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**MARKET NOTICE**Johannesburg  
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**Number:** 283A/2018  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives

**Date:** 13 July 2018

**SUBJECT:** **PROPOSED AMENDMENTS TO THE INTEREST RATE AND CURRENCY DERIVATIVES  
DIRECTIVES - SETTLEMENT OF TRANSACTION IN BONDS**

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**Designation:** Director - Market Regulation

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Members are advised that the proposed amendments to the JSE Interest Rate and Currency Derivatives Directives, attached as Annexure A, were adopted by the JSE Rules committee on 13 July 2018.

The proposed amendments to the IRC Directives supplement the recent amendments to the IRC Rules in relation to the settlement of transactions in bonds. The amendments to the IRC rules are currently awaiting approval by the FSCA.

The proposed amendments to the IRC Directives address the following points:

1. The trade reporting period for same day trades in bonds has been included in Directive CA - Trading System. The same day trade reporting period will end at 12h00 in order to ensure that settlement commitments for same day trades are in place by 13h00, as stipulated in rule 9.70.2.5 (as amended).
2. The settlement timetable in Directive ED has been deleted as it merely repeats the relevant provisions in the settlement rules.
3. Directive EF - Carry and repurchase transactions by the Settlement Authority - has been deleted as the associated rule (rule 9.160) has been deleted.
4. The schedule of penalties in Directive EI for breaches of certain settlement rules has been amended to reflect the following:

#### 4.1 Directive EI 3.4 – Commitments to settle

##### 4.1.1 T+1, T+2 and T+3 Trades

The penalty of R5000 per occurrence for failing to ensure that the CSDP of the trading member or of a non-member settled client commits to settle T+1, T+2 or T+3 transactions by 19h00 on S-1 will, at this stage, only be levied if the settlement commitment is still not in place by 09h00 on the settlement date.

The imposition of the penalty at 09h00 on the settlement date instead of at 19h00 on S-1 is in no way intended to relieve members from their obligation in terms of the relevant settlement rules to ensure that CSDPs are in a position to commit to settlement by 19h00 on S-1. However, for a period after the revised settlement rules come into effect, the Settlement Authority, in collaboration with Strate, intends to monitor settlement activities on settlement day to assess the impact of late commitments on the settlement process. If the outcome of the Settlement Authority's assessment is that late commitments are disrupting the settlement process on settlement day or that there are invalid reasons for late commitments, the Settlement Authority will review the penalty provisions in Directive EI 3.4.1.1 and consider whether it is necessary to amend the penalty, and impose it for late commitments immediately after 19h00 on S-1.

In addition to the R5 000 penalty imposed for late commitments after 09h00 on the settlement date, a further penalty of R5 000 per occurrence will be imposed if the settlement commitment is still not in place by 13h00 on the settlement date. With the introduction of an official exceptions handling period, where back-to-back links will be broken in unstable settlement groups at 13h00, there will be significant disruption to the settlement process if a settlement commitment remains outstanding at 13h00 on the settlement date, which adversely affects multiple parties. The Settlement Authority is of the view that there must be a material disincentive for parties to cause this level of disruption to the settlement process and therefore has proposed the introduction of the additional penalty.

##### 4.1.2 Same day trades

A penalty of R5 000 per occurrence has been introduced for late commitments after 13h00 for same day trades, in line with the equivalent penalty for T+1, T+2 and T+3 trades.

#### 4.2 Directive EI 3.7 – Settlement Authority facilitating borrowing of bonds

The relevant provisions in rule 9.140 in relation to the Settlement Authority borrowing bonds as an agent on behalf of a member have been deleted. Therefore the associated penalty has also been deleted.

5. The schedule of Settlement Authority fees in Directive EJ has also been amended as a consequence of the amendments to the bond settlement rules.

### 5.1 Facilitation by the Settlement Authority

The fees in existing Directives EJ 1.3 to EJ 1.5 have been deleted as the rules in relation to the Settlement Authority lending bonds or funds to a member, or acting as an agent in a carry or repurchase transaction, have been deleted.

The above mentioned fees have been replaced with a R5 000 fee for the Settlement Authority assisting a member to source a counterparty to a carry or repurchase transaction, or source a lender of bonds, to enable a transaction to settle.

### 5.2 Give up process

The fee in existing Directive EJ 1.7 has been deleted, as the give up process for which that fee was previously charged is incorporated in the failed trade process, and there is already a fee in new Directive EJ 1.3 for the execution of the failed trade process.

### 5.3 Extending the same day trading window

A new fee of R2 500 per request has been introduced in Directive EJ 1.5 to cater for requests by members to open the trading window after 12h00 for the booking of same day trades to facilitate settlement.

Unless written objections are lodged within 10 days of this notice, in terms of rule 1.80.3, the proposed amendments to the IRC Directives will come into effect on 27 July 2018.

Should you have any queries regarding this notice, please contact Suhagna Mansura on (011) 520 7738 or at [suhagnam@jse.co.za](mailto:suhagnam@jse.co.za)

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