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Member of the World Federation of Exchanges

JSE DERIVATIVES MARKET

HIGH LEVEL MEMBERSHIP REQUIREMENTS

Set out below is a summary of the requirements applicable to an application for equity derivatives (EDM), commodity derivatives (CDM) and interest rate and currency derivatives (IRC) market memberships of the JSE. The detailed requirements are set out in the JSE derivatives rules and directives.

An applicant must apply for authorisation to perform the following regulated services with conditions as follows:

- Trade in one or more of the markets; and/or
- Perform clearing in one or more of the markets; and/or
- Otherwise access or utilise the operational services of the JSE

Membership Requirements

To be admitted as a member and to remain a member, an applicant must be incorporated and registered as a domestic company under the Companies Act and must fulfil the following basic requirements:

- Only appoint executive and non-executive directors who comply with the fit and proper requirements
- Appoint a compliance officer who complies with the fit and proper requirements set out in the rules.
- Appoint a money laundering compliance officer in terms of the rules who comply with the fit and proper requirements.
- Appoint a minimum of 2 traders who complies with the fit and proper requirements as set out in the rules.
- Appoint a settlement officer and an alternate settlement officer in terms of the rules who complies with the fit and proper requirements as set out in the rules (IRC only).
- Appoint a clearing member in terms of the rules for the respective markets where an application is being made.

Specific Conditions of Membership

Upon the approval of an application for membership certain conditions of membership may be imposed, if necessary. These conditions will stipulate the services that the member firm are authorised to provide as well as any specific preclusions. The member firm will be required to apply to the JSE in the prescribed format in order to amend any of those conditions.

Resources, procedures and systems

- A member must employ adequate resources and implement the relevant procedures and systems necessary for the effective performance of the regulated services for which the member has been approved and to ensure compliance with the Act, the rules and the directives that are relevant to the performance of such regulated services.
- A member must ensure that its employees are suitably qualified, adequately trained and properly supervised.

Membership approval timelines

The membership application process depends largely on the quality of information supplied as per the application. Appropriate consideration is given to every application and is based on its own particular merits and relative distinguishing characteristics that may exist. Accordingly, no fixed time lines are contemplated. It must be also noted that membership is not guaranteed.

There are factors that will contribute to the timeline such as the initial set up on the network infrastructure which is dependent on your service provider. We will however attempt to manage this process as efficiently as possible.

Capital Requirements

Fixed Expenditure Base Requirement

The base requirement of a member is the higher of an amount determined in accordance with the directives as being adequate to meet a member's fixed expenditure for a period of 13 weeks or R400 000, whichever is the greater. Please note that this is the absolute minimum requirement and this quantum of liquid capital may change based on the applicants business model and the anticipated services that the applicant will provide.

Adjusted liquid capital

A member must on admittance and at all times thereafter hold adjusted liquid capital which complies with the minimum requirements calculated in accordance with the rules of the relevant market, sufficient to meet its base requirement and its risk requirement.

Banking Requirements

Business Account - Used for funding all business expenses

Auditors

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. The applicant must include with its application the details of the appointed auditor.

Internal Controls and Risk Management

The applicant must document and submit with the application the details documenting the firm's internal control and risk management procedures as well as the policy around maintaining the procedures manual. For membership purposes the JSE needs to know who will be responsible for developing and documenting the firm's internal control and risk management procedures and for maintaining the procedures manual.

All member firms are required to appoint an audit committee. We also require details of your audit committee, the members of the committee and the intended frequency of meetings of that committee.

Connectivity and Trading

Members of the derivatives markets are required to have at least one connection to the JSE primary data centre and will be required to connect to the remote disaster recovery site when this becomes available. Please access the link provided for more information in respect of connectivity.

<https://www.jse.co.za/services/technologies/jse-derivatives-trading-systems>

One or all of these connections may be through an accredited Shared Infrastructure Provider (SIP) provided that they are able to provide access to all of the required platforms at the JSE. Please refer to the following link

<https://www.jse.co.za/services/technologies/sip-accreditation> for a list of accredited suppliers.

The JSE provides the 'Nutron' front-end to all members of the commodity derivatives and interest rate derivatives markets.

The JSE does not offer a front-end API for the equity derivatives and currency derivatives market and members are required to procure the services of a third party software provider. Please use the following link to access our list of accredited software vendors <https://www.jse.co.za/services/technologies/software-vendor-accreditation>

You are required to have a minimum line bandwidth capacity as well as a backup line. The line should be sufficient for trading as well as your back office systems. The size of the line will be dependent on the firm's resources in terms of the number of staff and workstations in operation.

Membership Fee

A once off non-refundable membership application fee is applicable with the submission of your application.

Communication

- We have various means of communicating to our members. For the purpose of applying for membership, the JSE Market Regulation's supervision team will be your primary contact point.

- The JSE Account Officer would be your primary contact at the JSE for all the operational matters
 1. Web access, our Extranet is a secure web page for all our customers with price and service related information (as soon as you have been approved we will arrange access).
 2. General purpose gazettes (The JSE's official) notification mechanism.
 3. Hotlines for all system related communication.

Employees

Employment contracts must be submitted for all employees of the member firm whose function relates to the provision of regulated services.

Key staff appointments

- Compliance Officer
- Traders
- Settlement Officer (IRM only)
- Alternate Settlement Officer (IRM only)