
MARKET NOTICE

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Stock Exchange

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Number: 123/2020
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 2 April 2020

SUBJECT: SETTLEMENT OF KRUGERRAND TRANSACTIONS DURING COVID-19 LOCKDOWN PERIOD

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Designation: Director - Market Regulation

Members are aware that a nation-wide lockdown is currently in place until Thursday, 16 April as a measure to assist in combatting the spread of the COVID-19 virus. During this period only prescribed essential services may be performed. The JSE and its authorised users fall within the prescribed essential services. However, there is a strong expectation from government that companies providing essential services make the necessary arrangements to operate remotely, where possible, and that employees of those companies only operate from or attend the business premises of the company if it is essential to do so.

The settlement of Krugerrand transactions executed on the JSE involves the physical movement of coins between locations. In some instances, the movement of coins to effect delivery may be within a single safe custody facility, from a safe custody container of the delivering member to the safe custody container of the receiving member. In other instances, the delivery of coins needs to take place between different safe custody facilities. In both cases, employees of member firms are required to attend the premises where a safe custody facility is housed to facilitate the delivery of coins from sellers to buyers.

JSE equities rule 15.10.4 states that “deliveries of Krugerrands must be effected directly between members on any business day of the new settlement period”. The “new settlement period” referred to in this rule is the week following that in which the transaction has been executed on the JSE trading system. Under the current circumstances, with the lockdown in place, the JSE believes that it would be inappropriate to insist that employees of member firms, and employees of the safe custody facilities, attend the premises of the safe custody facilities to ensure that the delivery of coins can be effected during the new settlement period. In addition to having to attend the premises of the safe custody facilities, member firms would also need to continue to make the necessary arrangements to ensure that secure delivery of the coins between different safe custody facilities takes place, where required, and there is no assurance that these arrangements can continue during the period of the lockdown.

The current circumstances with the lockdown are beyond the control of member firms, were unforeseen and unforeseeable, and resulted in an unavoidable situation where it is impossible for members to comply with the obligation in rule 15.10.4 to deliver Krugerrands during the new settlement period for the period of the lockdown. Having considered these circumstances, and to ensure the continued operation of the JSE's market, the JSE has determined that, until further notice, settlement of Krugerrand transactions executed on the JSE trading system may be postponed until the settlement can be physically achieved without imposing an undue burden on member firms to effect the settlement. This dispensation in permitting a postponement of settlement of Krugerrand transactions will apply to all unsettled transactions due for settlement from the current settlement week.

Members should note that if settlement of Krugerrand transactions is postponed, it applies to the settlement of both the coins and the funds. Members must not settle the funds between the buyer and the seller without delivering the coins.

Members must make clients who wish to trade in Krugerrands during the period in which settlement may be postponed aware of the postponement, in order for clients to consider whether they still wish to proceed with the transaction.

The JSE will advise members when this dispensation on the postponement of settlement of Krugerrand transactions no longer applies.

If members have any questions regarding this Notice they may contact Yekeen Hutheram in the JSE Market Regulation Division at yekeenh@jse.co.za or (011) 5207893.