

# BOND ETP RULES AND DIRECTIVES

16 July 2018

# BOND ETP RULES

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**SECTION**  
**1**

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**Section 1: Definitions and Interpretation**

**Scope of Section**

- 1.10 Definitions
- 1.20 Interpretation

## 1.10 Definitions

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

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| <b>"Act"</b>                                      | means the Financial Markets Act (Act No. 19 of 2012) and any measure prescribed thereunder by the Minister of Finance or the Authority;   |
| <b>"alternate settlement officer"</b>             | means the person appointed by a member in terms of rule 3.100.5;  |
| <b>"authorised user"</b>                          | has the same meaning as that contained in section 1 of the Act;   |
| <b>"Authority"</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>"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>"bonds"</b>                                    | means listed bonds which may be issued by the government from time to time, and <b>"bond"</b> has a corresponding meaning;  |
| <b>"Bond ETP fails management trading system"</b> | means the computer system and associated network operated or used by the JSE for the rolling of settlement of transactions in Bond ETP securities and the closing out of a defaulter's unsettled transactions in Bond ETP securities, which system and network is otherwise operated or used by the JSE for transactions in bonds in the Interest Rate and Currency Market; |
| <b>"Bond ETP manager"</b>                         | means the person appointed by a member in terms of rule 3.100.2;  |
| <b>"Bond ETP market"</b>                          | means the market operated by the JSE for the trading of Bond ETP securities;  |
| <b>"Bond ETP member"</b>                          | means a member of the Bond ETP market, which is a category of authorised user admitted to membership of the JSE under these rules, and <b>"member"</b> has a corresponding meaning;   |
| <b>"Bond ETP securities"</b>                      | means the bonds listed on the JSE and which may be traded on the Bond ETP trading system;   |
| <b>"Bond ETP 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 Bond ETP securities;   |
| <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 a purchase of Bond ETP securities in terms of which the buyer is obliged to make payment for the Bond ETP securities and receive delivery of such Bond ETP securities at the agreed price on settlement date;   |
| <b>"central securities depository"</b>            | has the same meaning as that contained in section 1 of the Act;   |
| <b>"Companies Act"</b>                            | means the Companies Act, 2008 (Act No. 71 of 2008), as amended from time to time;   |
| <b>"company"</b>                                  | means a company as defined in Section 1 of the Companies Act, and registered in terms of that Act;  |
| <b>"compliance officer"</b>                       | means the person appointed by a member in terms of rule 3.100.3;  |
| <b>"contractual basis"</b>                        | means the convention whereby the parties to a transaction in Bond ETP securities 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>"Corporation for Public Deposits"</b>          | means a juristic person established under, and acting in terms of, the provisions of the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);  |

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| <b>“CPD margin account”</b>                                | means an account maintained by a Bond ETP member with the Corporation for Public Deposits for the purpose of depositing initial margin in terms of the rules;                     |
| <b>“CSD”</b>   | means the central securities depository appointed by the JSE, in consultation with the Market Committee, to settle transactions in Bond ETP securities;                           |
| <b>“CSDP”</b>  | means a CSD participant that has been accepted by the CSD as a participant in that CSD, and who is appointed to settle transactions in Bond ETP securities on behalf of a member; |
| <b>"CSD rules"</b>   | means the rules made, and directives issued by the CSD in terms of the Act;   |
| <b>"default"</b>   | means a default by a member as contemplated in Section 11;  |
| <b>"dispute"</b>   | means any dispute arising between any of the persons bound by these rules and which the JSE declares to be a dispute in terms of rule 10.40;                                      |
| <b>"employee"</b>  | means a person engaged by a member within that area of business that operates as a member;  |
| <b>"exchange"</b>  | has the same meaning as that contained in section 1 of the Act;   |
| <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 these rules or, in that persons absence, that person’s deputy;                      |
| <b>“government”</b>  | means the government of the Republic;   |
| <b>"in writing"</b>  | has the same meaning as that contained in section 1 of the Act;   |
| <b>“insolvency administrator”</b>                          | has the same meaning as that contained in section 1 of the Act;   |
| <b>“insolvency proceeding”</b>                             | has the same meaning as that contained in section 1 of the Act;   |
| <b>"initial margin"</b>                                    | means the value determined by JSE on the basis specified by the JSE and held in respect of the aggregate position of a member;  |
| <b>“Interest Rate and Currency Market” or “IRC Market”</b> | means a market operated by the JSE for the trading of bonds, interest rate securities and currency derivatives listed on the JSE;   |
| <b>“IRC member”</b>  | means an authorised user of the Interest Rate and Currency Market;  |
| <b>“IRC trading system”</b>                                | means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of trading in the IRC market;                                 |
| <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 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>“JSE Market Notice”</b>                                 | means the notice published by the JSE under the authority of the JSE Executive;   |
| <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>“Market Committee”</b>                                  | means the committee constituted to perform the functions set out in rule 2.20.1.1 and comprised of the voting parties named in rule 2.20.1.2;                                     |
| <b>"Market Controller"</b>                                 | means the person appointed by the JSE to supervise, administer and control the daily operations of the Bond ETP trading system;   |
| <b>"mark-to-market"</b>                                    | means the revaluation of a position in a Bond ETP security to its current market value;   |
| <b>"match"</b>   | means the matching of a buy order with a sell order on the Bond ETP trading system;   |
| <b>“member application”</b>                                | means an electronic system used by a trading member to submit orders to the Bond ETP trading system;  |
| <b>“ National Treasury”</b>                                | means the National Treasury of South Africa, established in terms of section 5 of the Public Finance Management Act, 1995;  |

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| <b>“no cancellation range”</b>            | means the range, as prescribed in the directives, above or below the reference price, within which an alleged error trade will not be cancelled by the JSE, unless the parties to the trade agree to voluntary cancellation in terms of the rules;  |
| <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>“order”</b>                            | means a commitment to buy or sell a specified nominal value of Bond ETP securities;   |
| <b>“order entry application” or “OEA”</b> | means any system, software or program operated by a member, which makes use of algorithms to generate orders in accordance with predetermined criteria, facilitates the electronic submission of these orders to a member trading application and complies with such requirements as the JSE may prescribe from time to time in the directives; |
| <b>“passive order”</b>                    | means an order that does not match with an existing order in the Bond ETP trading system when it is entered;  |
| <b>“ Primary Dealer”</b>                  | means a bank or a branch of a foreign bank that is authorised by the National Treasury to purchase bonds in the Primary Market auction;   |
| <b>“Primary Market”</b>                   | means the issuance of bonds by the National Treasury on behalf of the government;   |
| <b>"price"</b>                            | means price, rate or yield as the context may require;  |
| <b>“reference price”</b>                  | means for the relevant Bond ETP security, the price as determined by the Director: Market Regulation, taking into consideration the last automated trade price or the previous closing price on the Bond ETP market, whichever is the most recent;  |
| <b>"registered officer"</b>               | means a Bond ETP manager, compliance officer, settlement officer, alternate settlement officer or a trader employed by a member and registered by the JSE as such in terms of the rules;  |
| <b>"Republic”</b>                         | means the Republic of South Africa;   |
| <b>“rolling basis”</b>                    | means the market convention whereby transactions become due to settle a prescribed number of days after the trade date;   |
| <b>“rolling of settlement”</b>            | means the process initiated by the Settlement Authority in terms of which the settlement date of a transaction in Bond ETP securities is postponed to a later date as determined by the Settlement Authority;   |
| <b>“sell”</b>                             | means to enter into 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>“settle”</b>                           | has the same meaning as that contained in section 1 of the Act;   |
| <b>“Settlement Authority”</b>             | means the person or persons appointed by the JSE to manage the settlement of transactions in Bond ETP securities effected through the Bond ETP trading system in terms of these rules and directives and the CSD rules;   |
| <b>"settlement commitment"</b>            | means an electronic undertaking by a CSDP to settle a transaction in Bond ETP securities for a Bond ETP member;   |
| <b>"settlement date"</b>                  | means in respect of a transaction in Bond ETP securities , the date on which the transaction is due to be settled;  |
| <b>"settlement officer"</b>               | means the person appointed by a member in terms of rule 3.100.4;  |
| <b>“SRO Oversight Committee”</b>          | means the JSE Board sub-committee responsible for overseeing the issuer regulation and market regulation functions of the JSE;  |
| <b>“these rules”</b>                      | means the Bond ETP rules issued in pursuance of section 17 of the Act, including any alteration, addition or amendment thereof;   |
| <b>“trader”</b>                           | means an employee of a member authorised by the JSE and who is registered by such member in terms of these rules to trade for the member’s own account;   |
| <b>"transaction"</b>                      | has the same meaning as that contained in section 1 of the Act;   |
| <b>“Tribunal”</b>                         | has the same meaning as that contained in section 1 of the Act;   |

## **1.20 Interpretation**

- 1.20.1 In these rules and directives, unless otherwise clearly indicated by, or inconsistent with the context –
  - 1.20.1.1 a reference to one gender includes a reference to the other gender;
  - 1.20.1.2 the singular includes the plural, and *vice versa*;
  - 1.20.1.3 all terms defined in the Act bear the same meaning as are assigned to them in the Act.

## SECTION

# 2

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### Section 2: General Provisions

#### Scope of Section

- 2.10 Powers exercisable by the controlling body
- 2.20 Committees
- 2.30 These rules and directives
- 2.40 Transactions subject to provisions of the Act, the rules and directives
- 2.50 Interpretation of the rules and directives
- 2.60 Proposals for amendments to rules and directives
- 2.70 JSE not liable for any losses
- 2.80 Indemnification
- 2.90 Settlement System
- 2.100 Fees, charges, penalties and subscriptions
- 2.110 Imposition of levies
- 2.120 Notice to members by the JSE



## **2.10 Powers exercisable by the controlling body**

- 2.10.1 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.
- 2.10.2 The controlling body may, in addition to the powers and authorities expressly conferred upon it by the Act, the JSE's Memorandum of Incorporation and these rules, exercise all such powers and do all such things as may be exercised or done by the JSE.

## **2.20 Committees**

### **2.20.1 Market Committee**

- 2.20.1.1 The functions of the Market Committee shall be to –
- 2.20.1.1.1 define the governance and operational framework of the Bond ETP market, which must deal with the following -
    - 2.20.1.1.1.1 membership criteria for participation on the Bond ETP market;
    - 2.20.1.1.1.2 criteria for admitting benchmark bonds for trading on the Bond ETP;
    - 2.20.1.1.1.3 any trading obligations of the Bond ETP members; and
    - 2.20.1.1.1.4 any reporting obligations of the Bond ETP in terms of market statistics;
  - 2.20.1.1.2 consider and, if in agreement, endorse the Bond ETP rules and directives, and any proposed amendments thereto, prior to the adoption thereof by the Rules Committee and, in the case of the rules, the submission to the Authority for final approval;
  - 2.20.1.1.3 consider and, if in agreement, endorse a proposal by the Director: Market Regulation to accept or reject an application for membership of the Bond ETP market, prior to the consideration and acceptance or rejection of the application by the Membership Committee; and
  - 2.20.1.1.4 consider and, if in agreement, endorse a proposal by the Director: Market Regulation or a recommendation by the Disciplinary Committee to terminate the membership of a member, prior to the decision by the Membership Committee on the termination of membership of a member.
- 2.20.1.2 The voting members of the Market Committee shall consist of –
- 2.20.1.2.1 Two representatives of the National Treasury as appointed by the National Treasury, one of whom will be the Chairperson of the Committee;
  - 2.20.1.2.2 One representative of the JSE as appointed by the JSE; and
  - 2.20.1.2.3 One representative of the members of the Bond ETP market as appointed by the members.
- 2.20.1.3 In making any decisions or expressing any views as part of any consultation process contemplated in these rules, the Market Committee shall act in terms of its Terms of Reference as approved by the Market Committee from time to time.

### **2.20.2 Rules Committee**

- 2.20.2.1 The SRO Oversight Committee shall appoint a Rules Committee to consider and adopt, in consultation with the Market Committee, all proposed amendments to these rules and directives in accordance with rule 2.60.
- 2.20.2.2 The Rules Committee shall consist of the Director: Market Regulation and the Legal Counsel of the JSE.

### **2.20.3 Membership Committee**

- 2.20.3.1 The SRO Oversight Committee shall appoint a Membership Committee to consider applications for membership, as well as the termination of membership.
- 2.20.3.2 The functions of the Membership Committee shall be to -
  - 2.20.3.2.1 authorise applications for membership, in consultation with the Market Committee, in accordance with rule 3.50;
  - 2.20.3.2.2 terminate membership on a voluntary basis following notice from the member to do so, in accordance with rule 3.60; and
  - 2.20.3.2.3 terminate membership on an involuntary basis, after consultation with the Market Committee, in accordance with rule 3.70;
- 2.20.3.3 The Membership Committee shall consist of the Director: Market Regulation and the Legal Counsel of the JSE.

## **2.30 These rules and directives**

### **2.30.1 Purpose of these rules and directives**

The purpose of these rules and directives is to achieve the objects of the Act and of the JSE as set out in its Memorandum of Incorporation, 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.

### **2.30.2 Rules and directives are binding**

- 2.30.2.1 These rules and directives are binding upon all members, officers and their employees.
- 2.30.2.2 These rules are binding on CSDPs acting on behalf of members.
- 2.30.2.4 The controlling body shall notify members of any decisions or determinations made under these rules.

## **2.40 Transactions subject to provisions of the Act, these rules and directives**

Every transaction in Bond ETP 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 rules and the directives.

## **2.50 Interpretation of these rules and directives**

The interpretation and enforcement of these rules and directives vests in the controlling body.

## **2.60 Proposals for amendments to these rules and directives**

- 2.60.1 Any member of the JSE Executive, the Director: Market Regulation or any member of the Market Committee may propose in writing any amendment of these rules or directives.
- 2.60.2 The Rules Committee will consider the proposed amendments to the rules or directives and once satisfied that such amendments are aligned with the objects of the JSE and the Act, refer the proposed amendments to the Market Committee for its consideration.
- 2.60.3 Upon receipt of the Market Committee's endorsement of the amendments to the rules or directives, the Rules Committee shall notify members, by way of notice, of its decision to adopt the proposed amendments.
- 2.60.4 If, within ten days of the notification of the decision of the Rules Committee to adopt the proposal, 3 or more members object, in writing, to the decision, the objection, together with the reasons submitted by the relevant members for such objection, will be referred to the controlling body for determination, in consultation with the Market Committee.
- 2.60.5 If an objection to a proposed amendment of the rules has not been lodged within the prescribed period, or the controlling body, in consultation with the Market Committee, upholds the decision of the Rules Committee to adopt a proposal referred to the controlling body in terms of rule 2.60.4, the proposal will be submitted to the Authority for approval.

- 2.60.6 If an objection to a proposed amendment of the directives has not been lodged within the prescribed period, or the controlling body, in consultation with the Market Committee, upholds the decision of the Rules Committee to adopt a proposal referred to the controlling body in terms of rule 2.60.4, the proposal will take effect immediately.

## **2.70 JSE not liable for any losses**

- 2.70.1 Subject to section 72 of the Act, the JSE shall not be liable to any person for any loss or damage resulting from -
- 2.70.1.1 negligence, on the part of the JSE or on the part of any employee or agent of the JSE;
  - 2.70.1.2 any act or omission on the part of any third party;
  - 2.70.1.3 incorrect, inaccurate, defective or misleading information furnished or supplied by the JSE or any employee or agent of the JSE or any third party;
  - 2.70.1.4 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;
  - 2.70.1.5 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
  - 2.70.1.6 the termination, for any reason whatsoever, of any licence or other agreement to which the JSE is a party.

## **2.80 Indemnification**

An 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 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 employee by a source from which the employee would normally accept the information as correct and which can be expected to provide the correct information.

## **2.90 Settlement system**

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

## **2.100 Fees, charges, penalties and subscriptions**

- 2.100.1 A member must pay to the JSE such fees, charges, penalties or subscriptions as may be prescribed by the JSE in consultation with the Market Committee
- 2.100.2 Any fees, charges, penalties or subscriptions to be paid or which may be imposed in terms of these rules must be paid within such period as may be determined by the JSE. The membership of a member who fails to make such payment when due may be terminated in terms of rule 3.70.

## **2.110 Imposition of levies**

The JSE may, in addition to the subscriptions, fees and charges prescribed by these rules, impose upon every member, a levy which must be paid to the JSE or any of its funds on such conditions as the JSE, in consultation with the Market Committee, may decide.

## **2.120 Notice to members by the JSE**

- 2.120.1 Any notice given by the JSE in terms of these rules and directives shall be in writing.
- 2.120.2 A notice may be delivered by means of an electronic delivery mechanism, by hand or by registered post.
- 2.120.3 Any notice delivered by the JSE by hand before 16:00 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.
- 2.120.4 Any notice transmitted by an electronic delivery mechanism before 16:00 on a business day, shall be deemed, unless the contrary is proved, to have been received on the date of the transmission.
- 2.120.5 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.

## SECTION

# 3

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### Section 3: Membership and Registered Officers

#### Scope of Section

#### Membership

- 3.10 Membership of the Bond ETP market
- 3.20 Membership requirements
- 3.30 Fit and proper requirements
- 3.40 Internal controls and risk management
- 3.50 Application for membership
- 3.60 Voluntary termination of membership
- 3.70 Involuntary termination of membership
- 3.80 Duty to furnish information
- 3.90 JSE power to restrict trading

#### Registered officers

- 3.100 Member's obligation to ensure registration of officers
- 3.110 Registration of officers by the JSE
- 3.120 Member remains responsible

## Membership

### 3.10 Membership of the Bond ETP market

- 3.10.1 In order to qualify as a Bond ETP member, an applicant must comply with the requirements set out in these rules.
- 3.10.2 The JSE shall keep a register of all Bond ETP members.

### 3.20 Membership requirements

To be admitted as a Bond ETP member and to remain a member, an applicant or a member, respectively, must –

- 3.20.1 be an existing member of the Interest Rate and Currency Market;
- 3.20.2 be registered as a bank or a branch of a foreign bank with the South African Reserve Bank as per the Banks Act, 1990 (Act No. 94 of 1990);
- 3.20.3 be appointed by National Treasury as a Primary Dealer in government bond securities;
- 3.20.4 be accepted for participation on the Bond ETP market by the Market Committee;
- 3.20.5 appoint an authorised CSDP;
- 3.20.6 appoint a Bond ETP manager in terms of rule 3.100.2 who complies with the fit and proper requirements set out in rule 3.30;
- 3.20.7 appoint a compliance officer in terms of rule 3.100.3 who complies with the fit and proper requirements set out in rule 3.30;
- 3.20.8 appoint a settlement officer and an alternate settlement officer in terms of rules 3.100.4 and 3.100.5 respectively who comply with the fit and proper requirements set out in rule 3.30;
- 3.20.9 have adequate internal controls and risk management systems as contemplated in rule 3.40;
- 3.20.10 comply with the capital adequacy requirements as prescribed in the Banks Act, 1990 (Act No. 94 of 1990) and the regulations made under that Act, and have a minimum Tier 1 capital base as prescribed by the Banks Act of R1 billion; and
- 3.20.11 not be included on any sanctions list as set out in the directives if the inclusion on such list would preclude other Bond ETP members from transacting with the member.

### 3.30 Fit and proper requirements

- 3.30.1 The officers of a Bond ETP member performing the functions referred to in rules 3.20.6, 3.20.7, 3.20.8 and 3.100.7, and any shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of a member, must –
  - 3.30.1.1 be of full legal capacity;
  - 3.30.1.2 not be an unrehabilitated insolvent; and
  - 3.30.1.3 comply with such criteria of good character and high business integrity as the JSE deems fit.
- 3.30.2 In determining whether a person complies with the criteria in rule 3.30.1.3, the JSE will take into account, inter alia, whether the person has been –
  - 3.30.2.1 convicted of an activity constituting a criminal offence involving fraud, theft, dishonesty, money laundering or market abuse, whether in the Republic or elsewhere;
  - 3.30.2.2 held civilly or administratively liable for, inter alia, fraud, theft, dishonesty or market abuse, whether in the Republic or elsewhere;
  - 3.30.2.3 declared to have contravened legislation in respect of market abuse, money laundering or terrorist or related activity, with or without the imposition of an administrative penalty, whether in the Republic or elsewhere;

- 3.30.2.4 disqualified by a court from acting as a director of a company;
  - 3.30.2.5 the subject of a formal investigation by any regulatory or government agency;
  - 3.30.2.6 expelled, whether as a member or otherwise, from any exchange or external exchange;
  - 3.30.2.7 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;
  - 3.30.2.8 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;
  - 3.30.2.9 refused approval or had approval involuntarily withdrawn in respect of any status granted by a regulatory authority.
- 3.30.3 Dishonesty or a deliberate omission in an application to the JSE will result in immediate disqualification of a person's fit and proper status.

### **3.40 Internal controls and risk management**

- 3.40.1 A Bond ETP member shall at all times have and maintain the necessary procedures, controls, systems, resources and expertise to ensure –
- 3.40.1.1 the efficient and effective performance of its functions as a Bond ETP member;
  - 3.40.1.2 compliance with the Act and these rules and directives;
  - 3.40.1.3 that accurate records of its transactions are kept at all times;
  - 3.40.1.4 that financial and other information used or provided by the member is reliable;
  - 3.40.1.5 that all transactions entered into by the member are within the scope of authority of the member or the employee acting on behalf of the member;
  - 3.40.1.6 that there are measures, so far as is reasonably practicable, to minimize the risk of loss to the member which results from any irregularity, fraud or error and to detect any irregularity, fraud or error should they occur so that prompt remedial action may be taken by the member; and
  - 3.40.1.7 that the records of the Bond ETP member are maintained in such a manner as to promptly disclose financial and business information that will enable the member to identify, quantify, control and manage the risk exposures of the member relating to its activities as a Bond ETP member.
- 3.40.2 A Bond ETP member must be able to describe and demonstrate the objectives and operation of the procedures, controls and systems referred to in rule 3.40.1 to the JSE Market Regulation Division.

### **3.50 Application for membership**

- 3.50.1 An application for Bond ETP membership shall be made to the JSE in the manner and in the form prescribed by the JSE and shall be accompanied by any application fee prescribed by the JSE.
- 3.50.2 The applicant shall include with its application the applications for the registration of the registered officers of the applicant referred to in rule 3.100.
- 3.50.3 The JSE may require the applicant to provide further information to that submitted with the original application and may institute an investigation to verify information submitted by the applicant in support of an application. The investigation may include a request for one or more representatives of the applicant to be interviewed by the JSE.
- 3.50.4 The Membership Committee must, in consultation with the Market Committee, accept or reject the application, or accept an application subject to certain conditions being met.
- 3.50.5 The JSE must notify the applicant in writing of the decision of the Membership Committee and of any conditions that must be met.

- 3.50.6 Any person aggrieved by the decision of the JSE to reject an application, shall have a right of appeal to the Tribunal in terms of the Act.
- 3.50.7 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 of the Bond ETP market for a period of 1 (one) year from the date of refusal, or such shorter period as the JSE may determine.
- 3.50.8 The JSE shall notify all members of the admission of a new member to the Bond ETP market.

### **3.60 Voluntary termination of membership**

- 3.60.1 A Bond ETP member may apply to terminate its membership by giving 30 days written notice to the JSE.
- 3.60.2 The Membership Committee 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.
- 3.60.3 The JSE shall notify Bond ETP members of the termination of membership, and the termination shall become effective on the date and time of the notice, unless stated otherwise in the notice.

### **3.70 Involuntary termination of membership**

- 3.70.1 The Membership Committee may, after consultation with the Market Committee, terminate membership if –
  - 3.70.1.1 a member is placed in liquidation, whether provisional or final, or under business rescue proceedings or curatorship or any other judicial proceeding or court application for an insolvency proceeding is initiated, or the company files a resolution to such effect or has an insolvency administrator appointed to it;
  - 3.70.1.2 the member compromises or attempts to compromise with its creditors;
  - 3.70.1.3 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;
  - 3.70.1.4 the Disciplinary Committee has decided that membership should be terminated;
  - 3.70.1.5 the member defaults;
  - 3.70.1.6 the member fails to meet the membership requirements in rule 3.20; or
  - 3.70.1.7 the member fails to make payment of any fees, levies, charges, penalties or subscriptions in terms of rule 2.100.
- 3.70.2 The JSE will notify the member in writing of the decision of the Membership Committee to terminate the membership of the member.
- 3.70.3 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.
- 3.70.4 Should 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. Any member whose membership has been terminated and who lodges an appeal in terms of the Act shall simultaneously inform the Director: Market Regulation that an appeal has been lodged.



### **3.80 Duty to furnish information**

A Bond ETP member must, as soon as practicable, advise the JSE in writing of –

- 3.80.1 any change in the name of the member or address of any office of the member, and of any change in the member's telephone numbers or electronic mailing addresses;
- 3.80.2 the granting of an application for, or the revocation of, any registration, authorisation or licence which may bear upon or be associated with its business as a member of the JSE;
- 3.80.3 any of the circumstances referred to in rules 3.70.1.1 to 3.70.1.3 arising;
- 3.80.4 the prosecution or conviction of the member for any offence under legislation relating to banking, other financial services, companies, insolvency, insurance and pension and provident societies, or for any offence involving fraud or dishonesty;
- 3.80.5 any of the circumstances referred to in rule 3.30.2 arising in relation to any of the member's registered officers;
- 3.80.6 any person ceasing to be a registered officer of a member; and
- 3.80.7 the dismissal of an employee performing a function on behalf of the member relating to the Bond ETP market for committing or attempting to commit an act which is dishonest or fraudulent.

### **3.90 JSE power to restrict trading**

- 3.90.1 The JSE may upon receipt of a notification from the South African Reserve Bank that a bank that is a Bond ETP member is operating in such a manner that there is imminent danger that such member may be unable to meet its commitments to other members -
  - 3.90.1.1 prohibit such member from trading;
  - 3.90.1.2 restrict the trading activities of such member in such manner as it deems fit, and/or
  - 3.90.1.3 give such member such instructions as it may deem necessary in the interests of the other members.
- 3.90.2 Any action taken by the JSE in terms of this rule may continue until such time as the South African Reserve Bank and the JSE are satisfied as to the financial position of the member in question.

## **Registered Officers**

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

- 3.100.1 A Bond ETP member must ensure the registration by the JSE of a Bond ETP manager, a compliance officer, a settlement officer and an alternate settlement officer.
- 3.100.2 A Bond ETP manager shall –
  - 3.100.2.1 assume overall management responsibility for the member's activities on the Bond ETP market and in doing so ensure that appropriate arrangements have been made for the member to comply with its obligations in terms of these rules and directives; and
  - 3.100.2.2 possess sufficient knowledge of bond market trading and have sufficient experience in managing bond trading activities, as deemed appropriate for the position by the JSE.
- 3.100.3 A compliance officer shall –
  - 3.100.3.1 without relieving the member from its responsibility to comply with the provisions of the Act and these rules be responsible for the monitoring of compliance by the member with the provisions of the Act and these rules;
  - 3.100.3.2 without unreasonable delay, report to the Director: Market Regulation any breaches by the member of the Act, the rules or the directives or any other issue considered by the compliance officer to be irregular;
  - 3.100.3.3 in the event of any breach of the Act, the rules or the directives or a problem or query arising in respect of any transaction of the member in terms of these rules, immediately

- take such steps as may be necessary to ensure that the breach is rectified or to eliminate the problem or to satisfy the query;
- 3.100.3.4 receive all notices to the member from the JSE and be responsible to ensure that all such notices are communicated to and understood by the relevant employees and, where applicable, complied with; and
- 3.100.3.5 have obtained such qualification as may be required by the JSE in terms of the directives.
- 3.100.4 A settlement officer must –
  - 3.100.4.1 ensure that appropriate procedures are implemented and the necessary action is taken to facilitate the settlement of all transactions in accordance with the rules and directives;
  - 3.100.4.2 deal with all queries of the JSE in relation to settlement;
  - 3.100.4.3 advise the JSE of any issue that may potentially impact on the settlement of a transaction;
  - 3.100.4.4 cooperate with the Settlement Authority to ensure the efficient and timeous settlement of all transactions; and
  - 3.100.4.5 have obtained such qualification as may be required by the JSE in terms of the directives.
- 3.100.5 An alternate settlement officer must –
  - 3.100.5.1 in the absence of the settlement officer, ensure that the necessary action is taken to facilitate the settlement of all transactions in accordance with these rules and directives;
  - 3.100.5.2 in the absence of the settlement officer, deal with all queries by the JSE in relation to settlement;
  - 3.100.5.3 in the absence of the settlement officer, advise the JSE of any issue that may potentially impact on the settlement of a transaction;
  - 3.100.5.4 in the absence of the settlement officer, cooperate with the Settlement Authority to ensure the efficient and timeous settlement of all transactions; and
  - 3.100.5.5 have obtained such qualification as may be required by the JSE in terms of the directives.
- 3.100.6 A Bond ETP member shall not carry on business for more than two months in any continuous period of twelve months unless such member has registered a Bond ETP manager, a compliance officer, a settlement officer and an alternate settlement officer in terms of rule 3.100.1: Provided that where one of these positions has become vacant, a senior employee shall temporarily assume the responsibilities of the relevant officer as set out in rules 3.100.2, 3.100.3 3.100.4 and 3.100.5 respectively for a period not exceeding two months or such other period as the Director: Market Regulation may approve in exceptional circumstances.
- 3.100.7 A Bond ETP member shall ensure the registration by the JSE of one or more traders who shall be the only persons entitled to trade on behalf of the member on the Bond ETP market and who shall have obtained such qualification as required by the JSE in terms of the directives.

### **3.110 Registration of officers by the JSE**

- 3.110.1 An application for registration as a registered officer shall be made to the JSE in the manner and in the form prescribed by the JSE.
- 3.110.2 A person who seeks to be registered with the JSE as a registered officer must satisfy the requirements as prescribed by the JSE in these rules and directives.
- 3.110.3 A member shall notify the JSE in writing of its decision to terminate the registration of a registered officer, in which event the JSE may request full details of the circumstances of the termination.
- 3.110.4 The registration or termination of the registration of a registered officer in the name of a member shall become effective on the date stipulated in the written notification to the member by the JSE, confirming the registration or termination of registration of the registered officer.

### **3.120 Member remains responsible**

The appointment or registration of any registered officer referred to in rules 3.100 and 3.110 shall not in any way relieve a member from any of its duties and responsibilities in terms of the Act and these 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.

**SECTION**  
**4**

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**Section 4: Reserved**

## SECTION

# 5

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### Section 5: Trading

#### Scope of Section

- 5.10 List of Bond ETP securities
- 5.20 Buying and selling of Bond ETP securities
- 5.30 Members' use of the Bond ETP trading system
- 5.40 Operation of the Bond ETP market by the JSE
- 5.50 Trade cancellations
- 5.60 Market integrity
- 5.70 Emergency provisions

### 5.10 List of Bond ETP securities

The record of Bond ETP securities which may be bought or sold on the Bond ETP market shall be kept by the JSE in the list of securities maintained in terms of section 11(8)(a) of the Act.

### 5.20 Buying and selling of Bond ETP securities

The business of buying and selling of Bond ETP securities by members as contemplated by section 24(a) of the Act must be conducted on the Bond ETP trading system, unless the business has been conducted on the IRC trading system as an IRC member.

### 5.30 Members' use of the Bond ETP trading system

#### 5.30.1 Access to the Bond ETP trading system

5.30.1.1 Members may only access and utilise the Bond ETP trading system with the required approval of the Market Controller and subject to such instructions as may be issued by the Market Controller.

5.30.1.2 In order to utilise the services of, and access the Bond ETP trading system, a member must:

5.30.1.2.1 enter into and sign such agreements as may be prescribed by the JSE; and

5.30.1.2.2 adhere to such requirements and specifications as may be prescribed by the JSE in these rules and directives or in a notice to members.

5.30.1.3 Members accessing the Bond ETP trading system must at all times –

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

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

#### 5.30.2 Data integrity

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

5.30.2.2 Data from or submitted on behalf of members may only be submitted to the Bond ETP trading system in a manner approved by the JSE.

#### 5.30.3 Authorised personnel

5.30.3.1 A member represents and warrants to the JSE and to persons with whom the member executes transactions in Bond ETP securities, that any person employed by the member to deal with such persons in relation to such transactions, has full authority to act on the member's behalf.

5.30.3.2 A member must ensure that all registered traders meet the requirements of rules 3.30 and 3.100.7.

#### 5.30.4 Recording of transactions

Every member must record and retain details of every transaction in Bond ETP securities entered into by it and it shall be the duty of every person executing a transaction on behalf of a member to ensure that these rules are complied with.

### 5.40 Operation of the Bond ETP market by the JSE

- 5.40.1 The Bond ETP trading system will operate on every business day according to standard periods and times as set out in the directives.
- 5.40.2 The Market Controller may decide that the Bond ETP market 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 members not able to access the Bond ETP trading system, the reasons for such lack of access and their contribution to price formation.
- 5.40.3 Notwithstanding any other provision of these rules or any directive and subject to rule 2.10, the Market Controller, in accordance with prevailing circumstances, may –
- 5.40.3.1 reduce or extend the hours of operation of the Bond ETP trading system for any particular business day;
  - 5.40.3.2 without prior notice to any person, halt or close the Bond ETP trading system for trading at any time and for any period;
  - 5.40.3.3 if there has been any failure of the Bond ETP trading system, for any reason, or if the Bond ETP trading system has been closed, suspended or halted, declare that a transaction executed through or by the Bond ETP trading system is void. Such declaration is binding on the members who entered into such transaction;
  - 5.40.3.4 exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of these rules and directives, and as may be necessary to resolve any issue which may arise from the closure, suspension, halt or failure of the Bond ETP trading system; and
  - 5.40.3.5 take such other steps as may be necessary to ensure an orderly market.
- 5.40.4 Notwithstanding any other provisions of these rules and directives –
- 5.40.4.1 the Market Controller may instruct a member to immediately discontinue using a member application; or
  - 5.40.4.2 the Market Controller may restrict the usage by a member of any or all components of a member application.
- 5.40.5 The Director: Market Regulation 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 Regulation, may declare a trading halt in a Bond ETP security in circumstances where the Director: Market Regulation or his deputy determines that the trading activity in a Bond ETP security -
- 5.40.5.1 is being or could be undertaken by persons possessing unpublished price-sensitive information that relates to the Bond ETP security; or
  - 5.40.5.2 is being influenced by a manipulative or deceptive trading practice; or
  - 5.40.5.3 may otherwise give rise to an artificial price in that Bond ETP security.
- 5.40.6 No member may trade a Bond ETP security for the duration of a trading halt referred to in rule 5.40.5, but may delete orders from the Bond ETP trading system.

### 5.50 Trade cancellations

- 5.50.1 A key component of market integrity is the assurance that once executed, a trade will stand and will not be subject to cancellation. However, if a trade is executed as a result of an error by a member, there may be significant adverse consequences for the affected member and therefore it is appropriate in certain circumstances to cancel such trades.

- 5.50.2 The Director: Market Regulation may, where in his opinion a trade has been matched as a result of a clear error, and provided that the trade qualifies for cancellation in terms of these rules, issue the necessary instruction to have the trade cancelled.
- 5.50.3 A request for an alleged error trade to be cancelled in terms of these rules will, subject to rules 5.50.4, 5.50.5 and 5.60.6, be considered provided that the request meets the following requirements:
- 5.50.3.1 the nature of the error is that the order submitted to the Bond ETP trading system is different to that which the member intended to submit at the time that the order was submitted; and
  - 5.50.3.2 the request is received by the Director: Market Regulation within the time period stipulated in the directives from the time of the erroneous trade; and
  - 5.50.3.3 the price of the trade or trades executed in error is away from the reference price at the time that the error occurred by more than the basis points yield used to determine the no cancellation range as set out in the directives; and
  - 5.50.3.4 the difference between the aggregate consideration of the trades that qualify in terms of rule 5.50.3.3 and the consideration that would have resulted had such trades been executed at the reference price is at least the amount stipulated in the directives; and
  - 5.50.3.5 a passive order which has been submitted to the Bond ETP trading system and which gives rise to an alleged error trade will only be considered for cancellation if the time period stipulated in the directives between when the order was entered and when it was matched has not been exceeded.
- 5.50.4 Where the JSE has received a request from a member to cancel an alleged error trade and the trade meets all of the criteria for cancellation in terms of rule 5.50.3, the Director: Market Regulation will proceed to invoke the provisions of the rules and directives and have the trade cancelled.
- 5.50.5 Where the JSE has received a request from a member firm to cancel an alleged error trade and where such trade fails to meet all of the criteria for cancellation in terms of rule 5.50.3, the JSE will endeavor to contact the counterparty to the trade to inform them of the alleged error and to facilitate a possible voluntary cancellation of the trade.
- 5.50.6 Where the JSE attempts to facilitate a possible voluntary error trade cancellation in terms of rule 5.50.5 and is unable to make contact with the counterparty within the time frame as prescribed in the directives, or the counterparty is unwilling to have the trade cancelled, the Director: Market Regulation shall inform the member responsible for the alleged error that the trade shall stand.
- 5.50.7 Where the JSE attempts to facilitate a possible voluntary error trade cancellation in terms of rule 5.50.5 and is able to contact the counterparty within the time frame as prescribed in the directives, and the counterparty agrees to have the error trade cancelled, the Director: Market Regulation will inform the member responsible for the alleged error of the counterparty's agreement to cancel and issue the necessary instructions to have the trade cancelled.
- 5.50.8 In making the determination as to whether an alleged error trade qualifies for cancellation in terms of rule 5.50.3, the Director: Market Regulation will also consider whether the reference price at the time that the error occurred is a representative fair value price for the relevant security at that time. In this regard, the Director: Market Regulation will take into account all relevant factors which shall include, but not be limited to-
- 5.50.8.1 the price movements in similar securities issued by the same or other issuers;
  - 5.50.8.2 current market conditions, including volatility and liquidity; and
  - 5.50.8.3 the release of economic data and other relevant news affecting the relevant security.



- 5.50.9 In exceptional circumstances, and after taking all relevant factors into account as provided for in rule 5.50.8, the Director: Market Regulation may make a determination that the reference price at the time that the error occurred is not representative of the fair value for the relevant instrument at that time and will deem another price, being a fair value price, as being more appropriate for the determination as to whether the alleged error trade qualifies to be cancelled.
- 5.50.10 If the Director: Market Regulation determines that a fair value price is the appropriate price to use in determining whether the alleged error trade qualifies to be cancelled, the error trade must meet the criteria set out in rule 5.50.3 in order for it to be cancelled except that, as regards the criteria in rules 5.50.3.3 and 5.50.3.4, the fair value price will be used instead of the reference price.
- 5.50.11 If, in the opinion of the Director: Market Regulation, a trade materially impacts the integrity of the market, the maintenance of a fair and orderly market or the correctness of the market statistics, the Director: Market Regulation may cancel the trade even where there has been no request from a member to do so.
- 5.50.12 If the Bond ETP trading system is unable to match orders during continuous trading as a result of technical problems, an order may be matched when these technical issues are resolved but before the JSE is able to halt trading on the Bond ETP trading system. Where a request is received from a member to cancel a trade resulting from such a match because the member did not intend to retain the relevant order on the Bond ETP trading system at the time that it was matched but was unable to delete or amend the order as a result of these technical problems, the Director: Market Regulation may deal with the trade as an error trade in terms of this rule 5.50 and issue an instruction for the trade to be cancelled.
- 5.50.13 In considering an error trade in terms of rule 5.50.12, the Director: Market Regulation will apply all of the relevant provisions of this rule 5.50 except that instead of applying the criteria in rules 5.50.3 in determining whether the trade qualifies for a trade cancellation, the Director: Market Regulation will only consider whether:-
- 5.50.13.1 the price of the relevant trade was outside of the no cancellation range relative to the reference price at the time that a confirmation of the trade was sent to the member; and
- 5.50.13.2 the request is received by the Director: Market Regulation within the time period stipulated in the directives from the time that a confirmation of the trade was sent to the member.

## **5.60 Market integrity**

Where, from a lack of clarity in the published information available at the time of the transaction, a member trades in a quantity or at a price which in the opinion of the Director: Market Regulation is unreasonable, the Director: Market Regulation may declare such transaction void. Such declaration is binding on the members who entered into such transaction.

## **5.70 Emergency provisions**

- 5.70.1 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 Bond ETP securities for such period as the JSE may deem necessary.
- 5.70.2 Circumstances of emergency shall include but are not limited to, a state of war or threatening hostilities, acts of state affecting the Bond ETP market or the due performance of transactions or any position, any change in the law affecting the Bond ETP 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 Bond ETP securities.
- 5.70.3 In the event of any of the circumstances contemplated in this rule 5.70 occurring, the Executive Officer shall notify the Authority of such circumstances and shall co-operate with the Authority to restore and maintain a fair and orderly market.

**SECTION**  
**6**

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**Section 6: Market Conduct**

**Scope of Section**

- 6.10 Prevention and detection of market abuse
- 6.20 Reporting of suspected market abuse to the Authority

## **6.10 Prevention and detection of market abuse**

- 6.10.1 Notwithstanding the origin of a quote or order to be submitted to the Bond ETP trading system, a member must, before entering any quotes or orders on the Bond ETP trading system, take reasonable steps to satisfy itself that such quotes or orders and any resultant trades will not result in a breach of the provisions of sections 77 to 80 of the Act.
- 6.10.2 A member must ensure that all of its employees who are involved in the execution of transactions in Bond ETP securities on the Bond ETP trading system are familiar with the market abuse provisions in sections 77 to 80 of the Act and that those employees receive adequate training and guidance to enable them to recognise and avoid entering into any transaction on behalf of the member which will result in, or is likely to result in, a breach of those provisions.
- 6.10.3 A member's compliance monitoring procedures must specifically include procedures to monitor transactions executed on the Bond ETP trading system by the member and its employees, with the objective of identifying and taking appropriate action in relation to trades that, in the reasonable opinion of the member, may constitute a breach of the provisions of sections 78 and 80 of the Act.
- 6.10.4 In formulating and implementing the compliance monitoring procedures referred to in rule 6.10.3, a member is not expected to monitor every trade executed on the Bond ETP trading system by the member, for the purpose of identifying potential market abuse. Nevertheless, whilst members are encouraged to implement monitoring procedures to detect any activity undertaken by the member's employees which may constitute a breach of the provisions of sections 78 and 80 of the Act, the procedures should, as a minimum, aim to detect activity which, to a reasonable person observing or reviewing such activity, would constitute a blatant breach of the provisions of sections 78 and 80 of the Act taking into account all relevant factors such as:
- 6.10.4.1 the timing of the transaction;
  - 6.10.4.2 the frequency and pattern of transactions over a period of time;
  - 6.10.4.3 the effect of the transaction on market prices or volumes; or
  - 6.10.4.4 a combination of two or more of these factors.

## **6.20 Reporting of suspected market abuse to the Authority**

In performing the JSE's licensed surveillance functions in terms of section 10(2)(d) of the Act and Section 9 of these Bond ETP rules, if the JSE Market Regulation Division identifies any suspected market abuse by a member it will report its findings to the Authority, as required by section 10(2)(d) of the Act, in order for the Financial Sector Conduct Authority and the Directorate of Market Abuse to exercise their respective powers in terms of the Act to investigate potential market abuse.

# SECTION

# 7

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## Section 7: Conduct of Business

### Scope of Section

- 7.10 Standards of integrity
- 7.20 Co-operation with regulators
- 7.30 Transactions
- 7.40 Contraventions to be reported

## **7.10 Standards of integrity**

- 7.10.1 A member shall, in the conduct of its business, observe high standards of integrity and fair dealing. It must, inter alia, –
- 7.10.1.1 not knowingly circulate information or submit information to the JSE which is false or misleading, or which affects or tends to affect unfairly the price of any Bond ETP security;
  - 7.10.1.2 not knowingly countenance any attempt to manipulate the market, nor to influence persons for such a purpose;
  - 7.10.1.3 not be a party to or facilitate or enter into a transaction which is fictitious or which has a dishonest or unlawful motive; and
  - 7.10.1.4 conduct its activities in a manner that is compatible with the objects of the Act, and which promotes the reputation and integrity of the Bond ETP market.

## **7.20 Co-operation with regulators**

A member shall deal with the JSE, in the performance of its regulatory functions for the Bond ETP market, in an open and 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.

## **7.30 Transactions**

- 7.30.1 Every member shall execute transactions in Bond ETP securities in a just and equitable manner and every transaction must be fulfilled according to the Act, the Bond ETP rules and directives.
- 7.30.2 A member represents and warrants to the JSE and to persons with whom the member executes transactions in Bond ETP securities, that any person employed by the member to deal with such persons in relation to such transactions, has full authority to act on the member's behalf.
- 7.30.3 A member may record any telephone conversation between the member, one of its employees and any other member. Such tape recordings or transcripts may be submitted in evidence in any disciplinary proceedings involving the member or one of its employees

## **7.40 Contraventions to be reported**

Every member shall report to the JSE any contravention of the Act, these Bond ETP rules and directives that comes to its attention.

# SECTION

# 8

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## Section 8: Settlement of Bond ETP securities

### Scope of Section

- 8.10 Applicability of Section 8
- 8.20 Settlement principles for Bond ETP securities
- 8.30 Settlement Authority
- 8.40 Settlement of Bond ETP securities
- 8.50 Member settlement obligations
- 8.60 Rolling of settlement
- 8.70 Mark-to-market of Bond ETP securities transactions
- 8.80 Margin on Bond ETP securities transactions
- 8.90 Fees

### **8.10 Applicability of Section 8**

Section 8 shall apply to the settlement of transactions in Bond ETP securities.

### **8.20 Settlement principles for ETP securities**

The settlement of Bond ETP securities shall be effected in accordance with the following principles –

- 8.20.1 trade by trade;
- 8.20.2 between the buyer and the seller; and
- 8.20.3 on a rolling and contractual basis, whereby transactions become contractually due to be settled a prescribed number of days after the trade date.

### **8.30 Settlement Authority**

8.30.1 The Settlement Authority will manage –

- 8.30.1.1 the settlement of transactions in Bond ETP securities executed on the Bond ETP trading system and the ETP fails management trading system; and
- 8.30.1.2 the risks associated with the settlement of transactions in Bond ETP securities.

8.30.2 In order to perform its functions in terms of rule 8.30.1, the Settlement Authority may take action when the settlement of a transaction in a Bond ETP security will not take place or is unlikely to take place on settlement date by –

- 8.30.2.1 facilitating the settlement of Bond ETP securities in terms of the rolling of settlement procedures set out in rule 8.60, if the relevant circumstances merit such action;
- 8.30.2.2 facilitating the settlement of Bond ETP securities in terms of the default procedures set out in Section 11 of the rules, as a result of the default of an ETP member;
- 8.30.2.3 deferring the settlement of Bond ETP securities transactions that in its view could cause systemic risk if they were not to settle, by way of a notification to the CSD of the deferral and the extension of the timeframes referred to in rules 8.40 and 8.50.

### **8.40 Settlement of Bond ETP securities**

8.40.1 All transactions in Bond ETP securities shall be settled electronically through the CSD, in accordance with the principles set out in rule 8.20.

8.40.2 A trade in Bond ETP securities by a member shall –

- 8.40.2.1 be committed to by the member's CSDP by no later than 18h00 on the business day preceding the settlement date; and
- 8.40.2.2 be settled on the third business day after the trade date.

### **8.50 Member settlement obligations**

8.50.1 A member shall ensure that the settlement of a transaction in Bond ETP securities that has been effected by such member takes place.

8.50.2 A member must immediately inform the Settlement Authority of any transaction in Bond ETP securities that in its view is unlikely to settle on the settlement date.

8.50.3 No member may, on the settlement date, stop payment in respect of a CSD settlement.

8.50.4 If a member's CSDP has committed to settling a transaction in Bond ETP securities on behalf of the member, the member may not instruct the CSDP to revoke its commitment to settle the transaction, unless the member receives an instruction to do so from the Settlement Authority.

8.50.5 By no later than 17h30 on the business day preceding the settlement date, a member must make the necessary arrangements to ensure that the CSDP of that member is in a position, by no later than 18h00

on the business day preceding the settlement date, to commit to settle the transactions in Bond ETP securities on the settlement date.

- 8.50.6 A commitment by a CSDP to settle a transaction in Bond ETP securities in respect of a member in terms of rule 8.50.5 shall become unconditional as at 8h30 on the settlement date, subject to rule 8.50.9.
- 8.50.7 If a member is unable to ensure that the member's CSDP commits to settling a transaction in Bond ETP securities by 18h00 on the business day preceding the settlement date, the member shall immediately notify the Settlement Authority.
- 8.50.8 If the Settlement Authority receives notification in terms of rule 8.50.7, the Settlement Authority will determine whether settlement of the relevant transaction will be rolled to a later date in terms of rule 8.60 and, if so, the member must act in accordance with the instructions received from the Settlement Authority in terms of rule 8.60.
- 8.50.9 Despite a member's CSDP having committed to settle a sale transaction in Bond ETP securities prior to the settlement date, a member may be unable to settle the transaction on the settlement date due to a dependency on the settlement of another transaction in the same bond in respect of which the CSDP of the counterparty to that transaction has not yet committed to settling. Under these circumstances the member's CSDP may be required to retract their commitment to settle the sale transaction pending further action by the member or the resolution of the transaction on which there is a dependency. If by 13h15 on the settlement date the member's CSDP has not committed to settle a sale transaction in Bond ETP securities, the member must take all necessary steps to ensure that the member's CSDP is in a position to recommit to settle the transaction as soon as possible but by no later than 15h00.
- 8.50.10 To ensure that the member's CSDP is in a position to commit to settle a Bond ETP securities sale transaction by no later than 15h00 on the settlement date if the circumstances in rule 8.50.9 arise, a member must take the necessary steps by 14h00 to cover the uncommitted sale transaction, failing which the Settlement Authority will instruct the member to borrow the relevant securities from National Treasury through the South African Reserve Bank to cover the transaction. The member must comply with the instructions given by the Settlement Authority and must ensure that the member's CSDP has recommitted to settling the sale transaction by no later than 15h00.

## **8.60 Rolling of settlement**

- 8.60.1 In the event that the Settlement Authority receives notification from a member in terms of rule 8.50.7 that the member is unable to settle a transaction in Bond ETP securities on the settlement date, the Settlement Authority will assess, based on all information available to it at the time, whether exceptional circumstances exist that warrant settlement of the transaction being rolled to a later date and whether the member will be able to settle the transaction on a later date. If the Settlement Authority determines that the circumstances warrant the settlement of the transaction being rolled to a later date and that the member will be able to settle the transaction on a later date, the Settlement Authority may roll the settlement of the transaction in accordance with this rule 8.60.
- 8.60.2 The rolling of settlement of a Bond ETP securities transaction will be carried out in the following manner:
- 8.60.2.1 The Settlement Authority will obtain a list of Bond ETP settlements from the CSD which are not going to be effected on the due settlement date, following notification by the failing member in terms of rule 8.50.7 and a determination by the Settlement Authority in terms of rule 8.50.8. This list will include the failed trade leg as well as the opposite trade leg;
- 8.60.2.2 The Settlement Authority will advise the failing and non-failing members that the transaction will be rolled to a revised settlement date determined by the Settlement Authority;
- 8.60.2.3 The failing and non-failing members will be instructed to re-book the original transaction at the original yield for settlement on the revised settlement date; and
- 8.60.2.4 The transaction in rule 8.60.2.3 will be reported by the failing and non-failing members to the ETP fails management trading system.



- 8.60.3 If settlement does not take place on the revised settlement date, the Settlement Authority will, under exceptional circumstances, roll the settlement to another revised settlement date. However, if the Settlement Authority determines that settlement will not be able to take place on the further revised settlement date, the JSE will consider whether the member is in default in terms of Section 11 of the rules and, if this is the case, deal with the transaction in terms of those default rules.

#### **8.70 Mark-to-market of Bond ETP securities**

The JSE may, in terms of the calculation method set out in the directives, on any business day and at any time, mark-to-market the unsettled transactions in Bond ETP securities, if the JSE in its sole discretion determines:

- 8.70.1 that such is necessary in respect of a particular member, or the unsettled transactions of all members of the Bond ETP market; or
- 8.70.2 that the market conditions in respect of Bond ETP securities warrant such calculation.

#### **8.80 Margin on Bond ETP securities transactions**

##### **8.80.1 Initial margin**

Initial margin shall be paid by a member into the member's CPD margin account in an amount calculated by the JSE based on calculation methods agreed with the Market Committee. The initial margin shall be commensurate with the loss that could arise as a result of the default of the member in terms of its settlement obligations that relate to transactions in Bond ETP securities.

##### **8.80.2 Mark-to-market adjustments to initial margin**

The JSE shall, in its sole discretion, determine, as a result of the marking-to-market of transactions in terms of rule 8.70, when mark-to-market adjustments to initial margin shall be paid to or by a member in respect of a transaction in Bond ETP securities. Under normal circumstances the JSE will calculate mark-to-market adjustments to initial margin on a daily basis.

- 8.80.3 An amount due by a member in terms of rules 8.80.1 and 8.80.2 shall be paid by no later than 12h00 on the business day following the day on which such payment was calculated, or at such other time as specifically agreed upon between the member and the JSE.

- 8.80.4 Failure by a member to pay initial margin and any adjustments thereto in contravention of these rules may, in the discretion of the JSE, be deemed to be an act of default in terms of Section 11 of these rules.

- 8.80.5 A member may establish a margin deposit in the member's CPD margin account in order to meet the member's margin obligation from time to time. Any amount held in a member's CPD margin account which is in excess of the member's margin obligation on a particular day may be withdrawn by the member with the approval of the Settlement Authority.

#### **8.90 Fees**

- 8.90.1 The Settlement Authority, in consultation with the Market Committee, may charge any member the fees associated with settlement of Bond ETP securities as prescribed by directive.

- 8.90.2 Payment of the fees charged in terms of rule 8.90.1 shall be made to the Settlement Authority within five business days of notification.

## SECTION

# 9

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### Section 9: Supervision and Enforcement

#### Scope of Section

- 9.10 Surveillance and investigation by the JSE's Market Regulation Division
- 9.20 Use of information obtained by the JSE's Market Regulation Division
- 9.30 Improper conduct
- 9.40 Disciplinary procedures
- 9.50 Procedures and Evidence – Disciplinary matters
- 9.60 Penalties
- 9.70 JSE's powers of publication

## **9.10 Surveillance and investigation by the JSE Market Regulation Division**

### **9.10.1 Surveillance**

The JSE Market Regulation Division may set up and maintain systems for:

- 9.10.1.1 monitoring compliance by members with the Act, these rules and the directives; and
- 9.10.1.2 the surveillance of any matter relevant for the purposes of the Act, these rules and the directives.

### **9.10.2 Investigation**

9.10.2.1 The Director: Market Regulation, and any other person designated by him, may-

- 9.10.2.1.1 investigate any JSE related activities of any person who at the relevant time was a member or an employee or director of a member;
- 9.10.2.1.2 investigate whether that member or any of its employees complies with the Act, these rules and the directives;
- 9.10.2.1.3 investigate whether the member is trading in such a manner that there is a danger that such member may not be able to meet its commitments to other members or a settlement system;
- 9.10.2.1.4 investigate whether such member is conducting its business in a manner which could be detrimental to the reputation and integrity of the Bond ETP market or its members; and
- 9.10.2.1.5 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: Market Regulation or any other person designated by him, 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.

9.10.2.2 The Director: Market Regulation may delegate the power granted to him in terms of rule 9.10.2.1 to any member of the Market Regulation Division.

## **9.20 Use of information obtained by the JSE's Market Regulation Division**

9.20.1 Any information, document, book, tape or electronic record or other object obtained by the Market Regulation Division, whether by investigation or otherwise, may be used in evidence in any disciplinary proceedings contemplated in rule 9.50 and may be furnished by the Market Regulation Division to any other body which may have jurisdiction over the matter under consideration, whether outside or within the Republic.

9.20.2 If the Market Regulation Division become aware of any possible contravention of law by a person over whom the JSE does not have jurisdiction, the Market Regulation Division may refer such matter to the appropriate authority or authorities, whether outside or within the Republic.

### 9.30 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 or employee 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:

- 9.30.1 committing or attempting to commit any act which is dishonest or fraudulent;
- 9.30.2 being a party to, or facilitating or conducting a transaction which is fictitious or has a dishonest or unlawful motive;
- 9.30.3 contravening, attempting to contravene, or failing to comply with any one or more provisions of the Act, a rule or a directive;
- 9.30.4 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 or the general public. The failure by a member to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may be treated, where appropriate, as constituting either negligence or recklessness;
- 9.30.5 committing or attempting to commit any act which is detrimental to the interest, good name or welfare of the JSE or its members;
- 9.30.6 knowingly obstructing the business of the JSE or its members;
- 9.30.7 failing, when requested, to assist the Market Regulation Division in the exercise of its duties, including but not limited to, failure without sufficient cause to provide information in accordance with rule 9.10.2.1.5.

### 9.40 Disciplinary procedures

#### 9.40.1 Conclusion of investigation

On conclusion of any investigation in terms of rule 9.10 and if, after having considered all the relevant information in his possession, the Director: Market Regulation is of the opinion that there are grounds for an allegation of improper conduct, the Director: Market Regulation may prefer a formal charge against such person ("the respondent") setting out a brief statement of facts constituting the alleged improper conduct. Such charge shall be referred to a Disciplinary Committee to be heard in terms of the rules. Such charge may further, in the discretion of the Director: Market Regulation, make provision for an admission of guilt.

#### 9.40.2 Preferring charges to be heard by a Disciplinary Committee

9.40.2.1 Where the Director: Market Regulation has preferred a formal charge against a respondent, the charge sheet shall, in addition to the matters listed in rule 9.40.1, be in a form prescribed by the Director: Market Regulation, be signed by the Director: Market Regulation or his Deputy and be served on the respondent in such manner as the Director: Market Regulation may determine.

9.40.2.2 Where the Director: Market Regulation has decided to make provision for an admission of guilt, he shall stipulate:

9.40.2.2.1 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. In determining the amount of such fine and where the person has benefited financially as a result of the alleged transgression, the Director: Market Regulation shall take such benefit into consideration. The admission of guilt may, in particular, provide for the fine to be suspended for a period;

9.40.2.2.2 the manner and time in which the admission of guilt may be made, which time shall not be a period in excess of 10 weeks from the date on which the charge sheet is served on the respondent; and

9.40.2.2.3 whether the terms of the admission of guilt should be published in a JSE Market Notice and in the media.

- 9.40.2.3 A respondent –
  - 9.40.2.3.1 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
  - 9.40.2.3.2 may within 4 weeks after receipt of the charge sheet request particulars to the charges, to which the Director: Market Regulation must respond within 4 weeks after receipt of such request; and
  - 9.40.2.3.3 shall, if no admission of guilt is tendered by the Director: Market Regulation or if the respondent decides not to admit guilt to the charges, file a defence to such charges on or before 10 weeks after the date on which the charge sheet was served on the respondent or within 4 weeks after the date on which the JSE has responded to the request for further particulars, whichever is later.
- 9.40.2.4 Thereafter the chairman of the Disciplinary Committee 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.
- 9.40.2.5 No extension of the time periods set out in rule 9.40.2.3, including the date for the hearing of the charges, shall be allowed without good reason. Furthermore, no such extension shall be allowed without the consent of the chairman of the Disciplinary Committee.
- 9.40.3 Disciplinary Committee
  - 9.40.3.1 The Director: Market Regulation may from time to time appoint one or more Disciplinary Committees each comprised of three members.
  - 9.40.3.2 The members of a Disciplinary Committee shall be:
    - 9.40.3.2.1 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 Disciplinary Committee;
    - 9.40.3.2.2 a professional person appointed by reason of that person's knowledge of financial services as it relates to the matter under consideration; and
    - 9.40.3.2.3 a person appointed by reason of that person's knowledge of or experience in the financial markets.

## **9.50 Procedures and Evidence – Disciplinary matters**

- 9.50.1 Any charges preferred shall be decided on a balance of probabilities.
- 9.50.2 In a hearing before a Disciplinary Committee:
  - 9.50.2.1 the chairman of the Disciplinary Committee 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 Disciplinary Committee shall by a simple majority decide all other matters arising during the hearing;
  - 9.50.2.2 the chairman of the Disciplinary Committee shall determine the procedure which the Disciplinary Committee shall follow both in respect of preliminary issues and in respect of the hearing itself, subject to the rules and to the principles of natural justice;
  - 9.50.2.3 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
  - 9.50.2.4 the respondent is entitled to be legally represented 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.

- 9.50.3 If a respondent without good cause fails to attend a hearing before a Disciplinary Committee at the time and place stated in the charge sheet, the Disciplinary Committee may proceed with its consideration of the charge in the absence of the respondent.
- 9.50.4 If, at any stage during a hearing before a Disciplinary Committee, 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.
- 9.50.5 If a Disciplinary Committee finds a respondent guilty of improper conduct, the Disciplinary Committee shall have the powers set out in and shall apply rule 9.60.
- 9.50.6 A person charged is entitled to be supplied with a record of the hearing of such charges, and any person who has made oral representations is entitled to be supplied with a record of that portion of the proceedings which related to that person's oral representations.

## **9.60 Penalties**

- 9.60.1 When any person has been found guilty of improper conduct by a Disciplinary Committee pursuant to the rules, the Disciplinary Committee -
  - 9.60.1.1 may warn, reprimand, censure or impose a fine upon the respondent, which fine shall in respect of each contravention not exceed the amount stipulated in the Act, as adjusted by the Authority from time to time;
  - 9.60.1.2 shall in determining an appropriate penalty take into account:
    - 9.60.1.2.1 any previous guilty finding of improper conduct in terms of the rules of the JSE or conviction in a court of law;
    - 9.60.1.2.2 the harm or prejudice which is caused by the improper conduct;
    - 9.60.1.2.3 any other aggravating or mitigating circumstances; and
    - 9.60.1.2.4 where it is considering making a recommendation to the Membership Committee on the termination of the membership of the respondent, the representations of such person in this regard;
  - 9.60.1.3 may recommend to the Membership Committee that the membership of a member be terminated in accordance with the process set out in rule 3.70;
  - 9.60.1.4 may 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;
  - 9.60.1.5 may direct a member to prevent or relieve an employee of that member from carrying out any specified activity, function or duty for such reasonable period as the Disciplinary Committee deems appropriate;
  - 9.60.1.6 may direct a member to ensure that any sanction imposed by the Disciplinary Committee on an employee of that member is complied with by such employee;
  - 9.60.1.7 may make a fair and reasonable order as to costs; and
  - 9.60.1.8 may order that particulars of the improper conduct and finding of the Disciplinary Committee and the penalty imposed be published, provided that if publication is ordered, the respondent shall be given an opportunity to make representations to the Disciplinary Committee in this regard.
- 9.60.2 A Disciplinary Committee may impose any one or more of the penalties referred to in rule 9.60.1.
- 9.60.3 Any penalty or part thereof may be suspended on such conditions as the Disciplinary Committee may determine.
- 9.60.4 If a member or an employee of a member fails to pay any fine imposed by a Disciplinary Committee within 7 days after being informed of the amount of the fine, the JSE may, after serving notice of not less than 3 days on such person, calculated from the expiration of the last of the 7 days within which payment must be made, -

- 9.60.4.1 recover such fine from such member or employee, as the case may be, in a court of competent jurisdiction;
  - 9.60.4.2 recommend to the Membership Committee that the membership of a member be terminated in accordance with the process as set out in rule 3.70;
  - 9.60.4.3 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; and/or
  - 9.60.4.4 direct a member to prevent or relieve an employee of that member from carrying out any specified activity, function or duty for such reasonable period as the JSE deems appropriate.
- 9.60.5 The amount of any fine paid to the JSE pursuant to the rules shall be paid into a trust account administered by the JSE and utilised to enhance the effectiveness or integrity of the Bond ETP market in a manner determined by the Market Committee. Any costs paid to the JSE pursuant to an award made by a Disciplinary Committee shall be paid into the general funds of the JSE.
- 9.60.6 A Disciplinary Committee may, upon good cause shown and subject to such conditions as the Disciplinary Committee 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 Disciplinary Committee shall under no circumstances increase such penalty.
- 9.60.7 A report of the findings of a Disciplinary Committee will be forwarded to the Authority by the JSE within 30 days after the completion of the proceedings.

#### **9.70 JSE's powers of publication**

- 9.70.1 The JSE may in its discretion and in such manner as it may deem fit, notify the Bond ETP members and the Market Committee of any fact that the JSE considers to be in their interests, including, but not limited to, the name of the member or employee of a member who has been found guilty of any charge and of the sentence imposed on such person.
- 9.70.2 No action or other proceeding shall in any circumstances be taken by any member or employee of a member referred to in any notification referred to in rule 9.70.1, or in a JSE Market Notice, against the JSE or any controlling body or committee member or employee thereof or any person publishing or circulating the same.

**SECTION**  
**10**

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**Section 10: Complaints and Disputes**

**Scope of Section**

- 10.10 Member complaints against the JSE
- 10.20 Applicability of dispute resolution rules
- 10.30 Reporting of a dispute
- 10.40 Declaration of a dispute
- 10.50 Consideration by an ombud
- 10.60 Costs of the proceedings
- 10.70 Limitation of liability



## **10.10 Member complaints against the JSE**

- 10.10.1 Subject to rule 10.10.2, if a member wishes to lodge a complaint against the JSE in respect of the exercise by the JSE of any exchange functions in terms of section 10 of the Act and the member requires a written response to their complaint, the member must lodge the complaint in writing with the JSE Company Secretary.
- 10.10.2 If a member wishes to lodge a complaint against the JSE in respect of conduct by the JSE which, in the opinion of the member, evidences a failure by the JSE to avoid or otherwise appropriately manage a potential conflict between the JSE's regulatory functions and its commercial functions, the member must lodge the complaint in writing with the JSE Company Secretary for the attention of the Chairman of the SRO Oversight Committee.
- 10.10.3 The JSE or the Chairman of the SRO Oversight Committee will respond to a complaint received in terms of rule 10.10.1 or 10.10.2 respectively within 4 weeks of receiving the complaint or, within such period, will provide the complainant with an appropriate explanation as to why they are not, at that time, in a position to respond and will indicate by when they will respond.

## **10.20 Applicability of dispute resolution rules**

- 10.20.1 Rules 10.20 to 10.70 ("the dispute resolution rules") are intended to facilitate the equitable and expeditious settlement of disputes that a member has with another member, in respect of transactions in Bond ETP securities.
- 10.20.2 The dispute resolution rules only apply –
  - 10.20.2.1 where the amount in dispute is in excess of R2 000;
  - 10.20.2.2 where the dispute is not the subject of existing litigation; and
  - 10.20.2.3 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: Market Regulation 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.

## **10.30 Reporting of a dispute**

- 10.30.1 A dispute between two members in respect of transactions in Bond ETP 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.
- 10.30.2 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.

## **10.40 Declaration of a dispute**

A dispute reported in terms of rule 10.30 will, subject to criteria set out in rule 10.20.2 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.

## **10.50 Consideration by an ombud**

- 10.50.1 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.
- 10.50.2 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.
- 10.50.3 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.

- 10.50.4 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.
- 10.50.5 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.
- 10.50.6 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.
- 10.50.7 After ascertaining the parties availability, the ombud will, subject to rule 10.50.8, furnish the parties with written notification of the date on which the dispute will be heard.
- 10.50.8 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 10.50.2 to 10.50.5 without the necessity of a hearing.
- 10.50.9 The dispute resolution proceedings will be conducted without legal representation of any of the parties, unless the ombud in his sole discretion decides otherwise.
- 10.50.10 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.
- 10.50.11 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.
- 10.50.12 The ombud's decision will be furnished to the parties in writing.
- 10.50.13 The ombud is not obliged to provide a ruling on a dispute if he is of the view that the dispute is 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.
- 10.50.14 Any decision made in terms of rule 10.50.12 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.
- 10.50.15 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.

#### **10.60 Costs of the proceedings**

- 10.60.1 The parties to any dispute resolution proceeding in terms of rule 10.50 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.
- 10.60.2 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.

#### **10.70 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 anything done or omitted by them in the *bona fide* or negligent performance of any function under or in terms of this rule 10.

**SECTION**  
**11**

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**Section 11: Default**

**Scope of Section**

- 11.10 Default of a member
- 11.20 Consequences of default

## 11.10 Default of a member

- 11.10.1 A member shall default if –
- 11.10.1.1 it is unable to meet its obligations to another member or its margin obligations in terms of these rules, arising out of a transaction in Bond ETP securities;
  - 11.10.1.2 its failure to meet its obligations is due to an insolvency proceeding or is otherwise caused by a position of financial distress; and
  - 11.10.1.3 the JSE, in consultation with the South African Reserve Bank, considers that it has defaulted.
- 11.10.2 If a member is unable to meet its obligations in terms of rule 11.10.1, the JSE will declare the member to be a defaulter with immediate effect.

## 11.20 Consequences of default

- 11.20.1 Without limiting or detracting from any other remedies or rights which a member may have against the defaulting member -
- 11.20.1.1 the defaulting member shall be suspended from trading;
  - 11.20.1.2 the Settlement Authority will –
    - 11.20.1.2.1 extract, in respect of the defaulting member, all Bond ETP securities transactions that are still due to settle on any settlement day;
    - 11.20.1.2.2 advise the non-defaulting member or members who are counterparties to the transactions in rule 11.20.1.2.1 of the details of those transactions and that the settlement of those transactions will fail;
  - 11.20.1.3 the non-defaulting member or members may enter into securities loans with National Treasury or repurchase transactions with the South African Reserve Bank to facilitate liquidity in respect of the bonds or cash, respectively, that they will not receive on the due settlement day as a result of the default;
  - 11.20.1.4 the JSE will auction the defaulting member's outstanding settlement positions in each Bond ETP security across all settlement days on the day of the default and each non-defaulting member will be invited to bid for all or a portion of the auctioned position in each Bond ETP security. The auction of an unsettled position in a Bond ETP security will close at a time stipulated by the JSE. The single auction price for the unsettled position in a Bond ETP security will be the price of the bid which together with any bids at better prices results in the full quantity of the unsettled position being taken up at the best possible price;
  - 11.20.1.5 the defaulter's outstanding settlement positions in each Bond ETP security will be closed out through the auction trade which will result in the successful bidder or bidders in the auction taking over the positions of the defaulter at the auction price and thereby effectively replacing the defaulter as the counterparty or counterparties to the transactions which failed as a result of the default but at the auction price rather than the original transaction prices;
  - 11.20.1.6 the successful bidder or bidders in the auction and the non-defaulting members who were the counterparties to the failed transactions with the defaulter will be instructed by the Settlement Authority to book transactions between each other on the Bond ETP fails management trading system at the auction price for settlement on the third business day after the trade date, to give effect to the successful bidder or bidders replacing the defaulter as the counterparty to the failed transactions but at the auction price;
  - 11.20.1.7 if a non-defaulting member who was a counterparty to one or more failed transactions with the defaulter realises a net profit on the difference between the prices of the original failed transactions with the defaulter and the replacement transactions at the auction price, across all Bond ETP securities, the member must deposit such profit into its CPD margin account on the settlement day of the trades referred to in rule 11.20.1.6. The Settlement Authority will instruct the CPD to transfer such profit from the non-defaulting

- member's CPD margin account to the defaulter's CPD margin account, after confirming the amount of the profit to be transferred with the non-defaulting member;
- 11.20.1.8 if a non-defaulting member who was a counterparty to one or more failed transactions with the defaulter realises a net loss on the difference between the prices of the original failed transactions with the defaulter and the replacement transactions at the auction price, across all Bond ETP securities, the Settlement Authority will instruct the CPD to transfer the amount of such loss from the defaulter's CPD margin account to the non-defaulting member's CPD margin account, after confirming the amount of the loss to be transferred with the non-defaulting member, subject to rule 11.20.1.10;
- 11.20.1.9 any losses incurred by non-defaulting members in terms of rule 11.20.1.8 will only be transferred to their CPD margin accounts once all profits realised by non-defaulting members in terms of rule 11.20.1.7 have been deposited by those members into their CPD margin accounts and transferred to the defaulter's CPD margin account on the instruction of the Settlement Authority;
- 11.20.1.10 if the amount held in the defaulter's CPD margin account once all profits have been transferred to that account in terms of rule 11.20.1.7 is insufficient to cover the aggregate amount of losses payable to all non-defaulting members in terms of rule 11.20.1.8, the Settlement Authority will apportion the shortfall to each non-defaulting member pro-rata to the value of each of their respective losses. In such instances, the Settlement Authority will instruct the CPD to transfer the amount of each non-defaulting member's net loss less any apportioned shortfall from the defaulter's CPD margin account to the non-defaulting member's CPD margin account;
- 11.20.1.11 any shortfall which a non-defaulting member is unable to recover from the defaulter's CPD margin account in terms of rule 11.20.1.10 must be claimed by the non-defaulting member from the defaulter;
- 11.20.1.12 once all net losses claimed by non-defaulting members have been fully or, in the case of a shortfall in terms of rule 11.20.1.10, partially paid from the defaulter's CPD margin account, the JSE will terminate the membership of the defaulter.

# BOND ETP DIRECTIVES

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**SECTION**  
**A**

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**Section A: Membership**

**Scope of section**

AA Sanctions lists

**AA Sanction lists**

The sanctions lists contemplated in rule 3.20.11 are those as issued by:

1. the Office of Foreign Assets Control (OFAC);
2. Her Majesty's Treasury; and
3. the United Nations Security Council (UNSC).



**SECTION**  
**B**

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**Section B: Qualification Requirements**

**Scope of section**

- BA Qualifications to be registered as a trader
- BB Exemptions from the Registered Persons Examination of the South African Institute of Financial Markets by the South African Institute of Financial Markets
- BC Qualifications to be registered as a Compliance Officer, Settlement Officer, Alternate Settlement Officer or Bond ETP manager

**BA Qualifications to be registered as a trader in Bond ETP securities**

In accordance with rule 3.100.7, an employee of a member may execute transactions in Bond ETP securities if the employee –

- 1 has been exempted from or obtained a pass in the following modules of the Registered Persons Examinations of the South African Institute of Financial Markets:
  - 1.1 *Regulation and Ethics of the South African Financial Markets;*
  - 1.2 *Introduction to the Financial Markets;* and
  - 1.3 *The Bond Market;* or
- 2 was registered as a bond trader in the BESA market of the JSE as at 9 May 2011; or
- 3 was registered as a junior or senior dealer with the JSE, in terms of the JSE derivatives rules, as at 28 February 2005; or
- 4 is a stockbroker and has been exempted from or obtained a pass in *The Bond Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 5 has qualified as a Regular Member of the Chartered Financial Analyst Institute.

**BB Exemptions from the Registered Persons Examinations of the South African Institute of Financial Markets by the South African Institute of Financial Markets**

The South African Institute of Financial Markets may exempt an employee of a member from certain modules of the Registered Persons Examinations of the South African Institute of Financial Markets if the employee has obtained a substantially equivalent qualification as set out in the table below.

| Qualification obtained   | Exempt modules of the Registered Persons Examination |   |                            |                               |                        |
|--|--|---|----------------------------|-------------------------------|------------------------|
|  | <i>Introduction to the Financial Markets</i>         | <i>Regulation and Ethics of the South African Financial Markets</i> | <i>The Equities Market</i> | <i>The Derivatives Market</i> | <i>The Bond Market</i> |
| SAIFM Dealer Certificate   | ✓  | ✓   | ✓                          | ✓                             | ✓                      |
| Financial Services Authority recognition   | ✓  |   | ✓                          | ✓                             | ✓                      |
| Securities and Investments Institute – Certificate in Securities                           | ✓  |   | ✓                          |                               | ✓                      |
| Securities and Investments Institute – Certificate in Securities and Financial Derivatives | ✓  |   | ✓                          | ✓                             | ✓                      |
| Securities and Investments Institute – Certificate in Derivatives                          | ✓  |   | ✓                          | ✓                             | ✓                      |

**BC Qualifications to be registered as a Compliance Officer, Settlement Officer, Alternate Settlement Officer or Bond ETP manager**

**1 Compliance Officers**

The Compliance Officer appointed and registered by a member must, in terms of rule 3.100.3.5, be exempted from or have obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:

- 1.1 *Regulation and Ethics of the South African Financial Markets;*
- 1.2 *Introduction to the Financial Markets; and*
- 1.3 *The Bond Market.*

**2 Settlement Officers and Alternate Settlement Officers**

The Settlement Officer and Alternate Settlement Officer appointed and registered by a member must, in terms of rules 3.100.4.5 and rule 3.100.5.5 respectively, have been appointed and registered by the member as a Settlement Officer and Alternate Settlement Officer, respectively, for the IRC market.

**3 Bond ETP managers**

The Bond ETP manager appointed and registered by a member must possess sufficient knowledge and experience of the bond market necessary to fulfil the function referred to in rule 3.100.2.1 effectively, which must, inter alia, be evidenced by :

- 3.1 employment for a minimum of 5 years as a trader of bonds at one or more members of the JSE IRC market or a foreign equivalent thereof; or
- 3.2 employment for a minimum of 2 years as a head of bond trading at one or more members of the JSE IRC market or a foreign equivalent thereof.

**SECTION**  
**C**

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**Section C: Trading**

**Scope of section**

- CA Order entry and member applications
- CB Trading sessions and times
- CC Trade cancellations

## CA Order entry and member applications

1. An order submitted to the Bond ETP trading system must at least contain the following detail –
  - 1.1 quantity of Bond ETP securities;
  - 1.2 member code;
  - 1.3 trader identification code; and
  - 1.4 such other information as determined by the Market Controller from time to time.
2. The only valid order types to be submitted to the Bond ETP trading system are –
  - 2.1 fill and store orders (single-sided quotes that may be filled according to the quantity of Bond ETP securities available); and
  - 2.2 bid and offer orders (dual sided quotes).
3. Orders can be subject to the following execution constraints –
  - 3.1 All or Nothing; or
  - 3.2 Fill or Kill.
4. Orders not fully executed by system close will be deleted by the Bond ETP trading system.
5. The minimum quantity of Bond ETP securities that can be entered into the Bond ETP trading system in an order is one.
6. In submitting orders to the Bond ETP trading system, a member must implement appropriate procedures to ensure that orders are not submitted to the Bond ETP trading system or left open in the Bond ETP trading system where such orders could result in erroneous trades.
7. An Order Entry Application (“OEA”) operated by a member must meet all of the following key objectives and the member must, on request, be able to demonstrate, to the satisfaction of the JSE, that these objectives are met:
  - 7.1 Avoidance of erroneous orders and manipulative practices  
The OEA must ensure that orders are not submitted to the Bond ETP trading system or left open in the Bond ETP trading system where such orders could result in erroneous trades, a false appearance of trading activity or an artificial price for a Bond ETP security.
  - 7.2 Management of order limits and order types  
The OEA should be able to limit the life of an order and be able to control each of the relevant order types.
  - 7.3 Adherence to Trading Phases  
The OEA must be able to detect and react to the various Bond ETP trading sessions.
  - 7.4 Maintenance of Audit Trails  
The OEA must maintain records in respect of the orders generated by the OEA that are submitted to the Bond ETP trading system.
  - 7.5 Adherence to the rules and directives  
All orders submitted to the Bond ETP trading system by the OEA and the trades resulting from those orders must comply with the requirements of the rules and directives.
  - 7.6 Avoidance of adverse market impact

The operation of the application must not adversely impact the operation of the Bond ETP market.

7.7 Adherence to security requirements

Access to the application software and the data utilised by that software must be strictly controlled to prevent manipulation.

8. The JSE may from time to time request such information from a member as the JSE deems necessary to monitor the usage by members of OEAs and to assess the effectiveness of the measures implemented by the member to control the use of such applications on an ongoing basis.
9. A member that operates or intends to operate an OEA may be required to submit such information to the JSE as is deemed necessary to satisfy the JSE that the member meets or will meet the objectives of CA 7 and any other requirements in the rules and directives relating to the submission of orders to the Bond ETP trading system, in utilizing such a system.
10. A member that operates an OEA shall ensure that the JSE allocates one or more trader identification numbers to the member in respect of such systems which will facilitate the identification of the orders processed by such systems.
11. In requesting the JSE to allocate a trader identification number in respect of an OEA, a member may be required to provide the JSE with information regarding the manner in which orders are generated by the application. This information will assist the JSE in identifying those applications that may, in certain circumstances, generate an excessive number of orders which may adversely impact the operation of the Bond ETP trading system.

**CB Trading sessions and times**

The Bond ETP trading system will operate on every business day according to the following standard periods and times -

1. pre-market session: 07h30 to 07h35;
2. offer market session: 07h35 to 07h40;
3. market trading session: 07h40 to 17h30;
4. market close: 17h30; and
5. reports, statistics and prices available to members in respect of their trading for the day: 17h30 to 20h00.

**CC Trade cancellations**

1. A member seeking permission to have an alleged error trade cancelled by the JSE in terms of rule 5.50 must, immediately upon becoming aware of the error, inform the Director: Market Regulation of the trade, giving details of such trade and the circumstances which resulted in it being executed in error.
2. In determining whether to submit a request to the JSE to have an alleged error trade considered for cancellation in terms of these rules, the member must ensure that the trade meets the criteria set out in rule 5.50.3 or rule 5.50.13, whichever is applicable, including the following specific criteria :

| <b>Rule reference</b>   | <b>Requirement</b>   |
|---|--|
| 5.50.3.2 – Time period for the submission of a cancellation request                               | The request for cancellation must be received by the Director: Market Regulation within 20 minutes of the time of the erroneous trade.   |
| 5.30.3.4 – Loss resulting from the erroneous transaction  | The difference between the aggregate consideration of the error trade and consideration that would have resulted had the trade been executed at the reference price must be at least R100 000 (one hundred thousand Rand). |
| 5.30.3.5 – Time period within which a passive order has given rise to an alleged error trade      | A passive order that has given rise to an alleged error trade will only be considered if it was matched within 30 minutes from the time that it was entered.   |
| 5.30.13.2 – Time period for the submission of a cancellation request following technical problems | The request for cancellation following a technical problem must be received by the Director: Market Regulation within 20 minutes of the time that the confirmation of the trade was sent to the member.                    |

3. The Director: Market Regulation shall, upon receipt of the request and after due consideration of all of the relevant factors, decide whether the trade qualifies for cancellation in terms of the rules and will contact the member who has initiated the request to inform them of his decision. The decision of the Director: Market Regulation as to whether the trade qualifies for cancellation shall be final.
4. Once the Director: Market Regulation has made a determination that an error trade qualifies for cancellation in terms of rule 5.50.4 and has informed both the member who executed the trade in error as well as the counterparty of his decision, he shall issue the necessary instructions to have the trade cancelled.
5. Where the Director: Market Regulation has made a determination that an error trade only qualifies for a possible voluntary cancellation in terms of rule 5.50.5, and where he has been unable to contact the counterparty within 5 minutes of having made such a determination, he shall immediately inform the member responsible for the error that the trade shall stand.
6. When an error trade request is approved by the Director: Market Regulation for cancellation, the member responsible for the error that gave rise to the request will be liable for payment of an administration fee of R2000.
7. The no cancellation range referred to in the rules is that range in the table below, above or below the reference price or the fair value price, whichever is applicable, within which an alleged error trade will not be cancelled by the JSE in terms of rule 5.50 unless the parties to the trade agree to a voluntary cancellation in terms of rule 5.50.

| <b>Instrument – Government Bonds</b> | <b>Basis Points Yield</b> |
|--------------------------------------|---------------------------|
| All Bond ETP securities              | 20 bps                    |

# SECTION

# D

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## Section D: Settlement

### Scope of section

- |    |   |
|----|---|
| DA | Applicability of section D                              |
| DB | Operation of accounts of a member at its CSDP           |
| DC | Information to be submitted to the Settlement Authority |



**DA      Applicability of Section D**

Section D applies to the settlement of transactions in Bond ETP securities.

**DB      Operation of accounts of a member at its CSDP**

A Bond ETP member must as a minimum open and maintain the following accounts at its CSDP –

- 1      a custody account; and
- 2      a funds settlement account.

**DC      Information to be submitted to the Settlement Authority**

No Bond ETP member may conduct a transaction in bonds unless the following information has been advised in writing to the Settlement Authority –

- 1      the name of the Bond ETP member's CSDP;
- 2      the Bond ETP member's Strate client account code ("J Code");
- 3      the Bond ETP member's Strate settlement account reference ("Central Securities Account" or "CSA");
- 4      the custody account number at the Bond ETP member's CSDP;
- 5      the funds settlement account number at the Bond ETP member's CSDP; and
- 6      the name and contact details of the Bond ETP member's settlement officer and his alternate.