

## APPROVED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY DERIVATIVES RULES

### General explanatory notes:

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

### Section 2: Definitions and Interpretation

**"same day trade"** means a reported transaction that is due to settle on the same day that it is reported to the trading system;

### Section 9 Settlement

#### 9.20 Settlement principles for bonds

Settlement of bonds shall be effected in accordance with the following principles –

- 9.20.1 trade by trade;
- 9.20.2 between the scrip root and the cash root; and
- 9.20.3 rolling and contractual.

#### 9.30 Settlement Authority

9.30.1 The Settlement Authority will manage –

- 9.30.1.1 the settlement of transactions in bonds executed on the central order book of the trading system as referred to in rule 8.20.1.1;
- 9.30.1.2 the settlement of transactions in bonds reported to the trading system, where the respective clearing members accept the reported transactions for risk management purposes as referred to in rule 8.20.1.3;
- 9.30.1.3 the settlement of principal assignment trades in bonds reported to the trading system as referred to in rule 8.20.1.4;
- 9.30.1.4 the settlement of all other reported transactions in bonds reported to the trading system as contemplated in rule 7.120; and
- 9.30.1.5 the risks associated with the settlement of the transactions referred to in rules 9.30.1.1 to 9.30.1.4.

9.30.2 In order to perform its functions in terms of rule 9.30.1, the Settlement Authority may –

- 9.30.2.1 Reserved
- 9.30.2.2 Reserved
- 9.30.2.3 Reserved
- 9.30.2.4 take action when the settlement of a transaction in bonds is unlikely to take place on settlement date;
- 9.30.2.5 instruct a trading member to enter into a carry or repurchase transaction through the trading system for its own account or on behalf of a [trading member or] client in order to facilitate the settlement process, and assist the trading member, when necessary and where possible, to source a willing

counterparty to the carry or repurchase transaction**[and manage the risk associated with such process];**

- 9.30.2.6 instruct a trading member to borrow**[, as agent, on behalf of a trading member or client as undisclosed principal,] bonds [from third parties] for its own account or on behalf of a client to facilitate the settlement process, and assist the trading member, when necessary and where possible, to source a willing lender of the bonds****[and manage the risks associated with such process];**
- 9.30.2.7 levy fees, as prescribed by directive, on trading members for the loan of bonds or funds to trading members or clients in order to facilitate the settlement process;
- 9.30.2.8 impose penalties, as prescribed by directive, on trading members for any action or omission by a trading member which is potentially disruptive or has the effect of disrupting the settlement process and the functions of the Settlement Authority;
- 9.30.2.9 instruct a trading member or a client (via the trading member) to close a purchase or sale transaction at a price and on the basis set out in rule 9.130 or rule 9.135 ;
- 9.30.2.10 in its sole discretion and in exceptional circumstances, instruct a trading member or client (via the trading member) to roll the settlement of a purchase or sale transaction on the basis set out in rule 9.125; and
- 9.30.2.11 if at any stage it becomes aware of a transaction not being able to settle which may, in its sole discretion, cause systemic risk, 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.

#### 9.40 Trading in bonds

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#### 9.50 Borrowing, lending or use of clients' bonds

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#### 9.60 Recording of bonds

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#### 9.70 Settlement of bonds

- 9.70.1 All transactions in bonds shall only be settled electronically through Strate in accordance with the principles set out in rule 9.20.
- 9.70.2 A trade in bonds by a trading member shall –
  - 9.70.2.1 in accordance with rule 7.100, be allocated to a client or a trading member's proprietary account on the trade date: Provided that for same day trades due to settle on the trade date or trades due to settle on the first business day after the trade date, or where a trade on a suspense account dedicated to a particular client has not been allocated on the trade date to underlying accounts under the control of that client, to ensure that the trade still settles on settlement date, allocations to the underlying accounts may be made –
    - 9.70.2.1.1 up to 12h00 on trade date for same day trades due to settle on the trade date;
    - 9.70.2.1.2[1] up to [15h00] 17h00 on trade date for trades due to settle on the first business day after the trade date; or
    - 9.70.2.1.3[2] up to [15h00] 12h00 on the first business day after the trade date for trades due to settle on the second or third business day after the trade date[; or] .
    - [9.70.2.1.3 up to 18h00 on the first business day after the trade date for trades due to settle on the third business day after the trade date.]**

All late allocations, in contravention of this rule, will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;

9.70.2.2 if the trade is effected through a principal assignment stock account, be assigned to a client on the trade date in accordance with rule 7.110: Provided that for same day trades due to settle on the trade date or trades due to settle on the first business day after the trade date, or where a trade has not been assigned on the trade date in contravention of rule 7.110, to ensure that the trade still settles on settlement date, [late] principal assignment trades must be effected by the trading member –

9.70.2.2.1 up to 12h00 on trade date for same day trades due to settle on the trade date;

9.70.2.2.2[1] up to **[15h00]** 17h00 on the trade date for trades due to settle on the first business day after the trade date; or

9.70.2.2.3[2] up to **[15h00]** 12h00 on the first business day after the trade date for trades due to settle on the second or third business day after the trade date[; or].

**[9.70.2.2.3 up to 18h00 on the first business day after the trade date for trades due to settle on the third business day after the trade date.]**

All late principal assignment trades, in contravention of this rule, will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment trades shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;

9.70.2.3 be communicated to a client on the trade date, subject to rules 9.70.2.1 and 9.70.2.2;

9.70.2.4 in the absence of notification from the client to the contrary by no later than **[12h00]** 18h00 on the business day after the original trade, be deemed to have been accepted by the client;

9.70.2.5 with the exception of trades referred to in rule 9.70.2.6, be committed to by the CSDP of the trading member or client by no later than 13h00 for same day trades due to settle on trade date or by no later than[17h00] 19h00 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;

9.70.2.6 if there is a direct or indirect dependency on the settlement of an off market transaction for which an exception applies in terms of the Strate Directives, be committed to by the CSDP of the trading member or client as soon as possible on the settlement date but by no later than 13h00;

9.70.2.7[6] with the exception of trades referred to in rule[s 9.70.2.7 and] 9.70.2.8, be settled on the trade date or the first, second or third business day after the trade date, as stipulated by the counterparties to the trade when the trade is executed on the trading system[in accordance with the settlement timetable as prescribed by directive];

**[9.70.2.7 if the counterparties to a reported trade agree thereto, be settled on the trade date or on the first or second business day after the trade date and must be committed to by the CSDP appointed by the trading member or client -**

**9.70.2.7.1 by no later than 15h00 on the settlement date for trades due to settle on the trade date; or**

**9.70.2.7.2 by no later than 17h00 on the business day preceding the settlement date for trades due to settle on the first or second business day after the trade date; and]**

9.70.2.8 if the trade is a carry transaction or a forward transaction, which the counterparties to the transaction agree will be settled more than three business days after the trade date, be settled on such date as may be agreed to by the counterparties [to the transaction] and shall be committed to by the CSDP appointed by the trading member or client by no later than [17h00] 19h00 on the business day preceding the settlement date.

9.70.3 Notwithstanding rules 9.70.2.1 to 9.70.2.3 –

- 9.70.3.1 allocation corrections in respect of trades due to settle on the third business day after the trade date or a later settlement date may be effected up to 18h00 on the first business day after the trade date if they have not been effected on the trade date. All late allocation corrections after 18h00 on the first business day after the trade date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;
- 9.70.3.2 principal assignment corrections in respect of trades due to settle on the third business day after the trade date or a later settlement date may be effected up to 18h00 on the first business day after the trade date if they have not been effected on the trade date. All late principal assignment corrections after 18h00 on the first business day after the trade date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;
- 9.70.3.3 allocations corrections and principal assignment corrections in respect of trades due to settle on the first or the second business day after the trade date may be effected -
- 9.70.3.3.1 up to **[15h00]** 18h00 on the trade date for trades due to settle on the first business day after the trade date; or
- 9.70.3.3.2 up to **[15h00]** 18h00 on the first business day after the trade date for trades due to settle on the second business day after the trade date.
- All late allocation corrections and late principal assignment corrections will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections or late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5.

9.70.4 Despite a trading member or client's CSDP having committed to settle a transaction prior to the settlement date, a trading member or client may be unable to settle the transaction on the settlement date due to a dependency on the settlement of another transaction in the same bond in respect of which the CSDP of the counterparty to that transaction has not yet committed to settling. Under these circumstances the trading member or client's CSDP may be required to retract their commitment to settle the transaction pending further action by the trading member or client, or the resolution of the transaction on which there is a dependency. If by 13h00 on the settlement date, the trading member or client's CSDP has not committed to settle a transaction affected by the retraction of a previous commitment to settle, the trading member and/or client must act in accordance with rules 9.80.4, 9.90.2 or 9.100.9, as applicable.

9.70.5[4] If a CSDP has not committed to settle a transaction by **[10h00]** 13h00 on the settlement date, **[in accordance with the settlement timetable as prescribed by directive,]** and the trading member has not subsequently taken the necessary steps, with or without the instructions of the Settlement Authority, to ensure that the trading member or client's CSDP has committed to settling the transaction by 15h00, **[and the Settlement Authority is unable, as a result, to perform in terms of rules 9.140, 9.150, 9.160 or 9.125 by 12h00,]** the transaction shall be declared a failed trade and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130 or 9.135, unless the Settlement Authority rolls the settlement of the transaction to a subsequent date as set out in rule 9.125.

9.70.6[5] If a trading member advises the Settlement Authority at any stage that the CSDP of the trading member or the CSDP of a client 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 the settlement to a subsequent date, the transaction shall be declared a failed trade by no later than **[09h00]** 15h00 on **[the next business]** settlement day and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130 or rule 9.135.

## 9.80 Non-member settled client settlement obligations

9.80.1 Reserved **[A non-member settled client shall, in respect of reported transactions, give instructions to his CSDP to settle the transaction -**

- 9.80.1.1 by no later than 13h00 on the trade date for trades due to settle on the trade date;
  - 9.80.1.2 by no later than 16h30 on the trade date for trades due to settle on the first business day after the trade date; or
  - 9.80.1.3 by no later than 12h00 on the business day after the transaction for trades due to settle on the second or third business day after the trade date.]
- 9.80.2 A non-member settled client shall, in respect of reported transactions, ensure and procure that his CSDP is in a position to commit to settle the transaction on his behalf on the settlement date -
- 9.80.2.1 by no later than ~~[14h30]~~13h00 on the trade date for same day trades due to settle on the trade date; or
  - 9.80.2.2 by no later than ~~[15h00]~~ 19h00 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, with the exception of trades referred to in rule 9.70.2.6 for which that rule will apply.
- 9.80.3 A commitment by a CSDP to settle a transaction on behalf of a non-member settled client in terms of rule 9.80.2 shall become unconditional as at ~~[10h00]~~ 08h30 on the settlement date, subject to rule 9.70.4.
- 9.80.4 To ensure that a non-member settled client's CSDP is in a position to recommit to settle a transaction by no later than 15h00 on the settlement date if the circumstances in rule 9.70.4 arise, the client must take the necessary steps by 14h00 to cover the uncommitted transaction, which may include the borrowing of bonds or funds or entering into a carry or repurchase transaction.
- 9.80.5[4] In the event that a non-member settled client fails to comply with rules 9.80.2 or 9.80.4, or is advised by the Settlement Authority that the transaction may not settle on the settlement date, the trading member which effected the transaction –
- 9.80.5[4].1 is obliged in terms of rule 9.100.9[8] to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on such non-member settled client's account; and
  - 9.80.5[4].2 may proceed in the manner set out in rule 9.80.6[5].
- 9.80.6[5] Subject to any agreement between the trading member and the client to the contrary and the action of the Settlement Authority in terms of rule 9.100.10[11] or 9.100.11[12], in the event that a non-member settled client fails to comply with the provisions of rule 9.80.2 or 9.80.4, the trading member may –
- 9.80.6[5].1 in respect of a sale transaction, buy such bonds for the account of the client; or
  - 9.80.6[5].2 in respect of a purchase transaction, sell such bonds for the account of the client.
- 9.80.7[6]. The non-member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the trading member as a result of the member acting in accordance with rule 9.80.5[4] or 9.80.6[5] or any action taken by the Settlement Authority in terms of rule 9.130 or rule 9.135.

## 9.90 Member settled client settlement obligations

- 9.90.1 A member settled client shall, in respect of reported transactions, ensure that the trading member that effected the transaction for or on behalf of such client will be in a position to settle the transaction on settlement day -
- 9.90.1.1 by no later than ~~[13h00]~~ 13h00 on the trade date for same day trades that are due to settle on the trade date; or
  - [9.90.1.2 by no later than 15h00 on the trade date in respect of trades that are due to settle on the first business day after the trade date; or]**
  - 9.90.1.2[3] by no later than ~~[12h00]~~ 19h00 on the business day **[after the transaction]** preceding the settlement date, for trades that are due to settle on the first, second or third business day after the trade date, with the exception of trades referred to in rule 9.70.2.6 for which that rule will apply.

- 9.90.2 To ensure that the trading member's CSDP is in a position to recommit to settle a transaction on a member settled client's account by no later than 15h00 on the settlement date if the circumstances in rule 9.70.4 arise, the client must take the necessary steps by 14h00 to cover the uncommitted transaction, which may include the borrowing of bonds or funds or entering into a carry or repurchase transaction.
- 9.90.3[2] In the event that a member settled client fails to comply with the provisions of rules 9.90.1 or 9.90.2, the trading member which effected the transaction –
- 9.90.3[2].1 is obliged in terms of rule 9.100.4 to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on such member settled client's account; and
- 9.90.3[2].2 may proceed in the manner set out in rule 9.90.4[3].
- 9.90.4[3] Subject to any agreement between the trading member and the client to the contrary and the action of the Settlement Authority in terms of rule 9.100.10[11] or 9.100.11[12], in the event that a member settled client fails to comply with the provisions of rules 9.90.1 or 9.90.2, the trading member may –
- 9.90.4[3].1 in respect of a sale transaction, buy such bonds for the account of the client; or
- 9.90.4[3].2 in respect of a purchase transaction, sell such bonds for the account of the client.
- 9.90.5[4] The member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the trading member as a result of the trading member acting in accordance with rules 9.90.3[2] or 9.90.4[3] or any action taken by the Settlement Authority in terms of rule 9.130 or rule 9.135.

## 9.100 Trading member settlement obligations

- 9.100.1 A trading member shall at all times endeavour to ensure that the settlement of a transaction in bonds effected by the member takes place.
- 9.100.2 The settlement officer of a trading member must immediately inform the Settlement Authority when any transaction in a bond is unlikely to settle.
- 9.100.3 No trading member may, on settlement day, stop payment in respect of a Strate settlement.
- 9.100.4 **[If a member settled client fails to comply with the provisions of rule 9.90.1 the trading member must take the necessary steps to ensure that the transaction settles on settlement day, which may include the borrowing or lending of bonds or funds or entering into a carry transaction on the said client's account.]Reserved**
- 9.100.5 A trading member shall, in respect of reported transactions, **[endeavour to]** ensure that the CSDP of the [that] trading member or of a non-member settled client, as applicable, is in a position to commit to settle the transactions **[in respect of member settled clients and the proprietary transactions of that] of the trading member or its clients** on the settlement date -
- 9.100.5.1 by no later than **[14h30]** 13h00 on the trade date for same day trades due to settle on the trade date; or
- 9.100.5.2 by no later than **[15h00]** 19h00 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, with the exception of trades referred to in rule 9.70.2.6 for which that rule will apply.
- 9.100.6 A commitment by a CSDP to settle a transaction in respect of a member settled client and the proprietary transactions of a trading member **[in terms of rule 9.100.5]** shall become unconditional as at **[10h00]** 08h30 on the settlement date, subject to rule 9.70.4.
- 9.100.7 Notwithstanding a failure to comply with rules 9.70.2.5 and 9.90.1.2, if [if] by [17h00] 19h00 on the business day preceding the settlement date, 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 shall continue to take the necessary steps to ensure that, by no later than [10h00] 13h00 on the settlement date, the CSDP of the trading member commits to settle any transactions in respect of that member settled client. If by 13h00 the trading member's CSDP has still not committed to settling the transaction, the trading member must take the necessary steps to cover

the uncommitted transaction, which may include the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on the client's account.

- [9.100.8 If a non-member settled client fails to comply with rule 9.80.2, or is advised by the Settlement Authority that a reported transaction that is due to settle on the first, second or third business day after trade date may not settle at 10h00 on the settlement date, the trading member must take the necessary steps to ensure that the transaction settles on settlement day, which may include the borrowing or lending of bonds or funds, or entering into a carry transaction on the said client's account.]**
- 9.100.8[9] Notwithstanding a failure to comply with rules 9.70.2.5 and 9.80.2.2, if [If] by [17h00] 19h00 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 settling a reported transaction that is due to settle on the first, second or third business day after the trade date, the trading member shall continue to take the necessary steps to ensure that, by no later than [10h00] 13h00 on the settlement date, the CSDP of the non-member settled client commits to settling the transaction. If by 13h00 the CSDP of the non-member settled client has still not committed to settling the transaction, the trading member must take the necessary steps to cover the uncommitted transaction, which may include the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on the client's account.
- 9.100.9 To ensure that the trading member or non-member settled client's CSDP is in a position to commit to settle a transaction by no later than 15h00 on the settlement date, if the circumstances in rules 9.70.4, 9.100.7 or 9.100.8 arise, the trading member must take the necessary steps by 14h00 to ensure that the uncommitted transaction is covered. If the trading member fails to take the necessary steps to cover the uncommitted transaction by 14h00, the Settlement Authority will instruct the trading member to take the necessary steps to cover the transaction, and the trading member must ensure that the member or non-member settled client's CSDP has committed to settling the transaction by no later than 15h00.
- 9.100.10 If 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 shall 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 an arrangement, the trading member shall immediately notify the Settlement Authority.
- [9.100.11 If the Settlement Authority receives notification in terms of rule 9.100.10 and 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, the trading member shall by no later than the close of business on the next business day –**
- 9.100.11.1 in respect of a sale transaction, buy such bonds for the account of the client and advise the Settlement Authority accordingly; or;**
  - 9.100.11.2 in respect of a purchase transaction, sell such bonds for the account of the client and advise the Settlement Authority accordingly.] Reserved**
- 9.100.11[12] If the Settlement Authority receives notification in terms of rule 9.100.10, and either rolls the settlement in terms of rule 9.125 **[or is able to close the transaction in terms of rule 9.30.2.9]** or declares the transaction to be a failed trade in terms of rule **[9.70.4] 9.70.5**, the trading member shall act in accordance with the instructions received from the Settlement Authority in terms of rules 9.125, 9.130 or 9.135, [respectively] as applicable.
- 9.100.12[13] A trading member shall not use a client's bonds balances to settle the obligations of –
- 9.100.12[13].1 another client; or
  - 9.100.12[13].2 the trading member.
- 9.100.13[14] A contravention of rule 9.100.13 by a trading member may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.2.

## 9.120 Margin on bond transactions

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## 9.125 Rolling of settlement

- 9.125.1 The rolling of settlement will be carried out in the following manner:
- 9.125.1.1 The Settlement Authority will obtain a list of failed settlements from Strate, which will include the failed trade leg, as well as the opposite trade leg and any other trades that may be linked to the failed settlement;
  - 9.125.1.2 The Settlement Authority will advise the failing and non-failing trading members that the transaction will be rolled to a revised settlement date determined by the Settlement Authority;
  - 9.125.1.3 The failing and non-failing trading members will be instructed to re-book the original transaction at the original yield for settlement on the revised settlement date.
- 9.125.2 If settlement does not take place on the revised settlement date, the transaction may, at the discretion of the Settlement Authority, either be rolled to another revised settlement date, under exceptional circumstances, or be declared to be a failed trade, and the affected trading members must act in accordance with the instructions received from the Settlement Authority in terms of rule 9.130 or rule 9.135.
- [9.125.3 The failing trading member or non-failing trading member must, before the close of business on the business day following that on which the rolling of settlement has been completed, submit a statement, in writing, to the Settlement Authority detailing any expenses incurred or income foregone by the member or the client as a consequence of the rolling of settlement, including interest.**
- 9.125.4 The non-failing trading member shall in respect of a reported transaction, claim any losses and compensation resulting from the rolling of settlement from the failing trading member. Failure by the failing trading member to pay such funds shall be in contravention of these rules and directives, and may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.
- 9.125.5 In the case of transactions which are cleared by JSE Clear in terms of rule 8.20.1, any margin taken on the original transaction will be retained by the Settlement Authority until payment of any claims on the rolled settlement has been made.]

## 9.130 Failed trade procedure applicable to trades cleared by JSE Clear

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## 9.135 Failed trade procedure applicable to reported transactions not cleared by JSE Clear

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## 9.140 Borrowing of bonds and carry or repurchase transactions to prevent a trade from failing

- 9.140.1 If a trading member –
- 9.140.1.1 is not able to comply with rule [9.100.7 or] 9.100.9 in respect of a [sale] transaction; or
  - 9.140.1.2 at any time notifies the Settlement Authority or the Settlement Authority otherwise becomes aware, that a trading member or client will not be able to settle a [sale] transaction on settlement day,
- the Settlement Authority will instruct the trading member [endeavour] to borrow[, as agent, on behalf of the trading member or client as undisclosed principal,] the bonds or enter into a carry or repurchase transaction, as is necessary for [required by] the trading member or client to comply with their [its] obligations to settle the transaction.



- [9.140.2 The arrangement whereby the Settlement Authority facilitates the borrowing of bonds, as contemplated in rule 9.140.1, shall be on the following terms and conditions:
- 9.140.2.1 The trading member or client shall ensure that sufficient cash is available in their funds settlement account with their CSDP to meet the initial and any subsequent collateral requirement;
  - 9.140.2.2 The Settlement Authority shall initiate the borrowing by sending the necessary settlement instructions to Strate through the lending and borrowing system, and shall advise the trading member of the transactions giving rise to the loaned bonds and the collateral requirement;
  - 9.140.2.3 The collateral provided shall continue during the loan period and shall be held by the Settlement Authority until equivalent bonds are returned to the Settlement Authority;
  - 9.140.2.4 The collateral amount shall 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 bonds position plus the margin applicable thereto as set out in the directives;
  - 9.140.2.5 If on any business day, the collateral value falls below the value set out in rule 9.140.2.4, the Settlement Authority may request the trading member or client to immediately provide further collateral in the amount of any shortfall. The trading member or client shall only be entitled to a refund of the collateral amount at the time of and in proportion to, the amount of the loan returned;
  - 9.140.2.6 The trading member or client shall ensure the return of the loaned bonds within 3 business days of a loan recall;
  - 9.140.2.7 The trading member or client shall return equivalent bonds in no more than two deliveries, the first delivery being not less than 50% of the loaned bonds;
  - 9.140.2.8 The trading member or client shall make good any corporate action arising on the loaned bonds during the loan period and the effects of taxation in the hands of the lender, where applicable, within 3 business days of the payment date of the relevant corporate action;
  - 9.140.2.9 The trading member shall pay to the Settlement Authority the lending fees as defined by directive, which shall accrue over the loan period and be paid monthly in arrears; and
  - 9.140.2.10 The trading member or a client shall be entitled to interest on the lending margin of the collateral.
- 9.140.3 A client must pay any costs or fees that may be incurred as a result of the borrowing of bonds to effect settlement and any penalty imposed on the trading member by the Settlement Authority as set out in the directives, where the client failed to deliver the bonds required to settle the transaction.
- 9.140.4 Failure by a trading member or a client to –
- 9.140.4.1 provide collateral for the borrowed bonds; or
  - 9.140.4.2 timeously return the borrowed bonds,
- in contravention of the rules and directives may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10 or 11.20 respectively.]

[9.150 Lending of funds to prevent a trade from failing] Reserved

- [9.150.1 If a trading member –
- 9.150.1.1 is not able to comply with rule 9.100.7 or 9.100.9 in respect of a purchase transaction; or
  - 9.150.1.2 at any time notifies the Settlement Authority or the Settlement Authority otherwise becomes aware, that a trading member or a client will not be able to settle a purchase transaction on settlement day, the Settlement Authority may 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.

- 9.150.2 The arrangement whereby the Settlement Authority lends funds, as contemplated in rule 9.150.1, shall be on the following terms and conditions:
- 9.150.2.1 The trading member or client shall ensure that the bonds, which constitutes the failing transaction shall form the initial collateral for the funds advanced;
  - 9.150.2.2 The Settlement Authority shall initiate the funding by sending the necessary settlement instructions to Strate through the lending and borrowing system, and shall advise the trading member of the transactions giving rise to the loaned funds and the collateral requirements;
  - 9.150.2.3 The collateral provided shall continue during the loan period and shall be held by the Settlement Authority until the loaned funds are returned to the Settlement Authority;
  - 9.150.2.4 The collateral value shall be equivalent to the ruling price value of the collateral less the applicable lending margin as set out in the directives and shall be at least equivalent in value to the loaned funds;
  - 9.150.2.5 If on any business day –
    - 9.150.2.5.1 the collateral value falls below the value of the loaned funds, the Settlement Authority may –
      - 9.150.2.5.1.1 request the trading member or client to immediately provide additional collateral acceptable to the Settlement Authority, to cover such shortfall, or
      - 9.150.2.5.1.2 require the trading member or client to repay so much of the loaned funds so as to ensure that the shortfall is removed;
    - 9.150.2.5.2 the collateral value exceeds the value of the loaned funds, the trading member or client shall not be entitled to the return of the excess collateral except at the time of and in proportion to, the loaned funds repaid by the trading member or client;
  - 9.150.2.6 A trading member shall pay to the Settlement Authority the loan fees as defined by directive, which shall accrue over the loan period and be paid monthly in arrears.
- 9.150.3 A client must pay any costs or fees that may be incurred as a result of the borrowing of funds to effect settlement and any penalty imposed on the trading member by the Settlement Authority as set out in the directives, where the client failed to pay the funds required to settle the transaction.
- 9.150.4 Failure by a trading member or a client to –
- 9.150.4.1 provide collateral for the borrowed funds; or
  - 9.150.4.2 timeously return the borrowed funds,
- in contravention of these rules and directives may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10 or 11.20 respectively.]

**[9.160 Carry and repurchase transactions in bonds to prevent a trade from failing] Reserved**

- 9.160.1 In the event that a trading member –
- 9.160.1.1 is not able to comply with rule 9.100.7 or 9.100.9 in respect of a transaction; or
  - 9.160.1.2 at any time notifies the Settlement Authority or the Settlement Authority otherwise becomes aware, that a trading member or client will not be able to settle a transaction on settlement day; and
  - 9.160.1.3 the Settlement Authority is unable to enter into a securities borrowing or funds borrowing transaction, as the case may be, in terms of rule 9.140 or 9.150,

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, as required by the trading member or client to comply with its obligations to settle the transaction.

9.160.2 The arrangement whereby the Settlement Authority facilitates a carry or repurchase transaction as contemplated in rule 9.160.1 shall be on the terms and conditions set out in the directives.

9.160.3 A client must pay any costs that may be incurred in relation to a carry or repurchase transaction in bonds to effect settlement and any penalty imposed on the trading member by the Settlement Authority as set out in the directives, where the client failed to meet his obligations to settle the transaction.

9.160.4 Failure by a trading member or a client to –

9.160.4.1 provide margin required for the carry or repurchase transaction; or

9.160.4.2 timeously settle the carry or repurchase transaction,

in contravention of these rules and directives may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10 or 11.20 respectively.]