

**JSE LIMITED  
("JSE")**

**GUIDELINES TO LISTING ON THE JSE**

If you have any queries relating to the listing process, you are invited to call the Director: Issuer Regulation Division on 27-11-520-7059 or facsimile no 27-11-520-8596 or Web: <http://www.jse.co.za>

Copies of the JSE Listings Requirements (the "**Requirements**") may be acquired from Lexis Nexis Butterworths Publishers (Pty) Limited, 215 Peter Mokaba Road, Morningside, Durban, 4001 (Telephone 27-31-268-3007), or at <https://www.jse.co.za/content/JSERulesPoliciesandRegulationItems/JSE%20Listings%20Requirements.pdf> on the JSE website.

## INTRODUCTION

The JSE was formed in 1887 during the first South African gold rush. Following the first legislation covering financial markets in 1947, the JSE joined the World Federation of Exchanges in 1963 and upgraded to an electronic trading system in the early 1990s. The bourse demutualised and listed on its own exchange in 2005.

In 2003, the JSE launched an alternative exchange, AltX, for small and mid-sized listings, followed by the Yield X for interest rate and currency instruments. The JSE then acquired the South African Futures Exchange (SAFEX) in 2001 and the Bond Exchange of South Africa (BESA) in 2009. Today we offer five financial markets namely Equities and Bonds as well as Financial, Commodity and Interest Rate Derivatives.

The JSE is licensed as an exchange under the Financial Markets Act, No. 19 of 2012, and Africa's premier exchange. It has operated as a market place for the trading of financial products for over 120 years. In this time, the JSE has evolved from a traditional floor based equities trading market to a modern securities exchange providing fully electronic trading, clearing and has extensive surveillance capabilities. In July 2013, the JSE implemented a new trading platform the Millennium Exchange in the Equity Market, while at the same time moving the trading system from London to Johannesburg. Following this successful transition, trades can now be executed up to 400 times faster than under the previous Tradelect system. The change allows for increased liquidity and more algorithmic traders.

The JSE is also a major provider of financial information. In everything it does, the JSE strives to be a responsible corporate citizen.

### 1. WHY APPLY FOR A LISTING?

There are a number of benefits that may flow from listing on the JSE:

#### ➤ FUNDING

- It is often cheaper to raise equity capital rather than to rely on debt finance, to fund the expansion of a company's business, and a listed company is more able to raise such equity capital.
- A listing will better enable the company to obtain other forms of finance, such as bank loans. A listing will enhance the status of the company and providers of the finance will be comforted by the fact that its financial information and actions will be subject to the JSE and public scrutiny.
- A listing enables a company to use its shares to fund acquisitions, as sellers are more likely to accept listed shares as consideration.

#### ➤ SHAREHOLDERS

- A listing will better enable the existing shareholders of the company to realise all or part of their shareholdings, thus making it a more attractive investment.
- The value of the company's shares will be enhanced if demand is greater than supply.
- A listing will give the company a wider shareholder base and broaden its exposure.

#### ➤ EMPLOYEES

- A listing will enhance the status of the company which will better enable the company to attract and maintain good employees.

- A listing will make a company's share incentive scheme more attractive to employees, as their shares will be more marketable.

➤ **PERFORMANCE OF COMPANY**

- The enhanced status of being listed should improve the company's dealings with banks, suppliers, distributors and customers, which could have a positive effect on the company's overall performance.

## 2. WHAT ARE THE DISADVANTAGES OF LISTING?

### ➤ COST OF LISTING

- In addition to the costs of listing, the company will have to pay an annual listing fee to maintain its listing (see below).

### ➤ ENHANCED REQUIREMENTS

- Upon listing, the company is bound to comply with the Requirements of the JSE. These requirements impose requirements on the company beyond those required under the Companies Act.
- Complying with these requirements can be expensive in terms of cost and management time.
- Listed companies can be sanctioned by the JSE, if they breach the Requirements.

## 3. THE LISTINGS PROCESS

### ➤ APPOINTMENT OF PROFESSIONAL ADVISORS

- It is appropriate to consult a competent and experienced professional advisor before deciding to list. If a decision is made to apply for a listing, the company should appoint appropriate professional advisors.

### ➤ SPONSOR

The appointment of a sponsor is required by the JSE to be able to list on the main board. The sponsor's main responsibilities include:

- advising the company as to the application of the Requirements and the directors as to the
- nature of their responsibilities and obligations as directors of a listed company satisfying itself that:
  - the criteria for listing are met and that the company is suitable to list;
  - the company is guided as to the application of the Requirements; and
  - the directors have had explained to them the nature of their responsibilities and obligations as directors of a listed company;
- submitting the listing documentation to the JSE; and
- filling a liaison role between the JSE and the company.

### ➤ CORPORATE ADVISOR

- It is advisable for the company to also appoint a corporate advisor. (Corporate advisors are usually the corporate finance divisions of stockbrokers, merchant banks or auditing firms. There is often an overlap between the functions of the corporate advisor and the sponsor, and where a merchant bank or stockbroker provides both corporate financial and sponsor services, the roles are frequently combined). The corporate advisor's main responsibilities include:
- advising on the method of listing, the marketing, the size and terms of the offer, the timing and pricing of the offer;
- advising on market conditions and the potential demand for the company's shares;
- co-ordinating the listing process;
- drafting the listings documentation, with the assistance of the company and the company's legal advisor, accountant and sponsoring broker;

- approaching the investment community with a view to generating a demand for the company's shares;
- if the method of listing to be adopted is a placing, arranging the placing; and
- if the method of listing to be adopted is a public offer and the offer is to be underwritten, underwriting or arranging the underwriting of the offer.

➤ **LEGAL ADVISOR**

Companies are also advised to appoint a competent legal advisor. The legal advisor's main responsibilities include:

- assisting with the drafting of the listing documentation to ensure that all legal requirements are complied with;
- if there is an underwriting or a placing, drafting the necessary agreements; and
- preparing share option schemes for the company.

➤ **ACCOUNTANT**

The JSE requires an accredited independent accountant (a registered accountant and auditor) to report in the prospectus or pre-listing statement, inter alia, on the profits of the company over the previous three years and the financial position of the company over the previous three years.

➤ **TRANSFER SECRETARIES**

Transfer secretaries are responsible for setting up the company's register of members, the issuing of share certificates, the registration of transfers and the mailing of company circulars.

➤ **STRATE**

Companies must be approved as STRATE eligible in terms of the Central Securities Depository Rules, for the dematerialisation shares to be registered.

➤ **PUBLIC RELATIONS CONSULTANT**

Public relations consultants are frequently used to assist with promoting a positive image of the company before a listing.

➤ **TECHNICAL ADVISOR**

In the case of mineral companies, the JSE requires the prospectus or pre-listing statement to contain a competent person's (technical advisor's) report on the company and its exploration and/or mining activities.

➤ **PRINTERS**

The company should contract with a firm of printers to print the share certificates and prospectus or prelisting statement.

➤ **LISTING TIME FRAME**

The listing time frame normally covers between 9 and 13 weeks, depending on the method of listing, the competence of the professional advisors and the complexity of the listing.

The typical time frame may be summarised as follows:

**KEY**

Company	Co
Sponsor	S
Corporate Advisor	CA
Legal Advisor	LA
Accountant	A

WEEK	ACTION	RESPONSIBILITY
0	<p>Appoint advisors</p> <p>Meet to consider:</p> <p>Legal, financial and tax implications</p> <p>Method of listing</p> <p>Prepare timetable for listing</p> <p>Commence preparation of accountants report</p> <p>Commence drafting of documentation</p>	<p>Co</p> <p>A, LA, CA and Co</p> <p>CA</p> <p>A and Co</p> <p>CA</p>
1-3	<p>Drafting meetings to finalise draft documentation (prospectus / prelisting statement)</p> <p>Finalise accountant's report</p>	<p>CA, LA, A S and Co</p> <p>A and Co</p>
4	<p>Draft documentation submitted to the JSE for informal comment and Registrar (if public offer)</p>	<p>S and CA</p>
5-8	<p>JSE formal approval, and Registrar's approval (if a public offer) obtained</p>	<p>S and CA</p>
9-10	<p>Listing commences if an introduction, or placing or public</p>	<p>---</p>

	offer commences	
11	Placing closes	---
12	Listing commences if a placing or public offer closes	---
13	Listing commences if a public offer	---

➤ **COST OF LISTING**

- The costs of listing will depend upon the method of listing adopted and the complexity of the listing.
- The listing fees of the JSE, which are extremely low by international standards, can be found at <https://www.jse.co.za/content/JSE PricingItems/Primary%20Market%20Price%20List%20-%202016.pdf> on the JSE website.

➤ **PROFESSIONAL ADVISORS' AND OTHER FEES:**

- Sponsor:  
Negotiable, depending on the size and complexity of the listing.
- Corporate advisor:  
Negotiable, depending on the size and complexity of the listing and the amount of work required.
- Legal Advisor:  
Fees based on hourly rates.
- Accountant:  
Fees based on hourly rates.
- Transfer secretary:  
Variable.
- Public Relations Consultant:  
Variable.
- Printers:  
Variable.

**4. THE CHOICE OF MARKET**

The JSE operate 2 markets:

- the Main Board; and
- AltX

Each of these markets has different criteria for listing.

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➤ **MAIN BOARD REQUIREMENTS**

**The principal requirements for a Main Board listing include:**

- a subscribed capital (including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months) of at least R50 000 000;
- not less than 25 000 000 equity shares in issue;
- a satisfactory audited profit history for the preceding three financial years, the last of which reported an audited profit of at least R15 000 000 before taxation and after taking account of the headline earnings adjustment on a pre tax basis.
  - it must be carrying on as its main activity, either by itself or through one or more of its subsidiaries, and independent business which is supported by its historic revenue earning history and which gives it control over a majority of its assets, and must have done so for the period covered by paragraph 4.28(c) of the Requirements;
  - if it is a company with a majority of its assets invested in securities of other companies listed on the JSE it must satisfy the "Criteria for listing" for investment entities detailed in paragraphs 15.3 and 15.4 of the Requirements;
- 20% of each class of equity securities shall be held by the public to ensure reasonable liquidity.

The JSE may list companies which do not strictly comply with the above requirements, but this will only occur in exceptional circumstances. It should be noted that investment entities, mineral companies and property companies that are listed on the Main Board have certain modified criteria for listing. Refer to section 4 of the Requirements for further details on the entry criteria to the Main Board of the JSE.

➤ **ALT X**

In addition to the requirements set out above, an issuer wishing to apply for a listing on AltX must comply with the following requirements.

- the applicant issuer must appoint a Designated Adviser ("DA");
- the applicant issuer must have share capital of at least R2 000 000 (including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months);
- the public must hold a minimum of 10% of each class of equity securities to ensure reasonable liquidity;
- the directors must have completed the ALT X Directors Induction Programme or must make arrangements to the satisfaction of the JSE to complete it;
- the applicant issuer must appoint an executive financial director and the audit committee of the applicant issuer must be satisfied (and submit confirmation in writing to the JSE ) that the financial director has the appropriate expertise and experience to fulfill his/her role;
- the applicant issuer must produce a profit forecast for the remainder of the financial year during which it will list and one full financial year thereafter;

- the applicant issuer's auditors or attorneys must hold in trust 50% of the shareholding of each director and the DA ("relevant securities") in such applicant issuer from the date of listing, and a certificate to that effect must be lodged with the JSE by the issuers auditors or attorneys;

Refer to section 21 of the Requirements for further details on the entry criteria to the ALTX Board of the JSE.

## **5. METHODS OF OBTAINING A LISTING**

There are three principle methods of obtaining a listing:

### ➤ **AN INTRODUCTION**

This is suitable where the company does not need to raise capital and has a sufficiently wide public spread of shareholdings. It is the quickest and cheapest means of listing, as there is no offer to the public and minimum formalities are required.

### ➤ **A PRIVATE PLACING**

This has proved to be the most common method of obtaining a listing. In this instance, shares in the company are placed or offered to prospective shareholders through private negotiation. Usually this will be done through a sponsor or a merchant bank.

### ➤ **A PUBLIC OFFER**

A public offer may be an offer for subscription or an offer for sale. In an offer for subscription, members of the public are invited to subscribe for unissued shares and the proceeds accrue to the company, while in an offer for sale, existing shareholders invite subscribers to purchase their shares and therefore the proceeds accrue to the shareholders.

This method requires the production of a prospectus which must be approved and registered with the Registrar of Companies. The public will have a certain period of time within which to submit their applications and payment. The company will have to decide on the basis of allocation if there is an oversubscription. If the offer is over-subscribed, the company earns interest on the payments received until the date of refund. This increase may be used to offset the costs of the offer.

### ➤ **SPECIAL PURPOSE ACQUISITION COMPANY ("SPAC")**

The purpose of a SPAC listing is to facilitate a capital raising process for experts to be able to acquire assets and construct a viable listed company. This process consists of two steps, the first being the initial admittance of the issuer while the second step consists of the issuer finding and acquiring viable assets. Viable assets would be assets that would, once acquired, cause the SPAC to comply with the entry criteria for the JSE Main Board or ALTX.

Once the SPAC has completed an acquisition it must meet the Requirements set out in section 4.28 or section 21.2. Failure to meet these requirements upon the completion of an acquisition will result in the delisting of the SPAC.

If a listed SPAC fails to complete an acquisition of viable assets within the permitted time, it must:

- a. complete a distribution within 60 calendar days after the end of such permitted time to all security holders pro rata to their holdings. The distribution must be the maximum amount while still complying with the Solvency and Liquidity tests as required in the Companies Act. All interest earned through permitted investments will form part of the distribution while any funds required to cover applicable taxes and expenses relating to the distribution will not form part of the distribution, and
- b. propose a special resolution to security holders for voluntary liquidation within 3 months from the above distribution.

Refer to section 4 of the Requirements for further details on the listing and continuing obligations of a SPAC.

#### ➤ **FAST-TRACK LISTING PROCESS**

The Requirements were amended effective 30 September 2014 to introduce a fast-track listing process.

The fast-track listing process allows international companies, who have already been admitted to certain other major stock exchanges for a period of at least 18 months, to place a secondary listing on ALTX or the JSE's Main Board. The following exchanges are accredited by the JSE for the fast track listing process:

- Australia Stock Exchange;
- London Stock Exchange;
- New York Stock Exchange (NYSE) and NYSE Euronext; and
- Toronto Stock Exchange

Companies listed on the above exchanges and making use of the fast track listing process do not need to produce a prelisting statement and, instead, will only release a prelisting announcement. This announcement contains certain disclosure items pursuant to the Requirements and details of the actual listing on the JSE, which is then read in conjunction with the company's latest published information (including its annual report) which has been prepared in accordance with the requirements of the exchange where it has a primary listing.

The fast track listing process seeks to significantly reduce the time it takes to attain a secondary listing on the JSE. Refer to section 18 of the Requirements for further details on the fast-track listing process.

#### **THE PROSPECTUS / PRE-LISTING STATEMENT**

When a company applies for a listing, it must produce a pre-listing statement containing certain prescribed information concerning the company, its business and its prospects. While the pre-listing statement may promote investment in the company's shares, it is not an invitation to the public to subscribe for shares, but rather aimed at enabling potential investors to make an informed investment decision regarding the company's shares. If the pre-listing statement contains a public offer, it will also have to comply with the prospectus provisions contained in the Companies Act.

Although the pre-listing statement will largely be drafted by the corporate advisor, the directors of the company accept full responsibility for the accuracy of its content.

The main categories of information in the pre-listing statement are the following:

- General information regarding the company and its capital.
- Information regarding the directors and management of the company and the company's advisers.
- Information regarding the securities to be listed.
- Information on the company's / group's activities.
- Information on the company's financial position and profits and losses.

#### **THE TIMING OF THE LISTING**

The date of entering the market will largely be determined by the condition of the market and the state of the company.

The JSE may be static, rising or in decline, and it is generally more risky to list in a declining market.

The company should be in a sound financial position, with good prospectus, and have the systems in place to comply with the JSE's financial disclosure requirements.

#### **THE ISSUE PRICE**

Determining the correct price at which to issue shares is a delicate exercise that involves two stages:

#### **ESTIMATED MARKET PRICE**

There are various methods of valuing securities, including:

- the potential dividend yield;
- the price / earnings ratio;
- discounted cash flow analysis; and
- net asset value.

Frequently one finds that combinations of the above and other methods are used in valuing the securities. When using certain of the above methods, the investor's desired rate of return must be estimated, and here cognisance must be taken of the returns provided by a listed share with a similar risk profile within the sector or market that the company intends to list.

### **THE DISCOUNT TO MARKET PRICE**

To ensure a successful listing, the issue price should be fixed at a reasonable discount (15% to 20%) to the estimated market price. This provides an incentive for investors to subscribe and protects the company against a drop in share prices on the exchange. If the market price was correctly estimated the share price should increase after listing which in itself generates further investors interest.

### **UNDERWRITING THE ISSUE**

Although it is not a requirement that an offer be underwritten, an underwriting can have the following advantages:

- the company is assured of raising the desired amount of capital; and
- it creates a good impression if a prominent institution is prepared to underwrite the offer.

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### **DISCLAIMER**

**Please note that this document constitutes mere guidelines to the listing procedures of the JSE and you are encouraged to contact the Director: Issuer Regulation Division mentioned on the cover page for more information and/or interpretations on the listings procedures/requirements, as each listing is evaluated independently on merit.**