

PROPOSED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY DERIVATIVES DIRECTIVES

General explanatory notes:

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

SECTION C: TRADING

CA TRADING SYSTEM

- 10 The trading system will operate on every business day according to the following standard periods and times -
- 10.1 trade reporting period for IRC securities other than same day trades in bonds and currency derivatives: 07h00 to 18h00;
 - 10.2 trade reporting period for same day trades in bonds: 07h00 to 12h00;
 - 10.3[2] administration period for currency derivatives: 08h00 to 09h00;
 - 10.4[3] automated trading period for IRC securities other than currency derivatives: 08h00 to 17h00;
 - 10.5[4] automated trading period for currency derivatives: 09h00 to 17h00;
 - 10.6[5] trade reporting period for currency derivatives: 09h00 to 17h30;
 - 10.7[6] administration period for currency derivatives: 17h00 to 17h30;
 - 10.8[7] administration period for IRC securities other than bonds and currency derivatives: 17h00 to 18h00;
 - 10.9[8] system close: 18h00

SECTION E: SETTLEMENT

EA Applicability of Section E

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EB Operation of accounts of a member at its CSDP

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EC Information to be submitted to the Settlement Authority

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ED Reserved[Settlement timetable

This directive contains the key obligations imposed on members and their clients in relation to the settlement of transactions in bonds in terms of Section 9 of the rules, together with certain additional specific obligations not contained in Section 9 of the rules, presented in the format of a timetable covering the period prior to a transaction to settlement on T+3.

Timing	Description	Activity	Rule
	Pre-trade	Trading Member's pre-trade obligations	
		<p>1 A trading member may only place an order or report a trade on the trading system if such member has appointed a clearing member, where applicable. A trading member may only place an order or report a transaction in bonds on the trading system, if the member has appointed a CSDP as prescribed by directive and has taken reasonable steps to satisfy itself that –</p> <p>1.1 if the client is a non-member settled client, the client has appointed a CSDP and Strate has confirmed, in the manner determined by the JSE as set out in directive EE, 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 trading system;</p> <p>1.2 if the client is a member settled client, the trading member has appointed a CSDP and Strate has notified, in the manner determined by the JSE as set out in directive EE, the client account code which is updated to the trading system; and</p> <p>1.3 Settlement of the transaction will occur on the settlement date.</p>	<p>9.40.2</p> <p>9.40.2.1</p> <p>9.40.2.2</p>
		Trading Member's general settlement obligation	
		<p>2 In the event that a client, at any stage, advises a trading member, or the trading member otherwise becomes aware, that the client is not able to settle a transaction, the trading member must endeavour to enter into an arrangement to ensure that the transaction settles on settlement day. If the trading member is unable to enter into such arrangement, the trading member must immediately notify the Settlement Authority.</p>	9.100.10
		Settlement Authority's general actions	

Timing	Description	Activity	Rule
		<p>3 In the event that a trading member advises the Settlement Authority at any stage in terms of ED2 that the CSDP of the trading member or the CSDP of a non-member settled client of the trading member will not be in a position to settle a transaction on settlement day and the Settlement Authority is not able to procure that the settlement of the transaction will take place on settlement day, or the Settlement Authority does not roll settlement to a subsequent date, the transaction will be declared a failed trade by no later than 09h00 on the next business day and will be dealt with in terms of the failed trade procedures as set out in rule 9.130 and rule 9.135.</p>	9.70.5
		Allocation or assignment of transactions by a trading member	
		<p>4 A trading member must-</p> <p>4.1 allocate transactions to a client or a trading member's proprietary account on the trade date; and</p> <p>4.2 if the trade is effected through a principle assignment stock account, assign the trade to a client on the trade date.</p>	9.70.2.1 and 9.70.2.2
		Reporting to a client	
		<p>5 A trading member must report transactions to a client on the trade date.</p>	9.70.2.3
		Late allocation or late assignment of transactions by a member	
		<p>6 A trading member must-</p> <p>6.1 in respect of late allocations, notify the Settlement Authority by 15h00 on the second business day after the original trade of the details of the relevant allocation account and the client's account to which the transaction must be allocated. All late allocations will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ;</p> <p>6.2 in respect of late assignment of transactions effected through a principle assignment stock account, notify the Settlement Authority by 15h00 on the second business day after the original trade of the details of the relevant principle assignment stock account and the client's account to which the transaction must be assigned. All late assignment transactions will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ.</p>	9.70.2.1 9.70.2.2
		Reporting to a client on late allocation or late assignment of a transaction by a member	
		<p>7 Any late allocation or late assignment of a transaction by a trading member should be notified to the client forthwith in sufficient time to allow for the CSDP of the client or the member to commit by no later than 17h00 on the business day preceding the settlement date.</p>	9.70.2.1, 9.70.2.2 and 9.70.2.5

Timing	Description	Activity	Rule
		<p>Late allocation corrections or late assignment corrections of transactions by a member</p> <p>8 A trading member must-</p> <p>8.1 in respect of late allocation corrections, notify the Settlement Authority by 18h00 on the first business day after the original trade of the details of the client's account to which the transaction was erroneously allocated and the correct client's account to which the transaction should be allocated. All late allocation corrections will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ;</p> <p>8.2 in respect of late assignment corrections of transactions effected through a principle assignment stock account, notify the Settlement Authority by 18h00 on the first business day after the original trade of the details of the client's account to which the transaction was erroneously assigned and the correct client's account to which the transaction should be assigned. All late assignment corrections will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ.</p>	<p>9.70.3.1</p> <p>9.70.3.2</p>
		<p>Reporting to a client on late allocation corrections or late assignment corrections by a member</p> <p>9 Any late allocation correction or late assignment correction by a trading member should be notified to the client forthwith in sufficient time to allow for the CSDP of the client or the member to commit by no later than 17h00 on the business day preceding the settlement date.</p>	<p>9.70.3.1, 9.70.3.2 and 9.70.2.5</p>
		<p>Client's obligations</p>	
		<p>10 The client will be deemed to have accepted the transaction unless he notifies the trading member to the contrary by 12h00 on the business day after the original trade date, subject to ED 6 and ED 7.</p>	<p>9.70.2.4</p>
		<p>11 A non-member settled client must provide settlement instructions to its CSDP immediately upon acceptance of a reported transaction, but by no later than -</p> <p>11.1. 13h00 on the trade date for trades due to settle on trade date;</p> <p>11.2. 16h30 on the trade date for trades due to settle on the first business day after the trade date; or</p> <p>11.3. 12h00 on the business day after the original trade date for trades due to settle on the second or third business day after the trade date.</p>	<p>9.80.1</p>

Timing	Description	Activity	Rule
		<p>12 A member settled client must ensure that the trading member is in a position to settle reported transactions on settlement day, by no later than -</p> <p>12.1. 13h00 on the trade date for trades that are due to settle on the trade date;</p> <p>12.2. 15h00 on the trade date for trades that are due to settle on the first business day after the trade date; or</p> <p>12.3. 12h00 on the business day after the transaction for trades that are due to settle on the second or third business day after the trade date.</p>	9.90.1
		<p>Member's obligations</p> <p>13 In the event that a member settled client fails to comply with ED 12, the trading member will be obliged in terms of rule 9.100.4 to take the necessary steps to ensure that the transaction settles on settlement day and may proceed in terms of rule 9.90.3.</p>	9.90.2
		CSDP commitment	
		<p>14 A non-member settled client must ensure and procure that his CSDP is in a position to commit to settle reported transactions on his behalf on the settlement date, by no later than -</p> <p>14.1. 14h30 on the trade date for trades that are due to settle on the trade date; or</p> <p>14.2. 15h00 on the business day preceding the settlement date for trades due to settle on the first, second or third business day after the trade date.</p>	9.80.2
		15 Reserved	
		<p>16 A trading member must ensure that his CSDP is in a position to commit to settle reported transactions in respect of member settled clients and the proprietary transactions of that trading member on the settlement date, by no later than -</p> <p>16.1 14h30 on the trade date for trades due to settle on the trade date; or</p> <p>16.2 15h00 on the business day preceding the settlement date for trades due to settle on the first, second or third business day after trade date.</p>	9.100.5
		17 Reserved	

Timing	Description	Activity	Rule
		18 In the event that by 17h00, a member settled client remains unable to settle a reported transaction that is due to settle on the first, second or third business day after the trade date, the trading member must continue to take the necessary steps to ensure that, by no later than 10h00 on the settlement date, the CSDP of the trading member commits to settle any transaction in respect of that member settled client.	9.100.7
		19 In the event that a non-member settled client fails to comply with ED 14, the trading member is obliged in terms of rule 9.100.8 to take the necessary steps to ensure that the transaction settles on settlement day and may proceed in terms of rule 9.80.5.	9.80.4, 9.80.5 and 9.100.8
		20 In the event that by 17h00 on the business day preceding the settlement date, a non-member settled client remains unable to ensure and procure that his CSDP will be in a position to commit to settle a reported transaction that is due to settle on the first, second or third business day after trade date, the trading member must continue to take the necessary steps to ensure that, by no later than 10h30 on settlement date, the CSDP of the non-member settled client commits to settling the transaction.	9.100.9
		21 A commitment by a CSDP to settle a transaction in respect of a member settled client and the proprietary transactions of a trading member shall become unconditional as at 10h00 on the settlement date, unless a transaction is subject to an on-exclusion.	9.100.6
		22 A commitment by a CSDP to settle a transaction on behalf of a non-member settled client shall become unconditional as at 10h00 on the settlement date.	9.80.3
		Settlement Authority's actions	
		23 Where a trading member has acted in terms of ED 18 in respect of a member settled client and is unable to procure settlement by his CSDP by 10h00 on the settlement date or has acted in terms of ED 20 in respect of a non-member settled client and is unable to procure settlement by the CSDP of the non-member settled client, the Settlement Authority will endeavour by 12h00 –	
		23.1 in respect of a sale transaction, to borrow, as agent, on behalf of the trading member or client as undisclosed principal, the bonds required by the trading member or client to comply with its obligations to settle the transaction; or	9.140.1

Timing	Description	Activity	Rule
		23.2 in respect of a purchase transaction, to lend to the trading member or client the funds required by the trading member or client to comply with its obligations to settle the transaction; or	9.150.1
		23.3 in respect of a sale or a purchase transaction where the Settlement Authority is unable to perform in terms of ED 23.1 or ED 23.2, in its sole discretion and under exceptional circumstances, to roll the settlement of the transaction in terms of rule 9.125; or	9.125
		23.4 in the event that the Settlement Authority is unable to enter into a securities borrowing transaction in terms of ED 23.1 or a funds lending transaction in terms of ED 23.2 or does not roll the settlement of a transaction in terms of ED 23.3, as the case may be, to enter into a carry or repurchase transaction to enable the trading member or client to comply with its obligations to settle the transaction; or	9.160.1
		23.5 in respect of a sale or a purchase transaction where the Settlement Authority is unable to perform in terms of ED 23.1, ED 23.2, ED 23.3 or ED 23.4, instruct a trading member or a client (via the trading member) to close the purchase or sale transaction at a price and on the basis set out in rule 9.130 or rule 9.135, and directive EG.	9.30.2.9
		Failed trade procedures	
		24 Where the Settlement Authority is unable by 12h00 to perform in terms of ED23, it will at 12h00 declare the said transaction to be a failed trade in terms of rule 9.70.4 and will –	
		24.1 match such failed trade against an equal but opposite transaction which is a terminating transaction; or	9.70.4 9.130. and 9.135
		24.2 if there is no transaction or more than one transaction of the type set out in ED 24.1, in terms of the failed trade procedures as laid down from time to time, select such transactions the failing of which will be least disruptive to CSDPs, members and clients. 25 The transactions selected in terms of ED 24.1 or ED 24.2 must be closed at a price determined by the Settlement Authority in terms of the principles and procedures in rule 9.130 or rule 9.135 and directive EG.	
		26 In respect of trades cleared by JSE Clear, the difference between the original value of the trade that failed and the value based on the close out price as established in accordance with rule 9.130.1.3 and directive EI will be paid by the Settlement Authority to the CSDP of the trading member or client who effected the failed trade, to enable the CSDP to commit to the failed trade settlement in terms of the procedures as set out in directive EG.	

Timing	Description	Activity	Rule
		<p>27 The settlement margin and top-up margin held by JSE Clear in respect of the relevant trading member or non-member settled client will be applied by the Settlement Authority to pay the amount referred to in ED 26 to the CSDP of the trading member or client who effected the failed trade.</p>	
		<p>28 The clearing member of the trading member who effected the failed trade will pay any resultant shortfall between the margin referred to in ED 27 and the amount referred to in ED 26 to the Settlement Authority and may claim such shortfall from the trading member. Any resultant surplus between the margin referred to in ED 27 and the amount referred to in ED 26 will be paid by the Settlement Authority to the clearing member of the trading member who effected the failed trade.</p> <p>29 In respect of reported transactions not cleared by JSE Clear, the difference between the original value of the trade that failed and the value based on the close out price as established in accordance with rule 9.135.1.2 and directive EG will be payable by the failing member to the non-failing member.</p>	
		<p>Member's sell-out or buy-in procedures</p>	
		<p>30 Where a member settled or non-member settled client has not complied with their obligations to procure settlement in terms of section 9 of the rules and the Settlement Authority is able to procure the settlement of the transaction by means of the borrowing of bonds or funds or effecting a carry or repurchase transaction, as the case may be, the trading member must by no later than the close of business on the next business day -</p>	<p>9.100.11</p>

Timing	Description	Activity	Rule
		<p>30.1 in respect of a sale transaction, buy such bonds for the account of the client; or</p> <p>30.2 in respect of a purchase transaction, sell such bonds for the account of the client,</p> <p>and must advise the Settlement Authority of the relevant settlement details to enable the Settlement Authority to effect the return of the bonds or funds or timeously settle the carry or repurchase transaction.</p> <p>Instances where sell-out or buy-in is not required</p> <p>31 A member must not buy-in or sell-out a client in terms of ED 30 in those instances where –</p> <p>31.1 a client has not complied with their obligations to procure settlement in terms of section 9 of the rules or this directive; and</p> <p>31.2 both the member and the Settlement Authority were unable to procure the settlement of the transaction by means of borrowing of bonds or funds or effecting a carry or repurchase transaction, as the case may be; and</p> <p>31.3 the Settlement Authority has not rolled settlement of the transaction; and</p> <p>31.4 the Settlement Authority either closes the transaction in terms of rule 9.30.2.9 or declares the transaction to be a failed trade in terms of rule 9.100.12;</p> <p>but must instead act in accordance with the instructions received from the Settlement Authority in terms of rule 9.130 or rule 9.135 and directive EG.</p> <p>Settlement</p> <p>32 Settlement is effected by Strate and the CSDP of the member and/or non-member settled client and/or Settlement Authority.</p> <p>33 If the Settlement Authority becomes aware at any stage of a transaction not being able to settle which may, in its sole discretion, cause systemic risk, it may defer the settlement of such transaction by notifying Strate accordingly and extending the times referred to in rules 9.70, 9.80, 9.90, 9.100, 9.130 and 9.135.</p>	<p>9.100.12</p> <p>9.70.2.6</p> <p>9.30.2.11]</p>

EF Reserved[Carry and repurchase transactions by the Settlement Authority

The Settlement Authority will facilitate carry and repurchase transactions in approved bonds on behalf of a trading member or client in terms of rule 9.160 under the following terms and conditions -

- 1 the Settlement Authority will endeavour to enter into a carry or repurchase transaction, as agent, on behalf of the trading member or client as undisclosed principal;
- 2 a member or client must ensure that sufficient cash is available in their funds settlement account and sufficient bonds are available in their custody account with their CSDP or member respectively to meet their settlement obligations in relation to the carry or repurchase transaction;

- 3 the Settlement Authority will initiate the carry or repurchase transaction by sending the necessary settlement instructions to Strate through the trading system, and will advise the trading member of the transactions comprising the carry and the carry yields; and
- 4 the future legs of the carry transaction will be treated as central order book trades and will be subject to margining as provided for in the rules.]

EG Failed trade principles and procedures

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EH Margin on bonds trades

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EI Penalties

- 1 The penalties set out in EI 3 will be levied by the JSE in respect of transgressions relating to the settlement of transactions in bonds.
- 2 Despite the provisions of this directive, further disciplinary action may be taken by the JSE in appropriate circumstances in terms of section 4 of the rules, in relation to the transgressions set out in EI 3.
- 3 The following penalties will apply:

Transgression	Penalty
3.1 Pre-trade: Trading in bonds where - <ul style="list-style-type: none"> 3.1.1 a trading member has not opened a custody and funds settlement account with a CSDP and has not been set up on the trading system, Strate system and CSDPs system; 3.1.2 where a transaction has been booked to a client's account that has not been registered in terms of directive EE. 	 R 10 000 R 10 000
[3.2 Reserved]	
[3.3 Reserved]	
3.2[4] T Where a member has failed to allocate a trade in terms of rule 9.70.2.1 or assign a trade in terms of rule 9.70.2.2 on the date of the trade.	R 1 000
3.3[5] T Where a member has failed to correct an allocation in terms of rule 9.70.3.1 or failed to correct a principal assignment in terms of rule 9.70.3.2.	R 1 000

<p>3.4[6] Commitments to settle</p> <p>3.4.1 T+1, T+2 and T+3 trades:</p> <p>3.4.1.1 Where a member is unable to place the CSDP of the trading member or a non-member settled client, as the case may be, in a position to commit to settle the T+1, T+2 or T+3 transactions of the trading member or its clients [procure] by [08h00] 19h00 on the business day preceding the settlement date [that a proprietary transaction or a transaction for a member settled or non-member settled client will settle] in terms of rule 9.100.5[s 9.100.7 and 9.100.9];</p> <p>3.4.1.2 In addition to 3.4.1.1, where a member is still unable to place the CSDP of the trading member or a non-member settled client in a position to commit to settle the T+1, T+2 or T+3 transactions of the trading member or its clients by 13h00 on settlement date in terms of rules 9.100.7 and 9.100.8.</p> <p>3.4.2 Same day trades</p> <p>Where a member is unable to place the CSDP of the trading member or a non-member settled client in a position to commit to settle the same day transactions of the trading member or its clients by 13h00 on settlement date in terms of rule 9.100.5.</p>	<p>R 5 000 per occurrence <u>which, notwithstanding the failure to commit to settlement by 19h00 on the business day preceding the settlement date in breach of rule 9.100.5, will be levied in respect of transactions for which the commitment to settle has still not been provided by 09h00 on the settlement date</u></p> <p>R 5000 per occurrence</p> <p>R 5000 per occurrence</p>
<p>[3.7 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 bonds on behalf of the member in terms of rule 9.140]</p>	<p>[R1 000 plus 10 basis points on the nominal value up to a maximum of R100 000]</p>
<p>3.5[8] Where a member introduces a trade for which settlement is rolled in terms of rule 9.125.</p>	<p>R1 000 plus 20 basis points on the nominal value up to a maximum of R100 000</p>
<p>3.6[9] Where a member introduces a proprietary or client trade which is declared a failed trade in terms of rule 9.70.5[4]</p>	<p>R1 000 plus 30 basis points on the nominal value up to a maximum of R100 000</p>

4. Payment of Penalties

- 4.1 In the absence of an objection lodged by a member in terms of EI 4.2, the member must pay any penalty imposed by the Settlement Authority within 5 business days of the date of the invoice.
- 4.2 An objection to a penalty imposed by the Settlement Authority must be lodged in writing accompanied by mitigating evidence, signed by the settlement officer or an alternate settlement officer of the trading member and received by the Settlement Authority by no later than 15h00 on the day that the penalty is due and payable.

5. 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 EI 3.

EJ Settlement Authority fees

1 The following fees will be levied by the JSE in relation to action taken by the Settlement Authority.

Service	Fee
1.1 [Reserved] <u>Assisting a trading member to source a counterparty to a carry or repurchase transaction in terms of rule 9.30.2.5 or source a lender of bonds in terms of rule 9.30.2.6</u>	R 5 000
[1.2 Reserved]	
[1.3 Provision by the Settlement Authority of bonds lending facilities to a member for a proprietary trade or to a client 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 of the initial value of the loaned bonds over the loan period]
[1.4 Provision by the Settlement Authority of funds to a member for a proprietary trade or to a client to enable settlement]	[R1 000 administration fee plus an interest charge of 5% p.a. above the Prime Overdraft Rate at FirstRand Bank Limited]
[1.5 Facilitation of a carry or repurchase transaction by the Settlement Authority on behalf of a member or a client to enable settlement]	[R5 000]
1.2 [6] Execution by the Settlement Authority of the rolling of settlement process in terms of rule 9.30.2.10	R5 000 administration fee payable by the member who introduced the trade which resulted in the execution of the process in terms of 9.30.2.10
[1.7 Execution by the Settlement Authority of the give up process in terms of rule 9.30.2.9]	[R5 000 administration fee payable by the member who introduced the trade which resulted in the execution of the process in terms of 9.30.2.9]
1.3 [8] Execution by the Settlement Authority of the failed trade process in terms of [rule 9.130 and] rule 9.135.	R10 000 administration fee payable by the member who introduced the failed trade
1.4 [9] Resolution by the Settlement Authority of an interest entitlement resulting from a [bonds lending arrangement,] rolling of settlement or failed trade procedure.	R1 000 administration fee payable by the member who introduced the failed trade
<u>1.5 Requests to extend the trading window for the booking of same day cover trades to facilitate settlement.</u>	<u>R 2500 per request</u>

2. Payment of Fees

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