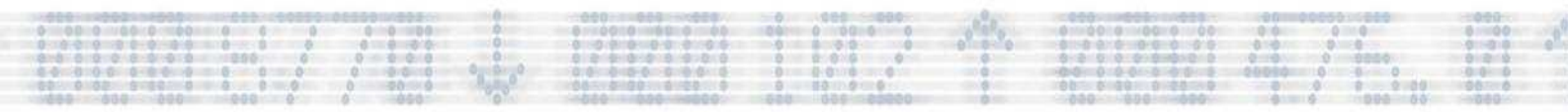




# JSE Interest Rate and Currency Yield-X Rules ~~1 December 2010~~



**Yield-X Interest Rate and Currency Rules January 2005**  
As amended by

Date	Notice No.	Amendment
1 June 2005	Y008	Rule 8.90 - change in option structure from American style to European style.
1 July 2005	Y013	Amendments arising from demutualisation
1 August 2005	Y020	SSA Amendments
24 April 2007	Y079	Amendments to capital adequacy requirements.
6 June 2007	Y089	Amendments regarding introduction of currency derivatives
30 July 2007	Y096	Amendments in respect of recognition under Financial Services Ombud Schemes Act, 2004
8 January 2008	Y273	Amendments to qualification requirements for investment managers, investment advisors and dealers
18 December 2009	Y437	Amendments to the additional margin provisions and the requirements in respect of trading limits
27 October 2010	Y556	Introduction of new rule 4.15 <i>Reporting and assistance by the JSE Surveillance Department-Financial Intelligence Centre Act</i>
<u>28 March 2011 or such other date as the JSE has advised</u>		<u>Amendments regarding the integration of the BESA rules and the Yield-X rules</u>

The term "a Yield-X instrument" wherever the same appeared was substituted by "interest rate security" with effect from 1 August 2005.

The term "a Yield-X instrument" wherever the same appeared was substituted by "an interest rate security" with effect from 1 August 2005.

The term "Yield-X instruments" wherever the same appeared was substituted by "interest rate securities" with effect from 1 August 2005.

The term "Yield-X member" wherever the same appeared was substituted by "member" with effect from 1 August 2005.

The term "broking member" wherever the same appeared was substituted by "trading member" with effect from 1 August 2005".

The term "non-clearing member" wherever the same appeared was substituted by "trading member" with effect from 1 August 2005".

The term "an interest rate security" wherever the same appeared was substituted by "a Yield-X security" with effect from 4 June 2007.

The term "interest rate security" wherever the same appeared was substituted by "Yield-X security" with effect from 4 June 2007.

The term "interest rate securities" wherever the same appeared was substituted by "Yield-X securities" with effect from 4 June 2007.

The term "loan stock" wherever the same appeared was substituted by "bonds" with effect from 4 June 2007.

The term "Yield-X security" wherever the same appears is substituted by "IRC security".

The term "Yield-X securities" wherever the same appears is substituted by "IRC securities".

The term "Yield-X trading system" wherever the same appears is substituted by "trading system".

The term "Yield-X rules" wherever the same appears is substituted by "these rules".

The term "settlement agent" wherever the same appears is substituted by "CSDP".

The term "STRATE" wherever the same appears is substituted by "Strate".

The term "STRATE settled bonds" wherever the same appears is substituted by "bonds".

The term "JSE Gazette" wherever the same appears is substituted by "JSE Market Notice".

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**SECTION**  
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**Section 1: General Provisions**

**Scope of section**

- 1.10 Reserved
- 1.20 Reserved
- 1.30 Reserved
- 1.40 Powers exercisable by the controlling body
- 1.41 Advisory Committees
- 1.50 Yield-X rules and directives
- 1.60 Transactions subject to provisions of the Act the Yield-X rules and directives
- 1.70 Interpretation of the Yield-X rules and directives
- 1.80 Proposals for amendments to the Yield-X rules and directives
- 1.90 JSE not responsible for any losses
- 1.100 Indemnification
- 1.110 Appointment of a clearing house
- 1.120 Transitional provisions
- 1.130 Fidelity Compensation Funds
- 1.140 Settlement System

**1.10 Reserved****1.20 Reserved****1.30 Reserved****1.40 Powers exercisable by the controlling body**

1.40.1 The management and control of the JSE shall be exercised by the controlling body which shall be the governing body managing the affairs of the JSE.

1.40.2 The controlling body may, in addition to the powers and authorities expressly conferred upon it by the Act, the JSE's Memorandum and Articles of Association and these Yield-X rules, exercise all such powers and do all such things as may be exercised or done by the JSE.

**1.41 Advisory Committees**

1.41.1 The controlling body shall procure the appointment of advisory committees.

1.41.2 The function of the advisory committees will be to make recommendations to the JSE Executive on operational issues.

1.41.3 The advisory committees shall consist of –

1.41.3.1 a chairperson, who shall be the JSE Executive member responsible for the area in question; and

1.41.3.2 such persons as the chairperson, in consultation with the JSE Executive and the controlling body, shall appoint by reason of their knowledge of or experience in the securities or other relevant markets and which shall include representatives of authorised users of the JSE.

1.41.4 The advisory committees shall make recommendations by reasonable consensus.

1.41.5 In the event that an advisory committee is not able to reach reasonable consensus on any issue considered by it, the conflicting views on the issue in question shall be advised to the JSE Executive.

**1.50 Yield-X rules and directives**

1.50.1 Purpose of the Yield-X rules and directives

The purpose of these Yield-X rules and directives is to achieve the objects of the JSE as set out in its Memorandum and Articles of Association by providing the procedures necessary to establish and regulate fair and efficient markets and to ensure that the business of the JSE is carried out in an orderly manner and with due regard to the objects of the Act.

1.10 amended with effect from 1 July 2005

1.10 deleted with effect from 1 August 2005

1.20 deleted with effect from 1 July 2005

1.30 deleted with effect from 1 July 2005

1.40.2 amended with effect from 1 July 2005

1.40.3 and 1.40.4 deleted with effect from 1 August 2005

1.41.2 amended with effect from 1 August 2005

1.41.3.1 amended with effect from 1 August 2005

1.41.3.2 amended with effect from 1 August 2005

1.41.5 amended with effect from 1 August 2005

1.50 amended with effect from 1 August 2005

1.50.1 amended with effect from 1 July 2005

1.50.1 amended with effect from 1 August 2005



- 1.50.2 ~~Yield-X r~~ Rules and directives are binding
- 1.50.2.1 The Yield-X rules and directives are binding upon all members, officers and their employees.
- 1.50.2.2 Reserved.
- 1.50.2.3 The Yield-X rules are binding on clients of a member and any other person ~~any person using the services of a member or~~ who concludes a transaction with a member in the course of that member's business.
- 1.50.2.4 The Yield-X rules are binding on CSDPs acting on behalf of members and their clients ~~settlement agents~~.
- 1.50.2.5 The controlling body shall notify members of any decisions or determinations made under the Yield-X rules.

#### 1.60 Transactions subject to provisions of the Act, the Yield-X rules and directives

Every transaction in Yield-X securities entered into by a member must be concluded on the specific condition that the transaction is entered into subject to the provisions of the Act, these Yield-X rules and ~~the~~ the directives.

#### 1.70 Interpretation of the Yield-X rules and directives

The interpretation and enforcement of the Yield-X rules and directives vests in the controlling body.

#### 1.80 Proposals for amendments to the Yield-X rules and directives

- 1.80.1 Any member of the JSE Executive may propose in writing any amendment of the Yield-X rules or directives.
- 1.80.2 The JSE Executive shall consider the proposed amendment to the Yield-X rules or directives and notify members by way of notice of its decision in regard thereto.
- 1.80.3 If, within ten days of the announcement of the JSE Executive's decision to adopt the proposal, 5 or more members object in writing to the decision, the objection together with the reasons for such objection will be referred to the controlling body for determination.
- 1.80.4 If, in respect of a proposal with regard to the Yield-X rules, an objection as referred to in rule 1.80.3 has not been lodged, or the controlling body upholds the JSE Executive's decision to adopt the proposal, the proposal will be submitted to the Registrar for his approval.
- 1.80.5 If an objection to a proposed amendment to the directives has not been lodged within the prescribed period, or the controlling body upholds the JSE Executive's decision to adopt the proposal, the proposal will take effect immediately.

#### 1.90 JSE not liable for any losses

Subject to section 62 of the Act, the JSE and SAFCOM shall not be liable to any person for any loss or damage resulting from –

- 1.90.1 negligence, on the part of the JSE, SAFCOM or on the part of any employee or agent of the JSE or SAFCOM;

1.50.2.1 amended with effect from 1 August 2005

1.50.2.2 deleted with effect from 1 August 2005

1.60 amended with effect from 1 August 2005

1.70 amended with effect from 1 August 2005

1.80 amended with effect from 1 August 2005

1.80.1 amended with effect from 1 August 2005

1.80.2 amended with effect from 1 August 2005

1.80.3 amended with effect from 1 August 2005

1.80.4 amended with effect from 1 August 2005

1.80.5 amended with effect from 1 August 2005



- 1.90.2 any act or omission on the part of any third party;
- 1.90.3 incorrect, inaccurate, defective or misleading information furnished or supplied by the JSE, SAFCOM or any employee or agent of the JSE, SAFCOM or any third party;
- 1.90.4 equipment breakdown or the breakdown, interruption, suspension, termination or failure of or defect in any system, including but not limited to any trading system, or service rendered by or on behalf of the JSE;
- 1.90.5 computer system malfunction, the interruption or failure of communications links, power failure, the failure of or defect in any software or hardware, whether owned by, licensed or leased to the JSE, the loss or destruction of any data and natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause; and
- 1.90.6 the termination, for any reason whatsoever, of any licence or other agreement to which the JSE is a party.

#### 1.100 Indemnification

A member of an advisory committee, trustee of the ~~Fidelity-Compensation Funds~~ and employee of the JSE shall be indemnified by the JSE out of the funds of the JSE against any liability, loss or, damage incurred or suffered as a result of any *bona fide* or negligent, but not grossly negligent or wilful, act or omission in the execution of their duties. For the purposes of this rule, such member, trustee or employee shall not be regarded as having been grossly negligent or having acted in wilful breach of duty or trust if the act or omission resulted from incorrect information supplied to such member, trustee or employee by a source from which the member, trustee or employee would normally accept the information as correct and which can be expected to provide the correct information.

#### 1.110 Appointment of clearing house

The JSE may acquire the services of a clearing house with the purpose of clearing Yield-X securities on the JSE in accordance with the Yield-X rules and to provide any other services or facilities as may be required by the JSE. The JSE may delegate any function of the JSE to such clearing house.

#### 1.120 Transitional Provisions

- 1.120.1 The markets operated by the JSE in which interest rate securities and currency derivatives were listed, namely, Yield-X and BESA, have been integrated with effect from 28 March 2011 or such other date as the JSE has advised ("the effective date"). The effect of the integration is that the Yield-X and BESA rules and directives, as well as the membership of the two markets, have been integrated.
- 1.120.2 The Yield-X rules and directives form the basis of the rules and directives for the integrated markets, with appropriate amendments having been made to give effect to the integration, and the integrated rules and directives have been re-named the JSE interest rate and currency ("IRC") rules and directives. The transitional provisions in 1.120.2 to 1.120.14 are necessary to give effect to the integration of the Yield-X and BESA rules and directives.
- 1.120.3 For the purpose of these rules and directives-
  - 1.120.3.1 authorised users of the integrated interest rate and currency markets are referred to as Interest Rate and Currency ("IRC") members; and
  - 1.120.3.2 securities listed in the integrated interest rate and currency markets are referred to as Interest Rate and Currency ("IRC") securities.
- 1.120.4 The rules and directives of the BESA market are repealed with effect from the effective date.

1.90.1.1 to 1.90.1.6 renumbered 1.90.1 to 1.90.6 with effect from 1 August 2005

1.100 amended with effect from 1 August 2005

1.100.1 and 1.100.2 deleted with effect from 1 August 2005

1.120.3 deleted with effect from 1 August 2005

1.120.3 deleted with effect from 1 August 2005

- 1.120.5 Anything done under any provision of the BESA rules prior to the repeal in rule 1.120.4, in respect of interest rate securities previously listed under such rules, shall be effective from the effective date as if done under or pursuant to these rules and directives.
- 1.120.6 The disciplinary procedure set out in section 4 may, from the effective date, and at the discretion of the JSE, be applied in the investigation and prosecution of any offence committed in terms of the BESA rules, prior to the repeal of such rules in terms of rule 1.120.4.
- ~~1.120.1~~ Anything done under any provision of the derivative rules in respect of interest rate products previously listed under such rules shall be effective from the effective date as if done under or pursuant to these Yield-X rules and directives.
- ~~1.120.2~~ The disciplinary procedures set out in section 4 may, from the effective date and at the discretion of the JSE, be applied in the investigation and prosecution of any offence in terms of the derivative rules, committed prior to the effective date in respect of transactions in interest rate products previously listed under such rules.
- 1.120.7 The dispute resolution procedures set out in section 5 will ~~may~~, from the effective date, be applied in the resolution of complaints and disputes referred in terms of the BESA rules, prior to the repeal of such rules in terms of rule 1.120.4.
- 1.120.8 All authorised users of the BESA market who were not members of the Yield-X market shall, as at the effective date, become IRC members, and shall be authorised to trade in bonds, subject to any condition of membership that may be imposed by the JSE.
- 1.120.9 All members of the Yield-X market who were not members of the BESA market, shall, as at the effective date, become IRC members, and shall be authorised to trade in IRC securities, subject to any condition of membership that may be imposed by the JSE.
- 1.120.10 A registered bond trader under the BESA rules who was authorised to execute transactions in bonds under such rules, as at the effective date, is automatically authorised to act as a dealer in bonds in terms of these IRC rules and directives.
- 1.120.11 A registered derivatives trader under the BESA rules who was authorised to execute transactions in derivatives under such rules, as at the effective date, is automatically authorised to act as a dealer in interest rate derivatives, other than currency derivatives, in terms of these IRC rules and directives.
- 1.120.12 A registered dealer under the Yield-X rules who was authorised to execute transactions in derivative securities under such rules, as at the effective date, is automatically authorised to act as a dealer in derivative securities in terms of these IRC rules and directives.
- 1.120.13 A registered compliance officer under the BESA rules, as at the effective date, shall be recognised as a compliance officer under these IRC rules and directives, subject to such compliance officer being required to obtain any additional qualification as may be required by the JSE in terms of the directives if the trading member is subsequently granted authorisation to trade in interest rate or currency derivatives.
- 1.120.14 Notwithstanding the provisions of rule 1.120.5, all client agreements concluded between BESA members and their clients in terms of the BESA rules shall, as at the effective date, remain in effect: Provided that those members must ensure that the agreements comply with the requirements regarding client agreements as prescribed in these IRC rules and directives.

### **1.130 Fidelity Compensation Funds**

- 1.130.1 The JSE shall have the power to—
- 1.130.1.1 establish and maintain, to the satisfaction of the Registrar, one or more Compensation a Fidelity Funds out of which shall be paid claims up to an amount specified in the respective rules of such funds in respect of liabilities arising prior to the default of a member. Such payment shall be limited to claims arising out of transactions in Yield-X securities with or on behalf of other persons by such member and such other liabilities as may be specified in the rules of the Compensation Fidelity Funds and shall be subject to any defences which the defaulting member may have against a claimant; and

1.130 introduced with effect from 1 August 2005

- 1.130.1.2 determine a levy to be payable by every member to the Compensation Fidelity-Funds on ~~all~~ transactions in Yield-X securities.
- 1.130.2 Where a member has effected a transaction on behalf of a buyer or a seller of Yield-X securities, such member may recover the levy imposed in terms of rule 1.130.1.2 from such buyer or seller.
- 1.130.3 The trustees of the Fidelity-Compensation Funds, in their capacity as trustees, acquire, incur and administer the assets and liabilities of the Compensation Fidelity- Funds.
- 1.130.4 The income of the Fidelity-Compensation Funds, including but not limited to levy contributions by members, vests in the trustees and is administered by the trustees as part of the Fidelity Compensation Funds.

#### **1.140 Settlement System**

- 1.140.1 The JSE may operate, or contract with a third party to operate, one or more settlement systems and the JSE may prescribe –
- 1.140.1.1 procedures and requirements with which members must comply when using such settlement systems; and
- 1.140.1.2 the fees payable by the members for the use of such settlement systems.

SECTION  
**2**

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**Section 2: Definitions and Interpretation**

**Scope of section**

- 2.10 Definitions
- 2.20 Interpretation

## 2.10 Definitions

In these Yield-X rules, unless otherwise clearly indicated by, or inconsistent with the context, the following terms shall have the meanings that are assigned to them hereunder, namely –

<b>"Act"</b>	means the Securities Services Act (Act No. 36 of 2004) and any measure prescribed thereunder by the Minister of Finance or the Registrar ;
<b>"additional margin"</b>	means the margin paid to a clearing member by a trading member over and above that required by SAFCOM or to a trading member by a client over and above that required by the clearing member concerned;
<b>"advertisement"</b>	means any written, printed, electronic or oral communication, including a communication by means of a public radio service, television broadcast or any other media by a member, which communication is directed to the general public, or any section thereof, or to any client, and is intended to call attention to, or to market or promote, the services offered by a member, and which does not purport to provide detailed information about such services; and "advertising" has a corresponding meaning;
<b>"agent"</b>	means a trading member who has traded on behalf of a client other than for its own account in terms of the Yield-X rules;
<b>"aggregate position"</b>	means collectively all the proprietary positions in Yield-X securities registered in the name of a trading member or, collectively, all the positions in Yield-X securities registered in the name of a client;
<b>"agricultural derivatives"</b>	means those commodity securities which are derivative instruments and the financial terms of which are determined by an underlying agricultural product which is physically settled in terms of the derivatives rules;
<b>"allocation"</b>	means a transfer of a trade or divided trade, or a transfer of aggregated trades, executed on the central order book of the Yield-X trading system or reported to the Yield-X trading system in an agency capacity, from a trading member's suspense account to a client at the price or the average price of the original trade or trades;
<b><u>"alternate settlement officer"</u></b>	<u>means the person appointed by a member in terms of rule 3.120.4;</u>
<b>"assign"</b>	means the exercise by SAFCOM of its right in terms of an option contract to buy or sell the underlying instrument of the option contract from or to a person holding a short position in the option contract;
<b>"authorised bank"</b>	means a branch of an Authorised Dealer which, in terms of Exchange Control Regulation 14, has been appointed to administer securities control;
<b>"Authorised Dealer"</b>	means, in relation to any transaction in respect of gold, a person authorised by the Treasury to deal in gold and, in relation to any transactions in respect of foreign exchange, a person authorised by the Treasury to deal in foreign exchange;

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"Act" amended with effect from 1 August 2005

"advice" deleted with effect from 1 August 2005

"affiliated officer" deleted with effect from 1 August 2005

"agricultural derivatives" introduced with effect from 24 December 2008

"Arbitration Act" deleted with effect from 1 August 2005

"arbitrator" deleted with effect from 1 August 2005

"authorised bank" amended with effect from 24 December 2008

"authorised dealer" amended with effect from 24 December 2008

<b>"authorised user"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"bank"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"board of appeal"</b>	has the same meaning as that contained in section 1 of the Act;
<b><u>"BESA"</u></b>	<u>means a market in bonds operated by the JSE prior to 28 March 2011;</u>
<b>"bonds"</b>	means those Yield-X securities which create or acknowledge indebtedness of the issuer, <u>and "bond" has a corresponding meaning;</u>
<b>"branch of a foreign bank"</b>	means a foreign institution which is authorised in terms of the Banks Act, 1990 (Act No. 94 of 1990) to conduct the business of a bank by means of a branch in the Republic;
<b><u>"broadcast"</u></b>	<u>means the communication or dissemination of bid and offer prices on an effective one-to-many and non-discriminatory basis, excluding requests for quotes where the information is disseminated to a specific recipient;</u>
<b>"business day" or day"</b>	means any day except a Saturday, Sunday, public holiday or any other day on which the JSE is closed;
<b>"buy"</b>	means, in relation to Yield-X securities, to enter into either – <ul style="list-style-type: none"> <li>(a) a purchase of a futures contract in terms of which the buyer is obliged to take delivery of the underlying instrument at the agreed price on the future date or to pay an amount of money if, on the future date, the price or value of the underlying instrument is less than the agreed price; or</li> <li>(b) a purchase of an option contract in terms of which the buyer obtains the right to buy or sell the underlying instrument of the option contract at the agreed price before or on the future date; or</li> <li>(c) a purchase of bonds in terms of which the buyer is obliged to make payment for the bonds and receive delivery of such bonds at the agreed price on the settlement date;</li> </ul>
<b>"call option contract"</b>	means a contract, in terms of which the holder of a long position in the call option contract has obtained the right to buy, and the holder of a short position shall, if the option is exercised, be obliged to sell, the underlying instrument of the option contract from or to SAFCOM on or before the future date at the strike price in accordance with these Yield-X rules and the contract specification of the option contract;
<b>"capital adequacy requirement"</b>	means the sum of the greater of a member's initial capital or one quarter of its annual fixed operating costs plus its risk requirements as determined by the JSE;
<b>"capital adequacy return"</b>	means the submission by a member of its capital adequacy requirement to the JSE in the manner and form specified by the JSE ;

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"authorised user" introduced with effect from 1 August 2005

"broking member" deleted with effect from 1 August 2005

"bank" introduced with effect from 1 August 2005

"board of appeal" introduced with effect from 1 August 2005

"bonds" introduced with effect from 4 June 2007

"branch of a foreign bank" introduced with effect from 26 April 2007.

"business day" amended with effect from 1 August 2005

"capital adequacy requirement" amended with effect from 1 August 2005

<b>"carry transaction"</b>	means a buy/sell back transaction between two parties in terms of which one party agrees to buy bonds from the other party while simultaneously agreeing to sell the bonds back on an agreed future date at an agreed price;
<b>"cash root"</b>	means the source of the funds due by the ultimate buyer of the bonds;
<b>"cash settled futures contract"</b>	means a futures contract contemplated in part (b) of the definition of a "futures contract";
<b>"central order book"</b>	means the order matching mechanism of the Yield-X trading system where orders are matched anonymously on the basis of price-time priority;
<b><u>"central securities depository"</u></b>	<u>has the same meaning as that contained in section 1 of the Act;</u>
<b>"clearing"</b>	means the process in terms of which SAFCOM becomes the buyer from the seller and the seller to the buyer in every matched transaction in a Yield-X security <u>executed on the central order book or where a clearing member accepts a reported transaction for risk management</u> , whereupon the clearing member guarantees to SAFCOM all obligations arising out of any position resulting from such transaction in terms of these Yield-X rules;
<b>"clearing agreement"</b>	means a written agreement entered into between a clearing member and a trading member in terms of which the trading member guarantees to the clearing member the performance of the obligations arising out of the positions of the trading member and the clients of the trading member;
<b>"clearing house"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"clearing member"</b>	means a sub-category of authorised user of the JSE, registered to perform clearing in the Yield-X market and who has entered into a SAFCOM agreement with SAFCOM;
<b>"client"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"client agreement"</b>	means an agreement between a trading member and a client entered into before the trading member becomes entitled to trade for or on behalf of the client, the basic terms and formal requirements of which have been prescribed by the JSE;
<b>"client application"</b>	means an electronic system used by a client to submit orders to a trading member;
<b>"close out"</b>	means the cancellation of a position in one direction by an equal and opposite position (e.g. a long position in a Yield-X security is cancelled by a short position in the same Yield-X security);
<b>"collateral"</b>	means the cash provided to the Settlement Authority by a trading member or client as security for the due return of equivalent STRATE settled bonds in terms of a lending transaction; or the STRATE settled bonds provided to the Settlement Authority as security for the due return of the funds lent to a trading member or client, as the context may require;

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"cash settled futures contract" amended with effect from 1 August 2005  
"clear" amended to "clearing" with effect from 1 August 2005  
"clearing house" amended with effect from 1 August 2005  
"clearing house" amended with effect from 1 August 2005  
"clearing member" amended with effect from 1 August 2005  
"client" amended with effect from 1 August 2005



<b>"commodity securities"</b>	means those JSE listed securities traded on the JSE commodities trading system;
<b>"common monetary area"</b>	means the Republic of South Africa, Lesotho, Namibia and Swaziland;
<b>"Companies Act"</b>	means the Companies Act, 1973 (Act No. 61 of 1973), <u>as amended from time to time</u> ;
<b>"company"</b>	means a company as defined in Section 1 of the Companies Act, and registered in terms of that Act;
<b><u>"Compensation Funds"</u></b>	<u>means collectively, the Fidelity Fund and the Guarantee Fund, as contemplated in section 9(1)(e) of the Act.</u>
<b>"compliance officer"</b>	means the person appointed by <del>each a</del> member in terms of rule 3.120.2;
<b>"contract specification"</b>	means the standard terms and formal requirements of a futures or option contract as determined by the JSE;
<b>"contractual settlement"</b>	means the market convention whereby the parties to a transaction in bonds have a contractual obligation to cause such transaction to be settled on the settlement day;
<b>"controlling body"</b>	means the board of directors of the JSE which is the governing body managing the affairs of the JSE;
<b>"corporate action"</b>	means any economic right or benefit flowing from ownership of STRATE settled bonds;
<b>"counterparty risk requirement"</b>	means the risk requirement in relation to the unsettled obligations of third parties, as determined by the JSE;
<b><u>"CSDP"</u></b>	<u>means a central securities depository participant that has been accepted by the central securities depository as a participant in that central securities depository, and who is appointed to settle transactions in bonds on behalf of a trading member or a client of a trading member;</u>
<b>"currency derivatives"</b>	means those Yield-X securities which are derivative instruments and the financial terms of which are determined by a rate of exchange;
<b>"dealer "</b>	means a person registered to trade for a trading member in terms of these Yield-X rules;
<b>"default"</b>	means a default by a client or <u>trading member</u> <u>or clearing member</u> as contemplated in Section 11;
<b>"derivative instrument"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"derivative rules"</b>	means the rules and directives of the JSE applicable to the equity derivatives and

"commodity securities" introduced with effect from 24 December 2008

"Companies Act" introduced with effect from 1 August 2005

"company" amended with effect from 1 August 2005

"contract specification" amended with effect from 1 August 2005

"Constitution" deleted with effect from 1 July 2005

"counterparty risk requirement" amended with effect from 1 August 2005

"currency derivatives" introduced with effect from 4 June 2007

"derivative instrument" introduced with effect from 1 August 2005

"derivative rules" amended with effect from 1 August 2005

	<del>agricultural products commodity derivatives</del> markets, as referred to in rule 1.120;
<b>"derivative securities"</b>	means those JSE listed securities traded on the <u>applicable</u> JSE derivatives trading system;
<b>"discretionary basis"</b>	in relation to the management of investments, means to trade, without it being necessary to obtain further authority or consent from the client involved, other than the discretionary client agreement;
<b>"discretionary client agreement"</b>	means the client agreement as prescribed by the JSE that entitles the trading member to trade for a client on a discretionary basis;
<b>"discretionary financial services provider"</b>	has the same meaning as that contained in section 2.1 of the Code of Conduct for Administrative Financial Services Providers issued by the Registrar of Financial Services Providers;
<b>"dispute"</b>	means any dispute arising between any of the persons bound by these Yield-X rules and which the JSE declares to be a dispute in terms of rule 5.90;
<del><b>"effective date"</b></del>	<del>means the date of the coming into operation of these Yield-X rules;</del>
<b>"emigrant"</b>	means a natural person who has emigrated from the common monetary area;
<b>"emigrant client"</b>	means an emigrant who has concluded a client agreement with a trading member and who has been registered by SAFCOM as an emigrant client of the trading member;
<b>"emigrant's blocked account"</b>	means the account of an emigrant to which exchange control restrictions have been applied;
<b>"emigrant's blocked account clearance certificate"</b>	means the certificate, the terms of which are determined by the JSE in agreement with the South African Reserve Bank and which confirms, to the authorised bank concerned, the details of the amount of the margin to be paid into or out of an emigrant's blocked account as a result of a position registered in the name of that emigrant client;
<b>"employee"</b>	means a person engaged by a member within that area of business that operates as a member;
<b>"equity securities"</b>	means those JSE listed securities traded on the JSE equities trading system;
<b>"equivalent STRATE settled bonds"</b>	means uncertificated securities of an identical type, nominal value, description and amount to the loaned STRATE settled bonds duly adjusted for any corporate action;
<b>"exchange"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"Exchange Control Regulations"</b>	means the Exchange Control Regulations, 1961, as promulgated by Government Notice R1111 of 1 December 1961, made in terms of Section 9 of the Currency and

"derivative securities" introduced with effect from 24 December 2008

"directive" deleted with effect from 1 August 2005

"dispute" amended with effect from 1 August 2005

"employee" amended with effect from 1 August 2005

"equities rules" deleted with effect from 1 August 2005

~~"equivalent STRATE settled loan stock" amended with effect from 1 August 2005~~

"exchange" introduced with effect from 1 August 2005

	Exchanges Act, 1933 (Act No. 9 of 1933);
<b>"executive director"</b>	means in respect of a corporate entity a person appointed as a director of a member and who, in terms of a contract of employment with such member is in its full-time employ;
<b>"Executive Officer"</b>	means the person appointed by the controlling body as the Chief Executive Officer in terms of the Yield-X rules or, in that persons absence, that person's deputy;
<b>"exercise"</b>	means, in relation to the registered holder of a long position in an option contract, to exercise its right to buy or sell the underlying instrument of the option contract at the strike price on or before the future date;
<b>"expire"</b>	means the closing out of a position in a Yield-X security by way of a transaction generated by SAFCOM between the registered holder of a position and SAFCOM in terms of these Yield-X rules;
<b>"expiry month"</b>	means in relation to a futures or option contract, the month in which the positions in such Yield-X securities expire on the date and at the time as contained in the contract specification of the futures or option contract;
<b>"external company"</b>	means an external company as defined in Section 1 of the Companies Act, registered in terms of Section 322(2) of the Companies Act;
<b>"external exchange"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"failed trade"</b>	means a trade in bonds which the Settlement Authority deems to be a failed trade on the basis that neither the client, the member nor the Settlement Authority is able to ensure that such trade will settle on the settlement date;
<b>"FAIS Act"</b>	means the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002);
<b>"Fidelity Fund"</b>	means <del>the JSE Fidelity Fund, a Compensation Fund</del> as contemplated in terms of Section 9(1)(e) of the Act, <u>out of which shall be paid claims arising from the default of a member in accordance with the rules of the fund;</u>
<b>"financial products"</b>	has the same meaning as that contained in section 1 of the FAIS Act, and by definition includes JSE authorised investments;
<b>"financial services provider"</b>	has the same meaning as that contained in section 1 of the FAIS Act;
<b>"foreign commodity derivatives"</b>	means those commodity securities which are cash settled derivative instruments and the financial terms of which are determined by an underlying foreign referenced commodity;
<b>"foreign exchange risk requirement"</b>	means the risk requirement of a member in relation to positions or client obligations which are exposed to changes in the value of foreign currencies relative to the Rand, determined by the JSE by directive;
<b>"futures contract"</b>	means a contract, the effect of which is that -

"executive director" amended with effect from 1 August 2005

"external company" amended with effect from 1 August 2005

"external exchange" introduced with effect from 1 August 2005

"financial products" amended with effect from 1 August 2005

"foreign commodity derivatives" introduced with effect from 24 December 2008

"foreign exchange" deleted with effect from 1 August 2005

- (a) a person agrees to deliver the underlying instrument to or receive it from another person at an agreed price on a future date; or
- (b) a person will pay to or receive from another person an amount of money according to whether, on the future date, the price or value of the underlying instrument is higher or lower than the agreed price on that future date,

in accordance with these Yield-X rules and the contract specification of the futures contract and which is included in the list of Yield-X securities kept by the JSE in terms of the Act;

**"Guarantee Fund"**

means a Compensation Fund as contemplated in terms of Section 9(1)(e) of the Act, out of which shall be paid claims arising from the default of a trading member in accordance with the rules of the fund;

**"in writing"**

has the same meaning as that contained in section 1 of the Act;

**"initial capital"**

means the minimum capital as specified by the JSE;

**"initial margin"**

means the value determined by SAFCOM on the basis specified by the JSE and held in respect of the aggregate position of a trading member or a client;

**"inter-dealer broker" or "IDB"**

means a sub-category of trading member authorised to trade and to provide services in respect of the buying and selling of IRC securities, subject to the rules pertaining to inter-dealer brokers;

**"interest rate derivatives"**

means those Yield-X securities which are derivative instruments and the financial terms of which are determined by a rate of interest;

**"intermediary services"**

has the same meaning as that contained in section 1 of the FAIS Act;

**"investment advice"**

means any recommendation, guidance or proposal of a financial nature furnished by a member, by any means or medium, to any client or group of clients –

- a) in respect of the purchase or sale of JSE authorised investments; or
- b) on any corporate action or other event affecting any rights or benefits in respect of any JSE authorised investments; or
- c) on the exercise or lapse of any rights in respect of any JSE authorised investments;

and irrespective of whether or not such investment advice results in any transaction being effected

Investment advice does not include -

- factual advice given merely –
  - (i) on the procedure for entering into a transaction in respect of any JSE authorised investments;
  - (ii) in relation to the description of any JSE authorised investments;

"futures contract" amended with effect from 1 August 2005

"in writing" amended with effect from 1 August 2005

"initial capital" amended with effect from 1 August 2005

"interest rate securities" introduced with effect from 1 August 2005

"interest rate securities" amended and replaced with 'Yield-X securities' with effect from 4 June 2007

"interest rate derivatives" introduced with effect from 4 June 2007

"investment advice" introduced with effect from 1 August 2005

	<ul style="list-style-type: none"> <li>(iii) in answer to routine administrative queries;</li> <li>(iv) in the form of objective information about JSE authorised investments; or</li> <li>(v) by the display or distribution of promotional material;</li> </ul> <ul style="list-style-type: none"> <li>• an analysis or report on any JSE authorised investments without any express or implied recommendation, guidance or proposal that any particular transaction in respect of the relevant product is appropriate to the particular investment objectives, financial situation or particular needs of a client;</li> </ul>
<b>"investment manager"</b>	means a member who is authorised in terms of section 10 of the Yield-X rules to undertake the management of investments on a discretionary basis;
<b>"IRC securities"</b>	<u>means the interest rate and currency securities listed on the JSE and traded on the trading system;</u>
<b>"JSE"</b>	means JSE Limited, a company duly registered and incorporated with limited liability under the company laws of the Republic, licensed to operate an exchange under the Act;
<b>"JSE authorised investments"</b>	means – <ul style="list-style-type: none"> <li>(a) Yield-X securities;</li> <li>(b) JSE listed securities traded on the JSE equities trading system or the JSE derivatives trading system;</li> <li>(c) securities listed on an exchange in the Republic other than the JSE;</li> <li>(d) securities listed on an external exchange;</li> <li>(e) participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 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;</li> <li>(f) units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and</li> <li>(g) funds intended for the purchase of such securities, units or participation;</li> </ul>
<b>"JSE commodities trading system"</b>	means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of commodity securities;
<b>"JSE derivatives trading system"</b>	means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of derivative securities;
<b>"JSE equities trading system"</b>	means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of equity securities;
<b>"JSE Gazette"</b>	<u>means the gazette published by the JSE under the authority of the JSE Executive;</u>

"investment manager" amended with effect from 1 August 2005

"JSE" amended with effect from 1 July 2005

"JSE authorised investments" introduced with effect from 1 August 2005

"JSE commodities trading system" introduced with effect from 24 December 2008

"JSE derivatives trading system" introduced with effect from 24 December 2008

"JSE equities trading system" introduced with effect from 24 December 2008

"JSE Gazette" introduced with effect from 1 August 2005

<b>"JSE listed securities"</b>	means those securities included in the list of securities kept by the JSE;
<b>"JSE Executive"</b>	means the Executive Officer and such other officials of the JSE as the Executive Officer may decide shall serve on the JSE's top management ;
<b><u>"JSE Market Notice"</u></b>	<u>means the notice published by the JSE under the authority of the JSE Executive;</u>
<b>"JSE systems"</b>	means any system, device or network which is operated by or on behalf of the JSE for the purpose of providing a market;
<b>"large exposure risk"</b>	means the risk requirement of a member in relation to large exposures to a third party or a connected group of third parties, as determined by the JSE;
<b>"listed securities"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"lender"</b>	means the third party from which the Settlement Authority, as agent for the trading member or client as undisclosed principal, has borrowed the STRATE settled bonds;
<b>"lending fees"</b>	means the fees due by the trading member or client in respect of loaned STRATE settled bonds;
<b>"lending margin"</b>	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 STRATE settled bonds or the amount or percentage by which the value of the collateral is required to exceed the value of the loaned funds, as the context may require;
<b>"loaned funds"</b>	means the funds borrowed by a trading member or client from the Settlement Authority;
<b>"loaned STRATE settled bonds"</b>	means the uncertificated securities borrowed by a trading member or client through the Settlement Authority;
<b>"loan date"</b>	means the date on which loaned STRATE settled bonds <del>is</del> <u>are</u> transferred by the Settlement Authority into the custody account of a trading member or client; or the date on which funds are transferred by the Settlement Authority into the funds settlement account of a trading <u>member or client, as the context may require;</u>
<b>"loan fees"</b>	means the interest and fees due to the Settlement Authority by a trading member or client in respect of loaned funds provided;
<b>"loan period"</b>	means the period of time expressed in days from the loan date to the return date;
<b>"loan recall"</b>	means a demand by the Settlement Authority for the return of equivalent STRATE settled bonds in terms of a lending transaction;
<b>"long position"</b>	means a number of Yield-X securities registered by SAFCOM in the name of a trading member or client in terms of which -  (a) in relation to futures contracts, the trading member or the client is obliged

"JSE listed securities" introduced with effect from 1 August 2005

"large exposure risk" amended with effect from 1 August 2005

"listed securities" introduced with effect from 1 August 2005

"loaned STRATE settled loan stock" amended with effect from 1 August 2005

"loan stock" amended with effect from 1 August 2005

"loan stock" amended and replaced with 'bonds' with effect from 4 June 2007

	to take delivery of the underlying instrument on a future date at the agreed price, or to pay an amount of money on a future date if the price or value of the underlying instrument on that future date is less than the agreed price; or
	(b) in relation to option contracts, the trading member or client has acquired the right to buy or sell the underlying instrument of the option contract before or on the future date at the agreed price; or
	(c) in relation to bonds, the trading member or client is obliged to make payment for, and take delivery of, the bonds on the settlement date at the agreed price;
<b>"manage"</b>	in relation to JSE authorised investments, means any arrangement entered into between a client and a member which authorises the member to buy or sell JSE authorised investments on behalf of the client, either with full discretion or with prior reference to the client;
<b>"margin"</b>	means either initial margin, settlement margin, variation margin, top-up margin, additional margin or retained margin as the context may require;
<b>"margin category"</b>	means the margin category, expressed as a percentage of the initial margin or settlement margin, which is allocated to a non-resident or emigrant client by the member when the non-resident or emigrant client is registered;
<b>"Market Controller"</b>	means the person appointed by the JSE, to supervise, administer and control the daily operations of the Yield-X trading system;
<b>"market corner"</b>	has the same meaning as that contained in section 72 of the Act;
<b>"mark-to-market"</b>	means the revaluation of a position in a Yield-X security to its current market value;
<b>"match"</b>	means the matching of a buy order with a sell order on the central order book or the matching of reported transactions executed by trading members;
<b><u>"matched principal"</u></b>	<u>means a transaction in bonds which is facilitated by a trading member (including but not limited to an IDB), in terms of which the facilitating trading member trades with or on behalf of two other trading members or on behalf of a client and another trading member, does not disclose the identity of the two counterparties to each other, and reports to the trading system a purchase transaction and a sale transaction with or on behalf of the two counterparties through the trading member's stock account;</u>
<b>"member "</b>	means an interest rate <b>and currency</b> member, which is a category of authorised user admitted to membership of the JSE under these Yield-X rules;
<b>"member application"</b>	means an electronic system used by a trading member to submit orders to the Yield-X trading system;
<b>"member settled client"</b>	means a client who has appointed a trading member to settle transactions in bonds on his behalf via the settlement agent of the trading member;

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"manage" introduced with effect from 24 December 2008  
"market corner" introduced with effect from 1 August 2005  
"mediation" deleted with effect from 1 August 2005  
"mediator" deleted with effect from 1 August 2005  
"member" introduced with effect from 1 August 2005  
"non-broking member" deleted with effect from 1 August 2005  
"non-clearing member" deleted with effect from 1 August 2005



<b><u>"name give-up"</u></b>	<u>means a transaction in bonds which is facilitated by a trading member (including but not limited to an IDB) between two other trading members or between a client and another trading member, in terms of which the facilitating trading member arranges the transaction between the two counterparties and thereafter discloses the identity of the two counterparties to the transaction to each other, and those counterparties report the transaction between each other to the trading system;</u>
<b>"non-executive director"</b>	means a person appointed under the Companies Act as a director of a member, but who is not employed by such member;
<b>"non-member settled client"</b>	means a client other than a member settled client who has appointed his own settlement agent to settle transactions in bonds on his behalf;
<b>"non-resident"</b>	means a person (i.e. a natural person or legal entity) whose normal place of residence or domicile or registration is outside the common monetary area;
<b>"non-resident account"</b>	means the account of a non-resident;
<b>"non-resident account clearance certificate"</b>	means the certificate, the terms of which are determined by the JSE in agreement with the South African Reserve Bank and which is to confirm to the authorised bank concerned the monthly amount of interest on any margin held by SAFCOM, due to a non-resident;
<b>"non-resident client"</b>	means a non-resident who has concluded a client agreement with a trading member and who has been registered by SAFCOM as a non-resident client of such trading member;
<b>"option contract"</b>	means a put option contract or a call option contract, as the context may require;
<b>"order"</b>	means a commitment to buy or sell a specified quantity of futures and option contracts or a specified nominal value of bonds;
<b>"own funds"</b>	means the net financial worth of a member calculated in the manner determined by the JSE;
<b>"physically settled futures contract"</b>	means a futures contract contemplated in part (a) of the definition of a "futures contract";
<b>"position"</b>	means either a long position or a short position;
<b>"position risk requirement"</b>	means the risk requirement in relation to the member's own positions in securities, as determined by the JSE;
<b>"prescribed agreements"</b>	means the agreements, the basic terms and formal requirements of which have been specified by the JSE;
<b>"price"</b>	means price, rate or yield as the context may require;
<b>"principal"</b>	means a trading member who has traded with a client or another member for its own account;

"non-executive director" amended with effect from 1 August 2005

"option contract" amended with effect from 1 August 2005

"other investments" deleted with effect from 1 August 2005

"own funds" amended with effect from 1 August 2005

"physically settled futures contract" amended with effect from 1 August 2005

"position risk requirement" amended with effect from 1 August 2005

<b>"principal assignment trade"</b>	means the assignment of a trade or divided trade or aggregated trades, executed on the central order book of the Yield-X trading system for a trading member's principal assignment stock account to a client or clients as a separate trade at a price or at an average price which includes such trading member's profit;
<b>"product supplier"</b>	has the same meaning as that contained in section 1 of the FAIS Act;
<b>"professional client"</b>	<p>in relation to a trading member, means –</p> <ul style="list-style-type: none"> <li>(a) another authorised user;</li> <li>(b) a bank;</li> <li>(c) a long-term or short-term insurer registered as such under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) or the Short-term Insurance Act, 1998 (Act No. 53 of 1998), respectively;</li> <li>(d) a person outside the Republic who – <ul style="list-style-type: none"> <li>(i) as a regular feature of the person's business, renders a service similar to a "securities service" as defined in section 1 of the Act or conducts the business of a bank or a business referred to in paragraph (c); and</li> <li>(ii) is registered, licensed, recognised, approved or otherwise authorised to render the service or conduct the business referred to in paragraph (d)(i) by a foreign regulator with functions similar to those of the Registrar, the Registrar of Banks or the Registrar of Long-term or Short-term Insurance;</li> </ul> </li> <li>(e) any person who is mandated to manage assets and who has confirmed to the satisfaction of the member that the market value of the assets managed by the person will exceed R1 billion at all times during the rendering of securities services to the person;</li> <li>(f) any other client, who has confirmed to the satisfaction of the member that the person will have assets of which the net asset value will exceed R20 million at all times during the rendering of securities services to the person, but who is not – <ul style="list-style-type: none"> <li>(iii) a natural person;</li> <li>(iv) a pension fund organisation as defined in section 1 (1) of the Pension Funds Act, 1956 (Act No. 24 of 1956);</li> <li>(v) a friendly society referred to in the Friendly Societies Act, 1956 (Act No. 25 of 1956);</li> <li>(vi) a medical scheme as defined in section 1(1) of the Medical Schemes Act, 1998 (Act No.131 of 1998).</li> </ul> </li> </ul>
<b>"proprietary position"</b>	means a position registered by SAFCOM in the name of a trading member for the trading member's own account;
<b>"put option contract"</b>	means a contract, in terms of which the holder of a long position in the put option contract has obtained the right to sell, and the holder of a short position shall, if the option is exercised, buy, the underlying instrument of the option contract to or from SAFCOM on or before the future date at the strike price in accordance with these Yield-X rules and the contract specification of the option contract;
<b>"registered officer"</b>	means a compliance officer, settlement officer, <u>alternate settlement officer</u> , or a dealer registered by the JSE as such in the name of the member;

"professional client" introduced with effect from 1 August 2005

<b>"regulation"</b>	means any regulation which may be made by the Minister under section 113 of the Act;
<b>"related Yield-X securities"</b>	means those Yield-X securities which the JSE decides have such characteristics in common that the risk of loss in one of the Yield-X securities may be reduced by an off-setting position in any of the other or a combination of the other Yield-X securities in the group of related Yield-X securities;
<b>"reported transaction"</b>	means a value eligible transaction in Yield-X securities or such other eligible transactions that the JSE may determine, as set out in rule 7.120.1, which may be conducted off the central order book of the Yield-X trading system but must be reported through the Yield-X trading system;
<b>"Republic"</b>	means the Republic of South Africa;
<b><u>"repurchase transaction"</u></b>	<u>means a buy/sell back transaction between two parties in terms of which one party agrees to buy bonds from the other party while simultaneously agreeing to sell the bonds back on an agreed future date at an agreed price;</u>
<b>"resident"</b>	means a natural person who is resident in the common monetary area or a legal entity registered in such area, and includes a partnership or an external company;
<b>"resident client"</b>	means a resident who has concluded a client agreement with a trading member, and who has been registered by SAFCOM as a resident client of the trading member;
<b>"retained margin"</b>	means the margin paid by a client to a trading member for an intended transaction or margin due to a client which the trading member has retained in anticipation of a transaction as contemplated in rule 8.50.6;
<b>"return date"</b>	means the date on which a trading member or client returns equivalent STRATE settled bonds or the loaned funds to the Settlement Authority, as the context may require;
<b>"risk disclosure statement"</b>	means the risk disclosure statement annexed to the client agreement;
<b>"rolling settlement"</b>	means a settlement environment where transactions become due to be settled a prescribed number of days after the trade date;
<b><u>"rolling of settlement"</u></b>	<u>means the process initiated by the Settlement Authority in terms of which the settlement date of a transaction in bonds is postponed to a later date as determined by the Settlement Authority;</u>
<b>"SAFCOM"</b>	means Safex Clearing Company (Proprietary) Limited, licensed by the Registrar as a clearing house in terms of the Act;
<b>"SAFCOM agreement"</b>	means a written agreement entered into between a clearing member and SAFCOM in terms of which the clearing member guarantees to SAFCOM all of the obligations arising out of its proprietary positions, the positions of its clients, the proprietary position of the trading members with which it has entered into a clearing agreement and the positions of the clients of such trading members;
<b>"safeguard"</b>	means, in relation to JSE authorised investments, –

"regulation" amended with effect from 1 August 2005

"Republic" introduced with effect from 1 August 2005

"resolution" deleted with effect from 1 August 2005

"SAFCOM" amended with effect from 1 August 2005

"safeguard" amended with effect from 1 August 2005

	(a) the holding of such investments in safe custody by a member on behalf of a client; or
	(b) being accountable as a member to a client for such investments held by another financial services provider;
<b>"scrip root"</b>	means the source of bonds delivered by the ultimate seller of the bonds;
<b>"securities"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"securities services"</b>	has the same meaning as that contained in section 1 of the Act;
<b>"sell"</b>	means, in relation to Yield-X securities, to enter into either –
	(a) a sale of a futures contract in terms of which the seller is obliged to make delivery of the underlying instrument at the agreed price on the future date; or to pay an amount of money if, on the future date the price or value of the underlying instrument is greater than the agreed price; or
	(b) a sale of an option contract in terms of which the seller grants the right to the buyer to buy or sell the underlying instrument of the option contract at the agreed price on or before the future date; or
	(c) a sale of bonds in terms of which the seller is obliged to make delivery of the bonds and receive payment for such bonds at the agreed price on the settlement date;
<b>"settlement agent"</b>	<del>means a person accepted by STRATE as a CSD participant to settle bonds for a trading member or a client in terms of the STRATE rules;</del>
<b>"Settlement Authority"</b>	means the person or persons appointed by the JSE to manage the settlement of transactions in bonds effected through the Yield-X trading system in terms of the Yield-X rules and directives and the STRATE rules;
<b>"settlement commitment"</b>	means an electronic undertaking by a settlement agent to settle a transaction in bonds for a trading member or a client;
<b>"settlement date"</b>	means in respect of a transaction in bonds, the date on which the transaction is due to be settled;
<b>"settlement margin"</b>	means the amount of money determined by SAFCOM on the basis specified by the JSE and held in respect of bonds positions of a trading member or a client, for the purpose of providing for compensation payable in respect of a potential failed trade;
<b>"settlement officer"</b>	means the person appointed by each member in terms of rule 3.120.3;
<b>"short position"</b>	means a number of Yield-X securities registered by SAFCOM in the name of a trading member or client in terms of which –
	(a) in relation to futures contracts, the trading member or a client is obliged to make delivery of the underlying instrument on a future date at the agreed price or to pay an amount of money on a future date if the price or value of the underlying instrument on that future date is greater than the agreed price; or
	(b) in relation to option contracts, the trading member or client has granted the right to another person to buy or sell the underlying instrument of the option contract before or on the future date at the agreed price; or
	(c) in relation to bonds, the trading member or client is obliged to make delivery of, and receive payment for, the bonds on the settlement date at the agreed

"securities" amended with effect from 1 August 2005

"securities services" introduced with effect from 1 August 2005

"Securities Services Act" deleted with effect from 1 August 2005

	price;
"STRATE"	means STRATE Limited, a public company licensed as a central securities depository in terms of the Act;
"STRATE rules"	means the rules made, and directives issued by STRATE, in terms of the Act;
<del>"STRATE settled bonds"</del>	<del>means bonds which, in respect of transactions in such bonds, qualify as eligible securities in terms of the STRATE rules and may only be settled electronically through STRATE;</del>
"strike price"	means the price or yield at which the person in whose name a long position in an option contract is registered has the right to buy or sell the underlying instrument of the option contract;
"SWIFT"	means the Society for Worldwide Interbank Financial Telecommunication;
"SWIFT emigrant's blocked account notification"	means the notification, utilising the SWIFT network, <del>from the SAFCOM nominated SWIFT agent</del> to the authorised bank, instructing the authorised bank to make or accept payment of margin to or from an emigrant's blocked account in the amount specified in the notification;
"SWIFT non-resident account notification"	means the notification, utilising the SWIFT network, <del>from the SAFCOM nominated SWIFT agent</del> to the authorised bank, instructing the authorised bank to receive payment of interest into a non-resident account in the amount specified in the notification;
"the Registrar"	has the same meaning as that contained in section 1 of the Act;
"the Registrar of Banks"	means the Registrar of Banks designated under section 4 of the Banks Act, 1990 (Act No. 94 of 1990);
<del>"these rules"</del>	<del>means the JSE interest rate and currency rules issued in pursuance of section 18 of the Act, including any alteration, addition or amendment thereof;</del>
"top-up margin"	means the amount of margin payable as a result of an adverse mark-to-market of unsettled positions in bonds <u>executed on the central order book or reported to the trading system and accepted by the respective clearing members for risk management purposes;</u>
"trading member"	means a sub-category of authorised user of the JSE, <del>registered-authorised</del> <u>to trade in IRC securities and to provide services in respect of the buying and selling of IRCYield-X securities in terms of these under the Yield-X rules;</u>
<del>"trading system"</del>	<del>means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of IRC securities;</del>
"transaction"	has the same meaning as that contained in section 1 of the Act;
"trustees"	means the trustees of <u>one or both of the Fidelity Compensation Funds</u> , as the

"STRATE" amended with effect from 1 August 2005

"STRATE rules" amended with effect from 1 August 2005

"the Registrar" amended with effect from 1 August 2005

"trading member" amended with effect from 1 August 2005

"transaction" amended with effect from 1 August 2005

	context may require;
<b>"uncertificated securities "</b>	has the same meaning as that contained in section 29 of the Act;
<b>"underlying instrument"</b>	means the corporeal or incorporeal thing, asset, index, currency, rate of interest or any other factor which is the subject matter of a futures contract or an option contract, or the futures contract that is the subject matter of an option contract;
<b>"unsolicited call"</b>	means any first communication made to a person by a member or an employee of a member, without an express or tacit invitation from such person;
<b>"variation margin"</b>	means the amount of margin payable as a result of the marking-to-market of positions in futures and option contracts;
<b>"Yield-X"</b>	means <del>the a</del> market <u>in IRC securities</u> operated by the JSE <u>prior to 28 March 2011 in terms of the Act to facilitate trading in Yield-X securities</u> ;
<b><del>"Yield-X lending and borrowing system"</del></b>	<del>means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a mechanism to record and settle lending and borrowing arrangements in bonds;</del>
<b><del>"Yield-X rules"</del></b>	<del>means these Yield-X rules issued in pursuance of section 18 of the Act, including any alteration, addition or amendment thereof;</del>
<b><del>"Yield-X securities"</del></b>	<del>means those JSE listed securities traded on the Yield-X trading system;</del>
<b><del>"Yield-X trading system"</del></b>	<del>means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of Yield-X securities.</del>

"trustees" introduced with effect from 1 August 2005

"uncertificated financial instruments" deleted with effect from 1 August 2005

"uncertificated securities" introduced with effect from 1 August 2005

"unsolicited call" introduced with effect from 1 August 2005

2.20 Interpretation

2.20.1 In these Yield-X rules, unless otherwise clearly indicated by, or inconsistent with the context –

2.20.1.1 a reference to one gender includes a reference to all other genders;

2.20.1.2 the singular includes the plural, and *vice versa*;

2.20.1.3 all terms defined in the Act bear the same meaning as are assigned to them in the Act.

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2.20.2 deleted with effect from 1 August 2005



## SECTION

## 3

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**Section 3: Membership****Scope of section***General*

- 3.10 Membership of the JSE
- 3.20 Categories of membership
- 3.30 General requirements
- [3.35 Specific requirements applicable to inter-dealer brokers](#)
- 3.40 Capital adequacy requirements
- 3.50 Applications for membership
- 3.60 Reserved
- 3.70 Voluntary changes to, or termination of, membership
- 3.80 Involuntary termination of membership
- 3.90 Duty to furnish information
- 3.100 Fees, levies and charges
- 3.110 Notices

*Registered officers*

- 3.120 Member's obligation to ensure registration of officers
- 3.130 Registration and termination of officers by the JSE
- 3.140 Member remains responsible
- 3.150 Reserved
- 3.160 Lien over proceeds of sale of JSE shares

**Membership****3.10 Membership of the JSE**

- 3.10.1 In order to qualify to be a member, an applicant must comply with the requirements set out in this rule and such other requirements as the JSE may determine.
- 3.10.2 The JSE shall keep a register of members and shall in such register indicate in which category or sub-category of authorised user the member has been authorised to operate.

**3.20 Categories of membership**

- 3.20.1 An IRC interest rate member is a category of authorised user of the JSE and may be authorised by the JSE to provide securities services operate in one of two sub-categories, either as a clearing member or a trading member, or in both.
- 3.20.2 A trading member may only enter into a clearing agreement with one clearing member to perform the clearing and settlement of the transactions of that trading member.
- 3.20.3 A trading member –
- 3.20.3.1 may be a clearing member; and
- 3.20.3.2 may trade for and on behalf of clients ~~and enter into client agreements with clients.~~

3.20.4 An IDB-

3.20.4.1 is a sub-category of trading member that is subject to the rules pertaining to IDBs; and

3.20.4.2 may not be a clearing member.

3.20.5 In authorising an IRC member to provide securities services, the JSE may impose restrictions or conditions on the IRC member in relation to the particular securities services that the IRC member is authorised to provide or the particular IRC securities for which the IRC member is authorised to provide securities services, or both.

**3.30 General requirements**

- 3.30.1 A member must, in the opinion of the JSE and at all times, be managed and controlled by persons with a good reputation and high business standing.
- 3.30.2 Officers of members shall, subject to any waiver by the JSE –
- 3.30.2.1 be of full legal capacity;
- 3.30.2.2 comply with such criteria of good character and high business integrity as the JSE deems fit;
- 3.30.2.3 not be an unrehabilitated insolvent; and
- 3.30.2.4 not in the period preceding the application as the JSE in its discretion deems fit, have been –
- 3.30.2.4.1 convicted of a criminal offence, whether in the Republic or elsewhere;

3.10.1 amended with effect from 1 July 2005

3.10.2 amended with effect from 1 July 2005

3.10.2 amended with effect from 1 August 2005

3.20 amended with effect from 1 August 2005

3.20.2 amended with effect from 1 August 2005

3.20.3 amended with effect from 1 August 2005

3.20.4 deleted with effect from 1 August 2005

3.30.2.2 amended with effect from 1 August 2005

3.30.2.4.1 amended with effect from 1 August 2005

3.20.4 NEW rule insertedjddnhidik

- 3.30.2.4.2 the subject of a formal investigation by any regulatory or government agency;
  - 3.30.2.4.3 expelled, whether as a member or otherwise, from any exchange or external exchange;
  - 3.30.2.4.4 employed by or associated with a member of any exchange or external exchange, which member was expelled from that exchange and where the person or officer has, in the opinion of the JSE, contributed to the circumstances leading to the expulsion;
  - 3.30.2.4.5 declared a defaulting member of the JSE or any other exchange or external exchange;
  - 3.30.2.4.6 refused entry to or expelled from any profession or vocation or been dismissed or requested to resign from any office or employment, or from any fiduciary office or position of trust; or
  - 3.30.2.4.7 refused approval to operate as a financial services provider in terms of the FAIS Act or any other act.
- 3.30.3 Any waiver by the JSE in terms of rule 3.30.2 may be for a limited period and may be withdrawn at any time: Provided the JSE gives the member one calendar month's notice of its intention to withdraw such waiver.
- 3.30.4 All members shall at all times have and maintain the necessary administrative and other systems, facilities, resources and expertise to ensure that –
- 3.30.4.1 the management of their own and/or clients' funds is adequate and in accordance with the rules relating to the management or separation of funds;
  - 3.30.4.2 an accurate record of their own and/or clients' positions is kept at all times;
  - 3.30.4.3 where a trading member transacts for or on behalf of clients, their clients' transactions, cash balances and any other information relating to their positions are timeously reported to the clients; and
- 3.30.4.4 it complies with all the financial resources requirements pertaining to the relevant category of authorised user as prescribed in these rules.
- 3.30.5 A trading member that intends to enter into transactions which will be cleared by SAFCOM in terms of section 8 of these rules must have appointed a clearing member or have been authorised as a clearing member.
- 3.30.6 A trading member that intends to enter into transactions in bonds on the trading system must have appointed a CSDP.

### **3.35 Specific requirements applicable to inter-dealer brokers**

A trading member authorised to operate as an IDB in terms of these rules shall meet the following requirements in order to maintain its status as an IDB:

3.35.1 its business activities in the JSE listed bonds must be limited to arranging transactions between two counterparties on a name give-up basis or trading with or on behalf of two other parties on a matched principal basis;

3.35.2 when transacting in bonds with or on behalf of other trading members or clients on a matched principal basis, it may not take a proprietary position against the other member or the client; and

3.30.2.4.3 amended with effect from 1 August 2005

3.30.2.4.4 amended with effect from 1 August 2005

3.30.2.4.5 amended with effect from 1 August 2005

3.30.2.4.7 amended with effect from 1 August 2005

3.30.4.4 amended with effect from 1 August 2005

3.35.3 it must, on request from any member with or on whose behalf it is going to trade in bonds as a matched principal, provide the list of clients who may be the opposite counterparties to such transactions.

### 3.40 Capital adequacy requirements

3.40.1 Subject to rules 3.40.3, 3.40.4, 3.40.5 and 3.40.8, member shall at all times have own funds equal to the greater of –

3.40.1.1 the initial capital referred to in rule 3.40.6 or 3.40.7 as the case may be; or

3.40.1.2 thirteen weeks fixed operating costs; plus

3.40.1.3 the position risk requirement; and

3.40.1.4 the counterparty risk requirement; and

3.40.1.5 the large exposure risk requirement; and

3.40.1.6 the foreign exchange risk requirement;

such that the following formula is satisfied –

3.40.1.7  $ONF \geq CAR$

and

$CAR = (\text{greater of ICR or AOC}/4) + PRR + CRR + FXR + LPR$

where

ONF = Own funds

CAR = Capital adequacy requirement

ICR = Initial capital requirement

AOC = Annual operating costs

PRR = Position risk requirement

CRR = Counterparty risk requirement

FXR = Foreign exchange risk requirement

LPR = Large position risk requirement

3.40.2 The following provisions shall apply to a member that is an external company, other than a branch of a foreign bank –

3.40.2.1 the own funds of the local branch of the external company shall at all times be equal to or greater than the amount provided for in rule 3.40.1.2, 3.40.6, 3.40.7 or 3.40.8, as the case may be;

3.40.2.2 the foreign parent of the local branch of the external company shall in writing confirm to the JSE that it is required to comply with capital adequacy requirements similar to those in the Republic, and that they are reporting such as required to an appropriate foreign regulator; and

3.40.1 amended with effect from 26 April 2007

3.40.1.1 amended with effect from 26 April 2007

3.40.2 amended with effect from 26 April 2007

3.40.2.1 amended with effect from 26 April 2007

3.40.2.2 amended with effect from 26 April 2007

- 3.40.2.3 the thirteen weeks fixed operating costs requirement in rule 3.40.1.2 shall relate to the operating costs of the local branch of the external company in the Republic.
- 3.40.3 A trading member that is a branch of a foreign bank, and is exempt from the requirement to submit monthly capital adequacy returns to the Director: Surveillance, in terms of rule 3.90.5, is not required to comply with the requirements of rule 3.40.1 but is instead required to comply with the capital adequacy requirements as prescribed by the Banks Act, 1990 (Act No. 94 of 1990) and the regulations made under that Act.
- 3.40.4 A trading member that does not trade in bonds and that trades in Yield-X securities derivative instruments listed on the JSE solely for its own account, and is exempt from the requirement to submit monthly capital adequacy returns to the Director: Surveillance, in terms of rule 3.90.5, is not required to comply with the requirements of rule 3.40.1 but shall ensure that its assets (excluding goodwill and other intangible assets) exceed its liabilities (excluding loans validly subordinated in favour of all other creditors).
- 3.40.5 A trading member that is an authorised user of another exchange and is exempt from the requirement to submit monthly capital adequacy returns to the Director: Surveillance, in terms of rule 3.90.6, is not required to comply with the requirements of rule 3.40.1 but shall comply with the capital adequacy requirements as prescribed by such other exchange.
- 3.40.6 A trading member who trades on behalf of clients but does not receive a client's margins or hold the client's margins or who does not receive any other assets of a client with respect to the client's buying and selling of JSE authorised investments, shall have an initial capital of at least R200 000 or such other minimum amount that the JSE may decide.
- 3.40.7 A trading member who receives a client's margins or holds the clients' margins, or that receives any other assets of a client with respect to the client's buying and selling of JSE authorised investments, shall have an initial capital of at least R400 000, or such other minimum amount that the JSE may decide.
- 3.40.8 A clearing member shall have own funds of R200 000 000, or such other sum as the JSE may determine: Provided that the JSE may, at its discretion, impose additional suretyship, guarantee or other requirement on a clearing member if –
- 3.40.8.1 the sum of the initial margin or settlement margin with respect to the positions of the clearing member, its clients, the trading members with which the clearing member has entered into clearing agreements and the clients of such trading members, reaches the limit as contemplated in rule 10.10.1; or
- 3.40.8.2 the own funds of the clearing member as specified in this rule 3.40.8 have decreased to the limit referred to in rule 10.10.1.
- 3.40.9 A clearing member shall provide, maintain and keep in force a suretyship in favour of SAFCOM by a financial or other institution acceptable to the JSE, in such form and upon such terms and conditions as the JSE may determine, for the due performance of all or any of its obligations to SAFCOM in terms of these rules, jointly and severally, for an amount of not less than R10 000 000 or such other sum as the JSE may determine.

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3.40.2.3 amended with effect from 26 April 2007

3.40.2.4 deleted with effect from 26 April 2007

3.40.3 replaced with effect from 26 April 2007

3.40.4 introduced with effect from 26 April 2007

3.40.5 introduced with effect from 26 April 2007

3.40.5 amended with effect from 1 August 2005, renumbered 3.40.7 and amended with effect from 26 April 2007

3.40.6 renumbered 3.40.8 with effect from 26 April 2007

3.40.6.1 renumbered 3.40.8.1 with effect from 26 April 2007

3.40.6.2 renumbered 3.40.8.2 and amended with effect from 26 April 2007

3.40.7 renumbered 3.40.9 with effect from 26 April 2007

3.40.10 The JSE may suspend a member if there is a deficiency in the capital adequacy of the member.

### 3.50 Application for membership

3.50.1 An application for membership shall be made to the JSE in the manner and in the form prescribed by the JSE and shall indicate in what category or categories of membership the applicant wishes to apply. The application must be accompanied by any application fee prescribed by the JSE.

3.50.2 Applicants shall include a signed copy of –

3.50.2.1 the memorandum and articles of association of the company;

3.50.2.2 a copy of any agreement entered into or proposed to be entered into between the shareholders of the company relative to the shares thereof; and

3.50.2.3 any other information as the JSE may require.

The provisions of this rule shall apply *mutatis mutandis* to the amendment or substitution of the aforementioned documents.

3.50.3 The applicant shall include with its application, the following information:

3.50.3.1 the applications for registration as registered officers of the applicant;

3.50.3.2 the most recent financial statements of the applicant as well as a completed capital adequacy return;

3.50.3.3 the details of the applicant's auditor; and

3.50.3.4 a completed clearing agreement, in the case of a trading member application where the applicant intends to execute transactions in IRC securities on the central order book or execute reported transactions that will require risk management by a clearing member, or a completed SAFCOM agreement, in the case of a clearing member application.

3.50.4 An external company shall, when submitting its application for membership, submit proof of compliance with the requirements of Section 322 of the Companies Act, by furnishing the JSE with the certificate of registration as provided for in section 322(2) of the Companies Act.

3.50.5 Notwithstanding any provision in these Yield-X rules and directives, the JSE may require the applicant to furnish further information, and may institute any investigation that it deems necessary, to verify information submitted by the applicant in support of an application. Such investigation may include without limitation, a request for the applicant or one or more representatives of the applicant, to be interviewed by the Executive Officer or any person appointed by the JSE for that purpose.

3.50.6 The JSE shall have the sole discretion to accept or reject the application, or to accept an application subject to certain conditions to be fulfilled as determined by the JSE: Provided that the JSE shall reach a decision within 60 (sixty) days of the first meeting at which the application was considered.

3.50.7 The JSE shall notify the applicant in writing of its decision and of any restrictions that will be applicable to its business activities as an IRC member, and any conditions that are required to be fulfilled.

3.50.8 Any person aggrieved by the decision of the JSE to reject an application, shall have a right of appeal to the board of appeal in terms of the Act.

3.50.9 If an application for membership has been refused, and the applicant did not exercise its right of appeal or if the appeal is unsuccessful, such applicant may not re-apply for membership for a period of 1 (one) year from the date of refusal, or such shorter period as the JSE may determine.

3.40.8 renumbered 3.40.10 and amended with effect from 26 April 2007

3.50.1 amended with effect from 1 August 2005

3.50.4 amended with effect from 1 August 2005

3.50.8 amended with effect from 1 August 2005

- 3.50.10 The JSE may refuse any applicant approval of membership, if the JSE deems the name under which the applicant proposes to operate, to be inappropriate or unacceptable for any reason.
- 3.50.11 The JSE shall notify all members of the admission of a new member.
- 3.50.12 Upon approval of the application of the member, such member shall obtain membership and the status in such sub-category or categories of authorised user as determined by the JSE.

### 3.60 Reserved

### 3.70 Voluntary changes to, or termination of, membership

- 3.70.1 A member may apply to terminate its membership by giving 30 days written notice to the JSE.
- 3.70.2 The JSE may accept the termination unconditionally or subject to such conditions as it may deem fit, or may refuse to accept the termination until it is satisfied that all outstanding contractual or other obligations of the member have been met.
- 3.70.3 If a member wishes to change its authorised user status or wishes to obtain authorisation to operate in another sub-category of authorised user, the provisions of rule 3.50 shall apply *mutatis mutandis*.
- 3.70.4 A member undergoing any of the changes in name or corporate structure as set out below shall forthwith inform the JSE in writing of the change –
- 3.70.4.1 in the case of a company changing its name, the notification shall be accompanied by the relevant certificate of name change;
- 3.70.4.2 in the event that a trading member's business or infrastructure relating to trading in Yield-X securities, is transferred to another legal entity in any manner, including but not limited to a merger, take-over, transfer of business or corporate restructuring, the trading member shall inform the JSE of the change at least one month before it takes effect, and the notification shall be accompanied by such information as would be required in the case of a new application for membership: Provided that the JSE may, at its discretion, request full particulars regarding the change and the reasons therefore, and provided further that the JSE may determine that a new application for membership must be made.

The JSE shall notify members of the termination of or change in membership, and the termination shall become effective on the date and time of the notice, unless stated otherwise in the notice.

### 3.80 Involuntary termination of membership

- 3.80.1 Membership shall terminate when –
- 3.80.1.1 a member is liquidated or placed under curatorship or judicial management, whether provisionally or finally;
- 3.80.1.2 the member compromises or attempts to compromise with its creditors;
- 3.80.1.3 the member fails to satisfy or to initiate steps to set aside a judgement, award or determination against it within the time periods provided for in the rules of the relevant body;
- 3.80.1.4 the disciplinary tribunal has decided in terms of rule 4.60 that membership should be terminated;
- 3.80.1.5 the member defaults;
- 3.80.1.6 Reserved;

3.50.12 introduced with effect from 1 July 2005  
 3.50.12 amended with effect from 1 August 2005  
 3.60 deleted with effect from 1 July 2005  
 3.70.1 amended with effect from 1 August 2005  
 3.70.3 amended with effect from 1 August 2005  
 3.70.4.2 amended with effect from 1 August 2005



- 3.80.1.7 a trading member fails to enter into a clearing agreement with a clearing member within 30 days or such other period which the JSE may determine after the termination for whatever reason of its clearing agreement with a clearing member; or
- 3.80.1.8 the controlling body has resolved to terminate the membership of the member after taking into account the member's representations in this regard.
- 3.80.2 The JSE shall publish the termination in a notice to members, and the termination shall become effective on the date and time of the notice, unless stated otherwise in the notice.

### 3.90 Duty to furnish information

- 3.90.1 A member shall forthwith advise the JSE in writing of –
- 3.90.1.1 the granting of an application for, or the revocation of, or the recognition under any statutory enactment of any registration, authorisation or licence which may bear upon or be associated with its business as a member of the JSE;
- 3.90.1.2 conviction of the member or any of its officers of any offence under legislation relating to banking, or other financial services, companies, insolvency, insurance and pension and provident societies or of any offence involving fraud or dishonesty;
- 3.90.1.3 any person becoming or ceasing to be a director of the member;
- 3.90.1.4 any change in the name or address of any office of the member, and of any change in the member's telephone or facsimile numbers or electronic mailing addresses;
- 3.90.1.5 any change in the particulars relating to an officer, and of the event that any officer is found guilty of any improper conduct by any licensed exchange, a previous or current employer, a professional association or a court of law; or
- 3.90.1.6 the dismissal of an employee for committing or attempting to commit an act which is dishonest, fraudulent, dishonourable or disgraceful.
- 3.90.2 A member shall in addition inform the JSE in writing –
- 3.90.2.1 of any person holding, or having a beneficial interest in, 20% or more of any class of the share capital of a member and of any change in such holding;
- 3.90.2.2 if it or any employee thereof holds, or has a beneficial interest in, any class of the share capital of a client that is a company or in the membership interest of a client that is a close corporation.
- 3.90.3 A member shall submit to the Director: Surveillance within three months after the end of its financial year, a copy of its audited annual financial statements, and the audit report prescribed by the Act, in respect of such period.
- 3.90.4 Subject to rules 3.90.5 and 3.90.6, a member shall submit the prescribed monthly capital adequacy return monthly to the Director: Surveillance within ten business days of the end of the month or within such other period that the JSE may require: Provided that the member shall at all times comply with the capital adequacy requirements referred to in these rules, and provided further that the JSE may suspend a member from trading, if the return is not submitted timeously.
- 3.90.5 A member that–
- 3.90.5.1 is a bank;
- 3.90.5.2 is a branch of a foreign bank; ~~or~~

3.80.1.6 deleted with effect from 1 July 2005

3.90.2.2 amended with effect from 1 August 2005

3.90.3 amended with effect from 26 April 2007

3.90.4 amended with effect from 26 April 2007

3.90.5 replaced with effect from 26 April 2007

3.90.5.1 to 3.90.5.3 introduced with effect from 26 April 2007

3.90.5.3 ~~does not trade in bonds and that~~ trades in ~~Yield-X securities derivative instruments listed on the JSE~~ solely for its own account; ~~or~~

~~3.90.5.4~~ is a state owned entity.

shall be exempt from the requirement to submit the monthly capital adequacy return referred to in rule 3.90.4, provided the member has advised the JSE, in writing, that it meets the requirements of rule 3.90.5.1, 3.90.5.2, ~~or 3.90.5.3~~ or 3.90.5.4.

- 3.90.6 A member that is an authorised user of another exchange may apply in writing to the Director: Surveillance for exemption from the requirement to submit the monthly capital adequacy return referred to in rule 3.90.4 provided the capital requirements of the other exchange are, in the opinion of the Director: Surveillance, similar to those imposed by the JSE and the member is required to submit a return to the other exchange.
- 3.90.7 In considering an application for an exemption in terms of rule 3.90.6, the Director: Surveillance will take into account the relative activity undertaken by the member on the JSE and the other exchange in order to determine whether it is preferable for the other exchange to act as the lead regulator in relation to the supervision of compliance with capital adequacy requirements by the member.
- 3.90.8 If a member is granted an exemption in terms of rule 3.90.6, the member may be required at any time to submit, to the Director: Surveillance, a copy of any capital adequacy return submitted to the other exchange.
- 3.90.9 Despite the fact that a member may be exempt from submitting monthly capital adequacy returns to the Director: Surveillance, in terms of rules 3.90.5 or 3.90.6, the member is required to advise the Director: Surveillance, in writing, as soon as it becomes aware that it has failed to meet the relevant capital adequacy requirements set out in rules 3.40.3 to 3.40.5.

### 3.100 Fees, levies and charges

- 3.100.1 A member which uses the services of the JSE shall pay to the JSE such subscription fees and charges as may be prescribed by the JSE.
- 3.100.2 The JSE may, in addition to the subscriptions, fees and charges prescribed by these Yield-X rules, impose upon every member a levy which shall be paid to the JSE or any of its ~~Compensation #~~Funds on such conditions as the JSE may decide. Such levy may be recovered from the clients of the member.
- 3.100.3 Any subscription, fee, charge, contribution or levy to be paid or which may be imposed in terms of these Yield-X rules, shall be paid as determined by the JSE and any member failing to make such payment when due shall, unless the same be paid within one month after written demand has been made by the JSE, cease to be a member.

### 3.110 Notices

- 3.110.1 Notice to the JSE by members

Every member shall notify the JSE of a business and postal address, and a secured electronic delivery mechanism address at which that member shall accept the delivery of all notices issued by the JSE in terms of these Yield-X rules.

- 3.110.2 Notice to members

3.110.2.1 Any notice given by the JSE in terms of the Yield-X rules and directives shall be in writing.

3.110.2.2 A notice may be delivered by means of an electronic delivery mechanism or by hand or by registered post.

3.90.6 introduced with effect from 26 April 2007

3.90.7 introduced with effect from 26 April 2007

3.90.8 introduced with effect from 26 April 2007

3.90.9 introduced with effect from 26 April 2007

- 3.110.2.3 Any notice delivered by the JSE by hand before 16h00 on a business day at the physical address of the member, shall be deemed, unless the contrary is proved, to have been received on the date of delivery.
- 3.110.2.4 Any notice transmitted by an electronic delivery mechanism before 16h00 on a business day, shall be deemed, unless the contrary is proved, to have been received on the date of the transmission.
- 3.110.2.5 Any notice delivered by the JSE by registered post shall be deemed, unless the contrary is proved, to have been received within seven business days after being dispatched.

### **Registered officers**

#### **3.120 Member's obligation to ensure registration of officers**

- 3.120.1 Each member must ensure the registration by the JSE of a compliance officer, ~~and~~ a settlement officer and an alternate settlement officer.
- 3.120.2 A compliance officer shall –
- 3.120.2.1 without relieving the member from its responsibility to comply with the provisions of the Act and these Yield-X rules, be responsible for ensuring compliance by that member with the provisions of the Act and these Yield-X rules;
- 3.120.2.2 have obtained such qualification as may be required by the JSE;
- 3.120.2.3 in the event of any breach of these Yield-X rules or problem or query arising in respect of any transaction or alleged transaction or position of the member or any of its clients or any trading member with which the clearing member has entered into a clearing agreement in terms of these Yield-X rules, immediately on the request of the JSE or SAFCOM or its clearing member, take such steps as may be necessary to rectify the breach or to eliminate the problem or to satisfy the query;
- 3.120.2.4 receive all notices to the member from the JSE or SAFCOM or the clearing member and be responsible to ensure that all such notices are complied with; and
- 3.120.2.5 ensure compliance with all prescribed agreements set out in the directives to these Yield-X rules.
- 3.120.3 A settlement officer must –
- 3.120.3.1 have obtained such qualification as may be required by the JSE;
- 3.120.3.2 deal with all queries by the JSE in relation to settlement;
- 3.120.3.3 ensure that all transactions are settled in terms of these Yield-X rules and directives;
- 3.120.3.4 advise the JSE of any issue that may potentially impact on the settlement of a transaction; and
- 3.120.3.5 cooperate with the Settlement Authority to ensure the efficient and timeous settlement of all transactions.

#### 3.120.4 An alternate settlement officer must –

##### 3.120.4.1 have obtained such qualification as may be required by the JSE;

3.120.1 amended with effect from 1 August 2005

3.120.4.2 ~~in the absence of the settlement officer deal with all queries by the JSE in relation to settlement;~~

3.120.4.3 ~~in the absence of the settlement officer ensure that all transactions are settled in terms of these rules and directives;~~

3.120.4.4 ~~in the absence of the settlement officer advise the JSE of any issue that may potentially impact on the settlement of a transaction; and~~

3.120.4.5 ~~in the absence of the settlement officer cooperate with the Settlement Authority to ensure the efficient and timeous settlement of all transactions.~~

3.120.5 ~~4~~ A member shall not carry on business for more than two months in any continuous period of twelve months unless such member has registered a compliance officer, ~~and a settlement officer~~ ~~and an alternate settlement officer~~ in terms of rule 3.120.1: Provided that in the absence of a duly appointed compliance or settlement officer ~~or alternate settlement officer~~, or where the post has become vacant, a senior director shall temporarily assume the responsibility of the compliance or settlement ~~or alternate settlement~~ officer as referred to in rule 3.120.2, ~~and~~ rule 3.120.3 ~~and rule 3.120.4~~ respectively, for no longer than 2 months.

3.120.6 ~~5~~ A trading member shall ensure the registration by the JSE of dealers who shall be the only persons entitled to trade for a member's own account and for and on behalf of clients and who shall have obtained such qualification that may be required by the JSE. A trading member may not trade without having at least one dealer present at the trading member's place of business unless the JSE has in writing granted temporary registration to a person nominated in writing by the trading member to trade for a period not exceeding 15 business days in the absence of such dealer. The JSE shall publish the name of such nominee in a notice to members.

### 3.130 Registration of officers by the JSE

3.130.1 An application for the first registration as a registered officer shall be made to the JSE in the manner and on the form prescribed by the JSE.

3.130.2 ~~Reserved The JSE shall in a notice to members publish the name of the applicant, and members shall within ten business days of such notice notify the JSE in writing of objections to or comments on the application.~~

3.130.3 ~~The JSE shall convene a meeting of the JSE Executive shall to consider the application referred to in rule 3.130.1 and any objection to or comment on it in order to recommend to the JSE to either accept or reject the application.~~

3.130.4 An application to change the registration of a registered officer from one member to another or from one office to another shall be made in writing to the ~~Executive Officer JSE~~ by the member intending to register the officer and the ~~JSE Executive Officer~~ shall ~~consider the application and either accept or reject it, in his discretion, decide to grant such change in registration or to refer the application to the JSE Executive for consideration at its next meeting:~~ Provided that, if aggrieved by the decision of the JSE Executive, the member concerned shall have the right of appeal to the board of appeal.

3.130.5 The JSE may, in its discretion, for a period not exceeding 90 days, grant the temporary registration of a registered officer pending the attainment by him of the qualifications required for the office in question.

3.130.6 A member shall notify the JSE in writing of its decision to terminate the registration of a registered officer in its name, in which event the JSE may request full details of the circumstances of the termination.

3.130.7 The registration, whether permanent or temporary, or termination of the registration of a registered officer in the name of a particular member in a particular office shall become effective on the date

3.120.6 deleted with effect from 1 August 2005

3.130.4 amended with effect from 1 August 2005

~~stipulated in the written notification to the member by and the time of the notice to members by the JSE, confirming the registration or termination of registration of the registered officer unless stated otherwise in the notice.~~

#### 3.140 Member remains responsible

The appointment or registration of any registered officer referred to in rules 3.120 and 3.130 shall not in any way relieve a member from any of its duties and responsibilities in terms of the Act and these Yield-X rules, and the member's liability to fulfil those duties and responsibilities shall remain a principal liability and shall not be accessory or subordinate to the liabilities of such officer.

#### 3.150 Reserved

#### 3.160 ~~Lien over proceeds of sale of JSE shares~~ Reserved

~~The JSE shall have a first lien on the proceeds of the sale or other disposition of any JSE shares held by a member in the event that the member selling or disposing of such JSE shares is in any way indebted to the JSE. The Fidelity Fund or Funds of the JSE shall have a second lien on the proceeds of the sale or other disposition of such JSE shares in the event that the member selling or disposing of such shares has defaulted and the Fidelity Fund or Funds have discharged any of the member's obligations. After the satisfaction of the lien or liens, the balance of the proceeds of the sale or other disposition will revert to the selling or disposing member or the estate of the selling or disposing member as the case may be.~~

3.150 deleted with effect from 1 August 2005

**SECTION**  
**4**

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**Section 4: Disciplinary Matters**

**Scope of section**

- 4.10 Surveillance and investigation by the JSE's Surveillance Department
- 4.15 Reporting and assistance by the JSE Surveillance Department - Financial Intelligence Centre Act
- 4.20 Use of information obtained by the JSE's Surveillance Department
- 4.30 Improper conduct
- 4.40 Disciplinary procedures
- 4.50 Procedure and evidence
- 4.60 Penalties
- 4.70 Urgent issues
- 4.80 Open transactions and positions
- 4.90 JSE's powers of publication

**4.10 Surveillance and investigation by the JSE's Surveillance Department****4.10.1 Surveillance**

The JSE's Surveillance Department may set up and maintain systems for-

- 4.10.1.1 monitoring compliance by members with the Act, the rules and directives and any arrangements made with SAFCOM for the provision of services and facilities;
- 4.10.1.2 the surveillance of any matter relevant for the objectives of the Act and these rules and directives; and
- 4.10.1.3 supervising compliance by the interest rate members with the Financial Intelligence Centre Act, 2001 (Act No.38 of 2001).

**4.10.2 Investigation**

The Director: Surveillance, and any other person designated by him, may –

- 4.10.2.1 investigate any JSE related activities of any person who at the relevant time was a director, employee or officer of a member;
- 4.10.2.2 investigate whether that member or any of its employees complies with the Act, these Yield-X rules, directives and the Financial Intelligence Centre Act;
- 4.10.2.3 investigate whether the trading member is trading in such a manner that there is a danger that such trading member may not be able to meet its commitments to clients, other members or SAFCOM;
- 4.10.2.4 investigate whether a member is conducting its business in a manner which could be detrimental to the interest, good name or welfare of the JSE or its members; and
- 4.10.2.5 require any person who is subject to the jurisdiction of the JSE and who is believed to be able to furnish any information on the subject of any investigation or to have in his or her possession or under his or her control any book, document, tape or electronic record or other object which has a bearing on the subject of the investigation, to produce such book, document, tape or electronic record or other object or to appear at a time and place specified, to be questioned by the Director: Surveillance, to furnish such information or to produce such book, document, tape, electronic record or other object: Provided that the subject of the investigation has first been put to such person. Such person may, if he or she is not an executive director of the member, request to be assisted by an executive director of the member by which the person is employed.

- 4.10.3 The Director: Surveillance may delegate the power granted to him by rule 4.10.2 to any member of his staff.

**4.10.4 Referral to another authority**

If the JSE's Surveillance Department become aware of any possible contravention of law by a person over whom the JSE does not have jurisdiction, the JSE's Surveillance Department may refer such matter to the appropriate authority, whether outside or within the Republic.

**4.15 Reporting and assistance by the JSE Surveillance Department - Financial Intelligence Centre Act**

The Director: Surveillance will report to the Registrar any non-compliance by a member or its employees with the duties imposed on the member and its employees in terms of the Financial Intelligence Centre Act if the Director: Surveillance becomes aware of such non-compliance through the surveillance and investigation procedures undertaken in terms of rule 4.10. The JSE Surveillance Department will also assist the Registrar in any enforcement action that may be taken by the Registrar against a member or its employees in relation to non-compliance with the Financial Intelligence Centre Act.

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4.10.1.2 amended with effect from 1 August 2005

4.10.2.2 amended with effect from 1 August 2005

**4.20 Use of information obtained by the JSE's Surveillance Department**

Any information, document, book, tape or electronic record or other object obtained by the JSE's Surveillance Department, whether by investigation or otherwise, may be used in evidence in any disciplinary proceedings contemplated in rule 4.40 and may be furnished by the JSE's Surveillance Department to any other body which may have jurisdiction over the matter under consideration, whether outside or within the Republic.

**4.30 Improper conduct**

The following acts and practices whether of commission or omission, on the part of any person who at the time of the alleged act or practice was a member, a director, employee or registered officer of a member shall constitute improper conduct: Provided that the acts and practices so specified are not intended to be a complete list of acts and practices which may constitute improper conduct –

- 4.30.1 committing or attempting to commit any act which is dishonest or fraudulent;
- 4.30.2 being a party to, or facilitating or conducting a transaction which is fictitious or has a dishonest or unlawful motive;
- 4.30.3 contravening, attempting to contravene, or failing to comply with any provision of the Act, a Yield-X rule or a directive;
- 4.30.4 negligently or recklessly conducting the business or affairs of the member in such a way that actual or potential prejudice is, or may be, caused to the JSE, any other member, a client of a member or the general public. The failure by a member to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may, depending on the circumstances, be either negligent or reckless;
- 4.30.5 committing or attempting to commit any act which is detrimental to the interest, good name or welfare of the JSE or its members;
- 4.30.6 knowingly obstructing the business of the JSE or its members;
- 4.30.7 failing, when requested, to assist the JSE Surveillance Department in the exercise of its duties (which shall include failure without sufficient cause to provide information in accordance with rule 4.10.2.5).

**4.40 Disciplinary procedures****4.40.1 Conclusion of investigation**

On conclusion of any investigation in terms of rule 4.10 and if, after having considered all the relevant information in his possession, the Director: Surveillance is of the opinion that there are grounds for an allegation of improper conduct, the Director: Surveillance may –

- 4.40.1.1 refer the matter for determination to a Disciplinary Committee; or
- 4.40.1.2 if he considers that the alleged conduct is so serious that it might warrant the imposition of a fine in excess of the amount referred to in rule 4.40.2.4 or suspension or termination of membership or employment with a member, prefer a formal charge against such person ("the respondent") setting out in a brief statement the facts constituting the alleged conduct. Such charge shall be referred to a disciplinary tribunal ("a Tribunal"), to be heard in terms of these Yield-X rules. Such charge may further, in the discretion of the Director: Surveillance, make provision for an admission of guilt.

**4.40.2 Disciplinary Committee**

- 4.40.2.1 The Chairman of the JSE may appoint one or more Disciplinary Committees. Each Disciplinary Committee shall consist of three persons, as follows: any one of the Chairman of the JSE, Deputy Chairman of the JSE, Executive Officer or acting Executive Officer of the JSE, and at least one appropriate representative from each of

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4.30.1 amended with effect from 1 August 2005

4.30.3 amended with effect from 1 August 2005

4.30.7 amended with effect from 1 August 2005



- two members. The Chairman of the JSE, Deputy Chairman of the JSE, Executive Officer or acting Executive Officer who is a member of the Disciplinary Committee shall be the chairman. A Disciplinary Committee may co-opt additional members, when necessary and appropriate.
- 4.40.2.2 A Disciplinary Committee may, subject to rule 4.40.2.3 -
- 4.40.2.2.1 issue instructions to the person whose conduct is under consideration concerning action which must be taken, or not be taken, to remedy the matter referred to the Disciplinary Committee;
  - 4.40.2.2.2 warn, reprimand, censure or, subject to rule 4.40.2.4, impose a fine (with or without ordering that a contribution be made towards the JSE's costs) on any person who has, in the reasonable opinion of the Disciplinary Committee, been guilty of improper conduct;
  - 4.40.2.2.3 in relation to an officer or employee of a member, direct the member to conduct a disciplinary enquiry into the conduct of such person;
  - 4.40.2.2.4 direct a member to ensure that any sanction imposed on an officer or employee of that member is complied with by such officer or employee;
  - 4.40.2.2.5 direct a member to prevent or relieve an officer or employee of that member from carrying out any specified activity, function or duty for such reasonable period as the Disciplinary Committee deems appropriate; or
  - 4.40.2.2.6 if at any stage it determines that the matter referred to it is sufficiently serious to be heard by a Tribunal, stop the proceedings, and refer the matter to a Tribunal.
- 4.40.2.3 A Disciplinary Committee may not impose any penalty contemplated in rule 4.40.2 unless –
- 4.40.2.3.1 the alleged improper conduct has first been put to the person who is alleged to have committed it. If such person is a director, the alleged improper conduct shall be put to an executive director or otherwise to a duly authorised employee of the member; and
  - 4.40.2.3.2 such person has been given an opportunity (orally or in writing) of explaining his or her conduct after being warned that any explanation furnished pursuant to these Yield-X rules may be used in evidence against him or her.
- 4.40.2.4 No fine imposed by a Disciplinary Committee may exceed R25 000 per contravention, or such other amount as the JSE may determine by directive. A Disciplinary Committee may direct that any action taken in terms of rule 4.40.2 be published.
- 4.40.2.5 Any person in respect of whom a Disciplinary Committee has imposed a reprimand, censure, or fine (but not a warning) may demand, within a period of three days after the imposition of such reprimand, censure, or fine, that the matter be heard *de novo* by a Tribunal. The Tribunal may, if it finds the person guilty of the conduct which forms the subject of the charge, impose a penalty more severe than that imposed by the Disciplinary Committee.
- 4.40.3 Preferring charges to be heard by a Tribunal
- 4.40.3.1 Where the Director: Surveillance has preferred a formal charge against a respondent, the charge sheet shall, in addition to the matters listed in rule 4.40.1.2, be in a form prescribed by the Director: Surveillance, be signed by the Director: Surveillance or his Deputy, and be served on the respondent in such manner as the Director: Surveillance may determine.

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4.40.2.4 amended with effect from 1 August 2005

- 4.40.3.2 Where the Director: Surveillance has decided to make provision for an admission of guilt, he shall stipulate –
- 4.40.3.2.1 the amount of the fine payable pursuant to the admission of guilt and any required contribution towards the JSE's costs as well as the period within which such amounts must be paid. Where the respondent has benefited financially as a result of the alleged transgression, the Director: Surveillance shall take such benefit into consideration in determining the amount of such fine. The admission of guilt may, in particular, provide for the fine to be suspended for a period;
  - 4.40.3.2.2 the manner and time in which the admission of guilt may be made, which time shall not be a period in excess of 50 business days from the date on which the charge sheet is served on the respondent; and
  - 4.40.3.2.3 whether the terms of the admission of guilt should be published.
- 4.40.3.3 A respondent –
- 4.40.3.3.1 may, if the respondent is given an opportunity to sign an admission of guilt, admit guilt to such charges within the period set out in the charge sheet; or
  - 4.40.3.3.2 may within 20 business days after receipt of the charge sheet request particulars to the charges, to which the Director: Surveillance must respond within 20 business days after receipt of such request; and
  - 4.40.3.3.3 shall, if the Director: Surveillance did not provide for admission of guilt or if the respondent decides not to admit guilt to the charges, file a defence to such charges on or before 50 business days after the date on which the charge sheet was served on the respondent or within 20 days after the date on which the Director: Surveillance has responded to the request for further particulars.
- 4.40.3.4 Thereafter the chairman of the Tribunal shall determine the date on which the charges shall be heard, which date shall not without good reason be later than six months after the charge sheet was served on the respondent.
- 4.40.3.5 No extension of the time periods set out in rule 4.40.3, including the date for the hearing of the charges shall be allowed without good reason. Furthermore no such extension shall be allowed unless the consent of the chairman of the Tribunal is obtained.
- 4.40.3.6 Tribunal
- 4.40.3.6.1 The Chairman of the JSE may appoint one or more Tribunals each comprised of three members.
  - 4.40.3.6.2 The members of a Tribunal shall be:
    - 4.40.3.6.2.1 a retired judge, or a practising or retired senior counsel, or a practising or retired attorney with not less than fifteen years experience. Such person shall act as chairman of the Tribunal;
    - 4.40.3.6.2.2 a professional person appointed by reason of that person's knowledge of financial services as it relates to the matter under consideration; and

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4.40.3.2.3 amended with effect from 1 August 2005

- 4.40.3.6.2.3 a person appointed by reason of that person's knowledge of or experience in the financial markets.

#### 4.50 Procedure and evidence

- 4.50.1 Any charges preferred shall be decided on a balance of probabilities.
- 4.50.2 In a hearing before a Tribunal –
- 4.50.2.1 the chairman of the Tribunal shall decide all matters of law which may arise during the hearing, and whether any matter constitutes a question of law or a question of fact, but all three members of the Tribunal shall by a simple majority decide all other matters arising during the hearing;
- 4.50.2.2 the chairman of the Tribunal shall determine the procedure which the Tribunal shall follow both in respect of preliminary issues and in respect of the hearing itself, subject to these Yield-X rules and to the principles of natural justice;
- 4.50.2.3 the JSE may instruct attorneys or counsel to prefer and prosecute the charges on behalf of the JSE, or the charges may be prosecuted by an employee of the JSE; and
- 4.50.2.4 a lawyer may represent the respondent at the respondent's own cost and an executive director of the member by which the respondent is employed may assist the respondent if the respondent is not an executive director of a member.
- 4.50.3 If a respondent without good cause fails to attend a hearing before a Tribunal at the time and place stated in the charge sheet, the Tribunal may proceed with its consideration of the charge in the absence of the respondent.
- 4.50.4 If, at any stage during a hearing before a Disciplinary Committee or a Tribunal, one member of the body hearing the matter dies or retires or becomes otherwise incapable of acting or is absent, the hearing shall proceed before the remaining two members and, provided that the remaining two members are in agreement, their finding shall be the finding of the body concerned. In any other case, the matter shall be heard *de novo*.
- 4.50.5 If a Tribunal finds a respondent guilty of improper conduct, the Tribunal shall have the powers set out in and shall apply rule 4.60.
- 4.50.6 If the proceedings before a Disciplinary Committee or a Tribunal are recorded, any person charged shall be entitled to be supplied with a record of the hearing of such charges, and any person who has made oral representations shall be entitled to be supplied with a record of that portion of the proceedings which related to that person's oral representations.
- 4.50.7 A report on the findings of a Disciplinary Committee or a Tribunal will be furnished to the Registrar within 30 days after the completion of the proceedings.

#### 4.60 Penalties

- 4.60.1 When any person has been found guilty of improper conduct by a Tribunal pursuant to these Yield-X rules, the Tribunal –
- 4.60.1.1 may warn, ~~or impose a~~ reprimand, censure or **impose a** fine upon the respondent, which fine shall in respect of each contravention not exceed R1 million, or such other amount as may be stipulated in the Act or in any regulations promulgated in terms of the Act;

4.50.7 introduced with effect from 1 August 2005

4.60.1.1 amended with effect from 1 August 2005

- 4.60.1.2 shall in determining an appropriate penalty take into account –
- 4.60.1.2.1 any previous conviction in terms of the rules of the JSE or in a court of law;
  - 4.60.1.2.2 the harm or prejudice which is caused by the improper conduct;
  - 4.60.1.2.3 any other aggravating or mitigating circumstances; and
  - 4.60.1.2.4 where it is possible that the membership of the respondent may be terminated, the representations of such person in this regard;
- 4.60.1.3 may on such conditions as the Tribunal may deem fit, suspend or terminate the membership of a member who has been found guilty of improper conduct or in the case of an employee of a member, require such member to hold a disciplinary enquiry to consider terminating or suspending the employment of such person;
- 4.60.1.4 may direct a member to prevent or relieve an officer or employee of that member from carrying out any specified activity, function or duty for such reasonable period as the Tribunal deems appropriate;
- 4.60.1.5 may direct a member to ensure that any sanction imposed by the Tribunal on an officer or employee of that member is complied with by such officer or employee;
- 4.60.1.6 may make a fair and reasonable order as to costs; and
- 4.60.1.7 may order that particulars of the improper conduct and/or finding of the Tribunal and/or the penalty imposed be published: Provided that if publication is ordered, the respondent shall be given an opportunity to make representations to the Tribunal in this regard.
- 4.60.2 A Tribunal may impose any one or more of the penalties referred to in rule 4.60.1.
- 4.60.3 Any penalty or part thereof may be suspended on such conditions as the Tribunal may determine.
- 4.60.4 If an officer or employee of a member fails to pay any fine imposed by a Disciplinary Committee or a Tribunal, within 7 days after being informed of the amount of the fine, the JSE may –
- 4.60.4.1 recover such fine from such officer or employee, as the case may be, in a court of competent jurisdiction;
  - 4.60.4.2 terminate or suspend (on such conditions as the JSE may deem fit) the membership of such member, or in the case of an officer or employee of a member, require such member to hold a disciplinary enquiry to consider terminating or suspending the employment of such person; or
  - 4.60.4.3 direct a member to prevent or relieve an officer or employee of that member from carrying out any specified activity, function or duty for such reasonable period as the JSE deems appropriate.
- 4.60.5 The amount of any fine paid to the JSE pursuant to these rules shall be paid into the Fidelity Fund. Any costs paid to the JSE pursuant to an award made by a Disciplinary Committee or a Tribunal shall be paid into the general funds of the JSE.
- 4.60.6 A Tribunal may, upon good cause shown and subject to such conditions as the Tribunal may impose, vary or modify any penalty which it may have previously imposed on any person: Provided that in modifying or varying such penalty, the Tribunal shall under no circumstances increase such penalty.
- 4.60.7 If any termination of the membership of a member be suspended as a result of an appeal being lodged in terms of the Act, such suspension may be made subject to such conditions as the JSE may determine. A member whose membership has been terminated and who lodges an appeal in terms of the Act shall simultaneously inform the Director: Surveillance that an appeal has been lodged.

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4.60.1.4 introduced with effect from 1 August 2005

4.60.1.4 to 4.60.1.6 renumbered 4.60.1.5 to 4.60.1.7 with effect from 1 August 2005

4.60.1.7 amended with effect from 1 August 2005

4.60.4 amended with effect from 1 August 2005

**4.70 Urgent issues**

- 4.70.1 In order to ensure that the business of the JSE is carried on with due regard to the public interest, the Chairman of the JSE may appoint one or more Urgent Issues Committees. The Executive Officer or the acting Executive Officer, the Chairman or a Deputy Chairman of the JSE and at least two other members of the controlling body shall constitute an Urgent Issues Committee.
- 4.70.2 An Urgent Issues Committee shall consider whether a member is operating in such a manner that there is imminent danger that such member may be unable to meet its commitments to clients, other members or to a settlement system of the JSE or any other exchange, or that it is conducting business in a manner which could be detrimental to the interests of the JSE or to the interests of the members of the JSE and the public.
- 4.70.3 If an Urgent Issues Committee resolves by a two-thirds majority that an investigation into the affairs of a member in terms of these Yield-X rules has revealed that the member is operating in such a manner that there is such imminent danger as is referred to in rule 4.70.2, the Urgent Issues Committee may call upon senior representatives of the member to attend a meeting of the Urgent Issues Committee, which meeting may be called on not less than one hour's notice, to hear the concerns of the Urgent Issues Committee and to discuss how such concerns may be resolved.
- 4.70.4 With the agreement of the member concerned or, should the outcome of such meeting fail to satisfy the Urgent Issues Committee with regard to rule 4.70.3, the Urgent Issues Committee may by a two-thirds majority and subject to this rule 4.70
- 4.70.4.1 prohibit such member from trading;
- 4.70.4.2 restrict the trading activities of such member in such manner as it deems fit, or by applying rule 4.70.5; or
- 4.70.4.3 give such member such instructions as it may deem necessary in the interests of the member's clients, other members, any settlement system of the JSE or any other exchange.
- 4.70.5 The Urgent Issues Committee may during the period of any order in terms of rule 4.70.4 appoint a registered public accountant and auditor or another member or an employee of the JSE to supervise and control the activities of the member, at the member's cost. Such member may further be prohibited from entering into transactions without the prior consent of the person appointed as aforesaid to control and supervise the member, which consent may be given upon such terms and conditions as the said appointee may determine.
- 4.70.6 Reserved.
- 4.70.7 Any action taken by an Urgent Issues Committee in terms of this rule may continue until such time as that Committee is satisfied as to the financial position and business conduct of the member in question.

**4.80 Reserved****4.90 JSE's powers of publication**

- 4.90.1 The JSE may in such manner as it may deem fit, notify the public of any fact that the JSE considers to be in the public interest, including, but not limited to, the name of a member or any employee or registered officer of a member who has been found guilty of any charge and of the sentence imposed on such member, employee or officer of a member.

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4.70.2 amended with effect from 1 August 2005

4.70.5 amended with effect from 1 August 2005

4.70.6 deleted with effect from 1 August 2005

4.70.7 amended with effect from 1 August 2005

4.80 deleted with effect from 1 August 2005

4.90.1 amended with effect from 1 August 2005

- 4.90.2 No action or other proceeding shall in any circumstances be taken by any member or any employee or officer of a member referred to in any notification referred to in rule 4.90.1 or in a JSE Gazette, against the JSE or any controlling body or committee member or employee thereof or any person publishing or circulating the same.

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4.90.2 amended with effect from 1 August 2005

**SECTION**

**5**

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**Section 5: Dispute Resolution**

**Scope of section**

***Complaints***

- 5.10 Client complaints
- 5.20 Internal complaint handling procedures
- 5.30 Timeous response to complaints
- 5.40 Redress
- 5.50 Recording of complaints
- 5.60 Unresolved client complaints

***Disputes***

- 5.70 Applicability of dispute resolution rules
- 5.80 Reporting of a dispute
- 5.90 Declaration of a dispute
- 5.100 Consideration by an ombud
- 5.110 Costs
- 5.120 Limitation of liability

**Complaints****5.10 Client complaints**

- 5.10.1 For the purposes of Section 5 of the rules, a client complaint is defined as any complaint in relation to the provision of regulated services, in which the client alleges that he has suffered, or is likely to suffer, financial prejudice as a result of the member –
- 5.10.1.1 contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client;
  - 5.10.1.2 contravening or failing to comply with the rules and the directives;
  - 5.10.1.3 acting dishonestly, negligently or recklessly; or
  - 5.10.1.4 treating the client unreasonably or unfairly.
- 5.10.2 Every member must establish and maintain appropriate procedures for the handling of client complaints.

**5.20 Internal complaint handling procedures**

- 5.20.1 A member's internal complaint handling procedures must provide for –
- 5.20.1.1 the receipt of oral or written complaints;
  - 5.20.1.2 the appropriate investigation of complaints;
  - 5.20.1.3 an appropriate decision-making process in relation to the response to a client complaint;
  - 5.20.1.4 notification of the decision to the client; and
  - 5.20.1.5 the recording of complaints.
- 5.20.2 A member's internal complaint handling procedures must be designed to ensure that –
- 5.20.2.1 all complaints are handled fairly, effectively and promptly;
  - 5.20.2.2 recurring or systemic problems are identified, investigated and remedied;
  - 5.20.2.3 the number of unresolved complaints to be referred to the JSE in terms of the rule 5.60 are minimised;
  - 5.20.2.4 complaints are investigated by an employee of sufficient competence who, where appropriate, was not directly involved in the matter which is the subject of a complaint;
  - 5.20.2.5 the employee responsible for the resolution of complaints has the necessary authority to resolve complaints or has ready access to an employee who has the necessary authority; and
  - 5.20.2.6 relevant employees are aware of the member's internal complaint handling procedures and comply with them.

**5.30 Timeous response to complaints**

A member must respond to a client complaint within 4 weeks of receiving the complaint in terms of rule 5.20.1.1 or, within such period, provide the complainant with an appropriate explanation as to why the member is not, at that time, in a position to respond and must indicate by when the member will respond.

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Section 5 deleted in entirety and replaced with Dispute Resolution with effect from 1 August 2005

New 5.10.1 introduced with effect from 25 June 2007

5.10.1 renumbered 5.10.1.1 with effect from 25 June 2007

5.10.2 renumbered 5.10.1.2 with effect from 25 June 2007

5.10.3 renumbered 5.10.1.3 with effect from 25 June 2007

5.10.4 amended and renumbered 5.10.1.4 with effect from 25 June 2007

New 5.10.2 introduced with effect from 25 June 2007

5.30 amended with effect from 25 June 2007



**5.40 Redress**

- 5.40.1 Where a member decides that redress in the form of compensation is appropriate in resolving a complaint, the member must provide the complainant with fair compensation and must comply with any offer of compensation made by it which the complainant accepts.
- 5.40.2 Where a member decides that redress in a form other than compensation is appropriate in resolving a complaint, the member must provide the redress as soon as practicable.

**5.50 Recording of complaints**

- 5.50.1 A member must maintain a record of all client complaints. The record of each complaint must include-
- 5.50.1.1 the identity of the complainant;
  - 5.50.1.2 the substance of the complaint; and
  - 5.50.1.3 all correspondence in relation to the complaint.
- 5.50.2 The records referred to in rule 5.50.1 must be retained by the member for a period of 5 years from the date of the receipt of the complaint.

**5.60 Unresolved client complaints**

- 5.60.1 A client complaint will be deemed to be unresolved if the complainant is not satisfied with the resolution of the complaint proposed by the member.
- 5.60.2 A complainant may lodge an unresolved complaint, in writing, with the Director: Surveillance giving full particulars of the matter concerned.
- 5.60.3 In order for an unresolved complaint to be considered by the JSE Surveillance Department, the complaint must be lodged with the Director: Surveillance within 4 weeks of the receipt by the complainant of the member's response referred to in rule 5.30 and within 6 months of the conduct by the member giving rise to the complaint.
- 5.60.4 An unresolved complaint which is lodged subsequent to the period referred to in rule 5.60.3 will be considered, provided that failure to lodge the complaint within the relevant period was through no fault of the client.
- 5.60.5 The JSE Surveillance Department may request the member and the complainant to provide copies of all relevant correspondence and documentation that is required to review the complaint.
- 5.60.6 The JSE Surveillance Department will endeavour to facilitate a resolution of the complaint between the member and the complainant.
- 5.60.7 If the JSE Surveillance Department is unable to facilitate a resolution of the complaint within 4 weeks of lodgement of the complaint with it, the Director: Surveillance will refer the unresolved complaint to the Company Secretary of the JSE to be dealt with in terms of the dispute resolution rules.

**Disputes****5.70 Applicability of dispute resolution rules**

- 5.70.1 Rules 5.70 to 5.120 ("the dispute resolution rules") are intended to facilitate the equitable and expeditious settlement of disputes that –
- 5.70.1.1 a client has with a member, in respect of an unresolved complaint;
  - 5.70.1.2 a member has with another member, in respect of transactions in Yield-X securities; or
  - 5.70.1.3 a member has with a client, in respect of transactions in Yield-X securities.
- 5.70.2 The dispute resolution rules only apply –
- 5.70.2.1 where the amount in dispute is in excess of R2 000;

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5.60.3 amended with effect from 25 June 2007

- 5.70.2.2 where the dispute is not the subject of existing litigation;
- 5.70.2.3 in the case of a dispute that a client has with a member, where the amount in dispute either does not exceed R500 000 or, where the amount in dispute exceeds R500 000, if the consent of both parties to proceed has been obtained;
- 5.70.2.4 in the case of a dispute that a member has with another member, and the members are able to evidence to the satisfaction of the Director: Surveillance that reasonable endeavours have been made by the said members to resolve the dispute, if the consent of both parties to proceed has been obtained;
- 5.70.2.5 in the case of a dispute that a member has with a client, if the consent of the client to proceed has been obtained.

#### 5.80 Reporting of a dispute

- 5.80.1 An unresolved client complaint that the JSE Surveillance Department is not able to resolve in terms of rule 5.60 will be reported as a dispute by the Director: Surveillance to the Company Secretary of the JSE if the client elects to pursue the dispute resolution process.
- 5.80.2 A dispute between two members in respect of transactions in Yield-X securities must be reported, in writing, by either member, to the Company Secretary of the JSE, within 1 week of the circumstance giving rise to the dispute having arisen.
- 5.80.3 A dispute that a member has with a client in respect of transactions in Yield-X securities must be reported, in writing, by the member, in writing to the Company Secretary of the JSE, within 6 months of the circumstance giving rise to the dispute having arisen.
- 5.80.4 The Company Secretary of the JSE may, at any time, request any of the parties to a dispute to furnish him with such further information relating to the dispute as may be required.

#### 5.90 Declaration of a dispute

A dispute reported in terms of rule 5.80 will, subject to criteria set out in rule 5.70.2 having been met, be declared a dispute by the Company Secretary and will be referred by the Company Secretary to a duly appointed ombud for consideration.

#### 5.100 Consideration by an ombud

- 5.100.1 The JSE will appoint an ombud to consider a dispute, who is a retired judge of the High Court of South Africa or a Senior Counsel.
- 5.100.2 Within 3 weeks of the dispute having been referred to the ombud for consideration, the claimant must set out the subject matter of the claim in a written statement, including all the material facts, and furnish this statement, along with all relevant documentation upon which the claim is based, to the ombud.
- 5.100.3 The ombud may require the claimant to expand upon his statement of claim or provide further evidence or particulars as he deems necessary within such reasonable time as is specified by the ombud.
- 5.100.4 The other party to the dispute, hereafter referred to as the defendant, must be provided with a copy of the written statement of claim by the ombud. The defendant must furnish the ombud with its written response to the statement of claim within 3 weeks of having received such. In addition to the defendant's written response, the defendant must attach thereto all other evidence relating to the dispute.
- 5.100.5 The ombud may require the defendant to expand upon its response or provide further evidence or particulars as he deems necessary within such reasonable time as specified by the ombud and may require the claimant to provide a written reply to the defendant's response within such reasonable time as he may specify.

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5.100.4 amended with effect from 25 June 2007

- 5.100.6 The ombud may at his discretion decide that a number of disputes based on similar occurrences or similar facts be consolidated and treated as a single dispute.
- 5.100.7 After ascertaining the parties availability, the ombud will, subject to rule 5.100.8, furnish the parties with written notification of the date on which the dispute will be heard.
- 5.100.8 The ombud may make a decision regarding any issues relating to the dispute or consider the dispute on the basis of the documents submitted in terms of rules 5.100.2 to 5.100.5 without the necessity of a hearing.
- 5.100.9 The dispute resolution proceedings will be conducted without legal representation of any of the parties, unless the ombud in his sole discretion decides otherwise.
- 5.100.10 The ombud, in reaching a decision, may consult with any third party regarding any issue relating to the dispute. The ombud has the discretion to call upon any third party to participate in the dispute resolution proceedings.
- 5.100.11 The ombud will, after having considered the information as presented to him by the parties and such other information as he may request, make his decision within 3 weeks of having considered the dispute. The ombud must, at the request of any party to the dispute, provide written reasons for his decision.
- 5.100.12 The ombud's decision will be furnished to the parties in writing.
- 5.100.13 The ombud is not obliged to provide a ruling on a dispute if he is of the view that the dispute ~~is~~ <sup>is if</sup> of such a complex nature that it cannot be resolved expeditiously by means of the dispute resolution process and can only be properly considered by a court of law.
- 5.100.14 Any decision made in terms of rule 5.100.12 must be complied with by the party against whom the decision is made within seven days of the decision having been made by the ombud.
- 5.100.15 Unless the JSE, the ombud and the parties to the dispute agree otherwise, the identity of the parties, the nature of the evidence and the details of the ombud's deliberations and finding, and all other information pertaining to the proceedings will be kept confidential by all parties thereto, unless disclosure by the JSE is required by law.

#### 5.110 Costs of the proceedings

- 5.110.1 The parties to any dispute resolution proceeding in terms of rule 5.100 may be required to pay to the JSE, before the proceedings commence, such amount as the JSE may determine as a deposit to cover a portion of the costs of the proceedings.
- 5.110.2 The ombud may, as part of his award and as he deems appropriate in the circumstances, make an order on costs which may include an order against the unsuccessful party for payment of all the costs of the proceedings.

#### 5.120 Limitation of liability

No officer, employee or representative of the JSE or any member of the controlling body, or the ombud appointed in terms of these rules shall be liable for any loss sustained by, or damage caused to any person as a result of

5.100.7 amended with effect from 25 June 2007

5.100.8 renumbered 5.100.9 with effect from 25 June 2007

5.100.9 renumbered 5.100.10 with effect from 25 June 2007

5.100.11 amended and renumbered 5.100.12 with effect from 25 June 2007

5.100.12 renumbered 5.100.13 with effect from 25 June 2007

5.100.13 amended and renumbered 5.100.14 with effect from 25 June 2007

5.100.14 renumbered 5.100.15 with effect from 25 June 2007

Old 5.110.1 deleted with effect from 25 June 2007

5.110.2 amended and renumbered 5.110.1 with effect from 25 June 2007

5.110.3 deleted with effect from 25 June 2007

5.110.4 renumbered 5.110.2 with effect from 25 June 2007

anything done or omitted by them in the *bona fide* or negligent performance of any function under or in terms of this rule 5.

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5.120 replaced with effect from 25 June 2007

SECTION

6

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Section 6: Yield-X securities

**Scope of Section**

- 6.10 List of Yield-X securities
- 6.20 Contract specifications of Yield-X securities
- 6.30 Listing of futures and option contracts
- 6.40 ~~Listing of bonds~~ Reserved
- 6.50 ~~Listing Fees~~ Reserved
- 6.60 Investigation or suspension of listing

**6.10 List of Yield-X securities**

The record of Yield-X securities which may be bought or sold on the Yield-X shall be kept by the JSE in the list of the securities in terms of section 12(6)(a) of the Act.

**6.20 Contract specifications of Yield-X securities**

- 6.20.1 The contract specifications of interest rate derivatives and currency derivatives contained in the list of Yield-X securities kept in terms of these Yield-X rules shall be determined by the JSE Executive.
- 6.20.2 The JSE may conduct surveys and research, call for the views of members and any committee and take such other steps as it may deem appropriate in determining the contract specifications of Yield-X securities listed by the JSE.
- 6.20.3 The JSE may decide which expiry months shall be specified for the futures and option contracts contained in the list referred to in rule 6.10 and it shall publish such futures and option contracts in a notice to members: Provided that where the expiry date of a futures or option contract is longer than one year the JSE shall specify the expiry date.
- 6.20.4 Option contracts having strike prices as contained in the contract specification of the particular option contract may be traded when the expiry month of the underlying futures contract is specified as contemplated in rule 6.20.1.

**6.30 Listing of futures and option contracts**

- 6.30.1 The JSE may –
- 6.30.1.1 add futures and option contracts to, or remove futures and option contracts from, the list of Yield-X securities kept in terms of these Yield-X rules, or suspend futures and option contracts from such list;
- 6.30.1.2 impose new conditions on or amend the existing conditions of such futures and option contracts.
- 6.30.2 The JSE shall notify all members of any actions performed by the JSE in terms of rule 6.30.1, and shall stipulate a date for the coming into operation of an addition, removal or suspension of futures and option contracts or new or amended conditions relating to futures and option contracts.

**6.40 Reserved Listing of bonds**

~~6.40.1 The JSE may –~~

- ~~6.40.1.1 grant a listing of bonds, review the list annually and suspend or terminate a listing of bonds;~~
- ~~6.40.1.2 prescribe the minimum requirements with which an issuer shall comply before each bond issued by such issuer is granted a listing;~~
- ~~6.40.1.3 prescribe the minimum requirements with which an issuer shall comply while a bond issued by it remains listed;~~
- ~~6.40.1.4 suspend, alter or rescind a requirement prescribed before or after a listing has been granted and to prescribe additional requirements;~~

6.10 amended with effect from 1 August 2005  
 6.20 amended with effect from 1 August 2005  
 6.20.1 amended with effect from 1 August 2005  
 6.20.1 amended with effect from 4 June 2007  
 6.30.1 amended with effect from 1 August 2005  
 6.40.1 amended with effect from 1 August 2005

~~6.40.1.5 prescribe the circumstances under which a listing of bonds shall or may be suspended or terminated; and~~

~~6.40.1.6 halt trading in any bonds for such period as the JSE may deem necessary in the public interest or for the purpose of market stability.~~

#### **6.50 Listing Fees Reserved**

~~The fees for the listing of bonds shall be as prescribed by the JSE in the Listing Requirements which the JSE may issue.~~

#### **6.60 Investigation or suspension of listing**

It shall be a condition of a listing that -

6.60.1 the JSE may in such manner as it deems fit, notify the public that it has –

6.60.1.1 removed any Yield-X security from the list;

6.60.1.2 suspended the listing of any Yield-X security;

6.60.1.3 investigated dealings in any Yield-X security,

and it shall publish the reasons for such removal, suspension or investigation, as the case may be, and so much of its conclusions or findings as it may deem advisable;

6.60.2 the JSE may publish or cause, permit or authorise the proprietor or publisher of any newspaper or other periodical publication to publish any statement made in terms of rule 6.60.1.

<b>SECTION</b> <b>7</b>
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**Section 7: Trading****Scope of section**

- 7.10 ~~Financial exchange~~ Buying and selling of IRC securities
- 7.20 Yield-X trading system
- 7.30 Trading members' obligations
- 7.40 Market integrity
- 7.50 Manipulative or deceptive transactions
- 7.55 False, misleading or deceptive statements, promises and forecasts
- 7.60 Orders
- 7.70 Trading capacity
- 7.80 Trading ~~with~~ for or on behalf of clients
- ~~7.85 Trading in currency derivatives~~
- 7.90 Affiliated officers and trading members trading as clients
- 7.100 Aggregation, division and allocation of trades
- 7.110 Principal assignment trades
- 7.120 Reported transactions
- 7.130 Correction trades
- 7.140 Emergency provisions



**7.10 ~~Financial exchange~~ Buying and selling of IRC securities**

~~7.10.1~~ 7.10.1 The business of the buying and selling of Yield-X securities by trading members as contemplated by section 19(a) and (b), 40(2) of the Act must be conducted on the Yield-X trading system. Provided that –

~~7.10.1.1~~ 7.10.1.1 a trading member may execute transactions in Yield-X securities on another exchange as an authorised user or as a client of an authorised user of such exchange; or

~~7.10.2~~ 7.10.1.2 transactions in Yield-X securities which meet the criteria set out in rule 7.120 may be ~~conducted~~ negotiated off the Yield-X system and reported to the Yield-X system.

7.10.2 A transaction negotiated off the trading system in terms of rule 7.10.1.2 is only deemed to be a valid transaction once the transaction has been reported to the trading system by the member or members who are party to the transaction.

**7.20 Yield-X trading system**

7.20.1 In accordance with the directives, other than in relation to the transactions exempted in terms of rule 7.10, a trading member must execute trades in Yield-X securities, either for its own account or for the account of a client, on the Yield-X trading system.

7.20.2 The Yield-X trading system will operate on every business day according to standard periods and times as set out in the directives.

**7.30 Trading members' obligations**

7.30.1 Access to and utilisation of the Yield-X trading system

7.30.1.1 Trading members may only access and utilise the Yield-X trading system with the required approval of the Market Controller and subject to such instructions as may be issued by the Market Controller.

7.30.1.2 In order to utilise the services of, and access the Yield-X trading system a trading member must:

7.30.1.2.1 enter into and sign such agreements; and

7.30.1.2.2 adhere to such requirements and specifications, as may be prescribed by the JSE Executive.

7.30.1.3 Trading members accessing the Yield-X trading system must at all times –

7.30.1.3.1 maintain and enforce appropriate security procedures which are designed to prevent unauthorised persons from having access to any JSE systems, member applications or client applications; and

7.30.1.3.2 have the necessary resources to ensure that any data sent to or received from the Yield-X trading system does not interfere with the efficiency and integrity of the Yield-X market or the proper functioning of the JSE systems.

7.30.2 Data integrity

7.30.2.1 A trading member is responsible for identifying the origin and the accuracy, integrity, and *bona fides* of all data submitted to the Yield-X trading system by or on behalf of that trading member. Any information received by the Yield-X trading system is deemed for all purposes under the Yield-X rules and directives to have been submitted to the trading system by, and with the knowledge of, the trading member.

7.30.2.2 Data from or submitted on behalf of trading members may only be submitted to the Yield-X trading system in a manner approved by the JSE.

7.10 amended with effect from 1 August 2005

7.10.1 amended with effect from 1 August 2005

7.30.3 Reserved Due fulfilment of transactions

~~7.30.3.1 Subject to rule 7.30.3.2, a trading member shall guarantee the fulfilment of all transactions in Yield-X securities, entered into by the trading member for its own account and for or on behalf of a client and executed on the Yield-X trading system or reported to and matched by the Yield-X trading system.~~

~~7.30.3.2 Rule 7.30.3.1 shall not apply to reported transactions where only one trading member is involved and where the clients who are parties to such transaction have, between themselves, concluded the terms of the transaction and instructed the trading member to report the transaction through the Yield-X trading system. A client shall have no recourse against a trading member in respect of such transaction.~~

~~7.30.3.3 Except in the circumstances set out in rule 7.30.3.2, any action by a client in respect of a Yield-X transaction shall be against the trading member who entered into the transaction on the instruction of such client and not against any other trading member or a client of such trading member.~~

~~7.30.3.4 A trading member shall ensure that buyers and sellers of Yield-X securities are aware of their settlement obligations in terms these Yield-X rules.~~

7.30.4 Authorised personnel

7.30.4.1 A trading member represents and warrants to the JSE and to persons with or on behalf of whom the trading member executes transactions in Yield-X securities, that any person employed by the trading member to deal with such persons in relation to such transactions, has full authority to act on the trading member's behalf.

7.30.4.2 A trading member must ensure that all registered dealers meet the requirements of rule 3.120.

7.30.5 Recording of transactions

Every trading member must, as set out in rule 10.220.5, record, report and retain details of every transaction in Yield-X securities entered into by it or on its behalf and it shall be the duty of every person executing a transaction on behalf of a trading member to ensure that these rules are complied with.

7.30.6 Broadcast of market prices

7.30.6.1 Any member that broadcasts bid and offer prices in JSE listed bonds or spreads comprising two bonds, either on its own behalf or on behalf of clients, must make such prices available to the JSE on request.

7.30.6.2 The JSE may use the broadcast prices for the purpose of promoting liquidity and the effective regulation of trading in JSE listed bonds.

**7.40 Market Integrity**

7.40.1 Where, from a lack of clarity in the published information available at the time of the transaction, a trading member trades in a quantity or at a price which in the opinion of the JSE Executive is unreasonable, the JSE Executive may declare such transaction void. Such declaration is binding on the trading members who entered into such transaction and on the clients for or on whose behalf the transaction was executed.

7.40.2 The JSE Executive may prohibit trading by trading members in any particular Yield-X security either for a specified or for an indefinite period.

7.40.3 If, in the opinion of the Director: Surveillance, an automated trade, auction trade or reported transaction materially impacts the integrity or transparency of Yield-X, or the correctness of the statistics, the Director: Surveillance may cancel such trade or reported transaction without having received a formal request to do so by any trading member. The Director: Surveillance may –

7.30.3.4 amended with effect from 1 August 2005

- 7.40.3.1 instruct the member or members to enter an equal and opposite correction trade on the trade date of the original trade; or
- 7.40.3.1 instruct the Settlement Authority to effect an equal and opposite correction trade on behalf of the member or members on the day after the original trade.
- 7.40.4 The Market Controller and any one member of the JSE Executive may decide that Yield-X be closed in the event that a fair and realistic market does not exist. A fair and realistic market will be deemed not to exist at the discretion of the Market Controller after consideration of the percentage of trading members not able to access the Yield-X trading system, the reasons for such lack of access and their contribution to price formation.
- 7.40.5 Notwithstanding any other provision of the Yield-X rules or any directive and subject to rule 1.40, the JSE Executive, in accordance with prevailing circumstances may –
- 7.40.5.1 reduce or extend the hours of operation of the Yield-X trading system for any particular business day;
- 7.40.5.2 without prior notice to any person, halt or close the Yield-X trading system for trading at any time and for any period;
- 7.40.5.3 without prior notice to any person suspend automated trading;
- 7.40.5.4 if there has been any failure of the Yield-X trading system, for any reason, or if the Yield-X trading system has been closed, suspended or halted, declare that a transaction executed through or by the Yield-X trading system is void. Such declaration is binding on the trading members who entered into such transaction and on the clients for or on whose behalf the transaction was executed;
- 7.40.5.5 exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of the Yield-X rules and directives, and as may be necessary to resolve any issue which may arise from the closure, suspension, halt or failure of the Yield-X trading system; and
- 7.40.5.6 take such other steps as may be necessary to ensure an orderly market.
- 7.40.6 Notwithstanding any other provisions of the rules and directives –
- 7.40.6.1 the Market Controller may instruct a trading member to immediately discontinue using a member or client application; or
- 7.40.6.2 the Market Controller may restrict the usage by a trading member of any or all components of a member or client application.
- 7.40.7 The Director: Surveillance or his deputy, in conjunction with the Executive Officer or acting Executive Officer or failing the Executive Officer or acting Executive Officer, the Director: Issuer Services, may declare a trading halt in a Yield-X security in circumstances where the Director: Surveillance or his deputy determines that the trading activity in a Yield-X security -
- 7.40.7.1 is being or could be undertaken by persons possessing unpublished price-sensitive information that relates to the underlying instrument to which the Yield-X security relates; or
- 7.40.7.2 is being influenced by a manipulative or deceptive trading practice; or
- 7.40.7.3 may otherwise give rise to an artificial price in that Yield-X security.
- 7.40.8 No trading member may trade a Yield-X security for the duration of a trading halt referred to in rule 7.40.7, but may delete orders from the Yield-X trading system.

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7.40.6.2 amended with effect from 1 August 2005

7.40.6.3 deleted with effect from 1 August 2005

7.40.7 and 7.40.7.1 to 7.40.7.3 introduced with effect from 1 August 2005

**7.50 Manipulative or deceptive transactions**

- 7.50.1 No trading members shall use, or knowingly participate in the use of any manipulative or deceptive trading practice in a Yield-X security, either for its own account or on behalf of clients, which creates or may create –
- 7.50.1.1 a false or misleading appearance of trading activity; or
- 7.50.1.2 an artificial value for such Yield-X security.
- 7.50.2 A trading member must give consideration to the circumstances of orders placed by clients before entering such orders in the Yield-X trading system and is responsible for the integrity of such orders.
- 7.50.3 A trading member or employee of a trading member may not place an order in the Yield-X trading system to buy or sell Yield-X securities which to the knowledge of the trading member or employee of a trading member will, if executed, have the effect contemplated in rule 7.50.1.
- 7.50.4 Without in any way limiting the generality of the foregoing, the following shall be deemed to be manipulative or deceptive methods of trading:
- 7.50.4.1 Approving or entering on the Yield-X trading system –
- 7.50.4.1.1 an order to buy or sell a Yield-X security with the knowledge that an opposite order of substantially the same size at substantially the same price, has been or will be entered by or for the same or different persons with the intention of creating a false or misleading appearance of active public trading in connection with, or an artificial market price for such Yield-X security;
- 7.50.4.1.2 orders to buy any Yield-X security at successively higher prices, or orders to sell any security at successively lower prices for the purpose of unduly or improperly influencing the market price of such Yield-X security;
- 7.50.4.1.3 an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of such Yield-X security;
- 7.50.4.1.4 an order to buy or sell any Yield-X security during the pre-opening session and cancelling such order immediately prior to the market opening, for the purpose of creating or inducing a false or misleading appearance of demand for or supply of such Yield-X security;
- 7.50.4.1.5 an order to buy or sell a Yield-X security which involves no change in the beneficial ownership of that Yield-X security; or
- 7.50.4.1.6 reported transactions which would result in a contravention of rule 7.50.1;
- 7.50.4.2 Effecting or assisting in effecting a market corner;
- 7.50.4.3 Maintaining the price of a Yield-X security at a level that is artificial;
- 7.50.4.4 Employing any device, scheme or artifice to defraud any other person as a result of a transaction effected through the Yield-X trading system; or

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7.50.1.amended with effect from 1 August 2005

7.50.2.amended with effect from 1 August 2005

7.50.3.introduced with effect from 1 August 2005

7.50.4.1.1 amended with effect from 1 August 2005

7.50.3 renumbered 7.50.4 with effect from 1 August 2005

7.50.4.1.4 amended with effect from 1 August 2005

7.50.4.1.5 introduced with effect from 1 August 2005

7.50.3.5 renumbered 7.50.4.1.6 and amended with effect from 1 August 2005

7.50.4.2 introduced with effect from 1 August 2005

7.50.4.3 introduced with effect from 1 August 2005

7.50.4.5 Engaging in any act, practice or course of business in respect of trading in Yield-X securities which is deceptive or which is likely to have such an effect.

### 7.55 False, misleading or deceptive statements, promises and forecasts

A member or employee of a member may not, directly or indirectly, make or publish in respect of Yield-X securities, or in respect of the past or future performance of a listed company –

- 7.55.1 any statement, promise or forecast which is, at the time and in the light of the circumstances in which it is made, false or misleading or deceptive in respect of any material fact and which the member or employee of a member knows, or ought reasonably to know, is false, misleading or deceptive; or
- 7.55.2 any statement, promise or forecast which is, by reason of the omission of a material fact, rendered false, misleading or deceptive and which the member or employee of a member knows, or ought reasonably to know, is rendered false, misleading or deceptive by reason of the omission of that fact.

### 7.60 Orders

- 7.60.1 All orders received by a trading member which are to be executed in the central order book of the trading system must be recorded in price or yield and then time priority by the trading member and be submitted to the Yield-X trading system in such order. Orders from clients will always be given time priority over such trading member's own account orders except where that trading member had already entered own account orders into the Yield-X trading system at the time that a client order was received by that trading member.
- 7.60.2 Orders received by a trading member after hours will have the time priority of entry of the order into the Yield-X trading system.
- 7.60.3 Orders entered individually will carry their own time priority.
- 7.60.4 ~~A The~~ trading member must keep a record of ~~the an~~ order received for a period of not less than six months after the order was received, in terms of rule 10.220.5, whether the order was entered into the central order book of the trading system or resulted in a transaction reported to the trading system.

### 7.70 Trading capacity

- 7.70.1 A trading member may trade on behalf of a client as an agent or may trade with a client as a principal.
- 7.70.2 A trading member may only deal as principal with a client if the trading member has, prior to trading, obtained the consent of its client.
- 7.70.3 A trading member may not make a profit in respect of an agency transaction executed on behalf of a client other than commission or brokerage.
- 7.70.4 A trading member may trade for a client as principal by-
- 7.70.4.1 entering the client's order directly in the Yield-X trading system for the client's account and where such order matches with an opposite order entered in the Yield-X trading system for the trading member's own account; or
- 7.70.4.2 entering the client's order in the Yield-X trading system for the member's principal assignment stock account and assigning the resultant trade or trades to the client, either with or without aggregating such trades, by reporting a principal assignment trade to the Yield-X trading system; or
- 7.70.4.3 executing a principal trade with a client off the central order book and reporting such trade to the Yield-X trading system, provided such trade qualifies as a reported transaction in terms of rule 7.120.

7.50.4.5 introduced with effect from 1 August 2005

7.55 introduced with effect from 1 August 2005

- 7.70.5 A trading member may trade for a client as agent by –
- 7.70.5.1 entering the client's order directly in the Yield-X trading system for the client's account and where such order matches with an opposite order of another trading member or another client; or
  - 7.70.5.2 entering the client's order in the Yield-X trading system for the member's agency suspense account and allocating the resultant trade or trades to the client, after aggregating and/or dividing such trades; or
  - 7.70.5.3 executing an agency trade between two clients or between a client and another trading member off the central order book and reporting such trade to the Yield-X trading system, provided such trade qualifies as a reported transaction in terms of rule 7.120.

## 7.80 Trading ~~with for~~ or on behalf of clients

### 7.80.1 Client agreement

7.80.1.1 A trading member may not trade ~~with for~~ or on behalf of a client in Yield-X securities, unless the trading member has entered into a client agreement with the client. ~~The, the minimum~~ terms and conditions of ~~which are prescribed in the directives the client agreement must have substantially the same effect in law as the terms and conditions contained in the pro forma agreement in Directive DC.~~

### 7.80.2 Client acceptance, ~~registration~~ and maintenance procedures

7.80.2.1 A trading member must ensure that it obtains and maintains sufficient information on each client account so as to be able to identify the beneficiary of the account and the person or persons responsible for placing instructions on the account at all times, in accordance with the directives.

7.80.2.2 Before undertaking to execute any transaction for a new client, a trading member must, as a minimum, authenticate the identity of such client and maintain a record of the means of such authentication.

7.80.2.3 A trading member may not trade ~~for with~~ or on behalf of a client in Yield-X securities until ~~registration of the client has been effected, in accordance with the directives the member has loaded the client on the trading system by recording the client's particulars that are required by the trading system.~~

7.80.2.4 ~~SAFCOM~~ The JSE will maintain a record of the clients which are ~~registered loaded~~ as clients of trading members and will keep a record of the particulars associated with each client as required under rule 7.80.2.3.

7.80.2.5 A trading member must ensure that the particulars relating to its clients are correct and up to date at all times.

7.80.2.6 The trading member must ensure that clients which have ceased trading with the trading member are removed from the ~~register record~~ of clients of the trading member on the trading system.

7.80.2.7 The client's ~~registration particulars~~ will be retained by ~~the JSE SAFCOM~~ for as long as it deems necessary after the client has ceased trading.

### 7.80.3 Best execution

When acting for a client in the buying or selling of Yield-X securities, a trading member must at all times adhere to the best execution principle taking reasonable care to obtain the result which is the best available in the market for the client: Provided that the trading member must at all times act in accordance with the terms and conditions of the client agreement or mandate.

7.80.2 amended with effect from 1 August 2005

7.80.2.4 amended with effect from 1 August 2005

7.80.2.7 amended with effect from 1 August 2005

## 7.80.4 Notification of transactions

- 7.80.4.1 A trading member must ensure that clients are notified of all transactions executed on or reported to the Yield-X trading system, for or on behalf of such clients, in the manner and within the time period as set out in the directives.
- 7.80.4.2 The transaction notification referred to in rule 7.80.4.1 must set out –
- 7.80.4.2.1 the terms of the transaction;
- 7.80.4.2.2 the capacity in which the trading member acted; and
- ~~7.80.4.2.3 if the transaction is in bonds, whether the transaction was executed on the central order book; and~~
- 7.80.4.2.43 if the transaction is executed by the member in an agency capacity, the details of any commission charged by the trading member.

## 7.90 Employees and trading members trading as clients

- 7.90.1 An employee of a trading member may be a client of that trading member or another trading member; provided that such client fulfils all his obligations in terms of these Yield-X rules.
- 7.90.2 A trading member must establish and maintain controls and procedures in relation to transactions executed for the direct or indirect benefit of employees of the trading member, in order to avoid such transactions conflicting with the interests of the trading member's clients, whether such transactions are executed by the trading member or by another trading member. Except with the written approval of the Director: Surveillance and subject to such conditions as he may impose-
- ~~7.90.2.1 an employee of a trading member may not have a beneficial interest in another trading member;-~~
- ~~7.90.2.2 an employee of a trading member may not be a client of another trading member or have a beneficial interest in a client;-~~
- ~~7.90.2.3 a trading member may not be a client of another trading member or have a beneficial interest in a client;~~
- ~~7.90.2.4 a trading member may not accept an employee of another trading member or a trading member as a client~~
- 7.90.3 The controls and procedures in relation to the transactions referred to in rule 7.90.2, should as a minimum, make provision for the review by the trading member of those transactions, in order to identify any transactions which are in conflict with the interests of that trading member's clients.

## 7.100 Aggregation, division and allocation of trades

- 7.100.1 When bulking or aggregating agency client orders and trades, trading members are required to use designated agency suspense accounts, as specified in the directives, for the order entry, trading, consolidation, division or allocation of such orders and trades.
- 7.100.2 Trading members are precluded from trading on the designated agency suspense accounts for their own account or for any accounts in which employees have a direct or indirect beneficial interest.
- 7.100.3 A trading member may aggregate a number of trades that were executed on the Yield-X trading system for an agency suspense account and allocate such aggregated trades to a client at a price equal to the average price of the original trades: Provided that a trading member may not aggregate reported transactions with trades executed in the central order book of the Yield-X trading system.

7.85 introduced with effect from 4 June 2007 and deleted with effect from 24 December 2008

7.90 amended with effect from 1 August 2005

7.100.2 amended with effect from 1 August 2005



- 7.100.4 A trading member may divide a trade that was executed on the Yield-X trading system for an agency suspense account: Provided the trading member allocates such subdivided trades to two or more clients at the price of the original trade.
- 7.100.5 Trading members are responsible for the time priority of allocations of the trades in respect of which orders have been bulked.
- 7.100.6 All trades on the designated agency suspense accounts must be allocated to the relevant clients on the day of the trading and no positions must remain on such suspense accounts overnight.

7.100.7 If a trading member uses an agency suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the allocation of a trade to the dedicated suspense account is deemed to be an allocation to the client for the purpose of rule 7.100.6.

~~7.100.77.~~100.8 A trading member may allocate a trade in futures or option contracts executed on the Yield-X trading system for an agency suspense account to another trading member, provided that the trade is pursuant to a tripartite agreement, as set out in the directives, and that the trade is allocated to the other trading member at the price of the original trade.

### 7.110 Principal assignment trades

- 7.110.1 When filling a client's order ~~as principal~~ through a principal assignment trade, trading members are required to use designated principal assignment stock accounts, as specified in the directives, for the order entry, trading, consolidation, division and assignment of such orders and trades.
- 7.110.2 A trading member may aggregate a number of trades that were executed on the Yield-X trading system for a principal assignment stock account and assign the resultant aggregated trades to a client as a separate trade at a price which includes such trading member's profit: Provided that a trading member may not aggregate reported transactions with trades executed in the central order book of the Yield-X trading system.
- 7.110.3 A trading member may divide a trade that was executed on the Yield-X trading system for a principal assignment stock account and assign the resultant subdivided trades to two or more clients as separate trades at a price which includes such trading member's profit.
- 7.110.4 Trading members are responsible for the time priority of principal assignment trades in respect of which orders have been bulked.
- 7.110.5 A trading member may assign a trade in futures or option contracts executed on the Yield-X trading system for a principal assignment stock account to another trading member as a separate trade, provided that the trade is pursuant to a tripartite agreement, as set out in the directives, and the assignment trade may include the assigning member's profit.
- 7.110.6 All trades on the principal assignment stock accounts must be assigned to the relevant clients or member on the day of the trade.

7.110.7 If a trading member uses a suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the assignment of a trade to the dedicated suspense account is deemed to be an assignment to the client for the purpose of rule 7.110.6.

### 7.120 Reported transactions

- 7.120.1 Reported transactions do not have to be executed through the central order book. The following transactions may be validly reported to the Yield-X trading system–
- 7.120.1.1 value eligible reported transactions, where the nominal or contract value of the transaction is equal to, or greater than the value determined by the JSE, as set out in the directives;
- 7.120.1.2 expiry of physically settled futures contracts, as instructed by the Market Controller, in terms of rule 8.30.7; and



7.120.1.3 principal assignment trades; and

~~7.120.1.4 carry transactions where the transaction has been effected to prevent a trade from failing.~~

7.120.2 ~~Subject to rule 7.120.3 and rule 7.120.4, Reported transactions must be reported to the trading system immediately, by the trading member or members who are party to the transaction, within 30 minutes of the transaction being concluded, to the Yield-X trading system. Where two trading members are involved, both trading members must immediately report the transaction.~~

~~7.120.3 Trading members must take reasonable steps to ensure that all reported transactions that are concluded within the 30 minute period before the trading system closing time, as stipulated in the directives, are reported to the trading system before the system closing time. If despite taking all reasonable steps, trading members are unable to report transactions concluded during this 30 minute period to the trading system before the system closing time, the transaction must be reported by no later than 09h00 on the following business day.~~

~~7.120.4 All reported transactions that are concluded by trading members after the closing time of the trading system, as stipulated in the directives, must be reported to the trading system by no later than 09h00 on the following business day.~~

~~7.120.5 A trading member who reports a transaction in bonds must ensure that the date and time at which the transaction was concluded is included when the transaction is reported to the trading system.~~

~~7.120.6 If a reported transaction in bonds is reported to the trading system by a person other than a dealer, the trading member must retain a record identifying the dealer who was responsible for executing the transaction.~~

#### 7.130 Correction trades

7.130.1 Notwithstanding any other provision of the Yield-X rules or any directive, the Director: Surveillance may, where in his opinion a central order book trade has been matched as a result of a clear error by a trading member ~~or reported in error~~, grant permission to the relevant trading member or members to cancel the trade and may –

7.130.1.1 instruct the member or members to enter an equal and opposite correction trade on the ~~trade date of the~~ original trade date; or

7.130.1.2 instruct the Settlement Authority to effect an equal and opposite correction trade on behalf of the member or members on the day after the original trade date.

7.130.2 Equal and opposite correction trades in respect of central order book trades will only be considered in exceptional circumstances and provided the trade meets at least the following requirements –

7.130.2.1 the request is received by the Director: Surveillance within 20 minutes from the time of the erroneous trade;

7.130.2.2 the consideration or contract value of the trade or trades for which the correction trade is requested is 5% or more away from the consideration or contract value immediately before the erroneous trade occurred, or, if there were no automated or auction trades on that day, the consideration or contract value per the previous day's closing price; and

7.130.2.3 the difference between the aggregate consideration or contract value of the trades that qualify in terms of 7.130.2.2 and the consideration or contract value that would have resulted had such trades been executed at the reference price is R50 000 (fifty thousand Rand) or more.

7.130.3 If a trading member has reported a trade in error to the trading system, the trading member may correct the error either by-

7.130.3.1 reporting an equal and opposite correction trade to the trading system by 17h00 on the business day preceding the settlement date; or

7.130.3.2 in exceptional circumstances where the trading member is unable to correct the error by 17h00 on the business day preceding the settlement date, requesting the Settlement Authority to effect an equal and opposite correction trade on behalf of the relevant member or members on the day after the original trade date.

**7.140 Emergency provisions**

- 7.140.1 In order that the business of the JSE be carried out with due regard to the interests of the public in a fair and orderly market, the JSE may, in addition to the powers given in terms of the Act in circumstances of emergency, restrict or suspend trading in any or all of the instruments kept by it in its list of Yield-X securities for such period as the JSE may deem necessary.
- 7.140.2 Circumstances of emergency shall include but are not limited to the closing of any other exchange, a state of war or threatening hostilities, acts of state affecting the market or the due performance of transactions or any position, any change in the law affecting the market or the due performance of transactions or positions and any other situation or circumstances affecting, in the opinion of the JSE Executive, a fair and orderly market for the trading in Yield-X securities.
- 7.140.3 If the trading in any security or commodity on any exchange or market ceases, the JSE Executive shall consider the cessation of trading in Yield-X securities for which such security or commodity comprises the underlying instrument of the Yield-X security concerned.
- 7.140.4 In the event of any of the circumstances contemplated in this rule 7.140 occurring, the Executive Officer shall notify the Registrar of such circumstances and shall co-operate with the Registrar to restore and maintain a fair and orderly market.

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7.140.2 amended with effect from 1 August 2005

7.140.3 amended with effect from 1 August 2005

7.140.4 amended with effect from 1 August 2005

<p><b>SECTION</b></p> <p><b>8</b></p>
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**Section 8: Clearing**

**Scope of Section**

- 8.10 Applicability of Section 8
- 8.20 Clearing
- 8.30 Opening and closing-out a position
- 8.40 Mark-to-market
- 8.50 Margin payments
- 8.60 Interest payments
- 8.70 Trading, clearing and settlement fees
- 8.80 Settlement procedures
- 8.90 Exercise and assignment of option contracts

**8.10 Applicability of Section 8**

Section 8 shall apply ~~to all Yield-X securities, unless the context clearly indicates otherwise~~ to transactions in IRC securities that qualify to be cleared in terms of this section.

**8.20 Clearing**

- 8.20.1 SAFCOM shall perform the clearing and ensure the performance of –
- 8.20.1.1 trades in Yield-X securities executed on the central order book of the Yield-X trading system;
  - 8.20.1.2 ~~reported transactions in futures and options contracts reported to and matched by the trading system~~ principal assignment trades in Yield-X securities reported to the Yield-X trading system;
  - 8.20.1.3 ~~reported transactions in bonds reported to the trading system, where the respective clearing members accept the reported transactions for risk management purposes~~ reported transactions in futures and option contracts reported to and matched by the Yield-X trading system; and
  - 8.20.1.4 ~~principal assignment trades in bonds reported to the trading system, where the original trade being assigned is cleared in terms of rule 8.20.1.1 or rule 8.20.1.3~~ reported transactions in bonds reported to the Yield-X trading system, where the respective clearing members accept the reported transactions for risk management purposes.
- 8.20.2 Upon the transaction being cleared, SAFCOM shall replace the buyer and become the counterparty to the seller and it shall replace the seller and become the counterparty to the buyer.

**8.30 Opening and closing-out a position**

- 8.30.1 When there is no position in a futures or option contract prior to a transaction in the futures or option contract being cleared, a position in the futures or option contract shall be opened and registered in the name of the trading member or its client when the transaction is cleared.
- 8.30.2 The futures or option contracts comprising a transaction which has been cleared, shall be added to or off-set against an existing position registered in the name of the party concerned and the position shall be increased, decreased, closed out or a position in the opposite direction shall be opened, as the case may be.
- 8.30.3 On the expiry of an option contract of which the strike price is not better by a certain amount determined by the JSE, as set out in the directives, than the expiry price of the underlying instrument of the option contract –
- 8.30.3.1 the person in whose name a long position in the option contract is registered by SAFCOM shall be deemed to have sold the number of the futures contracts equal to the number comprising the position, to SAFCOM; and
  - 8.30.3.2 the person in whose name a short position in the option contract is registered by SAFCOM shall be deemed to have bought a number of the futures contracts equal to the number comprising the position, from SAFCOM.
- 8.30.4 The price of the futures contract which shall apply to the sale contemplated in rule 8.30.3.1 and the purchase contemplated in rule 8.30.3.2 shall be the expiry price determined in the manner prescribed in the contract specification of the futures contract in question and the price of an option contract which shall apply to such purchase or sale shall be zero.
- 8.30.5 Rule 8.30.2 shall apply *ipso facto* to the futures or option contracts comprising the purchases and sales referred to in rule 8.30.3.

8.20.1 amended with effect from 1 August 2005

- 8.30.6 Where the strike price of an option contract is, on expiry, better by a certain amount determined by the JSE, as set out in the directives, than the expiry price of the futures contract underlying the option contract, the person in whose name a position in the futures or option contract is registered shall be deemed to have exercised the option contract in terms of rule 8.90.3.
- 8.30.7 On the expiry of a physically settled futures contract and on instruction from the Market Controller, the holder of a long position in the futures contract shall, through the Yield-X trading system, report a purchase of the underlying bonds and the holder of a short position shall, through the Yield-X trading system, report a sale of the underlying bonds at the price equal to that referred to in rule 8.30.4 and the purchase, sale, delivery and receipt of the underlying bonds shall take place in accordance with rule 9.

#### 8.40 Mark-to-market

- 8.40.1 At 17h30 on each business day, or such other time as SAFCOM may determine on a particular business day, the positions in each Yield-X security of all trading members and their clients shall be marked-to-market on such basis as SAFCOM may determine.
- 8.40.2 SAFCOM may at any time on any business day mark-to-market the position in any Yield-X security of any trading member or client if, in its sole discretion, the conditions in the market for the security or its underlying instrument warrants such additional mark-to-market.

#### 8.50 Margin payments

- 8.50.1 Initial margin
- Initial margin shall be paid by a trading member or client whenever the risk of loss, as determined by SAFCOM, changes with respect to the aggregate positions of such trading member or client.
- 8.50.2 Settlement margin
- Settlement margin shall be paid by a trading member or client where the trading member or client has unsettled bonds positions ~~and where such positions arose either from transactions executed on the central order book of the trading system or from reported transactions reported to the trading system where the respective clearing members accept the reported transactions for risk management purposes which can be set off against positions in related futures and option contracts, for the purpose of providing for compensation payable in respect of a potential failed trade.~~
- 8.50.3 Variation margin
- Variation margin shall be paid to or by a trading member or client in whose name a position in a futures or option contract is registered as the result of the marking-to-market of a position in terms of rule 8.40 or the closing out of a position or part thereof as contemplated in rule 8.30.2 or the closing out of a position as contemplated in rule 8.30.3.
- 8.50.4 Top-up margin
- Top-up margin shall be paid by a trading member or client ~~where the trading member or client has unsettled bonds positions and where such positions arose either from transactions executed on the central order book of the trading system or from reported transactions reported to the trading system where the respective clearing members accept the reported transactions for risk management purposes, in whose name a position in bonds is registered~~ as the result of an adverse mark-to-market of a position in terms of rule 8.40.
- 8.50.5 Additional margin
- 8.50.5.1 A clearing member may require a trading member with whom it has entered into a clearing agreement to deposit with it, with respect to the proprietary position of the trading member or the position of any of the clients of the trading member, an amount of additional margin as agreed upon between the parties in terms of the clearing agreement.

8.50.1 amended with effect from 1 August 2005

8.50.5.1 amended with effect from 12 December 2009

8.50.5.2 A trading member may require a resident client to deposit with it, with respect to the resident client's position, an amount of additional margin as agreed upon between the parties in terms of the client agreement.

8.50.6 Retained margin

A trading member, with respect to a resident client, may with the client's prior written agreement -

8.50.6.1 require the client to deposit an amount of money with such trading member to be used to furnish initial margin, settlement margin or additional margin before the trading member shall trade with the client; and/or

8.50.6.2 retain initial margin, settlement margin, variation margin or top-up margin payable to the client, or interest accruing in terms of rule 8.60.3, in anticipation of future transactions:

Provided that the money so deposited or retained shall be repaid to the client if the client has not traded with the trading member within thirty days.

8.50.7 Maintenance margin level

A trading member may agree, where a client has additional margin deposited with such trading member, that the client shall pay an amount of money to restore the additional margin when the additional margin has been used to meet payments of variation margin.

## 8.60 Interest payments

8.60.1 SAFCOM shall manage and invest all margins held by it in terms of rule 10.50 and it shall no later than the second day of the month following the month in which interest was received or accrued, remit such interest, net of the interest consideration referred to in rule 10.50.2, to each clearing member in relation to the margin held in respect of the positions of the clearing member, its clients and trading members and the clients of such trading members for the previous month.

8.60.2 Monthly in arrears a clearing member may remit the interest received in terms of rule 8.60.1, or any part thereof, to the trading members with whom it has entered into clearing agreements in relation to the positions of the trading member and their clients.

8.60.3 Subject to rule 8.50.5.2, monthly in arrears a trading member may remit the interest received in terms of rules 8.60.1 or 8.60.2, or any part thereof, to its clients in relation to the positions of such clients at any time during the preceding month.

## 8.70 Trading, clearing and settlement fees

8.70.1 With the exception of transactions in bonds, the JSE shall levy trading, ~~and~~ clearing ~~and settlement~~ fees on a clearing member in respect of the trades of the clearing member, its clients and the trading members with whom the clearing member has entered into clearing agreements, in an amount and in a manner as decided by the JSE Executive, and such fees may be recovered from the clearing member on behalf of the JSE by SAFCOM.

8.70.2 A clearing member may levy such fees and charges as it deems fit on trading members with whom it has entered into a clearing agreement: Provided that such fees and charges shall be in accordance with the schedule of fees which shall form part of the said clearing agreement.

8.70.3 A trading member may levy such fees and charges for different categories of transactions as it deems fit on clients with whom it trades: Provided that such fees and charges shall be in accordance with the schedule of fees and charges which shall form part of the client agreement.

8.70.4 A trading member shall not levy a fee or any other charge on a client in respect of a transaction in terms of which it has traded as a principal with the client without the prior written agreement of the client having been recorded in the client agreement.

8.50.5.2 amended with effect from 12 December 2009

8.70.3 amended with effect from 1 August 2005

8.70.5 With regards to transactions in bonds, the JSE shall levy trading and clearing fees on a trading member in respect of trades of the trading member and its clients, in an amount and in a manner determined by the JSE Executive.

## 8.80 Payment procedures

- 8.80.1 With respect to its proprietary positions, the positions of its clients, the positions of the trading members with whom it has entered into clearing agreements and the positions of the clients of such trading members, the clearing member shall pay to or receive from SAFCOM the net amount of –
- 8.80.1.1 subject to rule 10.130.1 in respect of non-resident and emigrant clients, the sum of the initial margin, settlement margin and top-up margin;
  - 8.80.1.2 the variation margin; and
  - 8.80.1.3 the trading, clearing and settlement fees for transactions in interest rate and currency derivatives.
- 8.80.2 An amount due from a clearing member in terms of rule 8.80.1 shall be paid to SAFCOM not later than 12h00 on the business day following the day on which such payment accrued or such other time as SAFCOM may in its sole discretion determine.
- 8.80.3 With respect to any proprietary position, the position of any of its clients, the position of a trading member with whom it has entered into a clearing agreement and the position of a client of such trading member which SAFCOM has marked-to-market in terms of rule 8.40.2, the clearing member shall pay to SAFCOM the amount of variation margin or top-up margin at the time stipulated by SAFCOM when the clearing member is notified by it of the mark-to-market.
- 8.80.4 With respect to its proprietary positions and the positions of its clients, a trading member shall pay to or receive from the clearing member the net amount of –
- 8.80.4.1 subject to rule 10.130.2 in respect of non-resident and emigrant clients, the initial margin, settlement margin and top-up margin referred to in rule 8.50;
  - 8.80.4.2 the additional margin referred to in rule 8.50.5.1;
  - 8.80.4.3 the variation margin referred to in rule 8.50.3; and
  - 8.80.4.4 the trading, clearing and settlement fees for transactions in interest rate and currency derivatives, referred to in rule 8.70.2.
- 8.80.5 An amount due to or from a clearing member in terms of rule 8.80.4 shall be paid not later than 12h00 on the business day following the day on which such payment accrued, or at such other time as the trading member and the clearing member have specifically agreed upon with respect to a particular payment.
- 8.80.6 With respect to any proprietary position or the position of any of its clients, which SAFCOM has marked-to-market in terms of rule 8.40.2, the trading member shall pay to the clearing member the amount of variation margin or top-up margin by the time referred to in rule 8.80.3, as stipulated by SAFCOM and as notified to the trading member by the clearing member, and no relaxation shall be given to a trading member without the prior approval of SAFCOM.
- 8.80.7 Subject to rule 10.130.1 in respect of non-resident and emigrant clients, with respect to his positions a client shall pay to or receive from the trading member with whom he traded to open such positions the net amount of –
- 8.80.7.1 the total of the initial margin, settlement margin and top-up margin referred to in rule 8.50 for all his aggregate positions: Provided that any amount so due from the resident client shall be off-set against any retained margin referred to in rule 8.50.6;

8.80.4.1 amended with effect from 12 December 2009

New 8.80.4.2 introduced with effect from 12 December 2009

Existing 8.80.4.2 renumbered 8.80.4.3 and amended with effect from 12 December 2009

8.80.4.3 renumbered 8.80.4.4 and amended with effect from 12 December 2009

- 8.80.7.2 the additional margin referred to in rule 8.50.5.2;
- 8.80.7.3 the variation margin referred to in rule 8.50.3; and
- 8.80.7.4 the trading, clearing and settlement fees for transactions in interest rate and currency derivatives, referred to in rules 8.70.3 and 8.70.4.
- 8.80.8 An amount due to or from a trading member in terms of rule 8.80.7 shall be paid not later than 12h00 on the business day following the day on which such payment accrued or such other time as the trading member and the client have specifically agreed upon with respect to a particular payment.
- 8.80.9 With respect to the position of any client, which SAFCOM has marked-to-market in terms of rule 8.40.2, the client shall pay to the trading member the amount of variation margin or top-up margin by the time referred to in rule 8.80.3 stipulated by SAFCOM and notified to the client by the trading member and no relaxation shall be given without the prior approval of the JSE.

## 8.90 Exercise and assignment of option contracts

- 8.90.1 Exercise
- 8.90.1.1 A client in whose name a long position in an option contract is registered may exercise the option on the expiry date up to the expiry time of the option contract by either verbal or written notice to the trading member with whom he dealt in order to open the long position.
- 8.90.1.2 A trading member who has a proprietary long position in an option contract registered in its name may exercise the option on the expiry date up to the expiry time of the option contract, and shall exercise such options, or options registered in the name of a client which are exercised on the instruction of the client, by executing the exercise on the trading system in the manner prescribed by the JSE or as set out in the directives.
- 8.90.2 Upon the exercise of an option in terms of rule 8.90.1.2 the person in whose name the long position in the option contract was registered shall be deemed to have bought or sold the underlying instrument of the option contract in question at the strike price from or to SAFCOM.
- 8.90.3 Assignment
- When an option is exercised in terms of rule 8.90.1.2 or when an option is deemed to have been exercised in terms of rule 8.30.6, SAFCOM shall in turn exercise its option to buy or sell the underlying instrument in question to or from the holder of a short position in the option contract in question: Provided that –
- 8.90.3.1 SAFCOM shall in its sole discretion assign the exercise of the option contract or contracts to the registered holders of short positions in the option contract; and
- 8.90.3.2 the person to whom the exercise of the option contract is assigned in terms of rule 8.90.3.1 shall be deemed to have bought or sold the underlying instrument of the option contract.

8.80.7.1 amended with effect from 12 December 2009

New 8.80.7.2 introduced with effect from 12 December 2009

Existing 8.80.7.2 renumbered 8.80.7.3 and amended with effect from 12 December 2009

8.80.7.3 renumbered 8.80.7.4 and amended with effect from 12 December 2009

8.90.1.1 and 8.90.1.2 amended with effect from 1 June 2005



# SECTION 9

## Section 9: Settlement

### Scope of Section

- 9.10 Applicability of ~~this~~ Section 9
- 9.15 Settlement assurance
- 9.20 Settlement principles for STRATE settled bonds
- 9.30 Settlement Authority
- 9.40 Trading in STRATE settled bonds
- 9.50 Borrowing, lending or use of clients' bonds
- 9.60 Recording of bonds
- 9.70 Settlement of STRATE settled bonds
- 9.80 Non-member settled client settlement obligations
- 9.90 Member settled client settlement obligations
- 9.100 Trading Member settlement obligations
- 9.110 ~~Reserved Obligations in the event of an application for the provisional or final sequestration of a trading member~~
- 9.115 ~~Reserved Obligations in the event of an application for the provisional or final sequestration of a non-member settled client~~
- 9.120 Margin on bonds transactions
- 9.125 Rolling of settlement
- 9.130 Failed trades ~~procedure applicable to trades cleared by SAFCOM~~
- 9.135 Failed trade procedure applicable to reported transactions not cleared by SAFCOM
- 9.140 Borrowing of bonds to prevent a transaction from failing
- 9.150 Lending of funds to prevent a transaction from failing
- 9.160 Carry and repurchase transactions in bonds to prevent a transaction from failing
- 9.170 Penalties and fees

**9.10 Applicability of ~~this~~ Section 9**

Section 9 shall apply to the settlement of transactions in bonds. ~~STRATE settled bonds~~

**9.15 Settlement assurance**

9.15.1 Subject to rule 9.15.2, a trading member shall guarantee the fulfilment of all transactions in bonds entered into by the trading member for its own account and on behalf of a client or another member, executed on the central order book of the trading system or reported to the trading system.

9.15.2 Rule 9.15.1 shall not apply to reported transactions where-

9.15.2.1 only one trading member is involved and where the clients who are parties to such transaction have, between themselves, concluded the terms of the transaction and instructed the trading member to report the transaction to the trading system. A client shall have no recourse against a trading member in respect of such transaction; or

9.15.2.2 a trading member facilitates a transaction in bonds on a name give-up basis on behalf of a client or another trading member, and the trading member is not recorded as a counterparty to the transaction reported to the trading system. The client or the other trading member shall have no recourse against the facilitating trading member in respect of such transaction.

9.15.3 Except in the circumstances set out in rule 9.15.2, any action by a client in respect of a market transaction shall be against the trading member who entered into the transaction on the instruction of such client and not against any other trading member or a client of such trading member.

9.15.4 A trading member shall ensure that buyers and sellers of bonds are aware of their settlement obligations in terms of these rules. However, if a client is not aware of such settlement obligations, the client remains bound by the settlement rules contained in this section 9.

**9.20 Settlement principles for STRATE settled bonds**

Settlement of STRATE settled 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;

9.20.3 rolling and contractual; and

9.20.4 on a net basis per ~~client or~~ trading member, per settlement date, per listed bond whereby individual transactions are consolidated and offset into net amounts of bonds and funds for settlement by STRATE.

**9.30 Settlement Authority**

~~9.30.1 In order to ensure that the principles set out in rule 9.20 are adhered to, SAFCOM has appointed the~~ The Settlement Authority will to manage –

~~9.30.1.1 the settlement of transactions in bonds executed on the central order book of the Yield-X 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 8.120.1.3 principal assignment trades in bonds reported to the Yield-X trading system as referred to in rule 8.20.1.2;~~

~~9.30.1.3 the settlement of principal assignment trades in bonds reported to the trading system as referred to in rule 8.120.1.4; transactions in bonds reported to the Yield-X trading system, where the respective clearing members accept the reported transactions for risk management purposes as referred to in rule 8.20.1.4; 9.30.1.4; and~~

7.30.3.4 amended with effect from 1 August 2005

- 9.30.1.4 ~~the settlement of all other reported transactions in bonds reported to the trading system as contemplated in rule 7.120,1; and~~
- 9.30.1.5 the risks associated with the settlement of the transactions referred to in rules 9.30.1.1 to 9.30.1.34.
- 9.30.2 ~~In order to perform its functions in terms of rule 9.30.1,The the~~ Settlement Authority may –
- 9.30.2.1 ~~Reserved monitor the settlement obligations of trading members and their clients;~~
- 9.30.2.2 ~~Reserved ensure that the settlement obligations of trading members and clients are met on the settlement date;~~
- 9.30.2.3 ~~Reserved monitor uncommitted settlements and take appropriate action in respect of such settlements to ensure settlement;~~
- 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 enter into a carry or repurchase transaction through the Yield-X trading system on behalf of a trading member or client in order to facilitate the settlement process and manage the risk associated with such process to meet any obligations arising from the management of the settlement process and the risks associated with such process;
- 9.30.2.6 borrow, as agent, on behalf of a trading member or client as undisclosed principal, bonds from third parties to facilitate the ~~management of the~~ settlement process 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; ~~and~~
- 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
- ~~9.30.2.4011~~ 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, ~~and~~ 9.130 and 9.135.

#### 9.40 Trading in STRATE settled bonds

- 9.40.1 A client shall only place an order in respect of STRATE settled bonds with a trading member if –
- 9.40.1.1 the client has directly or indirectly appointed a settlement agent; and
- 9.40.1.2 ~~the client in respect of a sell order has taken the appropriate steps to ensure that settlement of the transaction will occur on settlement date.–~~
- ~~9.40.1.2.1 the bonds to be sold is lodged with a settlement agent as uncertificated securities; or~~

~~9.40.1.2.1 amended with effect from 1 August 2005~~

~~9.40.1.2.2 — another transaction has been concluded through the Yield X trading system which provides for an equivalent amount of bonds being available for settlement on settlement date; or~~

~~9.40.1.2.3 — a satisfactory borrowing arrangement reported through the Yield-X lending and borrowing system is in place which provides for an equivalent amount of STRATE settled bonds being available for settlement on settlement day.~~

9.40.2 A trading member shall only place an order or report a transaction in respect of STRATE settled bonds on the Yield-X trading system if such member has appointed a clearing member, where applicable, and a settlement agent as prescribed by directive, and has taken reasonable steps to satisfy itself that –

9.40.2.1 if a client with whom or on whose behalf the trading member is trading is not a member settled client, the client has appointed a settlement agent and the appointed settlement agent has confirmed, in the manner determined by the JSE, that the details of that client held by the settlement agent correspond with and match the details of the client held by the trading member; and

9.40.2.2 in respect of a sell order – settlement of the transaction will occur on settlement date.

~~9.40.2.2.1 — the bonds to be sold is lodged with a settlement agent as uncertificated securities; or~~

~~9.40.2.2.2 — another transaction has been concluded through Yield-X which provides for an equivalent amount of bonds being available for settlement on settlement date; or~~

~~9.40.2.2.3 — a satisfactory borrowing arrangement reported through the Yield-X borrowing and lending system is in place which provides for an equivalent amount of STRATE settled bonds being available for settlement on settlement day~~

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

With regard to the borrowing, lending or use of any bonds referred to in rule 9.60 or 10.90, a trading member may –

- 9.50.1 deliver such bonds to the client on whose behalf they are being held or to his order; or
- 9.50.2 satisfy a sale made on behalf of the client concerned; or
- 9.50.3 sell the bonds being held on behalf of a client, under any of the circumstances set out in rule 9.100; or
- 9.50.4 otherwise deal with the bonds, including the borrowing, lending or use of such bonds, in a manner set out in the mandate signed by the client and held by the trading member in terms of rule 10.90.4.

## 9.60 Recording of bonds

All bonds received which has been purchased on behalf of member settled clients shall be recorded in the member's accounting records on that day, so as to establish the identity of the client entitled thereto.

## 9.70 Settlement of STRATE settled bonds

9.70.1 All transactions in STRATE settled bonds shall only be settled electronically through STRATE in accordance with the principles set out in rule 9.20.

9.70.2 A trade ~~conducted~~ 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 where a trade on a suspense account dedicated to a particular client has not been allocated on the trade date to

~~9.40.2.2.1 amended with effect from 1 August 2005~~

- underlying accounts under the control of that client, in contravention of this rule, to ensure that the trade still settles on settlement date, late allocations to the underlying accounts may be made up to 17h00 on the business day preceding the settlement date after the original trade. All late allocations after 17h00 on the business day preceding the settlement date, 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 settlement agent 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 where a trade has not been assigned on the trade date, in contravention of this rule 7.110, to ensure that the trade still settles on settlement date, late principal assignment trades may must be effected by the trading member prior up to 17h00 on the business day preceding the settlement date after the original trade. All late principal assignment trades after 17h00 on the business day preceding the settlement date 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 settlement agent 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 on the business day after the original trade, be deemed to have been accepted by the client;
- 9.70.2.5 be committed to by the settlement agent of the trading member or client by no later than 12h00 11h00 on the second business day after the trade settlement date; and
- 9.70.2.6 be settled on the third business day after the trade date in accordance with the settlement timetable as prescribed by directive.
- 9.70.3 Notwithstanding rules 9.70.2.1 to 9.70.2.3 –
- 9.70.3.1 allocation corrections may be effected up to 17h00 on the business day preceding the settlement date after the trade if they have not been effected on the trade date. All such late allocation corrections after 17h00 on the business day preceding the settlement 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 settlement agent of the client to comply with rule 9.70.2.5;
- 9.70.3.2 principal assignment corrections may be effected up to 17h00 on the business day preceding the settlement date after the trade if they have not been effected on the trade date. All such late principal assignment corrections after 17h00 on the business day preceding the settlement 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 settlement agent of the client to comply with rule 9.70.2.5.
- 9.70.4 If a settlement agent has not committed to settle a transaction by 11h00 (for transactions due to settle in the first settlement run) or by 14h30 (for transactions due to settle in the second settlement run) on the second business day after the trade settlement date, in accordance with the settlement timetable as prescribed by directive, the transaction shall be 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.
- 9.70.5 If a trading member advises the Settlement Authority at any stage that the settlement agent of the trading member or the settlement agent 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 on the next business 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 A non-member settled client shall, by no later than 12h00 on the business day after the transaction, give instructions to his settlement agent to settle the transaction.
- 9.80.2 A non-member settled client shall, by no later than ~~12h00~~ 16h30 on the business day preceding the settlement second business day after the trade date, ensure and procure that his settlement agent is in a position to commit ~~has committed~~ to settle the transaction on his behalf on the settlement date.
- 9.80.3 A commitment by a settlement agent to settle a transaction on behalf of a non-member settled client in terms of rule 9.80.2 shall become unconditional as at ~~12h00~~ 11h00 on the ~~second business day after the trade~~ settlement date, ~~subject to rule 9.1.15~~.
- 9.80.4 In the event that a non-member settled client fails to comply with rule 9.80.2, or is advised by the Settlement Authority that the transaction may not settle at 11h00 on the settlement date, the trading member which effected the transaction –
- 9.80.4.1 is obliged in terms of rule 9.100.8 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
- 9.80.4.2 may proceed in the manner set out in rule 9.80.5.
- 9.80.5 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 9.100.11 or 9.100.12, in the event that a non-member settled client fails to comply with the provisions of rule 9.80.2, the trading member may –
- 9.80.5.1 in respect of a sale transaction, buy such bonds for the account of the client; or
- 9.80.5.2 in respect of a purchase transaction, sell such bonds for the account of the client.
- 9.80.6 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 9.80.4 or 9.80.5 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, by no later than 12h00 on the business day after the transaction, ensure that the trading member which effected the transaction for or on behalf of such client will be in a position to settle the transaction on settlement day.
- 9.90.2 In the event that a member settled client fails to comply with the provisions of rule 9.90.1, the trading member which effected the transaction –
- 9.90.2.1 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
- 9.90.2.2 may proceed in the manner set out in rule 9.90.3.
- 9.90.3 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 9.100.11 or 9.100.12, in the event that a member settled client fails to comply with the provisions of rule 9.90.1, the trading member may –
- 9.90.3.1 in respect of a sale transaction, buy such bonds for the account of the client; or
- 9.90.3.2 in respect of a purchase transaction, sell such bonds for the account of the client.

- 9.90.4 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 9.90.2 or 9.90.3 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 STRATE settled 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 STRATE settled bond is unlikely to settle.
- 9.100.3 No trading member may, on settlement day, ~~alter or~~ 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.
- 9.100.5 A trading member shall endeavour to ensure that by no later than ~~12h00~~ 16h30 on the business day preceding the settlement ~~second business day after the trade~~ date, the settlement agent of that trading member is in a position to commit ~~has committed~~ to settle the transactions in respect of member settled clients and the proprietary transactions of that trading member on the settlement date.
- 9.100.6 A commitment by a settlement agent 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 ~~12h00~~ 11h00 on the ~~second business day after the trade~~ settlement date, ~~subject to rule 9.110~~.
- 9.100.7 If by 16h30 on the business day preceding the settlement date, a member settled client remains unable to settle a transaction ~~by 12h00~~ on the ~~settlement~~ second business day after the trade date, the trading member shall continue to take the necessary steps to ensure that, by no later than ~~14h00~~ 11h00 on the ~~second business day after the trade~~ settlement date, the settlement agent of the trading member commits to settle any transactions in respect of that member settled client.
- 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 the transaction may not settle at 11h00 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.
- 9.100.9 If by 16h30 on the business day preceding the settlement date, a non-member settled client remains unable to ensure and procure that his settlement agent will be in a position to ~~commits~~ to settling a transaction ~~by 12h00~~ on the ~~second business day after the trade~~ settlement date, the trading member shall continue to take the necessary steps to ensure that, by no later than ~~14h00~~ 11h00 on the ~~second business day after the trade~~ settlement date, the settlement agent of the non-member settled client commits to settling the transaction.
- 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.
- 9.100.12 If the Settlement Authority receives notification in terms of rule 9.100.10, and ~~is~~ either rolls the settlement in terms of rule 9.125 or is able to close the transaction in terms of rule 9.30.2.10 ~~9~~ or declares the transaction to be a failed trade in terms of rule 9.70.4, the trading member shall act in accordance with the instructions received from the Settlement Authority in terms of rule 9.130 ~~or 9.135 respectively.~~
- 9.100.13 A trading member shall not use a client's bonds balances to settle the obligations of –
- 9.100.13.1 another client; or
- 9.100.13.2 the trading member.
- 9.100.14 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.

**9.110 ~~Reserved Obligations in the event of an application for the provisional or final sequestration of a trading member~~**

- ~~9.110.1 At the discretion of the Settlement Authority, in consultation with the relevant settlement agent and clearing member, the lifting of settlement commitments by a settlement agent on net bonds transactions will be permitted after 12h00 on the second business day after the trade date and prior to settlement on settlement day, if an application for the provisional or final sequestration of a trading member on whose behalf the commitment was given has been made or is about to be made to court. The settlement agent who requests the Settlement Authority to allow it to lift its settlement commitment must confirm in writing that such trading member is in the process of being placed in provisional or final liquidation. A copy of the application, stamped by the court, is to be lodged with the Settlement Authority by the settlement agent who requested permission to lift its settlement commitment within two business days of the request.~~
- ~~9.110.2 The settlement agent who has been given permission to lift a settlement commitment in terms of rule 9.110.1 may be required by the Settlement Authority to lift their settlement commitment on all bonds transactions entered into by the relevant trading member, which have been committed to by the settlement agent but have not yet settled.~~
- ~~9.110.3 If a settlement commitment is lifted in terms of rule 9.110.1 or 9.110.2, the transactions making up the net settlement of the relevant trading member will be dealt with as follows:~~
- ~~9.110.3.1 The Settlement Authority shall use its best endeavours to procure that all open transactions between the relevant trading member and other trading members and clients making up the net settlement to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply are settled, by taking such steps as may reasonably be necessary;~~
- ~~9.110.3.2 In procuring settlement of these open transactions, the Settlement Authority shall require clients of the relevant trading member to meet their settlement obligations in respect of the open transactions executed for or on their behalf;~~
- ~~9.110.3.3 Where possible, any funds or bonds held by the relevant trading member or their settlement agent on behalf of member settled clients which are required to effect settlement of open transactions conducted on behalf of those clients, will be applied by the Settlement Authority to settle such transactions;~~
- ~~9.110.3.4 In attempting to procure that open transactions in bonds are settled in terms of rule 9.110.3.1, the Settlement Authority shall be entitled to buy in or sell out bonds which cannot be either delivered or paid for by the relevant trading member or its client, in those instances where the Settlement Authority is able to, and deems it appropriate to, procure the settlement of a transaction by means of the borrowing of securities or funds;~~
- ~~9.110.3.5 If the Settlement Authority is unable to procure the settlement of any open transactions to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply, the failed trade procedures set out in 9.130 will be applied;~~
- ~~9.110.3.6 Any loss or costs arising from the application of rule 9.110.3 will be recovered by the Settlement Authority from the clearing member;~~



- ~~9.110.3.7 The clearing member shall, in the first instance, recover any loss or cost referred to in rule 9.110.3.6 from any margin provided to the clearing member by the relevant trading member in respect of the relevant trading member's proprietary positions in bonds;~~
- ~~9.110.3.8 Any loss or costs not recovered by the clearing member in terms of rule 9.110.3.7 shall be claimed by the clearing member from the relevant trading member;~~
- ~~9.110.3.9 In claiming any loss or costs from the relevant trading member in terms of rule 9.110.3.8, any such loss or costs which were incurred by the Settlement Authority in either settling or closing out transactions in bonds by the relevant trading member on behalf of a client may, in the first instance, be recovered by the clearing member from any margin provided by such client in respect of bonds positions; and~~
- ~~9.110.3.10 In the event that the margin referred to in rule 9.110.3.9 is insufficient to cover any loss or costs associated with the settling or closing out of a client's transactions in bonds, the clearing member may, notwithstanding its claim for such a shortfall from the relevant trading member in terms of rule 9.110.3.8, claim the shortfall from the client.~~
- ~~9.110.4 The clearing member of a trading member who is the subject of an application for provisional or final sequestration and a request by the trading member's settlement agent for the lifting of settlement commitments, as referred to in rule 9.110.1, is entitled to apply the following provisions upon notification by the Settlement Authority of the granting of such a request to the settlement agent:~~
- ~~9.110.4.1 The clearing member may close out proprietary positions held by the trading member in futures and option contracts through the Yield-X trading system following the notification by the Settlement Authority, in order to mitigate the risk to the clearing member arising out of its obligations to SAFCOM and the Settlement Authority in respect of the relevant futures and option contracts and unsettled bonds transactions; and~~
- ~~9.110.4.2 Any profits realised on the closing out of positions in futures and option contracts in terms of rule 9.110.4.1 may be offset by the clearing member against any amounts owed by the trading member to the clearing member in respect of any actions taken by the Settlement Authority in terms of rule 9.110.3.~~
- ~~9.110.5 The application of rule 9.110.4 by the clearing member will be subject to whether the trading member is declared to be in default in terms of rule 11.10 during the period between the Settlement Authority notifying the clearing member in terms of rule 9.110.4 and the closing out of the relevant futures and option contract positions. In the event that the trading member defaults during this period, the default provisions in rule 11.40 shall immediately apply.~~
- ~~9.110.6 In the event that a trading member is the subject of an application for provisional or final sequestration and a request by the trading member's settlement agent for the lifting of settlement commitments, as referred to in rule 9.110.1, and defaults on their obligations to their clearing member in respect of futures and option contract positions –~~
- ~~9.110.6.1 the Settlement Authority, on receipt of a request from the relevant clearing member and subject to the clearing member or the Settlement Authority being able to borrow the relevant bonds on behalf of the clearing member, will have the right to request the settlement agent of the trading member to lift any or all settlement commitments on unsettled proprietary bonds transactions of such trading member which the settlement agent has not lifted;~~
- ~~9.110.6.2 the Settlement Authority will transfer such unsettled proprietary bonds transactions from the trading member to the clearing member and the clearing member may close out such transactions through the Yield-X trading system, in order to mitigate the risk to the clearing member arising out of its obligations to SAFCOM and the Settlement Authority in respect of the relevant futures and option contracts and unsettled bonds transactions;~~
- ~~9.110.6.3 any profits realised on the closing out of the proprietary bonds transactions in terms of rule 9.110.6.2 may be offset by the clearing member against any amounts owed by the trading member to the clearing member in respect of the futures and option contract positions; and~~
- ~~9.110.6.4 the clearing member will claim any resultant shortfall after applying the offset referred to in rule 9.110.6.3 from the trading member and any resultant surplus after applying the offset referred to in rule 9.110.6.3 will be due by the clearing member to the trading member.~~

~~9.110.7~~ This rule 9.110 shall be binding on SAFCOM, clearing members, trading members, member settled clients and settlement agents acting on behalf of trading members. In the event that the application to court requesting the provisional or final sequestration of the trading member is not successful, such trading member will have no recourse against the JSE, SAFCOM or the clearing member acting on behalf of the trading member for any action taken by those persons in terms of this rule 9.110.

~~9.110.8~~ The Settlement Authority will have the right to advise other markets and exchanges in the event of it becoming aware in terms of rule 9.110.1 of an application for the provisional or final sequestration of a trading member being made.

**9.115 ~~Reserved Obligations in the event of an application for the provisional or final sequestration of a non-member settled client~~**

~~9.115.1~~ At the discretion of the Settlement Authority, in consultation with the relevant settlement agent and clearing member, the lifting of settlement commitments by a settlement agent on net bonds transactions will be permitted after 12h00 on the second business day after the trade date and prior to settlement on settlement day, if an application for the provisional or final sequestration of a non-member settled client on whose behalf the commitment was given has been made or is about to be made to court. The settlement agent who requests the Settlement Authority to allow it to lift its settlement commitment must confirm in writing that such non-member settled client is in the process of being placed in provisional or final liquidation. A copy of the application, stamped by the court, is to be lodged with the Settlement Authority by the settlement agent who requested permission to lift its settlement commitment within two business days of the request.

~~9.115.2~~ The settlement agent who has been given permission to lift a settlement commitment in terms of rule 9.115.1 may be required by the Settlement Authority to lift their settlement commitment on all bonds transactions entered into by the relevant non-member settled client, which have been committed to by the settlement agent but have not yet settled.

~~9.115.3~~ If a settlement commitment is lifted in terms of rule 9.115.1 or 9.115.2, the transactions making up the net settlement of the relevant non-member settled client will be declared by the Settlement Authority to be failed trades and dealt with in accordance with the instructions received from the Settlement Authority in terms of rule 9.130.

~~9.115.4~~ The trading member of a non-member settled client who is the subject of an application for provisional or final sequestration and a request by the non-member settled client's settlement agent for the lifting of settlement commitments, as referred to in rule 9.115.1, is entitled to apply the default provisions in rule 11.30.

~~9.115.5 In the event that a non-member settled client of a trading member is the subject of an application for provisional or final sequestration and a request by the non-member settled client's settlement agent for the lifting of settlement commitments, as referred to in rule 9.115.1, and defaults on their obligations to their trading member in respect of futures and option contract positions—~~

~~9.115.5.1 the Settlement Authority, on receipt of a request from the relevant trading member and subject to the trading member or the Settlement Authority being able to borrow the relevant bonds on behalf of the trading member, will have the right to request the settlement agent of the non-member settled client to lift any or all settlement commitments on unsettled bonds transactions of such client which the settlement agent has not lifted;~~

~~9.115.5.2 the Settlement Authority will transfer such unsettled bonds transactions from the non-member settled client to the trading member and the trading member may close out such transactions through the Yield X trading system, in order to mitigate the risk to the trading member arising out of its obligations to its clearing member and the Settlement Authority in respect of the relevant futures and option contracts and unsettled bonds transactions respectively;~~

~~9.115.5.3 any profits realised on the closing out of the bonds transactions in terms of rule 9.115.5.2 may be offset by the trading member against any amounts owed by the non-member settled client to the trading member in respect of the futures and option contract positions; and~~

~~9.115.5.4 the trading member will claim any resultant shortfall after applying the offset referred to in rule 9.115.5.3 from the non-member settled client and any resultant surplus after applying the offset referred to in rule 9.115.5.3 will be due by the trading member to the non-member settled client.~~

~~9.115.6 This rule 9.115 shall be binding on SAFCOM, clearing members, trading members, non-member settled clients and settlement agents acting on behalf of non-member settled clients. In the event that the application to court requesting the provisional or final sequestration of the non-member settled client is not successful, such non-member settled client will have no recourse against the JSE, SAFCOM, the clearing member acting on behalf of the trading member or the trading member acting on behalf of the non-member settled client for any action taken by those persons in terms of this rule 9.115.~~

~~9.115.7 The Settlement Authority will have the right to advise other markets and exchanges in the event of it becoming aware in terms of rule 9.115.1 of an application for the provisional or final sequestration of a non-member settled client being made.~~

## 9.120 Margin on ~~bonds~~ trades transactions

9.120.1 Clearing members shall be required to provide margin to SAFCOM as follows in respect of unsettled trades in bonds which are cleared by SAFCOM in terms of rule 8.20.1 -

9.120.1.1 ~~initial margin and~~ settlement margin shall be payable by a clearing member before 12h00 on the business day after the original trade in respect of the clearing member's proprietary positions, the positions of its clients, the positions of trading members with which it has entered into clearing agreements and the positions of clients of such trading members;

9.120.1.2 ~~top-up margin~~ shall be payable by a clearing member before 12h00 on the second business day after the original trade in respect of the clearing member's proprietary positions, the positions of its clients, the positions of trading members with which it has entered into clearing agreements and the positions of clients of such trading members.

9.120.2 Margin shall be calculated in accordance with principles set out in the directives and shall be payable and repayable on such dates as may be prescribed in rule 8.80 and in the directives.

- 9.120.3 Failure by a clearing member to pay margin, in contravention of the Yield-X rules and directives may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.

### **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 the settlements excluded for settlement by the CSDPs, which will include the failed trade leg as well as the opposite trade leg;
- 9.125.1.2 The Settlement Authority will advise the failing and non-failing trading members that the transaction will be rolled to revised settlement dates 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 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 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 SAFCOM 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 trades procedure applicable to trades cleared by SAFCOM**

- 9.130.1 A failed trade arising out of a transaction which is cleared by SAFCOM in terms of rule 8.20.1, shall be dealt with in the following manner-
- 9.130.1.1 the Settlement Authority will obtain a list of the settlements excluded for settlement by the CSDPs, which will include the failed trade leg as well as the opposite trade leg shall match a failed trade against a single equal but opposite transaction which is a terminating transaction;
- 9.130.1.2 if there is no transaction, or more than one transaction, of the type referred to in rule 9.130.1.1, the Settlement Authority shall, in terms of the failed trade procedures as set out in the directives, select such transactions, the failing of which will be least disruptive to settlement agent, members and clients; Reserved
- 9.130.1.3 the transactions selected in terms of rules 9.130.1.1 9.130.1.1 or 9.130.1.2 shall be closed at a price to be determined by the Settlement Authority in accordance with principles set out in the directives. This price may differ from the original transaction price and will include compensation for the trading members or clients whose transactions are being closed;
- 9.130.1.4 the difference between the original value of the trade that failed and the value based on the close out price as established in rule 9.130.1.3 shall be paid by the Settlement Authority to the settlement agent of the trading member or client who effected the failed trade, to enable the settlement agent to commit to the failed trade settlement in terms of the procedures as set out in the directives;

10.105 introduced with effect from 16 October 2008

- 9.130.1.5 the settlement margin and top-up margin held by SAFCOM 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 rule 9.130.1.4 to the settlement agent of the trading member or client whose transactions failed;
- 9.130.1.6 the clearing member of the trading member who effected the failed trade will pay any resultant shortfall between the margin referred to in rule 9.130.1.5 and the amount referred to in rule 9.130.1.4 to the Settlement Authority and may claim such shortfall from the trading member. Any resultant surplus between the margin referred to in rule 9.130.1.5 and the amount referred to in rule 9.130.1.4 will be paid by the Settlement Authority to the clearing member of the trading member who effected the failed trade; and
- 9.130.1.7 If the failed trade was effected by the trading member on behalf of a client, the shortfall owed by the trading member to the clearing member in terms of rule 9.130.1.6 may be claimed by the trading member from the client.
- 9.130.2 This rule 9.130 shall be binding on SAFCOM, clearing members, trading members, clients and settlement agents.

### **9.135 Failed trade procedure applicable to reported transactions not cleared by SAFCOM**

- 9.135.1 A failed trade arising out of a reported transaction not cleared by SAFCOM shall be dealt with in the following manner:
- 9.135.1.1 the Settlement Authority will obtain a list of the settlements excluded for settlement by the CSDPs, which will include the failed trade leg as well as the opposite trade leg;
- 9.135.1.2 the transactions selected in terms of rule 9.135.1.1 shall be closed at a price to be determined by the Settlement Authority in accordance with principles set out in the directives. This price may differ from the original transaction price and will include compensation for the trading members or clients whose transactions are being closed;
- 9.135.1.3 the non-failing trading member shall claim any losses and compensation resulting from the close out of the transaction 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.

### **9.140 Borrowing of bonds 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 endeavour 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.
- 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 settlement agent 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 Yield-X lending and borrowing system, and shall advise the trading member of the transactions giving rise to the loaned STRATE settled 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 STRATE settled bonds is 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 STRATE settled 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 STRATE settled bonds within 3 business days of a loan recall;
- 9.140.2.7 The trading member or client shall return equivalent STRATE settled bonds in no more than two deliveries, the first delivery being not less than 50% of the loaned STRATE settled bonds;
- 9.140.2.8 The trading member or client shall make good any corporate action arising on the loaned STRATE settled 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**

- 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 STRATE settled 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 Yield-X 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 the Yield-X 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**

- 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 the Yield-X 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.

#### 9.170 Penalties and fees

- 9.170.1 The Settlement Authority may –
- 9.170.1.1 impose a penalty on a trading member which fails to effect instructions or settlement in accordance with the settlement timetable as prescribed by directive; and
- 9.170.1.2 charge any trading member the fees associated with settlement of bonds as prescribed by directive.
- 9.170.2 The penalty referred to in rule 9.170.1.1 shall be levied in accordance with a schedule as prescribed by directive.
- 9.170.3 Payment of the penalty imposed or fees charged in terms of rule 9.170.1 shall be made to the Settlement Authority within five business days of notification.
- 9.170.4 A client must pay any penalty imposed on the trading member by the Settlement Authority where the client was at fault or where the client was responsible for causing a failed trade.



<b>SECTION 10</b>
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**Section 10: Conduct of Business****Scope of Section***General provisions*

- 10.10 Trading and position limits
- 10.20 Trading and position records
- 10.30 Telephone recordings

*Management of members' and clients' accounts*

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- 10.50 Management of funds by SAFCOM
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*Ethics and conduct*

- 10.220 Code of Conduct
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**General provisions****10.10 Trading and position limits**

- 10.10.1 SAFCOM may limit the aggregate exposure arising from the proprietary positions of a clearing member, the positions of the clients of the clearing member, the positions of trading members with which the clearing member has entered into clearing agreements and the positions of the clients of such trading members in relation to the net financial worth of the clearing member plus its suretyship referred to in rule 3.40.7 in a manner determined by the JSE.
- 10.10.2 The clearing member may limit the aggregate exposure arising from the proprietary positions of a trading member and the positions of the clients of such trading member.
- 10.10.3 A clearing member may stipulate a limit to the number of futures and option contracts or a nominal value of bonds that may constitute a transaction by a particular trading member at any one time.

**10.20 Trading and position records**

- 10.20.1 A member shall at all times maintain records of –
- 10.20.1.1 its proprietary transactions and transactions for or on behalf of other members and clients;
  - 10.20.1.2 margin and other payments to and from SAFCOM, other members and their clients.
- 10.20.2 A member shall confirm to a client at least once a month –
- 10.20.2.1 the transactions done with or on behalf of the client during the period;
  - 10.20.2.2 the futures and option contract positions of the client at the time of reporting;
  - 10.20.2.3 the bonds positions of the client at the time of reporting, where a trading member has custody and control over such instruments;
  - 10.20.2.4 the balances of additional and retained margin held for the client at the time of reporting; and
  - 10.20.2.5 all payments to and from the client made or accrued during the period, including payments of margin, fees and interest.
- 10.20.3 The records referred to in rule 10.20.1 shall be kept for a period of at least five years.

**10.30 Telephone recordings**

- 10.30.1 The JSE, SAFCOM and members may tape-record all telephone calls.
- 10.30.2 A trading member must tape-record all telephonic orders received from or made to clients.
- 10.30.3 With respect to such telephone calls, the tape-recording shall be admissible as evidence in any disciplinary or dispute resolution proceedings contemplated in these Yield-X rules: Provided that the person who intends to rely on such tape recordings in evidence shall bear the onus of proving the authenticity thereof.
- 10.30.4 All parties to the prescribed agreements shall in such agreement acknowledge and confirm that they are aware that telephone calls may be recorded, and they shall be deemed to have irrevocably consented thereto.
- 10.30.5 No member shall tamper with any tape-recording of any telephone call.
- 10.30.6 Tape-recordings contemplated in ~~this~~ rule 10.30.2 shall be ~~kept-retained in safe custody by the trading member~~ for a period of at least 14 days.

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10.10.1 amended with effect from 12 December 2009

10.10.2 amended with effect from 12 December 2009

10.10.3 amended with effect from 12 December 2009

10.30.3 amended with effect from 1 August 2005

**Management of members' and clients' accounts****10.40 Separation of funds and Yield-X securities**

A member –

- 10.40.1 shall at all times separate a client's or other member's assets, including funds, the Yield-X securities and other corporeal and incorporeal things of the client or other member, from its own assets;
- 10.40.2 may not co-mingle the funds or Yield-X securities of any client or another member with its own;
- 10.40.3 may not allow the use of funds or Yield-X securities or corporeal or incorporeal things belonging to any client or other member to finance its own transactions or the transactions of any other person;
- 10.40.4 may not allow the use of funds or Yield-X securities or corporeal or incorporeal things of any client or other member to operate its own business; and
- 10.40.5 in respect of the transactions or positions of a member or client, may not retain any funds, Yield-X securities or other corporeal or incorporeal things given by such member or client or received by the member on behalf of any person other than additional margin or retained margin, or Yield-X securities as contemplated in terms of rule 10.90.1.

**10.50 Management of funds by SAFCOM**

- 10.50.1 SAFCOM shall separate the margins and other monies, Yield-X securities and other corporeal and incorporeal things of any clearing member from its own assets and shall manage and invest such margins and other monies in a manner and subject to such terms and conditions as the JSE shall determine.
  - 10.50.1.1 A clearing member may deposit any additional margin kept by it in terms of rule 8.50.5.1 with SAFCOM.
  - 10.50.1.2 A trading member may deposit any additional or retained margin kept by it in respect of its resident clients in terms of rule 8.50.5.2 with SAFCOM.
- 10.50.2 SAFCOM, on behalf of the JSE, shall monthly in arrears, retain an interest consideration as determined by the JSE of not more than 2% per annum on any margins held by it in respect of any position registered in the name of any person during the month.

**10.60 Clearing member bank accounts**

- 10.60.1 The provisions of this rule 10.60 shall apply in respect of additional margin not deposited by a clearing member with SAFCOM.
- 10.60.2 A clearing member shall at all times keep a separate bank account into which it shall deposit any additional margin kept by it.
- 10.60.3 A clearing member shall at all times ensure that the correct amount of additional margin as required by its clearing agreement with the trading member is held in respect of each trading member with

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10.40 amended with effect from 1 August 2005

10.40.1 amended with effect from 1 August 2005

10.40.2 amended with effect from 1 August 2005

10.40.3 amended with effect from 1 August 2005

10.40.4 amended with effect from 1 August 2005

10.40.5 amended with effect from 1 August 2005

10.50.1 amended with effect from 1 August 2005

10.50.1.1 introduced with effect from 12 December 2009

10.50.1.2 introduced with effect from 12 December 2009

New 10.60.1 introduced with effect from 12 December 2009

10.60.1 amended with effect from 1 August 2005

Existing 10.60.1 renumbered 10.60.2 with effect from 12 December 2009

which it has entered into a clearing agreement and its records shall at all times reflect the amount of additional margin held in respect of each such trading member.

#### 10.70 Trading members' bank accounts

- 10.70.1 The provisions of this rule 10.70 shall apply in respect of additional and/or retained margin not deposited by a member with SAFCOM.
- 10.70.2 A trading member shall keep a separate trust account with a bank into which it shall deposit directly or ensure the direct deposit of all client money either held or received by it with respect to its resident clients.
- 10.70.3 A trading member shall at all times keep records that shall show the amount held in respect of each client with respect to additional margin and with respect to retained margin and it shall at all times ensure that the correct amount of additional margin as required in terms of the relevant client agreement is held in respect of each client's positions.
- 10.70.4 Other than in respect of the payment for fees and services rendered, a member shall at all times ensure that there is no deposit or receipt of client funds into its own proprietary account.

#### 10.80 Members' accounts at settlement agents for STRATE settled bonds

A member which has control over and custody of the bonds holdings of one or more of its clients shall operate separate accounts at its settlement agent for the purpose of segregating the custody positions of its clients from its proprietary positions.

#### 10.90 Trading members' control of client holdings in STRATE settled bonds

- 10.90.1 Where a trading member has control over the bonds holdings of its clients, the details of such client bonds holdings shall be recorded in its accounting records in a manner that will render it possible at any time to establish readily the identity of the persons entitled to the ownership of such bonds.
- 10.90.2 A trading member that controls bonds holdings on behalf of its clients must balance and reconcile, on at least a monthly basis, its own client holdings records with the custody balances as reflected by its settlement agent. Any reconciling differences identified between the respective records must be rectified forthwith.
- 10.90.3 At the request of the JSE, the trading member shall provide the JSE with a copy of the reconciliations performed in terms of rule 10.90.2 above, together with full details and explanations of reconciling items.
- 10.90.4 Any arrangements entered into between a client and a trading member whereby the member exercises control over the client's bonds holdings, shall be provided for in ~~a written mandate the client agreement~~ that shall contain the minimum requirements as ~~prescribed in the set out in Directive DD directives~~.
- 10.90.5 A trading member shall ensure that only suitably authorised persons are able to withdraw or transfer a member settled client's bonds from a client custody account held with the settlement agent of the trading member.
- 10.90.6 A trading member shall be precluded from controlling or having custody over the holdings of its non-resident or emigrant clients in STRATE settled bonds unless it is an authorised bank.

#### 10.100 Relaxation or indulgence given by a member

A member who gives any relaxation or indulgence to a client regarding the payment of margin, whether initial margin, settlement margin, variation margin, top-up margin or additional margin, shall be deemed to have granted the client a loan repayable on demand in the amount of the shortfall for the period of the relaxation or

10.60.2 renumbered 10.60.3 with effect from 12 December 2009

New 10.70.1 introduced with effect from 12 December 2009

Existing 10.70.1 renumbered 10.70.2 with effect from 12 December 2009

10.70.2 renumbered 10.70.3 with effect from 12 December 2009

10.70.3 renumbered 10.70.4 with effect from 12 December 2009

indulgence at a rate of interest specified in the client agreement between them. If no rate is specified, the member's customary rate shall apply or if there is no customary rate, the rate determined in terms of the Prescribed Rate of Interest Act No. 55 of 1975 shall apply. The member shall, if such loan is for a period exceeding two business days, immediately inform the client thereof in writing.

#### 10.105 Acceptance of cash deposits

No member shall knowingly receive or accept a deposit of cash from any person exceeding an amount of R5 000. For the purpose of this rule "cash" shall mean coin and paper money of the Republic or any other country. A member shall not receive or accept two or more cash amounts exceeding R5 000 in total with the purpose of avoiding compliance with this rule.

#### *Non-Resident and Emigrant Clients*

#### 10.110 Bank accounts

Before a trading member trades with a non-resident or emigrant client, the non-resident client shall open a non-resident account at an authorised bank or, in the case of an emigrant client, an emigrant's blocked account and a non-resident account, both with the same authorised bank, to be used for the purposes of trading in Yield-X securities.

#### 10.120 Margins payable

The initial margin, settlement margin or top-up margin payable with respect to the open futures and option contract positions or unsettled bonds positions, as the case may be, of a non-resident or emigrant client shall be the initial margin ~~or~~ settlement margin or top-up margin that would otherwise have been payable by or to a member or a resident client in relation to equivalent positions, adjusted by the margin category assigned by the member in question to the non-resident or emigrant client, and a trading member may not hold any retained or additional margins in relation to the positions of any non-resident or emigrant client.

#### 10.130 Settlements

10.130.1 With respect to his open futures and option contract positions or unsettled bonds positions a non-resident client shall pay from his non-resident account to, or receive into his non-resident account from, or an emigrant client shall pay from his emigrant's blocked account to, or receive into his emigrant's blocked account from, the client trust account of the trading member with whom he traded to open such positions, the net amount of the initial margin, settlement margin, variation margin and top-up margin: Provided that –

10.130.1.1 the initial margin, settlement margin or top-up margin to be paid in terms of this rule 10.130.1 shall be the initial margin ~~or~~ settlement margin or top-up margin that would otherwise be required to be paid to SAFCOM in respect of equivalent positions of a trading member or a resident client adjusted by the margin category assigned by the trading member to the non-resident or emigrant client in question;

10.130.1.2 interest may not be included in the payment but shall be treated separately as contemplated in rule 10.130.6;

10.130.1.3 trading, clearing and settlement fees may not be included in the payment but shall be treated separately as contemplated in rule 10.140; and

10.130.1.4 a trading member may not hold any retained or additional margin with respect to the positions of a non-resident or an emigrant client.

10.130.2 The confirmation contained in the SWIFT non-resident account notification or the SWIFT emigrant's blocked account notification to the authorised bank shall confirm the net settlement amounts to be paid or received in terms of rule 10.130.1 or 10.130.2, and shall require the authorised bank to release or accept this amount to or from the trading member concerned.

10.105 introduced with effect from 1 August 2005

10.110 amended with effect from 1 August 2005

- 10.130.3 The clearing member or SAFCOM, as the case may be, may off-set amounts due to it against amounts due by it to or from a trading member: Provided that it can be ascertained from the statements passing between them that no margins or other monies of a non-resident or an emigrant client are being held by either SAFCOM or the clearing member.
- 10.130.4 A trading member may not off-set the amounts due to a non-resident client or an emigrant client against any amount due from any other non-resident client or emigrant client, nor may a trading member off-set any amount due to an emigrant client for credit of that emigrant client's emigrant's blocked account against any amount due from that emigrant client from that emigrant's non-resident account, or vice versa.
- 10.130.5 A trading member shall not retain any interest paid to it by SAFCOM or its clearing member with respect to the open futures and option contract positions or unsettled bonds positions of a non-resident or an emigrant client, and on the second business day following the end of each month during which a non-resident client or emigrant client had a position registered in his name, the trading member shall pay to the authorised bank concerned for the credit of that non-resident client's or emigrant client's non-resident account an amount equal to the amount received by it from its clearing member or SAFCOM, as the case may be, in respect of interest on margins: Provided that a clearing member who has a clearing agreement with the trading member concerned shall pay to the trading member an amount equal to that which it received in respect of the non-resident client's or emigrant client's position from SAFCOM.
- 10.130.6 A trading member may not off-set amounts due to be paid from a non-resident client's non-resident account or, in the case of an emigrant client, amounts due to be paid from the emigrant client's blocked account against amounts to be paid into that non-resident or emigrant client's non-resident account.
- 10.130.7 The amount of interest referred to in rule 10.130.6 shall be paid by the trading member to the authorised bank concerned by midday on the next business day after the business day on which the SWIFT non-resident account notification was received by the authorised bank concerned.

#### 10.140 Trading, clearing and settlement fees

~~In terms of rule 8.70 the~~ The trading member shall be entitled in terms of rule 8.70,3 to claim payment for trading, clearing and settlement fees in respect of transactions with a non-resident or emigrant client ~~for payment by/from~~ the authorised bank concerned ~~from-out of~~ that non-resident client's non-resident account or, in the case of an emigrant client, ~~from-out of~~ the emigrant client's emigrant's blocked account ~~to the trading member~~: Provided that—

- 10.140.1 a trading member shall not be entitled to off-set such fees against margin due by it to a non-resident client or emigrant client contemplated in rule 10.130.1 or 10.130.2 or against any balance due to the non-resident client or emigrant client as contemplated in rule 11.30.5; and
- 10.140.2 the authorised bank concerned shall compare the transactions referred to in the non-resident account clearance certificate or emigrant's blocked account clearance certificate against the transactions referred to in the member's statement claiming such fees in respect of such transactions and may inform the JSE of any discrepancy.

#### 10.150 Trading restriction

An emigrant client who is also a non-resident client, or who has a beneficial interest in a non-resident client, shall not open a futures and option contract position or unsettled bonds position, the effect of which aggregate position is opposite to an aggregate position that is or that shall be registered in the name of such non-resident client, nor shall a non-resident client who is also an emigrant client or a non-resident client in which such an emigrant client has a beneficial interest open a position, the effect of which aggregate position is opposite to an aggregate position that is or shall be registered in the name of such emigrant client concerned, and no trading member shall knowingly trade with a client in contravention of this rule.

## Management of Investments

### 10.160 Authority to manage investments in Yield-X securities

All trading members are authorised to manage investments comprising Yield-X securities: Provided that they comply with the provisions of this rule, and all other applicable rules, and undertake such management in compliance with the ~~prescribed~~ client agreement referred to in rule 7.80.1. This rule shall, however, not apply to a trading member if the member is a bank or if the majority of such trading member's intermediary services do not relate to trading in JSE listed securities as an authorised user of any of the JSE markets. Such a trading member shall be required to obtain a licence to operate as a financial services provider in terms of the FAIS Act in respect of any advice or intermediary services which it provides to clients relating to Yield-X securities, and the relevant provisions of that Act shall apply to such advice or intermediary services.

### 10.170 Trading as an investment manager in Yield-X securities

- 10.170.1 A trading member may not trade as an investment manager in Yield-X securities for or on behalf of a client unless it has concluded a discretionary client agreement with the client and the client has been registered with the JSE SAFCOM as a client of that member in terms of rule 7.80.2.
- 10.170.2 An investment manager may not directly or indirectly buy or sell Yield-X securities for or from its own account or any account in which an employee has a direct or indirect beneficial interest, to or from a client.

### 10.180 Management and investment advice in respect of JSE authorised investments other than Yield-X securities

- 10.180.1 This rule is only applicable to trading members whose investment management activities in relation to Yield-X securities are regulated by the JSE in terms of rule 10.160.
- 10.180.2 The provisions of rules 10.180.4 to 10.180.13 shall not apply to a trading member if the trading member is a bank or if the majority of such member's intermediary services do not relate to trading in JSE listed securities as an authorised user of any of the JSE markets. Such a member shall be required to obtain a licence to operate as a financial services provider in terms of the FAIS Act in respect of any advice or intermediary services which it provides to clients relating to JSE authorised investments other than Yield-X securities and the relevant provisions of that Act shall apply to such advice or intermediary services.
- 10.180.3 The provisions of rules 10.180.4 to 10.180.13 shall not apply to a trading member in respect of transactions in JSE authorised investments other than Yield-X securities where such transactions relate to securities listed on an exchange other than the JSE, ~~including the Bond Exchange of South Africa~~, and where such transactions are conducted as an authorised user of such exchange. Such transactions will instead be subject to the rules of the relevant exchange.
- 10.180.4 A trading member may not enter into transactions as an investment manager in JSE authorised investments other than Yield-X securities on behalf of clients or provide investment advice to any clients in respect of such investments unless it has notified the Director: Surveillance, in writing, of its intention to effect such transactions or provide such investment advice.
- 10.180.5 In order for the JSE to identify the scope of an investment manager's activities in JSE authorised investments other than Yield-X securities, the written notification to the Director: Surveillance referred to in rule 10.180.4 shall indicate which specific investments the investment manager is intending either to transact in on behalf of its clients or to provide investment advice on, or both.

10.160 amended with effect from 1 August 2005

10.170 amended with effect from 1 August 2005

10.170.2 amended with effect from 1 August 2005

10.180 amended with effect from 1 August 2005

10.180.1 to 10.180.3 introduced with effect from 1 August 2005

10.180.1 to 10.180.10 renumbered 10.180.4 to 10.180.13 and amended with effect from 1 August 2005



- 10.180.6 The details which are required to be submitted to the Director: Surveillance in terms of rule 10.180.5 shall specify the particular types of JSE authorised investments other than Yield-X securities in which activity is to be conducted, but need not include the name of the particular investments.
- 10.180.7 The failure by an investment manager to provide the notification referred to in rules 10.180.4 and 10.180.5 prior to undertaking the relevant activity may result in the JSE imposing restrictions or a prohibition on the investment manager's activities in JSE authorised investments other than Yield-X securities.
- 10.180.8 If an investment manager has previously notified the Director: Surveillance in terms of rules 10.180.4 and 10.180.5 of its intention to conduct activity in any JSE authorised investments other than Yield-X securities and the investment manager ceases to conduct activity in respect of one or more particular types of investments, with no intention of resuming activity in such investments in the foreseeable future, the investment manager shall notify the Director: Surveillance forthwith, in writing, of such cessation of activity.
- 10.180.9 Any decision by an investment manager to invest in JSE authorised investments other than Yield-X securities on behalf of a client shall be made with due regard to the relevant provisions of rule 10.220 regarding the conduct of members, particularly the provisions relating to the general conduct towards clients in rule 10.220.2 and the exercise of discretion in rule 10.220.3.
- 10.180.10 An investment manager shall not effect transactions in JSE authorised investments other than Yield-X securities on behalf of a client unless the client has given his general consent to such transactions being effected in a written mandate.
- 10.180.11 Every investment manager who purchases JSE authorised investments other than Yield-X securities on behalf of a client and who is accountable to the client for the client's investment in such instruments shall comply with the following requirements –
- 10.180.11.1 the relevant investments shall be segregated from the investment manager's own assets at all times. If the JSE authorised investments other than Yield-X securities are held in an account maintained by another financial services provider, the account shall either be opened in the client's own name or, if the investment manager opens a single account in respect of transactions executed on behalf of more than one client, the investment manager shall procure that the account is clearly designated in the records of the relevant financial services provider as being an account utilised for investments made by the investment manager on behalf of its clients;
- 10.180.11.2 the investment manager shall maintain proper accounting records in respect of all JSE authorised investments other than Yield-X securities purchased or sold on behalf of clients. These records shall be updated forthwith in respect of any transactions in JSE authorised investments other than Yield-X securities and shall clearly identify the beneficial owners of all such investments at all times; and
- 10.180.11.3 the investment manager must balance its clients' holdings in JSE authorised investments other than Yield-X securities, as reflected in the investment manager's records, with the accounts maintained by the other financial services providers who hold such investments, on a monthly basis. Any differences identified between the respective records must be rectified forthwith.
- 10.180.12 Every investment manager who holds JSE authorised investments other than Yield-X securities on behalf of a client or who is accountable to a client for such investments shall implement and maintain an effective system of internal controls to safeguard such investments and prevent unauthorised access thereto.
- 10.180.13 Transactions by an investment manager in JSE authorised investments other than Yield-X securities which constitute foreign investments shall also be subject to rule 10.190.

### 10.190 Management of Foreign Investments

- 10.190.1 For the purpose of this rule, foreign investments means –

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10.180.11 and 10.180.12 deleted with effect from 1 August 2005



- 10.190.1.1 securities listed on an external exchange;
  - 10.190.1.2 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 the Collective Investment Schemes Control Act, 2002;
  - 10.190.1.3 units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and
  - 10.190.1.4 foreign funds intended for the purchase of such securities, units or participation.
- 10.190.2 An investment manager shall not enter into transactions in foreign investments on behalf of a client unless:
- 10.190.2.1 the mandate entered into between the investment manager and the client in terms of 10.180.10 –
    - 10.190.2.1.1 stipulates that the investment manager is authorised to invest in foreign investments;
    - 10.190.2.1.2 contains a statement pertaining to the risks associated with foreign investments, with particular reference to any currency risk;
    - 10.190.2.1.3 states whether there are any jurisdiction restrictions in respect of the particular foreign investments; and
    - 10.190.2.1.4 contains full particulars of the manner in which such investments shall be made and in whose name such investments shall be held or registered;
  - 10.190.2.2 the client has obtained the prescribed tax clearance certificate from the South African Revenue Service.
- 10.190.3 An investment manager must, on request by a client, furnish the client with the following information regarding any foreign investments made by the investment manager on behalf of the client –
- 10.190.3.1 the name of the licensed external exchange on which the foreign investments are listed, if applicable;
  - 10.190.3.2 the country in which the foreign investments are licensed or registered and the name and address of the relevant licensing or registration authority, if applicable;
  - 10.190.3.3 the name and address of the foreign financial services provider used by the investment manager to purchase or hold the foreign investments, if applicable; and
  - 10.190.3.4 the name and address of the regulator of the foreign financial services provider referred to in rule 10.190.3.3 and whether such foreign financial services provider is approved or registered by such regulator.

#### 10.200 Trading with a discretionary financial services provider

A trading member shall not effect a transaction with a person whom the trading member reasonably believes requires authorisation as a discretionary financial services provider or the status of a representative in terms of the FAIS Act, without having taken reasonable measures to ascertain that such person has the required authorisation or status.

#### 10.210 Client statements

- 10.210.1 An investment manager must provide a written statement to a client on a monthly basis which complies with rules 10.210.2 and 10.210.3.
- 10.210.2 A client statement must contain such information as is reasonably necessary to enable the client to –

10.190.1.1 amended with effect from 1 August 2005

10.190.1.4 amended with effect from 1 August 2005

10.190.2.1 amended with effect from 1 August 2005

10.190.3.1 amended with effect from 1 August 2005

- 10.210.2.1 produce a set of financial statements;
  - 10.210.2.2 determine the composition of the investments comprising the portfolio held by the member or for which the member is accountable to the client and the changes thereto over the reporting period, if applicable; and
  - 10.210.2.3 determine the market value of the investments comprising the portfolio held by the member or for which the member is accountable to the client and the changes therein over the reporting period, if applicable.
- 10.210.3 Pursuant to rule 10.210.2, and to provide the client with the information necessary for them to review the operation of their account and make appropriate investment decisions, a client statement must contain at least the following information:
- 10.210.3.1 the quantity, description and market value of each investment comprising the portfolio held by the member or for which the member is accountable to the client, at the reporting date;
  - 10.210.3.2 the amount of funds held by the member or which has been invested by the member on behalf of the client and for which the member is accountable to the client, at the reporting date;
  - 10.210.3.3 if any of the investments or funds are reflected in a foreign currency, the relevant currency exchange rate at the reporting date must also be reflected;
  - 10.210.3.4 investments purchased or sold during the reporting period;
  - 10.210.3.5 receipts and payments of funds during the reporting period;
  - 10.210.3.6 details of income earned and expenditure incurred during the reporting period;
  - 10.210.3.7 non-cash transactions during the reporting period, including non-cash components of corporate actions and option expiries;
  - 10.210.3.8 investments transferred into and out of the portfolio during the reporting period;
  - 10.210.3.9 identification of those investments which at the reporting date were loaned to any third party but for which the member is still accountable to the client;
  - 10.210.3.10 the quantity, description and market value of any financial products, or the amount of funds, held as collateral by the member on behalf of the client in respect of any loans made by the client;
  - 10.210.3.11 identification of those investments or funds which at the reporting date were utilised to secure loans to the client or borrowings made on behalf of the client;
  - 10.210.3.12 identification of those investments or funds which at the reporting date were utilised as margin in respect of open positions in any financial product;
  - 10.210.3.13 in respect of investments in derivative instruments, a description of the underlying financial product, index, commodity or thing, the expiry month and in the case of options, the exercise or strike price; and
  - 10.210.3.14 if the statement reflects any investments or funds which are not held by the member and for which the member is not accountable to the client, it should clearly indicate that fact in relation to such investments or funds.
- 10.210.4 The information referred to in rule 10.210.3 may be provided to the client in separate statements either during the reporting period or as at the reporting date.
- 10.210.5 A client statement shall be provided either to the client or to an agent or third party nominated by the client in writing.

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10.210.3.13 amended with effect from 1 August 2005

**10.215 Exercising of discretion and provision of investment advice by employees**

A member shall, in the course of its business, exercise discretion in the management of JSE authorised investments and provide investment advice to its clients on the buying and selling of JSE authorised investments only through an employee who has obtained such qualification as may be prescribed in the directives.

***Ethics and conduct*****10.220 Code of conduct**

## 10.220.1 Standards of integrity

A member shall, in the conduct of its business, observe high standards of integrity and fair dealing. It must –

- 10.220.1.1 not provide, or accept material inducements of a non-business nature to, or from any person to obtain business;
- 10.220.1.2 not knowingly circulate information or submit information to the JSE or SAFCOM which is false or misleading, or which affects or tends to affect unfairly the price of any Yield-X security;
- 10.220.1.3 not knowingly countenance any attempt to manipulate the market, nor to influence persons for such a purpose;
- 10.220.1.4 not be a party to or facilitate or enter into a transaction which is fictitious or which has a dishonest or unlawful motive;
- 10.220.1.5 conduct its activities in a manner that is compatible with the objects of the Act and with full respect for the dignity of the JSE; and
- 10.220.1.6 not participate in any dealings with other members, clients, the media or other persons, which may be of such a nature as to discredit the JSE.

## 10.220.2 General conduct towards clients

In its dealings with clients, a member shall –

- 10.220.2.1 act honestly and fairly;
- 10.220.2.2 act with due skill, care and diligence, and in the interests of clients;
- 10.220.2.3 exercise independent professional judgement;
- 10.220.2.4 act promptly on and in accordance with the instructions of a client, and exercise any discretion in a responsible manner;
- 10.220.2.5 avoid conflicts of interest and when they cannot be avoided, ensure fair treatment to clients by disclosure, confidentiality or declining to act. A member shall not unfairly place its interests above those of its clients; and
- 10.220.2.6 not make any statement, promise or forecast which it knows to be misleading or is likely to be misleading and that has the effect or may have the effect of inducing a client to enter into a client agreement.

## 10.220.3 Furnishing of investment advice and exercise of discretion-

In providing investment advice to a client or exercising discretion in relation to the management of JSE authorised investments, a member shall –

- 10.220.3.1 take reasonable steps to seek from the client information regarding the client's financial situation, investment experience, particular needs and objectives in

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10.215 introduced with effect from 1 August 2005

10.220.1.1 amended with effect from 1 August 2005

10.220.1.2 amended with effect from 1 August 2005

10.220.1.5 amended with effect from 1 August 2005

10.220.3 amended with effect from 1 August 2005

- connection with the services required, to enable the member to provide the client with sound investment advice or make an appropriate investment decision;
- 10.220.3.2 conduct an analysis, based on the information obtained, for the purpose of advising the client or making an investment decision;
- 10.220.3.3 identify the JSE authorised investments that will suit the client's risk profile and financial needs, subject to the terms of any client agreement entered into between the client and the member or any other mandate provided to the member by the client;
- 10.220.3.4 take reasonable steps to ensure that the client understands any investment advice that has been provided, as well as the nature and material terms and risks involved in the relevant transaction, so as to enable the client to make an informed decision; and
- 10.220.3.5 ensure that any investment advice provided or discretion exercised is not for the sole purpose of maximising the income of the member.
- 10.220.4 Disclosure to clients
- 10.220.4.1 In rendering a service to a client, any representations made and information provided by a member –
- 10.220.4.1.1 must be factually correct;
- 10.220.4.1.2 must be provided in plain language, avoid uncertainty or confusion and not be misleading;
- 10.220.4.1.3 must be adequate and appropriate in the circumstances of the particular service, taking into account the factually established or reasonably assumed level of knowledge of the client;
- 10.220.4.1.4 must, as regards all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein, be reflected in specific monetary terms, provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation must be adequately described;
- 10.220.4.1.5 need not be duplicated or repeated to the same client unless material or significant changes affecting that client occur, or the relevant service renders it necessary, in which case a disclosure of the changes must be made to the client without delay.
- 10.220.4.2 A member –
- 10.220.4.2.1 must disclose full and accurate information about the fees and any other charges that may be levied on clients;
- 10.220.4.2.2 may not disclose any confidential information acquired or obtained from a client about such client, unless the written consent of the client has been obtained beforehand or disclosure of the information is required to further the objects of the Act or is required under any law;
- 10.220.4.2.3 must advise a client in advance of any restrictions or limitations that may affect the access of that client to their funds or JSE authorised investments.

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10.220.3.1 amended with effect from 1 August 2005  
 10.220.3.3 amended with effect from 1 August 2005  
 10.220.3.4 amended with effect from 1 August 2005  
 10.220.3.5 amended with effect from 1 August 2005  
 10.220.4.2.3 amended with effect from 1 August 2005

- 10.220.5 Maintenance of client records
- 10.220.5.1 A member must maintain proper, complete, accurate and secure records in relation to the services rendered to its clients.
- 10.220.5.2 A member must have appropriate procedures and systems in place to store and retrieve, in a manner safe from destruction, a record of all –
- 10.220.5.2.1 communications relating to a service rendered to a client, including instructions given by the client to the member;
- 10.220.5.2.2 transaction documentation relating to clients;
- 10.220.5.2.3 contractual arrangements between the member and its clients, including client agreements and mandates prescribed by the Yield-X rules; and
- 10.220.5.2.4 client particulars required to be provided in terms of the Yield-X rules or which are necessary for the effective operation of client accounts.
- 10.220.5.3 The client records in 10.220.5.2 may be kept in printed, electronic or voice-recorded format.
- 10.220.5.4 Members need not keep the records in 10.220.5.2 themselves but must be capable of making such records available for inspection within seven days.
- 10.220.5.5 All instructions given by clients to execute transactions must be kept for a period of at least six months after the relevant transactions and all other client records in 10.220.5.2 must be kept for at least five years after the rendering of the services concerned.
- 10.220.6 Contact with the member
- A member must provide for the necessary resources and functionality to ensure that clients are able to readily contact the member.
- 10.220.7 Waiver of rights
- A member may not request or induce in any manner a client to waive any right or benefit conferred on the client by or in terms of this code or the Yield-X rules, or recognise, accept or act on any such waiver by the client, and any such waiver is void.
- 10.220.8 Adequacy of financial resources
- A member shall ensure that it maintains adequate financial resources to meet its business commitments and to withstand the risks to which its business is subject.
- 10.220.9 Internal resources and risk management
- A member shall employ effectively the resources and procedures that are necessary for the proper performance of its business activities and to eliminate, as far as ~~if~~ is reasonably possible, the risk that clients will suffer financial loss through theft, fraud, other dishonest acts poor administration, negligence, professional misconduct or culpable omissions. It shall organise and control its internal affairs in a reasonable manner and keep proper records. Its staff shall be suitable, adequately trained and properly supervised.
- 10.220.10 Co-operation with regulators
- A member shall deal with the JSE as its regulator in an open co-operative manner and keep the JSE promptly informed of anything concerning the JSE which might reasonably be expected to be disclosed to it. A member shall also provide reasonable co-operation to any other regulatory body or any law enforcement agency in respect of any matters which are the subject of an investigation by such body or agency relating to an alleged contravention of the Act, or any equivalent foreign legislation or any other law governing the activities of the member.

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10.220.6 amended with effect from 1 August 2005

## 10.220.11 Enforcement of code on employees

A member shall enforce the provisions of this code on all its employees.

**10.225 Unsolicited calls**

A member may enter into a transaction with or on behalf of a person where the transaction is as a result of an unsolicited call, provided that the member has complied with the requirements set out in rules 10.220.3 and 10.220.4.

**10.230 Advertising by members**

## 10.230.1 Advertising material of a member –

- 10.230.1.1 must provide accurate, complete and unambiguous information about any JSE authorised investment or any service rendered by the member;
- 10.230.1.2 must emphasise the risk of loss and uncertainty of future results;
- 10.230.1.3 must discern fact from opinion;
- 10.230.1.4 may not be comparative in relation to another member; and
- 10.230.1.5 may not make the statement or suggest that trading in derivative instruments on the JSE is appropriate for all persons.

## 10.230.2 An advertisement by a member –

- 10.230.2.1 may not contain any statement, promise or forecast which is fraudulent, untrue or misleading;
- 10.230.2.2 must, if it contains –
  - 10.230.2.2.1 performance data (including awards and rankings), include references to their source and date;
  - 10.230.2.2.2 illustrations, forecasts or hypothetical data –
    - 10.230.2.2.2.1 contain support in the form of clearly stated basic assumptions (including, but not limited to, any relevant assumptions in respect of performance, returns, costs and charges) with a reasonable prospect of being met under current circumstances;
    - 10.230.2.2.2.2 make it clear that they are not guaranteed and are provided for illustrative purposes only; and
    - 10.230.2.2.2.3 also contain, where returns or benefits are dependent on the performance of underlying assets or other variable market factors, clear indications of such dependence;
  - 10.230.2.2.3 a warning statement about risks involved in buying or selling a JSE authorised investment, prominently display such statement; and
  - 10.230.2.2.4 information about past performances, also contain a warning that past performances are not necessarily indicative of future performances; and
- 10.230.2.3 must, if the investment value of a JSE authorised investment mentioned in the advertisement is not guaranteed, contain a warning that no guarantees are provided.

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10.220.11 amended with effect from 1 August 2005  
 10.225 introduced with effect from 1 August 2005  
 10.230.1.1 amended with effect from 1 August 2005  
 10.230.2.2.3 amended with effect from 1 August 2005

10.230.3 In the event that the JSE considers that a member has failed to conform to any of the advertising requirements published by the JSE under rule 10.230.1 or 10.230.2, it may at its discretion (without prejudice to its other powers under these Yield-X rules) require that no further advertising material or other promotional or marketing material shall be published by or on behalf of such member unless it has been submitted to the JSE in advance and the JSE has notified the member that the material is suitable for publication.

**10.240 Contraventions to be reported**

Every member shall report to the JSE any contravention of the Act, the Yield-X rules, and the directives that comes to its attention.

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10.240.2.3 amended with effect from 1 August 2005

10.240 amended with effect from 1 August 2005

**SECTION  
11**

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**Section 11: Defaults**

**Scope of Section**

- 11.10 Default by a member
- 11.20 Default by a client
- 11.30 Consequences of default by a client
- 11.40 Consequences of default by a trading member
- 11.50 Consequences of default by a clearing member



**11.10 Default by a member**

- 11.10.1 A member shall default if –
- 11.10.1.1 it is unable to meet its commitments to SAFCOM, another trading member, its clearing member, its settlement agent, or its clients arising out of a Yield-X security transaction or position; or
  - 11.10.1.2 the JSE, in its sole discretion, considers that it has defaulted.
- 11.10.2 If a member is unable to meet its commitments in terms of rule 11.10.1.1 or the JSE considers that the member has defaulted in terms of rule 11.10.1.2, the JSE executive will declare the member to be a defaulter as from the time when the act of default occurred.

**11.20 Default by a client**

A client shall default if –

- 11.20.1 he fails to fulfil any of his obligations in terms of a Yield-X security transaction or position; or
- 11.20.2 the JSE, in its sole discretion, considers that he has defaulted; or
- 11.20.3 he is in default with respect to one particular member and the JSE in its discretion decides that he is in default with respect to another member.

**11.30 Consequences of default by a client**

Without limiting or detracting from any other remedies and rights which a trading member may have against a client, in the event of default by a client –

- 11.30.1 the client shall, save as provided in this rule, be suspended from trading through the trading member;
- 11.30.2 the trading member shall close out the futures and option contract positions of the client through the Yield-X trading system;
- 11.30.3 any amount payable by the trading member to the client as a result of such close out of futures and option contract positions or arising from any suretyship, cession, pledge or other security or from any other cause shall be set off against any amount payable by the client in terms of rule 8.80.7;
- 11.30.4 the closing of transactions of the defaulting client in STRATE settled bonds shall be dealt with as follows:
  - 11.30.4.1 The trading member shall use its best endeavours to procure that all open transactions of the defaulter that are guaranteed by the trading member in terms of rule ~~7.30.3-19.15.1~~ are settled, by taking such steps as may reasonably be necessary; and
  - 11.30.4.2 If the trading member is unable to procure the settlement of any open transactions to which rule ~~7.30.3-19.15.1~~ applies, the failed trade procedures set out in rule 9.130 or rule 9.135 will be applied;
- 11.30.5 any amount payable by the trading member to the client as a result of failed trade procedures shall be set off against any amount payable by the client in terms of rules 9.80.6, 9.90.4, 9.140.3, 9.150.2, 9.160.3 and 9.170.4; and
- 11.30.6 any shortfall remaining after the application of this rule 11.30 shall be recovered from the client and any surplus shall be paid to the client.

**11.40 Consequences of default by a trading member**

- 11.40.1 Without limiting or detracting from any other remedies and rights which a member or client may have against a trading member, in the event of default by a trading member –
- 11.40.1.1 the trading member shall, save as provided in this rule, be suspended from trading;
  - 11.40.1.2 the clearing member shall transfer the proprietary futures and option contract positions of the trading member to itself and for its own account at a price approved by the JSE within two business days or such other period as may be determined by the JSE from the date of default;

- 11.40.1.3 any amount payable to the trading member as a result of such transfer of futures and option contract positions or arising from any suretyship, cession, pledge or other security or any other cause shall be set off against any amount payable by the trading member in terms of rule 8.80.4 or in terms of any failure by the trading member to meet its obligations in respect of transactions in STRATE settled bonds as referred to in rule 9.100, including related penalties imposed by the JSE;
- 11.40.1.4 the closing of transactions of the defaulting trading member in STRATE settled bonds shall be dealt with as follows:
- 11.40.1.4.1 The Settlement Authority shall use its best endeavours to procure that all open transactions between the defaulter and other trading members and clients to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply are settled, by taking such steps as may reasonably be necessary;
- 11.40.1.4.2 In procuring settlement of these open transactions, the Settlement Authority shall require clients of the defaulter to meet their settlement obligations in respect of all open transactions executed on their behalf;
- 11.40.1.4.3 Where possible, any funds or securities held by the defaulter or their settlement agent on behalf of member settled clients or received by the defaulter or the clearing member from member settled clients subsequent to the default, which are required to effect settlement of open transactions conducted on behalf of those clients, will be applied by the Settlement Authority to settle such transactions;
- 11.40.1.4.4 In attempting to procure that open transactions in bonds are settled in terms of rule 11.40.1.4.1, the Settlement Authority shall be entitled to buy in or sell out bonds which cannot be either delivered or paid for by the defaulter or its client, in those instances where the Settlement Authority is able to, and deems it appropriate to, procure the settlement of a transaction by means of the borrowing of securities or funds;
- 11.40.1.4.5 If the Settlement Authority is unable to procure the settlement of any open transactions to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply, the failed trade procedures set out in rule 9.130 [or rule 9.135](#) will be applied;
- 11.40.1.4.6 Any loss or costs arising from the application of rule 11.40.1.4 will be recovered by the Settlement Authority from the clearing member;
- 11.40.1.4.7 The clearing member shall, in the first instance, recover any loss or cost referred to in rule 11.40.1.4.6 from any margin provided to the clearing member by the defaulter in respect of the defaulter's proprietary positions in bonds;
- 11.40.1.4.8 Any loss or costs not recovered by the clearing member in terms of rule 11.40.1.4.7 shall be claimed by the clearing member from the defaulter;
- 11.40.1.4.9 In claiming any loss or costs from the defaulter in terms of rule 11.40.1.4.8, any such loss or costs which were incurred by the Settlement Authority in either settling or closing out transactions in bonds by the defaulter on behalf of a client may, in the first instance, be recovered by the clearing member from any margin provided by such client in respect of bonds positions; and
- 11.40.1.4.10 In the event that the margin referred to in rule 11.40.1.4.9 is insufficient to cover any loss or costs associated with the settling

- or closing out of a client's transactions in bonds, the clearing member may, notwithstanding its claim for such a shortfall from the defaulter in terms of rule 11.40.1.4.8, claim the shortfall from the client;
- 11.40.1.5 the clients of the trading member with futures and option contract positions shall, without notice to such clients, become the clients of the clearing member, and -
- 11.40.1.5.1 the clearing member shall assume the obligations of the trading member in terms of rule 8.80.7 that accrued on the date of default or on the previous business day;
- 11.40.1.5.2 all clients who did not previously have client agreements with the clearing member shall conclude client agreements with the clearing member to cover the futures and option contract positions and obligations assumed by the clearing member;
- 11.40.1.5.3 where the clearing member previously had a client agreement with the client of the defaulting trading member, such futures and option contract positions and obligations and subsequent transactions shall be subject to that agreement;
- 11.40.1.5.4 the JSE shall on request provide the clearing member with the registration and contact details of the clients of a defaulting member as supplied to the JSE; and
- 11.40.1.5.5 on the default of a trading member, the clearing member shall contact the clients of such defaulting trading member immediately, to inform them of the default and to make arrangements for the transfer of their existing futures and option contract positions to the clearing member or to another trading member.
- 11.40.2 After consultation with other relevant regulators and exchanges, the JSE may require the defaulting trading member to hand over to the JSE all books and accounting records of the trading member, all cheque books, and all funds, bonds and other assets relating to the business including funds and control of bonds held on behalf of clients by the trading member in safe custody with a bank or a settlement agent.
- 11.40.3 The JSE Executive may grant authority to the Director: Surveillance or his nominated deputy to assume control of the funds and bonds which are owned by clients as referred to in rule 11.40.2.
- 11.40.4 The Director: Surveillance shall take reasonable steps to ensure that –
- 11.40.4.1 any client bonds or funds under the control of the defaulting trading member are identified as the client's property; and
- 11.40.4.2 only bonds or funds identified as belonging to the client and which are unencumbered are returned to the client or to his order if so authorised by the client in writing.
- 11.40.5 The client shall warrant in writing to the Director: Surveillance that he is the lawful owner of any bonds or funds before such assets are returned to him in terms of rule 11.40.4.
- 11.40.6 Before any bonds or funds are returned to the client, the client shall indemnify the Director: Surveillance in writing for any loss sustained by or damage caused to any person, including, but not limited to the client, as a result of anything done or omitted by the Director: Surveillance in the *bona fide* exercise of any power, or performance of any duty or function under or by virtue of the above rules, as a result of the return of such assets to the client and the alienation by the client of such returned assets in respect of which he is not the lawful owner.
- 11.40.7 Where bonds or funds are returned to clients in terms of rule 11.40.5 and it is thereafter established that ownership of such assets does not vest in the client, the client shall immediately return such assets to the control of the Director: Surveillance, upon written notification of the Director. Where such returned bonds or funds have been alienated by the client, the client shall immediately and in so far as he is able to, effect the return of such assets to the control of the Director: Surveillance, upon written notification by the Director.

**11.50 Consequences of default by a clearing member**

Without limiting or detracting from any other remedies and rights which a trading member or client or SAFCOM may have against a clearing member, in the event of default by a clearing member –

- 11.50.1 the clearing member shall, save as provided in this rule, be suspended from trading;
- 11.50.2 SAFCOM shall open a separate trust account with a bank (hereinafter referred to as the "trust account"), into which shall be paid all margin due and payable, , the proceeds from the suretyship referred to in rule 3.40.78 and any other monies or securities held by SAFCOM in favour of or on behalf of or for the account of the clearing member;
- 11.50.3 SAFCOM shall manage the trust account and all the affairs of the clearing member arising from and relating to its membership of the JSE and –
  - 11.50.3.1 shall assume control of all assets held or administered by the clearing member on behalf of or for the account or benefit of any trading member or client, and, when requested by the JSE, render such reports to the JSE as the JSE may require;
  - 11.50.3.2 shall, without prior notice to the clearing member, close out all the futures and option contract positions of the clearing member at the best price it can obtain when, in its sole discretion, it so decides;
  - 11.50.3.4 any amount payable to the clearing member as a result of such close out or arising from any suretyship, cession, pledge or other security or from any other cause, shall be set off against any amount payable by the clearing member in terms of rule 8.80.1;
  - 11.50.3.5 ~~if a shortfall remains after rule 11.50.3.4 has been applied, any JSE shares owned by the clearing member may be sold by the JSE and the proceeds utilised towards settlement of any such shortfall;~~ Reserved
  - 11.50.3.6 any shortfall remaining after the application of rules 11.50.3.4 and ~~11.50.3.5~~ shall be recovered from the clearing member and any surplus shall be paid to the clearing member; and
  - 11.50.3.7 shall transfer all open futures and option contract positions of clients and trading members being cleared through the clearing member to another clearing member until such time as the provisions of rule 11.50.5 have been complied with: Provided that SAFCOM shall be entitled to appoint a trustee to exercise all its powers in terms of this rule subject to the trustee being entitled to the same indemnity as SAFCOM;
- 11.50.4 within a period decided by the JSE, each trading member with whom the defaulting clearing member had a clearing agreement shall conclude a clearing agreement with another clearing member, failing which the trading member shall be deemed to be in default and its membership shall terminate;
- 11.50.5 the clients of the defaulting clearing member shall within a period determined by the JSE enter into client agreements with other trading members; and
- 11.50.6 after all liabilities of the defaulting clearing member have been settled, the amounts paid by any surety in terms of the Yield-X rules shall be refunded from any balance remaining in the trust account and any further balance remaining shall be paid to the defaulting clearing member: Provided that if there are insufficient funds to cover such liabilities, SAFCOM shall call on all clearing members for an equitable contribution on a voluntary basis to make good any shortfall and, in the event of such contributions being insufficient, the funds of the Fidelity Fund shall be applied.

11.50.2 amended with effect from 1 July 2005

11.50.2 amended with effect from 1 August 2005

11.50.3.5 amended with effect from 1 July 2005