and, if effected by the TSP, submit the confirmation of the transfer reflecting the payee's bank account details to the	TSP or CSP (refer FL 2)

Function	Responsibility
CSP to enable the approval and processing thereof	
13.3 Approve the withdrawal of funds, including the examination of written authority for third party payments if applicable	CSP
Electronic payments utilising the BDA system	
13.4 Initiate electronic transfers of funds to clients on the BDA system	TSP
13.5 Release the transfer of funds to clients on the BDA system	CSP
Cheque payments	
13.6 Submit a written instruction to the CSP for cheque payments to clients	TSP
13.7 Approve cheque payments, including the examination of written authority for third party payments if applicable	CSP
13.8 Effect cheque payments to clients	CSP
Processing of the withdrawal of funds from JSET on the BDA system	
13.9 Effect the initial processing of the withdrawal of funds on the BDA system where there is dual authorisation of the processing between the TSP and the CSP	TSP
13.10 Authorise the processing of the withdrawal of funds on the BDA system where there is dual authorisation	CSP
13.11 Process the withdrawal of funds on the BDA system where there is no dual authorisation of the processing between the TSP and the CSP	CSP
14. Reconciliation of client cash balances with JSE Trustees	
Reconcile client credit cash balances with JSE Trustees on a daily basis	CSP
15. Corrections and adjustments to equity securities and funds balances	
15.1 Advise the CSP of the details of corrections and adjustments to be effected to equity securities and funds balances on client accounts in respect of any errors identified by the TSP	TSP
15.2 Process corrections and adjustments to client balances on the BDA system after assessing the validity thereof	CSP
16 Corporate actions	
16.1 Inform the TSP of corporate actions requiring an election in respect of clients with a position in the particular equity security	CSP
16.2 Elect the corporate actions on behalf of the clients and advise the CSP accordingly	TSP
16.3 Process the election on the BDA system and advise the TSP's CSDP of the election	CSP
17. BDA system and Merva access	
17.1 Advise the JSE in writing of the name and the BDA system user identification number of the person at:	CSP
<ul style="list-style-type: none"> – the CSP to whom update access should be granted to the SECFN function that enables other users to access the various BDA system functions – the TSP to whom validation access to the SECFN function should be granted 	
17.2 Provide update or enquiry access to the various BDA system functions to staff of the CSP and the TSP with specific regard to the segregation of functions and responsibilities set out in this directive	CSP
17.3 Validate the BDA system access provided to a user by the CSP	TSP
17.4 Effect amendments to users' BDA system access	CSP
17.5 Validate amendments to users' BDA system access	TSP

Function	Responsibility
17.6 Jointly advise the JSE in writing of the names and the BDA system user identification numbers of the persons at the TSP and/or CSP to whom access to Merva should be granted, with specific regard to the segregation of functions and responsibilities set out in FL 17.7 and FL 17.8	TSP and CSP
17.7 Initiate electronic instructions to the TSP's CSDP via Merva in respect of withdrawals or transfers of uncertificated securities held in the TSP's custody account at the CSDP	TSP or CSP (refer FL 2)
17.8 Approve and release electronic instructions to the TSP's CSDP via Merva in respect of withdrawals or transfers of uncertificated securities held in the TSP's custody account at the CSDP	CSP
18. Reconciliation and control of key accounts 18.1 Settlement current account and client trust bank account reconciliations 18.1.1 Perform the reconciliation of the relevant bank accounts 18.1.2 Investigate the reason for reconciling items 18.1.3 Ensure that reconciling items are cleared timeously 18.2 Strate funds settlement account Ensure that the account is cleared to zero the day after settlement day for settlement day value 18.3 Expense and other non-settlement current account reconciliations Perform the reconciliation of the relevant bank accounts and clear reconciling items timeously 18.4 Dividends and Rights accounts Analyse items on the accounts and investigate and clear long outstanding items 18.5 Quantity Suspense account Investigate and clear items on the account timeously 18.6 Unidentified client deposits account 18.6.1 Analyse items on the account 18.6.2 Investigate items on the account to determine the identity of the depositor 18.6.3 Re-allocate deposits on the account after examining documentation obtained by the TSP identifying the depositor	CSP TSP CSP CSP TSP CSP CSP TSP or CSP (refer FL 2) TSP or CSP (refer FL 2) CSP
19 Client account statements 19.1 Ensure that controlled client account statements which are produced and distributed by an independent third party are delivered to the clients 19.2 Collect controlled client and investment management client account statements from the person producing such statements, if such statements are not distributed by an independent third party 19.3 Distribute controlled client and investment management client account statements which reflect a mailing address to the clients 19.4 Distribute non-controlled client account statements to the relevant clients 19.5 Deliver controlled client and investment management client account statements which do not reflect mailing addresses to the TSP to be signed for by a senior official of the TSP 19.6 Ensure that controlled client and investment management client account statements which do not contain postal addresses are received by the clients 19.7 Ensure that the return mail address of the CSP is included with the statements	TSP CSP CSP TSP or CSP (refer FL 2) CSP TSP CSP

Function	Responsibility
posted to clients	
19.8 Submit returned statements to the TSP for their follow up and rectification	CSP
19.9 Investigate the reasons for statements being returned undelivered and obtain written confirmation of the correct address from the client	TSP
19.10 Rectify any incorrect addresses on CLMNT with reference to the written confirmation obtained from the client	TSP
19.11 Ensure that incorrect addresses are corrected timeously by the TSP and validate the correction of the address on CLVER with reference to the written confirmation obtained from the client	CSP
20. Bond transactions	
20.1 Process settlement receipts or payments on settlement accounts on the BDA system	TSP or CSP (refer FL 2)
20.2 Process entries to reflect the movement of clients' holdings in bonds on ACDLU, MANCT, SCRAL, UCTCO, UCXCO and SCRMV	TSP
20.3 Correct the scrip element of deal contras on GLXOP	TSP
20.4 Correct the financial element of deal contras on JNLUP	CSP
20.5 Balance the BDA system bonds custody records to the records of the TSP's settlement agent.	TSP

The acronyms used for certain BDA system functions in Table 1.1 above refer to the following:

ACDLU	=	Update Scrip against Sales
CLMNT	=	Client Account Maintenance
CLVER	=	Client Account verification
GLXOP	=	Exceptional openings
JNLUP	=	Journal Entries
MANCT	=	Manual Contras
SBORC	=	Scrip Borrowing Confirmation
SBORU	=	Securities Borrowing
SCOLC	=	Scrip Collateral Confirmation
SCOLU	=	Capture Collateral Securities
SCRAL	=	Scrip Allocation
SCRMV	=	Scrip by location
SECFN	=	User/Function maintenance
UCTCO	=	Enter scrip to certification
UCXCO	=	Enter deeds from certification
USITR	=	Mark scrip in transit
USTNN	=	Confirm scrip delivery

Directive G – Reserved

Directive H - Krugerrands

Scope of section

HA	Settlement, Delivery and Payment
HB	Reserved
HC	Reserved
HD	Reserved
HE	Reserved

HA Settlement, Delivery and Payment

1. Krugerrand transactions entered on the JSE equities trading system must be loaded in cents per coin.
2. All Krugerrand transactions entered and matched on the JSE equities trading system will be:
 - 2.1 reflected on the member's direct account on the next business day;
 - 2.2 for gross settlement on a trade by trade basis.
3. Members may arrange to offset Krugerrand settlements between themselves.
4. All Krugerrands, once withdrawn from safe custody, must, on the same day, be allocated on the BDA system by the delivering member to the receiving member as reflected on the member's direct account.
5. The delivering member must print from the BDA system two Krugerrand delivery slips, which must accompany the delivery of the Krugerrands to the receiving member. The receiving member must affix their rubber stamp and countersign the delivery slips, returning one delivery slip to the delivering member.
6. All Krugerrand settlements will take place through an office (which could be the head office, a branch office or an agency office or the offices of an appointed custody services provider) in the Greater Johannesburg Metropolitan Area.
7. The delivering member will be responsible for the secure and timeous delivery of such items. In the event of the receiving member not having an office in the Greater Johannesburg Metropolitan Area, the receiving member is responsible for the timeous collection of such items from the delivering member provided the delivering member has notified the receiving member accordingly. In the event of the receiving member and the delivering member both not having offices in the Greater Johannesburg Metropolitan Area, then the secure and timeous delivery of the items will be the joint responsibility of these members by arrangement between themselves.
8. The delivering member must notify the receiving member timeously of their intention to deliver. Arrangements for the settlement of the proceeds must be made at the same time.
9. The receiving member is not obliged to accept a part delivery of Krugerrands.
10. Krugerrand deliveries must take place on business days between 07h30 and 14h00
11. On payment of the proceeds by the receiving member and receipt of the proceeds by the delivering member, both members must close down the Krugerrand transaction on the BDA system.
12. Krugerrands coming into the possession of the receiving member must be allocated to the purchasing client on the day of receipt, if the purchasing client has paid for the Krugerrands. The purchasing or receiving member must keep the Krugerrands in float until such time as payment is made.
13. Employees of members delivering or collecting Krugerrands must at all times carry and display an identification card indicating their name, photo and the name of their employee. It is the members' responsibility to ensure that no employee of a member delivers Krugerrands or collects Krugerrands on behalf of another member unless the member has in exceptional circumstances provided written authorisation for such employee to do so and the other member has consented thereto.

HB Reserved

HC Reserved

HD Reserved

HE Reserved