

# **INTEREST RATE AND CURRENCY DERIVATIVES DIRECTIVES**

29 April 2019

# Interest Rate and Currency Derivatives Directives January 2005

## As amended by

Date	Notice No.	Amendment
1 August 2005	Y019	Amendments consequential to the amendment of the Yield-X rules to accommodate the introduction of the Securities Services Act
23 September 2005	Y032	Amended Directive AB 4 to extend deadline for the Settlement Officers Examination
3 October 2005	Y034	Amended Directive AB 3 to extend deadline for the Compliance Officers Examination
13 March 2006	Y048	Amended Directive AB 3 and AB 4 to extend deadline for the Compliance Officers Examination and Settlement Officers Examination
19 January 2007	Y066	Deletion of Directive BA
1 June 2007	Y088	Amendments to Directive AB, CE and CG to accommodate the introduction of currency derivatives
6 November 2007	Y115	Amendment to Directive AB 2 to provide for an exemption for the agricultural products market dealers
8 January 2009	Y273	Deletion of Directive AB and introduction of new Directives BA, BB, BC, BD and CI
4 June 2010	Y496	Amended Directive BD 1 to provide for a qualification requirement to be registered as a Compliance Officer
7 May 2010	Y488	Amendments to Directive CE to provide for value eligible reported transactions in currency derivatives (with effect 15 June 2010)
11 October 2010	Y550	Amendments to Directives BA and BB
9 May 2011	Y657	Amendments regarding the integration of the BESA rules and the Yield-X rules

The term "an interest rate security" wherever the same appeared was substituted by "a Yield-X security" with effect from 1 June 2007.

The term "interest rate security" wherever the same appeared was substituted by "Yield-X security" with effect from 1 June 2007.

The term "interest rate securities" wherever the same appeared was substituted by "Yield-X securities" with effect from 1 June 2007.

The term "loan stock" wherever the same appeared was substituted by "bonds" with effect from 1 June 2007.

The term "a Yield-X security" wherever the same appears is substituted by "an IRC security" with effect from 9 May 2011.

The term "Yield-X securities" wherever the same appears is substituted by "IRC securities" with effect from 9 May 2011.

The term "Yield-X trading system" wherever the same appears is substituted by "trading system" with effect from 9 May 2011.

The term "the Yield-X rules" wherever the same appears is substituted by "these rules" with effect from 9 May 2011.

The term "these Yield-X rules" wherever the same appears is substituted by "these rules" with effect from 9 May 2011.

The term "Safcom" wherever the same appears is substituted by "JSE Clear" with effect from 25 April 2014.

The term "settlement agent" wherever the same appears is substituted by "CSDP" with effect from 9 May 2011.

<b>Date</b>	<b>Notice No.</b>	<b>Amendment</b>
16 January 2015	037 - 2015	Amendment to directive CE in respect of reported transactions
28 April 2017	168 - 2017	Amendments in respect of the Conflicts of Interests arrangements of the JSE All references to "JSE Surveillance Department" replaced with "JSE Market Regulation Division" and all references to "Director: Surveillance" replaced with "Director: Market Regulation"
26 September 2017	407 - 2017	Amendments to harmonise Directives ED, EE, EG and EJ with the Strate rules in respect of the implementation of the Debt Instrument Solution (DIS)
17 July 2018	306 - 2018	Amendments in respect of the settlement of transactions in bonds
29 April 2019	131 - 2019	Amendments in respect of ITaC 1(b) and (c)

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The term "STRATE settled bonds" wherever the same appears is substituted by "bonds" with effect from 9 May 2011

The term "STRATE" wherever the same appears is substituted by "Strate" with effect from 9 May 2011

The term "JSE Gazette" wherever the same appears is substituted by "JSE Market Notice" with effect from 9 May 2011.

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SECTION

A

Section A: Membership

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Scope of section

- AA Capital Adequacy Requirements
- AB Reserved

## AA Capital Adequacy Requirements of Members

**AA 1 CALCULATION OF OWN FUNDS**

The JSE hereby determines, as contemplated in rule 3.40.1, that a member's own funds must be calculated as set out in Schedule 1 below and that those members not exempted in terms of rule 3.90.5 must include a declaration of their own funds in the return referred to in rule 3.90.4 in the manner and form set out in Schedule 1.

**Schedule 1****Own Funds**

<b>Part A</b>	
Ordinary share capital	A1
Preference share capital	A2
Share premium account	A3
Reserves excluding revaluation reserves	A4
Audited retained earnings (accumulated loss)	A5
Unaudited profits (losses)	A6
Total	A
<b>Part B</b>	
Intangible assets	B1
Fixed assets, net of related secured loans	B2
Investments in unlisted shares	B3
Any guarantees given	B4
Amounts paid to cover risks in any other market	B5
Tax provisions	B6
Total	B
<b>Part C</b>	
Guarantees received	C1
Shareholders subordinated loan accounts	C2
Other long term subordinated loans	C3
Excess of market value over book value of investments in securities	C4
Total	C
<b>Part D</b>	
Shareholding of more than ten percent of share capital as calculated in part 1 in banks or other financial institutions.	D
Own Funds	E

**Notes:**

- A The total A is the sum of A1 through to A6
- A2 Preference share capital may not be redeemable within a period of two years.
- A6 Unaudited profits must be verified by the member's external auditors or by the JSE.
- B The total B is the sum of B1 through to B6

- B2 A member may exclude from its fixed assets, solely for the purpose of meeting its initial capital or thirteen weeks fixed operating cost requirement, such amount as can be evidenced to the Director: Market Regulation that the fixed assets are capable of realising within a period of thirteen weeks, after repayment of any related secured loans.
- C The total C is the sum of C1 through to C4
- C1 The guarantees must be approved by the JSE and must be irrevocable for at least a further period of three months and capable of being drawn upon on presentation.
- C2 & C3 Shareholders' loans and other long term loans may be included provided that they are legally subordinated in the manner prescribed by the Director: Market Regulation for an initial period of at least two years and may only be repaid with the prior written approval of the Director: Market Regulation.
- E Own funds are calculated as  $E = A - B + C - D$

## AA 2 CALCULATION OF THIRTEEN WEEKS OPERATING COSTS

The JSE hereby determines, as contemplated in rule 3.40.1.2, that the operating costs of a member must be calculated as follows and that those members not exempted in terms of rule 3.90.5 must include a declaration of thirteen weeks of their operating costs in the return referred to in rule 3.90.4 in accordance with this directive.

The annual operating costs of a member must be the total revenue of the member plus any loss before taxation as per the member's last audited financial statements less the aggregate of the following items –

- Profit before taxation
- Bonuses paid out of relevant year's profits and not guaranteed
- Profit shares and other appropriations of profit except for a fair (market related) or guaranteed remuneration which is payable even if the member makes a loss for the year
- Commissions paid other than to employees or appointed representatives of the member
- Fees, brokerage and other charges paid to clearing houses, clearing firms, exchanges and intermediate brokers for the purpose of executing, registering or clearing transactions excluding charges not related to the continuation of trading
- Interest payable to counterparties which is trade related (such as that applicable to repurchase agreements and carries)
- Interest payable on borrowings to finance the long term investment business of the member
- Abnormal or extraordinary items with the prior approval of the JSE
- Losses arising on the conversion of foreign currency balances.

If a member does not have audited financial statements yet it may -

- where it has only just commenced trading or has not been a member long enough to have submitted audited financial statements, calculate its relevant expenditure on budgeted or other accounts which have been submitted with its application; or
- where its accounts do not represent a 12 month period, calculate its relevant expenditure on a proportionate basis approved by the JSE.

The JSE may adjust the relevant annual expenditure where-

- there has been a significant change in the circumstances or activities of the member; or
- the member has a material proportion of its expenditure incurred on its behalf by a third party and such expenditure is not fully recharged to the member.

**AA 3 POSITION RISK REQUIREMENT**

The JSE hereby determines that a member's position risk requirement, as contemplated in rule 3.40.1.3, must be calculated in accordance with either AA 3.1, 3.2 or AA 3.3 below and that those members not exempted in terms of rule 3.90.5 must include a declaration of position risks in the return referred to in rule 3.90.4, in accordance with this resolution.

**3.1 Calculation of position risk requirement in terms of simplest method**

Total position risk requirement is the aggregate of all the individual risk capital required figures calculated as set out in the table below.

Item	Risk Capital Required
<b>A Bonds (see note 1)</b>	
Government or government guaranteed	
Less than 1 year to maturity	2% of MV (see note 2)
Less than 3 years to maturity	5% of MV
More than 3 years to maturity	10% of MV
Issued or accepted by a bank	
Less than 90 days to maturity	2% of MV
Others which are marketable securities (excluding floating rate notes)	
Less than 1 year to maturity	10% of MV
Less than 3 years to maturity	20% of MV
More than 3 years to maturity	30% of MV
Floating Rate Notes	
Less than 20 years to maturity	5% of MV
20 years and more to maturity	10% of MV
<b>B Securities (see note 1)</b>	
Listed on an exchange      Mining	40% of MV
Other	30% of MV
Traded on an external exchange designated by the JSE	35% of MV
Other	100% of MV
<b>C Commodities</b>	
<b>Stock positions</b> in physical commodities associated with a member's investment business (see note 3)	30% of realisable value
<b>D Futures, options, swaps, FRAs and contracts for difference</b>	
Exchange traded futures, options, swaps or FRAs	2 x initial margin requirement
Unlisted forward contracts or written options	The appropriate percentage shown in A,B and C above should be applied to the market value of the underlying position
Unlisted purchased options	As for off exchange written options but limited to the current value of the option
Contracts for difference	20% of the market value of the contract



<b>E</b>	<b>JSE authorised investments</b>	<b>Risk Capital Required</b>
	Units in a registered unit trust scheme	25 % of realisable value ( <i>see note 4</i> )
	Krugerrands	10% of realisable value
	An interest in an unregistered futures or options fund	50% of realisable value
	Any other investments	100% of amount of asset

**Notes:**

- 1 The long or short position in a particular security is the net of any long or short positions held in that security (i.e. a long position in XYZ shares can be offset on a share for share basis against a short position in XYZ shares).
- 2 Market value (MV) means the market value of the sum of the long and the short positions in the particular category. The positions are thus added to each other.
- 3 Definition of stock position
  - (a) A stock position in physical commodities includes the following:
    - (i) Commodities where the full contract price has been paid.
    - (ii) Work in progress and finished goods which result from the processing of commodities.
    - (iii) Raw materials which will be combined with commodities to produce a finished processed commodity.
  - (b) A stock position is regarded as being associated with a member's investment business if the contract was made for investment rather than commercial purposes. Indications of this are -
    - (i) it is traded on a recognised or designated exchange; or
    - (ii) the performance of it is ensured by such an exchange or by a licensed clearing house; or
    - (iii) there are arrangements for the payment or provision of margin.
  - (c) Some indications that a contract is made for commercial purposes are -
    - (i) the terms specify delivery within 7 days
    - (ii) either or each of the parties is a producer of the commodity or uses it in his business or the purchaser takes or intends to take delivery of the commodity
- 4 Realisable value means a fair estimate of the value at which the position could be closed without unduly affecting the market in the security.

**3.2 Calculation of position risk requirement in terms of building block method***Bonds*

A member must classify its net positions according to the currency in which they are denominated and must calculate the capital requirement for general and specific risk in each individual currency separately (see notes 1 to 4 below).

*Specific risk*

A member must assign its net positions, as calculated in accordance with note 1 below, to the appropriate categories in Table 1 below on the basis of their residual maturities and then multiply them by the weightings shown. It must sum its weighted positions (regardless of whether they are long or short) in order to calculate its capital requirement against specific risk.

Table 1

Central Government Items (see note 5)	Qualifying items (see note 6)			Other items
	< 6 months	> 6 ≤ 24 months	> 24 months	
0.00%	0.25%	1.00%	1.60%	8.00%

*General Risk*

## 3.2.1 Maturity-based method of calculating bonds position risk requirements (matched weighted method)

- 3.2.1.1 The member must calculate the totals of the unmatched weighted long positions for the bands included in each of the zones of Table 2 below in order to derive the unmatched weighted long position for each zone. Similarly the sum of the unmatched weighted short positions for each band in a particular zone must be aggregated to calculate the unmatched weighted short position for that zone. That part of the unmatched weighted long position for a given zone that is matched by the unmatched weighted short position for the same zone must be the matched weighted position for that zone. That part of the unmatched weighted long or unmatched weighted short position for a zone that cannot be thus matched must be the unmatched weighted position for that zone.

Table 2

Zone	Maturity band		Weighting (in %)	Assumed interest rate change (in %)
	Coupon of 3% or more	Coupon of less than 3%		
(1)	(2)	(3)	(4)	(5)
One	0 ≤ 1 month	0 ≤ 1 month	0,00	-
	>1 ≤ 3 months	>1 ≤ 3 months	0,20	1,00
	>3 ≤ 6 months	>3 ≤ 6 months	0,40	1,00
	>6 ≤ 12 months	>6 ≤ 12 months	0,70	1,00
Two	>1 ≤ 2 years	>1,0 ≤ 1,9 years	1,25	0,90
	>2 ≤ 3 years	>1,0 ≤ 2,8 years	1,75	0,80
	>3 ≤ 4 years	>2,8 ≤ 3,6 years	2,25	0,75
Three	> 4 ≤ 5 years	>3,6 ≤ 4,3 years	2,75	0,75
	>5 ≤ 7 years	>4,3 ≤ 5,7 years	3,25	0,70
	>7 ≤ 10 years	>5,7 ≤ 7,3 years	3,75	0,65
	>10 ≤ 15 years	>7,3 ≤ 9,3 years	4,50	0,60
	>15 ≤ 20 years	>9,3 ≤ 10,6 years	5,25	0,60
	> 20 years	>10,6 ≤ 12,0 years	6,00	0,60
		>12,0 ≤ 20 years	8,00	0,60
		> 20 years	12,50	0,60

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- 3.2.1.2 The amount of the unmatched weighted long or short position in zone one which is matched by the unmatched weighted short or long position in zone two must then be calculated. This is referred to in paragraph AA 3.2.1.6.5 as the matched weighted position between zones one and two. The same calculation must then be undertaken with regard to that part of the unmatched weighted position in zone two which is left over and the unmatched weighted position in zone three in order to calculate the matched weighted position between zones two and three.
- 3.2.1.3 A member may, if it wishes, reverse the order in paragraph AA 3.2.1.2 so as to calculate the matched weighted position between zones two and three before calculating that between zones one and two.
- 3.2.1.4 The remainder of the unmatched weighted position in zone one must then be matched with what remains of that for zone three - after the latter's matching with zone two, in order to derive the matched weighted position between zones one and three.
- 3.2.1.5 The residual positions, following the three separate matching calculations in paragraph AA 3.2.1.2, AA 3.2.1.3 and AA 3.2.1.4 must be aggregated.
- 3.2.1.6 A member's capital requirement must be calculated as the sum of:
- 3.2.1.6.1 10% of the sum of the matched weighted positions in all maturity bands;
  - 3.2.1.6.2 40% of the matched weighted position in zone one;
  - 3.2.1.6.3 30% of the matched weighted position in zone two;
  - 3.2.1.6.4 30% of the matched weighted position in zone three;
  - 3.2.1.6.5 40% of the matched weighted position between zones one and two and between zones two and three (see paragraph AA 3.2.1.2);
  - 3.2.1.6.6 150% of the matched weighted position between zones one and three;
  - 3.2.1.6.7 100% of the residual unmatched weighted positions.
- 3.2.2 Alternative method: Duration-based method of calculating bonds position risk requirements
- 3.2.2.1 In terms of the duration based system the member must ascertain the market yield to maturity of each fixed-rate bonds, using the value implied by a loan-stock's all-in market value where trading is by price rather than yield. In the case of floating-rate bonds, the member must take the market value of each instrument and then calculate its yield on the assumption that the principal is due when the interest rate can next be changed.
- 3.2.2.2 The member must then calculate the modified duration of each debt instrument on the basis of the following formula:
- modified duration =  $\frac{\text{duration}(D)}{(1+r)}$ , where:
- $$D = \left( \frac{t C_t}{(1+r)^t} \right) / \left( \frac{C_t}{(1+r)^t} \right)$$
- $$\sum_{t=1}^m \quad \sum_{t=1}^m$$
- where:
- r = yield to maturity (see paragraph AA 3.2.2.1)
  - C<sub>t</sub> = cash payment in time t,
  - m = total maturity (see paragraph AA 3.2.2.1)
- 3.2.2.3 A member must then allocate each instrument to the appropriate zone in Table 3 on the basis of the modified duration of each instrument.
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Table 3

Zone	Modified duration (in years)	Assumed interest (change in %)
(1)	(2)	(3)
One	$> 0 \leq 1,0$	1,0
Two	$> 1,0 \leq 3,6$	0,85
Three	$> 3,6$	0,7

3.2.2.4 A member must then calculate the duration-weighted position for each instrument by multiplying its market price by its modified duration and by the assumed interest-rate change for an instrument with that particular modified duration (see column 3 in Table 3).

3.2.2.5 A member must then work out its duration-weighted long and its duration-weighted short positions within each zone. The amount of the former which are matched by the latter within each zone must be the matched duration-weighted position for that zone.

3.2.2.6 A member's capital requirement must then be calculated as the sum of:

3.2.2.6.1 2% of the matched duration-weighted position for each zone;

3.2.2.6.2 40% of the matched duration-weighted positions between zones one and two and between zones two and three;

3.2.2.6.3 150% of the matched duration-weighted position between zones one and three;

3.2.2.6.4 100% of the residual unmatched duration-weighted positions.

### 3.2.3 Calculation of position risk requirements in relation to securities

A member must sum up its net long positions and its net short positions in accordance with note 1 below. The sum of the two figures is its overall gross position. The difference between them is its overall net position.

#### *Specific risk*

3.2.3.1 A member must multiply its overall gross position by the percentage reflected in the table hereunder in order to calculate its capital requirement against specific risk for equities as indicated.

	Liquid	Normal	Illiquid
Mining	5%	10%	20%
Other	5%	10%	20%

#### *General risk*

3.2.3.2 A member's capital requirement against general risk is its overall net position multiplied by 20% for mining shares and 10% for other.

#### *Share-index futures*

3.2.3.3 Share-index futures, the delta-weighted equivalents of options in share-index futures and share indices collectively referred to hereafter as 'share-index futures', may be broken down into positions in each of their constituent equities. These positions may be treated as underlying positions in the equities in question; therefore, subject to the approval of the JSE, they may be netted against opposite positions in the underlying equities themselves.

3.2.3.4 The JSE will ensure that any member which has netted off its positions in one or more of the equities constituting a share-index future against one or more positions in the share-index future itself has adequate capital to cover the risk of loss caused by the future's values not moving fully in line with that of its constituent equities; and will also do this when a member holds opposite positions in share-index futures which are not identical in respect of either their maturity or their composition or both.

- 3.2.3.5 Notwithstanding paragraphs AA 3.2.3.3 and AA 3.2.3.4, share-index futures which are exchange traded and - in the opinion of the JSE - represent broadly diversified indices will attract the following capital requirement against general risk:

All Share index	13%
Financial and Industrial Index	10%
Industrial index	10%
Financial Index	10%
Resources Index	20%
Gold index	20%

but no capital requirement against specific risk. Such share-index futures must be included in the calculation of the overall net position in paragraph AA 3.2.3, but disregarded in the calculation of the overall gross position in the same paragraph.

- 3.2.3.6 If a share-index future is not broken down into its underlying positions, it must be treated as if it were an individual equity. However, the specific risk on this individual equity can be ignored if the share-index future in question is exchange traded and, in the opinion of the JSE, represents a broadly diversified index.

#### 3.2.4 Underwriting

In the case of the underwriting of bonds or securities, the JSE may allow a member to use the following procedure in calculating its capital requirements. First, it must calculate the net positions by deducting the underwriting positions which are subscribed or sub-underwritten by third parties on the basis of formal agreements; secondly, it must reduce the net positions by the following reduction factors:

- working day 0	:	100%
- working day 1	:	90%
- working days 2 to 3	:	75%
- working days 4	:	50%
- working day 5	:	25%
- after working day 5	:	0%

Working day zero is the working day on which the member becomes unconditionally committed to accepting a known quantity of securities at an agreed price.

Thirdly, it must calculate its capital requirements using the reduced underwriting positions. The JSE will ensure that a member holds sufficient capital against the risk of loss which exists between the time of the initial commitment and working day 1.

#### 3.2.5 Commodities

Positions in physical commodities associated with a member's investment business: 30% of realisable value (see note 4).

#### 3.2.6 JSE authorised investments

- 3.2.6.1 Any interest in a regulated collective investment scheme, 25% of realisable value.
- 3.2.6.2 Any interest in an unregistered futures or options fund, 50% of realisable value.
- 3.2.6.3 Any other investments: 100% of amount of assets.

**Note 1 Netting notices**

The excess of a member's long or short positions over its short or long positions in the same security, bonds, futures or options, is its net position in each of those different instruments. In calculating the net position, positions in derivative instruments are to be treated as positions in the underlying (or notional) securities. A member's holdings of its own bonds must be disregarded in calculating specific risk under paragraph AA 3.2.

No netting will be allowed between a convertible and an offsetting position in the instrument underlying it, unless the likelihood of a particular convertible instrument being converted is taken into account or have a capital requirement to cover any loss which a conversion might entail.

**Note 2 Particular instruments**

- (a) Interest-rate futures, forward-rate agreements (FRAs) and forward commitments to buy or sell bonds must be treated as combinations of long and short positions.
- (b) Options on interest rates, securities, indices, futures, swaps and foreign currencies must be treated as if they were positions equal in value to the amount of the underlying instrument to which the option refers, multiplied by its delta. The latter positions may be netted off against any offsetting positions in the identical underlying securities or derivatives. The delta used must be that of the exchange concerned, that calculated by the JSE or, where that is not available or for OTC options, that calculated by the member itself, subject to the JSE being satisfied that the model used by the member is reasonable.
- (c) Swaps must be treated for interest-rate risk purposes on the same basis as on-balance-sheet instruments. Thus an interest-rate swap under which an institution receives floating-rate interest and pays fixed-rate interest must be treated as equivalent to a long position in a floating-rate instrument of maturity equivalent to the period until the next interest rate fixing and a short position in a fixed rate instrument with the same maturity as the swap itself.
- (d) The transferor of securities or guaranteed rights relating to title to securities in a repurchase agreement and the lender of securities in a securities lending agreement must include these securities in the calculation of its capital requirement under this section.

**Note 3 Specific and general risks**

The position risk on traded bonds or securities (or derivatives thereon) must be divided into two components in order to calculate the capital requirement. The first must be its specific-risk component - that is the risk of a price change in the instrument concerned due to factors related to its issuer or, in the case of a derivative, the issuer of the underlying instrument. The second component must cover its general risk - that is the risk of a price change in the instrument due (in the case of a traded bonds instrument or bonds derivative) to a change in the level of interest rates or (in the case of a security or security derivative) to a broad market movement unrelated to any specific attributes of individual securities.

**Note 4 Definition of stock position**

- (a) A stock position in physical commodities includes the following:
  - (i) Commodities where the full contract price has been paid.
  - (ii) Work in progress and finished goods which result from the processing of commodities.
  - (iii) Raw materials which will be combined with commodities to produce a finished processed commodity.
- (b) A stock position must be regarded as being associated with a member's investment business if the contract was made for investment rather than commercial purposes. Indications of this are –
  - (i) it is traded on a recognised or designated exchange; or
  - (ii) the performance of it is ensured by such an exchange or by a clearing house; or
  - (iii) there are arrangements for secured payment or the provision of margin.
- (c) Some indications that a contract is made for commercial purposes are -
  - (i) the terms specify delivery within 7 days
  - (ii) either or each of the parties is a producer of the commodity or uses it in its business
  - (iii) the purchaser takes or intends to take delivery of the commodity.

**Note 5** All bonds issued by the Central Government or guaranteed by the Central Government.

**Note 6** All bonds listed on the JSE, the Bond Exchange of South Africa or any other exchange listing bonds and granted FSB recognition.

### 3.3 Calculation of position risk requirement in terms of in-house model

A member will be entitled to calculate its position risk requirement according to its in-house "value-at-risk" model and submit the result of its calculation to the JSE as part of its capital adequacy return: Provided that the model meets the following standards to the satisfaction of the Director: Market Regulation:

#### *Value-at-Risk ("VaR") Models*

The qualitative standards will include, as a minimum:

- The model must be conceptually sound, implemented with integrity, and form part of the day-to-day risk management process of the member.
- Senior management must be actively involved in the risk control process. Daily reports must be reviewed by a level of management with sufficient seniority and authority to enforce the closure of positions to reduce the risk exposure of the member.
- The member must have sufficient numbers of staff in front, middle and back office functions equipped with the necessary skills and expertise to discharge their responsibilities effectively.
- The model must be shown to be reliable in its assessment of losses when compared with the actual daily performance of the member's portfolio.
- The member must conduct a routine and rigorous programme of stress testing.

The quantitative standards are not yet finalised and may be subject to change. Nevertheless, it is likely that they will take the following form:

- The value-at-risk must be computed daily, using a 99th percentile, one tailed confidence interval, a minimum holding period of ten trading days, and a historical observation period of at least one year.

#### *Calculation of Position Risk Requirement ("PRR")*

The numbers produced by the value-at-risk model will be permitted to form the basis of the computation of PRR. Although some points of detail may be subject to change, the mechanics of the calculation are likely to be as follows:

- A member must calculate a "benchmark PRR" on its portfolio on a date specified by the JSE using the standard rules. The date must be chosen at random, and the member will be informed the following day.
- On any subsequent day the benchmark PRR must be scaled by a factor which reflects the change in profile or riskiness of the firm's portfolio. This factor must be the ratio of the PRR produced by the value-at-risk model on the current portfolio to the PRR produced by the value-at-risk model on the benchmark portfolio.

The PRR used to determine capital adequacy must be the highest of

- the benchmark PRR
- the benchmark PRR \* (the VaR of the current portfolio) / (the VaR of the benchmark portfolio)
- a multiple of the VaR of the current portfolio

The JSE may, at its discretion, require a member to repeat the benchmarking exercise on any subsequent date.

**AA 4 COUNTERPARTY RISK REQUIREMENT**

The JSE hereby determines that a member's counterparty risk requirement, as contemplated in rule 3.40.1.4 must be calculated as follows and that those members not exempted in terms of rule 3.90.5 must include a declaration of their counterparty risk in the return referred to in rule 3.90.4 in accordance with this directive.

**4.1 Calculation of Counterparty Risk Requirement**

The counterparty risk requirement is the aggregate of the capital required against the individual items as detailed in the table below.

Item	Capital Required
<b>1. Unsettled securities and physical commodities transactions (see note 1)</b>	
1.1 Cash against documents transactions <ul style="list-style-type: none"> <li>0-7 days after settlement date</li> <li>8-15 days after settlement date</li> <li>over 15 days after settlement date</li> </ul>	Nil 50% of price DIFF (see note 2) 100% of price DIFF
1.2 Settle on balance of transactions           1.2.1 Central clearing house system with approved guarantees <ul style="list-style-type: none"> <li>debit item outstanding more than 15 days since settlement day</li> <li>undelivered securities within 15 days of settlement day</li> </ul>	Full amount 100% of price DIFF
1.3 Free deliveries (see note 3)           1.3.1 Free delivery amount <ul style="list-style-type: none"> <li>Non payment against securities delivered</li> <li>Non receipt of securities against payment</li> </ul> Free delivery amount multiplied by the following percentage           1.3.2 Guaranteed transaction <ul style="list-style-type: none"> <li>0-15 days since delivery/payment</li> <li>after 15 days</li> </ul> 1.3.3 Guaranteed transaction <ul style="list-style-type: none"> <li>0-3 days since delivery/payment</li> <li>after 3 days</li> </ul>	Amount due Full MV (see note 2) Nil Full MV (see note 2) Nil Full MV
<b>2. Options purchased for counterparty (see note 1)</b> <ul style="list-style-type: none"> <li>Non payment of purchase price after 3 days</li> <li>Option premium paid to writer</li> </ul>	Difference between purchase price and market value 100% option premium
<b>3. Exchange traded margined transactions (includes initial margin and variation margin) (see note 1)</b> <ul style="list-style-type: none"> <li>0-3 days since shortfall</li> <li>4 days and over since shortfall</li> </ul>	Nil 100% of shortfall
<b>4. Repurchase or reverse repurchase agreements (including lending and borrowing and sale and buy back agreements)</b> <ul style="list-style-type: none"> <li>qualifying debt instruments</li> </ul>	MV less 105% of related funds or collateral (see note 2)



Item	Capital Required
<ul style="list-style-type: none"> <li>other securities</li> </ul>	NV less 110% of related funds or collateral
<b>5. Swaps, forward contracts, OTC options, contracts for differences and off exchange futures (credit equivalent amount)</b> 5.1 Interest rate swaps single currency <ul style="list-style-type: none"> <li>qualifying debt instruments</li> <li>other securities</li> </ul> 5.2 Cross currency swaps <ul style="list-style-type: none"> <li>under 1 year to maturity</li> <li>over one year to maturity</li> </ul> 5.3 FRAs, OTC futures, options, etc. based on interest rates <ul style="list-style-type: none"> <li>under 1 year to maturity</li> <li>over one year to maturity</li> </ul> 5.4 FRAs, OTC futures, options, etc. based on currency exchange rates, commodity prices or equity prices <ul style="list-style-type: none"> <li>under 14 days to maturity</li> <li>14 days to 1 year to maturity</li> <li>over year to maturity</li> </ul> 5.4 Counterparty risk requirement = credit equivalent amount multiplied by: <ul style="list-style-type: none"> <li>state or authorised counterparty</li> <li>banking institution</li> <li>any other counterparty</li> </ul>	MTM MTM + 0,5% of NV  MTM + 1% of NV MTM + 5% of NV  MTM MTM + 0,5% of NV  nil MTM + 1% of NV MTM + 5% of NV  0% 2% 5%
<b>6. Loans to counterparties</b> <ul style="list-style-type: none"> <li>where the loan exceeds the value of securities and is not properly secured</li> </ul>	100% of amount by which the loan is not properly secured
<b>7. Sub underwriting agreements</b> <ul style="list-style-type: none"> <li>Any management or other fees owed and are outstanding for more than 30 days</li> </ul>	100% of amount owed
<b>8. Other receivables and accrued income not covered elsewhere in this section</b>	100% of amount due

<b>Note 1</b>	Potential loss positions only (i.e. potential profits may not be offset against potential losses)
<b>Note 2</b>	DIFF = Differential between purchase price and current market price
	MV = market value of security or contract
	NV = notional or actual value of the security underlying the contract
<b>Note 3</b>	Free delivery means -
	(a) the delivery of securities or physical commodities which takes place before the seller or agency broker receives payment; or
	(b) payment made in settlement of a credit balance arising from a sale on behalf of a counterparty or a purchase from a counterparty in respect of which the securities are undelivered.

4.2 A member must hold sufficient capital to meet the counterparty risk requirement:

Provided that –

- 4.2.1 if a member has made a specific provision against a counterparty balance it may reduce the counterparty exposure on which the requirement is calculated up to the extent of such provision; and
- 4.2.2 the fact that any amount may be due to or from a connected company to a member does not affect the requirement to calculate the counterparty risk requirement.

4.3 For the purposes of AA 4.2.2 above, “connected company” means in relation to a member –

- 4.3.1 a corporate body which is controlled by the member;
- 4.3.2 a corporate body which has an interest in a member; or
- 4.3.3 the member and the corporate body are fellow group companies

## AA 5 LARGE EXPOSURE REQUIREMENT

The JSE hereby determines that a member’s large exposure requirement, as contemplated in rule 3.40.1.5, must be calculated as follows and that those members not exempted in terms of rule 3.90.5 must include a declaration of their large exposure risk in the return referred to in rule 3.90.4 in accordance with this resolution.

### 5.1 Large exposures

- 5.1.1 Exposure means the amount at risk before applying the appropriate position risk requirement (“PRR”) or counterparty risk requirement (“CRR”) percentage in relation to –
  - 5.1.1.1 the excess, where positive, of the market value of a member’s long positions over its short positions in all the securities issued by the third party;
  - 5.1.1.2 in the case of underwriting commitments, the market value of the member’s net exposure;
  - 5.1.1.3 counterparty exposures arising from unsettled securities transactions, repurchase, reverse repurchase, securities lending and borrowing transactions and JSE authorised investments, calculated in accordance with the PRR resolution; and
  - 5.1.1.4 all other assets and off balance sheet items constituting claims on third parties (e.g. commissions and fees receivable).

### 5.2 Exempt exposures

A member may exclude the following from its large exposure requirement calculations:

- 5.2.1 exposures to or guarantees by the government of the Republic of South Africa or the South African Reserve Bank;
- 5.2.2 exposures secured by securities issued by the government of the Republic of South Africa or the South African Reserve Bank;
- 5.2.3 exposures secured by cash deposited with the member, its connected credit institutions or JSE Trustees;
- 5.2.4 exposures with a maturity of less than one year to regulated South African financial and banking institutions, licensed clearing houses and exchanges, not constituting their capital requirements.

### 5.3 Connected parties

Groups of connected third parties means two or more entities or natural persons which are interconnected to the extent that the financial performance or soundness of one would be materially affected by the financial performance or soundness of the other or others. Such interconnectivity would be evidenced, inter alia, where one company derives more than 20% of its earnings from another or where counterparties are linked by cross-guarantees.

### 5.4 Calculations

Where the sum of the exposures to a third party or a group of connected third parties exceeds 25% of a member's adjusted liquid capital, a member must calculate a large exposure requirement for each such exposure in accordance with AA 5.4.1 to AA 5.4.4 below -

- 5.4.1 calculate the excess of the exposure over 25% of adjusted liquid capital;
- 5.4.2 rank the exposures on the basis of specific risk requirement in the case of positions and the requirement in the case of counterparty exposures, in descending order;
- 5.4.3 add the constituent exposures, starting with the exposure attracting the highest risk requirement, until the sum equals the excess in AA 5.4.1 above;
- 5.4.4 the large exposure requirement sum must be 200% of the specific risk requirements and counterparty risk requirements applicable to those exposures forming the excess. However, the large exposure requirement must be limited to such amount as, together with the PRR's or CRR's on the exposures making up such excess, equals 100% of any exposure forming the excess.
- 5.4.5 a member which determines its PRR using the simplified method must treat the consolidated PRR applicable to that method as the specific risk requirement for purposes of calculating its large exposure requirement.

## AA 6 FOREIGN EXCHANGE RISK REQUIREMENT

The JSE hereby determines that a member's foreign exchange risk requirement, as contemplated in rule 3.40.1.6, must be calculated as follows and that those members not exempted in terms of rule 3.90.5 must include a declaration of their foreign exchange risk in the return referred to in rule 3.90.4 in accordance with this resolution.

### 6.1 Types of exposures to be included in foreign exchange requirement

A member must calculate a foreign exchange requirement for the following positions, identifying each currency separately, including the currency of its books of account –

- 6.1.1 the net spot position of all asset items less all liability items including accrued interest in the currency in question;
- 6.1.2 any currency future at the nominal value of the contract;
- 6.1.3 any forward contract for the purchase or sale, at the contract value, including any future exchange of principal associated with cross-currency swaps;
- 6.1.4 any currency option;
- 6.1.5 irrevocable guarantees, and similar instruments, which are certain to be called;
- 6.1.6 with the prior written consent of the JSE any future income or expense which is
  - 6.1.6.1 known but not yet accrued; and
  - 6.1.6.2 fully hedged by forward foreign exchange transactions;
- 6.1.7 with the prior written consent of the JSE any non-trading, structural position deliberately entered into in order to hedge adverse exchange rate movements on the value of the firm's financial resources;
- 6.1.8 with the prior written consent of the JSE, any position already fully deducted from the firm's financial resources;
- 6.1.9 any other balance sheet asset or liability; and
- 6.1.10 any other off balance sheet commitment to purchase or sell an asset denominated in that currency.

## 6.2 Treatment of foreign exchange options

### 6.2.1 Risk assessment models

A member may use, with the JSE's prior written approval, a risk assessment model in respect of its foreign exchange options to estimate its notional forward foreign exchange positions, provided the model forms part of the day to day management supervision of the member's options business.

### 6.2.2 Options at least 8% in the money

A member must include currency positions arising from foreign exchange options in the foreign exchange requirement method if the option is at least 8% in the money, in which case the resulting currency positions must be based on the nominal amount of the contract valued at current spot rates.

### 6.2.3 Options less than 8% in the money

6.2.3.1 A member must calculate, in respect of a foreign exchange option which is less than 8% in the money, its currency positions based on the nominal amount of the contract valued at current spot rates.

6.2.3.2 Where a currency position derived in AA 6.2.3.1 would increase the net open position in that currency, the position must be included in the foreign exchange requirement method.

6.2.3.3 Where a currency position derived in AA 6.2.3.1 will decrease the net open position in that currency, the position must not be included in the foreign exchange requirement method.

### 6.2.4 Calculation of "in the money"

For the purposes of this rule, a member must determine the extent to which the option contract is "in the money" by reference to the difference between the exercise price and the current forward rate for the final date on which the option may be exercised as a percentage of the forward rate.

## 6.3 Method of Calculation of Foreign Exchange Requirement

### 6.3.1 Calculation of net open position

A member must calculate a net open position for all currencies including the currency of the member's books of account, and must translate them to the Rand using the prevailing spot rates.

6.3.2 A member must use Method 1 unless it has the written approval of the JSE to use Method 2.

#### 6.3.2.1 Method 1

A member must calculate the foreign exchange requirement as 8% of the higher of

6.3.2.1.1 the aggregate of the net open long positions in each currency; or

6.3.2.1.2 the aggregate of the net open short positions in each currency.

#### 6.3.2.2 Method 2

6.3.2.2.1 With the prior written approval of the JSE, a member may use simulation techniques to calculate the foreign exchange requirement in respect of all, or some, of the currencies to which it is exposed.

6.3.2.2.2 The foreign exchange requirement for the currencies concerned must be calculated in order that –

6.3.2.2.2.1 it exceeds the losses which would have occurred in at least 95% of the rolling ten working-day periods over the preceding five years; and

6.3.2.2.2.2 it exceeds 2% of the higher of –

6.3.2.2.2.2.1 the aggregate of the net open long positions in each currency; or

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6.3.2.2.2.2 the aggregate of the net open short positions in each currency.

**AB Reserved**

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AB 1 replaced with effect from 1 June 2007  
AB 2.1 amended with effect from 1 June 2007  
AB 2.2 amended with effect from 1 June 2007  
AB 2.3 amended with effect from 1 June 2007  
AB 2.4 introduced with effect from 1 June 2007 and amended with effect from 6 November 2007  
New AB 2.5 introduced with effect from 6 November 2007  
AB 2.5 introduced with effect from 1 June 2007 and renumbered AB 2.6 with effect from 6 November 2007  
AB 3 amended with effect from 3 October 2005 and with effect from 13 March 2006  
AB 4 amended with effect from 23 September 2005 and with effect from 13 March 2006  
Directive AB deleted with effect from 24 December 2008

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**SECTION  
B**

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## Section B: Qualification Requirements

### Scope of section

- |    |  |
|----|--|
| BA | Qualifications to manage investments and provide investment advice   |
| BB | Qualifications to be registered as a dealer  |
| BC | Exemptions from the Registered Persons Examination of the South African Institute of Financial Markets by the South African Institute of Financial Markets |
| BD | Qualifications to be registered as a Compliance Officer, Settlement Officer or Alternate Settlement Officer  |

**BA Qualifications to manage investments and provide investment advice**

This directive sets out the qualification requirements for employees of a trading member who manage investments or provide investment advice in respect of IRC securities, JSE authorised investments not traded on a JSE market and securities traded on a JSE market of which the trading member is not a member.

**1. Bonds**

- 1.1 An employee of a trading member may exercise discretion in the management of bonds or provide investment advice to clients on any transaction in such securities if the employee –
  - 1.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Bond Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 1.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets :
    - 1.1.2.1 *Introduction to the Financial Markets*;
    - 1.1.2.2 *Regulation and Ethics of the South African Financial Markets*;
    - 1.1.2.3 *The Bond Market*; and
    - 1.1.2.4 *The South African Money Market*; or
  - 1.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The South African Money Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 1.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or
  - 1.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 1.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of BA 1.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in BA 1.1.2, 1.1.3 or 1.1.5 prior to managing investments or advising on transactions again.

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BA deleted with effect from 8 January 2007

New BA introduced with effect from 24 December 2008

BA amended with effect from 11 October 2010

BA 1 amended with effect from 11 October 2010

BA 1.1 amended with effect from 11 October 2010

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**2. Interest rate derivatives**

- 2.1 An employee of a trading member may exercise discretion in the management of interest rate derivatives or provide investment advice to clients on any transaction in such securities if the employee–
- 2.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market*, *The Bond Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 2.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 2.1.2.1 *Introduction to the Financial Markets*;
    - 2.1.2.2 *Regulation and Ethics of the South African Financial Markets*;
    - 2.1.2.3 *The Derivatives Market*;
    - 2.1.2.4 *The Bond Market*; and
    - 2.1.2.5 *The South African Money Market*; or
  - 2.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 2.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst; or
  - 2.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets*, *The Derivatives Market*, *The Bond Market* and *The South African Money Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 2.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of BA 2.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in BA 2.1.2, 2.1.3 or 2.1.5 prior to managing investments or advising on transactions again.

**3. Currency derivatives**

- 3.1 An employee of a trading member may exercise discretion in the management of currency derivatives or provide investment advice to clients on any transaction in such securities if the employee –
- 3.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* and *The South Foreign Exchange Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 3.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 3.1.2.1 *Introduction to the Financial Markets*;
    - 3.1.2.2 *Regulation and Ethics of the South African Financial Markets*;
    - 3.1.2.3 *The Derivatives Market*;
    - 3.1.2.4 *The South African Foreign Exchange Market*; or
  - 3.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* and *The South African Foreign Exchange Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or



- 3.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The South African Foreign Exchange Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 3.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets*, *The Derivatives Market* and *The South African Foreign Exchange Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 3.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of BA 3.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in BA 3.1.2, 3.1.3, 3.1.4 or 3.1.5 prior to managing investments or advising on transactions again.

#### **4. Derivative securities**

- 4.1 An employee of a trading member may exercise discretion in the management of derivative securities or provide investment advice to clients on any transaction in such securities if the employee-
- 4.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 4.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 4.1.2.1 *Introduction to the Financial Markets*;
    - 4.1.2.2 *Regulation and Ethics of the South African Financial Markets*;
    - 4.1.2.3 *The Equity Market*; and
    - 4.1.2.4 *The Derivatives Market*; or
  - 4.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 4.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or
  - 4.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in *The Derivatives Market* and *Regulation and Ethics of the South African Financial Markets* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 4.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of BA 4.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in BA 4.1.2, 4.1.3 or 4.1.5 prior to managing investments or advising on transactions again.

**5. Agricultural derivatives**

- 5.1 An employee of a trading member may exercise discretion in the management of agricultural derivatives or provide investment advice to clients on any transaction in such securities if the employee-
- 5.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* and *JSE Agricultural Products Market Dealers* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 5.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 5.1.2.1 *Introduction to the Financial Markets;*
    - 5.1.2.2 *Regulation and Ethics of the South African Financial Markets;*
    - 5.1.2.3 *The Derivatives Market;* and
    - 5.1.2.4 *JSE Agricultural Products Market Dealers;* or
  - 5.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* and the *JSE Agricultural Products Market Dealers* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 5.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in the *JSE Agricultural Products Market Dealers* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 5.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in *The Derivatives Market*, *Regulation and Ethics of the South African Financial Markets* and *JSE Agricultural Products Market Dealers* modules of the Registered Persons Examination of the South African Institute of Financial Markets.
- 5.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of BA 5.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in BA 5.1.2, 5.1.3, 5.1.4 or 5.1.5 prior to managing investments or advising on transactions again.

**6. Foreign commodity derivatives**

- 6.1 An employee of a trading member may exercise discretion in the management of foreign commodity derivatives or provide investment advice to clients on any transaction in such securities if the employee-
- 6.1.1 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 6.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 6.1.2.1 *Introduction to the Financial Markets;*
    - 6.1.2.2 *Regulation and Ethics of the South African Financial Markets;* and
    - 6.1.2.3 *The Derivatives Market;* or
  - 6.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 6.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or
  - 6.1.5 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass

in *The Derivatives Market* and *Regulation and Ethics of the South African Financial Markets* modules of the Registered Persons Examination of the South African Institute of Financial Markets.

- 6.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of BA 6.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in BA 6.1.2, 6.1.3 or 6.1.5 prior to managing investments or advising on transactions again.

**7. Equity securities and those JSE authorised investments not traded on a JSE market**

- 7.1 An employee of a trading member may exercise discretion in the management of equity securities and those JSE authorised investments not traded on a JSE market or provide investment advice to clients on any transaction in such securities if the employee-
- 7.1.1 is a stockbroker; or
  - 7.1.2 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 7.1.2.1 *Introduction to the Financial Markets*;
    - 7.1.2.2 *Regulation and Ethics of the South African Financial Markets*; and
    - 7.1.2.3 *The Equity Market*; or
  - 7.1.3 has qualified as a Regular Member or Charterholder Member of the Chartered Financial Analyst; or
  - 7.1.4 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the *Regulation and Ethics of the South African Financial Markets* module of the Registered Persons Examination of the South African Institute of Financial Markets.
- 7.2 Any person other than a stockbroker or a Chartered Financial Analyst Charterholder Member who qualifies to manage investments or provide investment advice in terms of BA 7.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in BA 7.1.2 or 7.1.4 prior to managing investments or advising on transactions again.

**BB Qualifications to be registered as a dealer****1 Bonds**

- 1.1 In accordance with rule 3.120.6, an employee of a trading member may execute transactions in bonds if the employee –
- 1.1.1 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 1.1.1.1 *Regulation and Ethics of the South African Financial Markets;*
    - 1.1.1.2 *Introduction to the Financial Markets;* and
    - 1.1.1.3 *The Bond Market;* or
  - 1.1.2 was registered as a bond trader in the BESA market of the JSE as at 9 May 2011; or
  - 1.1.3 was registered as a junior or senior dealer with the JSE, in terms of the JSE derivatives rules, as at 28 February 2005; or
  - 1.1.4 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
  - 1.1.5 has qualified as a Regular Member of the Chartered Financial Analyst Institute.

**2 Interest rate derivatives**

- 2.1 In accordance with rule 3.120.6, an employee of a trading member may execute transactions in interest rate derivatives if the employee –
- 2.1.1 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 2.1.1.1 *Regulation and Ethics of the South African Financial Markets;*
    - 2.1.1.2 *Introduction to the Financial Markets;*
    - 2.1.1.3 *The Derivatives Market;* and
    - 2.1.1.4 *The Bond Market;* or
  - 2.1.2 was registered as a bond trader or a derivatives trader in the BESA market of the JSE as at 9 May 2011: Provided that, if the employee will execute transactions in options, he has also been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 2.1.3 was registered as a junior or senior dealer with the JSE, in terms of the JSE derivatives rules, as at 28 February 2005; or
  - 2.1.4 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* and *The Bond Market* modules of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 2.1.5 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 2.1.6 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute.

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BB introduced with effect from 24 December 2008

BB 1.1 amended with effect from 9 May 2011

BB 1.1.2 amended with effect from 9 May 2011

BB 2.1 amended with effect from 9 May 2011

BB 2.1.2 amended with effect from 9 May 2011

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**3 Currency derivatives**

- 3.1 In accordance with rule 3.120.6, an employee of a trading member may execute transactions in currency derivatives if the employee –
- 3.1.1 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 3.1.1.1 *Regulation and Ethics of the South African Financial Markets;*
    - 3.1.1.2 *Introduction to the Financial Markets; and*
    - 3.1.1.3 *The Derivatives Market; or*
  - 3.1.2 was registered with the JSE as a dealer on the agricultural products market, in terms of the JSE derivatives rules, as at 30 June 2007; or
  - 3.1.3 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 3.1.4 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 3.1.5 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or
  - 3.1.6 is employed as a dealer executing transactions in foreign exchange on behalf of a trading member which is an Authorised Dealer and has been employed in that capacity for a period of not less than three months.

**4 Derivative securities**

- 4.1 In accordance with rule 3.120.6, an employee of a trading member may execute transactions in derivatives securities if the employee –
- 4.1.1 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:
    - 4.1.1.1 *Regulation and Ethics of the South African Financial Markets;*
    - 4.1.1.2 *Introduction to the Financial Markets;*
    - 4.1.1.3 *The Equities Market; and*
    - 4.1.1.4 *The Derivatives Market; or*
  - 4.1.2 is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 4.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
  - 4.1.4 has qualified as a Charterholder Member of the Chartered Financial Analyst Institute.

**5 Foreign commodity derivatives**

- 5.1 In accordance with rule 3.120.6, an employee of a trading member may execute transactions in foreign commodity derivatives if the employee –
- 5.1.1 has been exempted from or obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets:

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BB 3.1 amended with effect from 9 May 2011

BB 4.1 amended with effect from 9 May 2011

BB 5.1 amended with effect from 9 May 2011

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- 5.1.1.1      *Regulation and Ethics of the South African Financial Markets;*
- 5.1.1.2      *Introduction to the Financial Markets; and*
- 5.1.1.3      *The Derivatives Market; or*
- 5.1.2      was registered with the JSE as an agricultural derivatives dealer, in terms of the JSE derivatives rules, as at 31 October 2008; or
- 5.1.3      is a stockbroker and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 5.1.4      has qualified as a Regular Member of the Chartered Financial Analyst Institute and has been exempted from or obtained a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets; or
- 5.1.5      has qualified as a Charterholder Member of the Chartered Financial Analyst Institute; or
- 5.1.6      is employed as a dealer executing transactions in foreign exchange or foreign commodities on behalf of a trading member which is an Authorised Dealer and has been employed in that capacity for a period of not less than three months.

## BC Exemptions from the Registered Persons Examination 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 Examination 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	Modules of the Registered Persons Examination				
	Introduction to the Financial Markets	Regulation and Ethics of the South African Financial Markets	The Equities Market	The Derivatives Market	The Bond Market
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	✓		✓	✓	✓

## BD Qualifications to be registered as a Compliance Officer, Settlement Officer or Alternate Settlement Officer

### 1 Compliance Officers

- 1.1 The Compliance Officer appointed and registered by a member must, in terms of rule 3.120.2.2, 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:
  - 1.1.1 *Regulation and Ethics of the South African Financial Markets;*
  - 1.1.2 *Introduction to the Financial Markets;* and
  - 1.1.3 *The Bond Market.*
- 1.2 A Compliance Officer appointed by a member that is authorised to trade in interest rate or currency derivatives must, in addition to the modules in 1.1, obtain a pass in *The Derivatives Market* module of the Registered Persons Examination of the South African Institute of Financial Markets.

BC introduced with effect from 24 December 2008

BD introduced with effect from 24 December 2008 and amended with effect from 9 May 2011

BD 1 deleted and replaced with BD 1.1 and 1.2 with effect from 4 June 2010

BD 1.1.2 amended with effect from 9 May 2011

BD 1.1.3 deleted and 1.1.4 renumbered 1.1.3 with effect from 9 May 2011

Old BD 1.2 deleted and replaced with New BD 1.2 with effect from 9 May 2011

**2 Settlement Officers and Alternate Settlement Officers**

The Settlement Officer and alternate Settlement Officer appointed and registered by a member must, in terms of rule 3.120.3 and rule 3.120.4, have obtained a pass in the IRC markets Settlement Officer's Examination within a timeframe to be set by the JSE and notified to members in due course.



**SECTION**  
**C**

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**Section C: Trading****Scope of section**

- CA Trading System
- CB Agency Suspense Accounts
- CC Principal Assignment Stock Accounts
- CD Misdeal Accounts
- CE Reported Transactions
- CF Client Information
- CG Reserved
- CH Client Notification
- CI Transactions in inward listed securities and currency derivatives – Exchange Control
- CJ Penalties

**CA Trading System**

- 1 In accordance with rule 7.30.1.2.2 the JSE or its agent may conduct an audit of compliance by the trading member with such requirements as have been prescribed by the JSE from time to time and the trading member must assist any representative of the JSE appointed to conduct such audit.
- 2 An order submitted to the trading system must at least contain the following detail –
  - 2.1 client account reference number, suspense account or stock account to which any associated trades will be booked;
  - 2.2 quantity of IRC securities;
  - 2.3 JSE alpha code;
  - 2.4 dealer identification code; and
  - 2.5 such other information as determined by the Market Controller from time to time.
- 3 The only valid order types to be submitted to the trading system are –
  - 3.1 limit orders; and
  - 3.2 market orders.
- 4 A market order type may only be entered into the trading system in an auction call period.
- 5 Market orders which are not matched at the end of an auction call period will automatically be carried over into automated trading unless they are deleted from the order book by the trading member.
- 6 Orders can be subject to the following execution constraints –
  - 6.1 Execute and Eliminate; or
  - 6.2 Fill or Kill
- 7 Orders not fully executed by system close will be deleted by the trading system.
- 8 The minimum quantity of IRC securities that can be entered into the trading system in an order is one.
- 9 IRC securities are quoted as either yields or rates in the trading system.
- 10 The trading system will operate on every business day according to the following standard periods and times –
  - 10.1 Trade reporting period for IRC securities other than same day trades in bonds and currency derivatives: 07h00 to 18h00;
  - 10.2 Trade reporting period for same day trades in bonds: 07h00 to 12h00;
  - 10.3 administration period for currency derivatives: 08h00 to 09h00;
  - 10.4 automated trading period for IRC securities other than currency derivatives: 08h00 to 17h00;
  - 10.5 automated trading period for currency derivatives: 09h00 to 17h00 ;
  - 10.6 trade reporting period for currency derivatives: 09h00 to 17h30 ;
  - 10.7 administration period for currency derivatives: 17h00 to 17h30 ;

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10.1 amended with effect from 17 July 2018

10.2 introduced with effect from 17 July 2018 and previous 10.2 renumbered 10.3

Old 10.3 renumbered 10.4 with effect from 17 July 2018

Old 10.4 renumbered 10.5 with effect from 17 July 2018

Old 10.5 renumbered 10.6 with effect from 17 July 2018

Old 10.6 renumbered 10.7 with effect from 17 July 2018

Old 10.7 amended and changed to 10.8 with effect from 17 July 2018

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10.8 administration period for IRC securities other than bonds and currency derivatives: 17h00 to 18h00;

10.9 system close: 18h00.

11 The JSE will advise, in a notice to members, the official public holidays for the forthcoming calendar year, within a month of such dates being published in the Government Gazette, which is normally early in the last quarter of the preceding year.

#### **CB Agency Suspense Accounts**

- 1 For the purpose of this directive, an agency suspense account and an allocation account is synonymous.
- 2 Subject to CB 8, any unallocated purchase or sale which emanates from a firm order from a client must be placed in a suspense account and must be allocated to a client's account by the close of business.
- 3 Transactions must not be allocated from an agency suspense account to accounts of interested parties, unless the member can demonstrate that no client is prejudiced as a result thereof.
- 4 Adequate controls to prevent the prejudice of clients when utilising agency suspense accounts must include, but not be limited to, the following –
  - 4.1 the use of separate suspense accounts for interested party trades;
  - 4.2 the use of separate suspense accounts dedicated to specified clients;
  - 4.3 the use of separate suspense accounts where the trading instruction and allocation instruction vests with one person, such as an investment manager; and
  - 4.4 an adequate segregation of duties over accounts managed with full discretion on behalf of interested parties to ensure that the interested parties have no influence over either the trading instruction or the allocation instruction.
- 5 For the purposes of this directive and directive CC, an interested party trade is a trade in which the member, a director, officer or employee of the member has a direct or indirect beneficial interest.
- 6 Trades not allocated to clients by the close of business on the trade date must be transferred to a misdeals account by the close of business on the following business day.
- 7 At no time may a member realise a profit or loss in a suspense account.
- 8 If a trading member uses an agency suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the allocation of a trade to the dedicated client suspense account is deemed to be an allocation to the client for the purpose of CB 2 and CB 6.

#### **CC Reserved**

#### **CD Misdeal Accounts**

1. A separate misdeals account or accounts must be maintained through which all misdeals in bond transactions must be routed.
2. All misdeals in bond transactions with clients must be transferred into a misdeals account. Transactions out of misdeals accounts must only be effected through the trading system.
3. Bond transactions placed into a client's account resulting from a missed deal, must be booked as a reported transaction from a misdeals account.

Old 10.8 renumbered 10.9 with effect from 17 July 2018

CB 2 amended with effect from 9 May 2011

CB 6 amended with effect from 9 May 2011

CB 8 introduced with effect from 9 May 2011

CB 3, 4, 4.2 and 8 amended with effect from 29 April 2019

CC (Principal Assignment Stock Accounts) deleted with effect from 29 April 2019

CD 1 to 3 amended with effect from 9 May 2011

**CE      Reported Transactions**

1. The minimum number of contracts, as determined by the JSE, for value eligible reported transactions in respect of interest rate derivatives is 20 (twenty) contracts.
2. The minimum nominal values, as determined by the JSE, for value eligible reported transactions in respect of bonds are as follows –
  - 2.1 R1 (one Rand) nominal; and
  - 2.2 R1 (one Rand) nominal, per leg, in respect of carry transactions.
3. The minimum number of contracts, as determined by the JSE, for value eligible reported transactions in respect of currency derivatives are as follows –
  - 3.1 Currency futures

<i>Contract Code</i>	<i>Minimum number of contracts</i>
Dollar/Rand (\$/R)	201 (two hundred and one) contracts
All other currency pairs	1 (one) contract

## 3.2 Currency options

<i>Contract Code</i>	<i>Minimum number of contracts</i>
All option contracts	10 (ten) contracts

**CF      Client Information**

- 1 A member must obtain and maintain a record of the following information in respect of each account holder in order to identify the beneficiary of each account in accordance with rule 7.80.2.1-
  - 1.1 the full name of the account holder;
  - 1.2 identity number or registration number, as the case may be;
  - 1.3 physical and postal address;
  - 1.4 telephone number;
  - 1.5 type of account holder identifying whether they are a -
    - 1.5.1 private individual;
    - 1.5.2 company;
    - 1.5.3 close corporation;

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CE 1 amended with effect from 15 June 2010

CE 1.1 amended with effect from 1 June 2007

CE 1.1 deleted with effect from 15 June 2010

CE 1.2 introduced with effect from 1 June 2007

CE 1.2 and 1.3 renumbered 1.3 and 1.4 respectively with effect from 1 June 2007

CE 1.2 deleted with effect from 15 June 2010

CE 1.3 deleted with effect from 15 June 2010

CE 1.4 deleted with effect from 15 June 2010

CE 2 introduced with effect from 15 June 2010

CE 2.1 amended with effect from 9 May 2011

CE 2.2 amended with effect from 9 May 2011

CE 3 introduced with effect from 15 June 2010

CE 3.1 amended with effect from 29 April 2019

CE 4 introduced with effect from 16 January 2015

CE4 deleted with effect from 29 April 2019

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- 1.5.4 private trust;
  - 1.5.5 partnership;
  - 1.5.6 joint venture;
  - 1.5.7 syndicate;
  - 1.5.8 investment club;
  - 1.5.9 pension or provident fund;
  - 1.5.10 mutual fund or unit trust;
  - 1.5.11 government agency;
  - 1.5.12 public utility; or
  - 1.5.13 religious, educational or welfare organisation.
- 2 Unless the client is a bank or a financial services provider or the foreign regulated equivalent of such entities, the following information must also be obtained in respect of the person or persons responsible for placing instructions on a client account if the person placing instructions is not the individual in whose name the account is held, or the account is not in the name of an individual –
    - 2.1 full name;
    - 2.2 identity number;
    - 2.3 physical address; and
    - 2.4 telephone number.
  - 3 The information referred to in CF 1 and CF 2 together with any bank account details provided by the client, must be confirmed by the client in writing and the member must maintain a record of such confirmation. Any changes to the said information must be advised by the client in writing to the member as soon as practicable.

#### **CG Trade cancellations**

1. A member seeking permission to have an alleged error trade considered by the JSE for treatment in terms of rule 7.130 must immediately upon becoming aware of the error trade, 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 7.130.3 or rule 7.130.14, whichever is applicable.
3. The Director: Market Regulation shall, upon receipt of the request and after due consideration of all of the relevant factors, decide to either accept or decline the request and will contact the member who has initiated the request to inform the member of his decision. The decision of the Director: Market Regulation shall be final.
4. Where permission has been granted or where the Director: Market Regulation has issued an instruction to a member or members to cancel an error trade as contemplated in rule 7.130.8, the affected members shall, without delay, take the necessary action to cancel the error trade, in accordance with any instructions given by the Director: Market Regulation.

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CG introduced with effect from 29 April 2019

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5. Where a member submits a request for an alleged error trade to be considered by the JSE in terms of these rules and such request fails to meet the criteria set out in rule 7.130.3, the member will be liable for payment of an administration fee of R2 000.
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 R 5 000.
7. The no cancellation range referred to in the rules is that range in the table below, above or below the futures or the options reference price, or the fair value price, whichever is applicable, within which an alleged error trade will not be considered for treatment in terms of rule 7.130

No Cancellation Range		
Instrument	Futures - % of reference price	Options – volatility %
Currency derivatives	1.5%	1.5%
Interest rate derivatives	1.5%	1.5%

8. In the case of options with a value of zero and therefore a no cancellation range of zero, the Director: Market Regulation may determine that the price of any cancellation trade price shall be a value other than zero.
9. Where a member or members wish to cancel an off book transaction which has been reported to the JSE trading system in error, the cancellation of the off book transaction shall be effected as follows:
  - 9.1 in the case of a transaction in the currency derivatives market, the member or members shall use the trade cancellation functionality on the JSE trading system; or
  - 9.2 in the case of a transaction in bonds or interest rate derivatives, the member or members shall report an equal and opposite trade to the JSE trading system.

## CH Client Notification

- 1 In respect of a transaction on or reported to the trading system with or on behalf of a client, a trading member must, before 12h00 on the business day following the transaction, issue the client with an advice note or electronic confirmation confirming the transaction.
- 2 The advice note or electronic confirmation must include disclosure of –
  - 2.1 the date of the transaction;
  - 2.2 the amount and nature of the trading member's charges;
  - 2.3 the price of the transaction;
  - 2.4 the quantity traded;
  - 2.5 the instrument traded;
  - 2.6 the consideration due to or from the client;
  - 2.7 whether the trading member acted as an agent or as a principal in the transaction; and
  - 2.8 the option strike price and option type, if applicable.

**CI Transactions in inward listed securities and currency derivatives – Exchange Control**

1. This directive sets out the compliance obligations applicable to members in relation to trading in inward listed securities and currency derivatives, as specified in terms of Exchange Control Circular 7/2008 of 20 February 2008.
2. For the purpose of this directive, “inward listed securities” means securities issued by foreign issuers, which have been listed on the JSE in terms of the South African Reserve Bank’s exchange control regulations.
3. A trading member may not trade in inward listed securities or currency derivatives for a non-resident blocked rand account (emigrant client). In the event that the Settlement Authority identifies a transaction for or on behalf of an emigrant client, the Settlement Authority will instruct the member to transfer the transaction from the client’s account to the member’s misdeals account and the member will assume responsibility for the transaction.
4. A trading member who is an authorised dealer and has been granted specific approval by the Exchange Control Department of the South African Reserve Bank to act as a market maker in the trading of currency derivatives may hedge currency derivative positions with foreign currency.

**CJ Penalties**

1. The following penalties may be levied by the JSE in respect of transgressions relating to reported transactions in bonds.

Transgression	Penalty
1. Failure to report a trade between two members within 30 minutes from the time of the conclusion of such trade in terms of rule 7.120.2.	R2 100 per occurrence
2. Failure to report a trade between a member and a client before the trading system closing time on the trade date in terms of rule 7.120.4.	R2 100 per occurrence
3. Failure to capture the correct trade date and time when reporting a trade to the trading system in terms of rule 7.120.7.	R2 100 per occurrence

2. If a reported transaction is concluded between two trading members, a penalty imposed in terms of CJ 1 will be levied against the member that the JSE determines was responsible for the transgression. If the JSE determines that both members are responsible for the transgression, the penalty may be imposed on both members.
3. In the absence of an objection lodged by a member in relation to any penalty imposed in terms of this directive, the member must pay the penalty imposed by the Director: Market Regulation within 5 business days of the date of the invoice.
4. An objection to a penalty imposed by the Director: Market Regulation must be lodged in writing accompanied by mitigating evidence as to why the penalty should be set aside. The letter of objection must be signed by the compliance officer of the member and received by the Director: Market Regulation by no later than 15h00 on the day that the penalty is due and payable.

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CI introduced with effect from 24 December 2008 and amended with effect from 9 May 2011

CI 1 amended with effect from 9 May 2011

CI 2 amended with effect from 9 May 2011

CB 3 amended with effect from 9 May 2011

CJ 1 to 6 introduced with effect from 9 May 2011

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5. A decision of the Director: Market Regulation in respect of the objection shall be binding on all parties, subject to the rights of appeal in terms of the Act
6. Despite the provisions of this directive, further disciplinary action may be taken by the JSE in appropriate circumstances in terms of section 4 of the rules in relation to the relevant transactions.



**SECTION  
D**

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## Section D: Prescribed Agreements

### Scope of section

- DA JSE Clear Agreement
- DB Clearing Member Agreement
- DC Client Agreement
- DD Custody Agreement
- DE Tripartite Agreement
- DF Investment Management Agreement

**DA JSE Clear Agreement**

The JSE has resolved that the JSE Clear Agreement, as contemplated in rule 3.50.3.4, must contain the terms and conditions set forth below, and must be entered into between JSE Clear as the approved clearing house and the clearing member with substantially the same content as set out below.

	
<b>JSE CLEAR AGREEMENT</b>	
<b>Memorandum of Agreement between</b>	
<b>JSE Clear (Pty) Ltd ("JSE Clear") (registration number 1987/02294/07)</b>	
<b>and</b>	
<b>JSE Limited ("the JSE") (registration number 2005/022939/06)</b>	
<b>and</b>	
..... <b>(the "clearing member")</b> (registration number)	
Whereas	
A	JSE Limited (JSE) is an exchange licensed in terms of the Securities Services Act ("the Act") to regulate the business of its members of buying and selling IRC securities listed from time to time in the list of securities kept by the JSE Executive Committee;
B	The JSE has entered into an agreement with JSE Clear in terms of which JSE Clear is to ensure the performance of all transactions to be entered into on the Interest Rate and Currency markets in particular with respect to the clearing of IRC securities as contemplated by the Interest Rate and Currency Rules of the JSE ("the rules"); and
C	The clearing member has satisfied, for the time being, the requirements for clearing membership of the Interest Rate and Currency markets and hereby enters into this agreement as required by the rules.
Now therefore it is agreed as follows:	
<b>1</b>	<b>Interpretation</b>
1.1	In this agreement further, unless otherwise indicated by, or inconsistent with, the context -
1.1.1	a reference to any one gender includes a reference to all other genders; and
1.1.2	the singular includes the plural and vice versa; and
1.1.3	all the terms used in this agreement bear the same meanings as are assigned to such terms in the rules .
1.2	In the event of conflict between the rules and the provisions of this agreement then the provisions of the rules shall apply.

- 1.3 The relevant provisions of the rules, decisions of the JSE Executive Committee and established practices of the JSE for the time being shall apply *mutatis mutandis* to this agreement as if incorporated in this agreement.

## **2 Clearing membership**

- 2.1 The clearing member hereby warrants that the information supplied by the clearing member to the JSE in order to determine whether the clearing member satisfies for the time being the requirements for clearing membership of the JSE is at the date of this agreement true and correct in all material respects.
- 2.2 The clearing member shall ensure that it shall at all times during its membership of the JSE satisfy the requirements for clearing membership. If at any time it has reason to believe that it no longer satisfies or may cease to satisfy any of such requirements the clearing member shall immediately notify the JSE in writing of the circumstances in respect thereof.
- 2.3 The clearing member shall give written notice forthwith to the JSE of the occurrence of -
- 2.3.1 any of the reasons contemplated in terms of the rules in respect of termination of membership;
  - 2.3.2 the granting, withdrawal or refusal of an application for, or the revocation of, recognition under any statutory enactment of any registration, authorisation or licence under which it operates or wishes to operate;
  - 2.3.3 the conviction of the clearing member for any offence under legislation relating to banking or other financial services, building societies, companies, insolvency, insurance and provident societies or for any offence involving fraud or other dishonesty;
  - 2.3.4 any person becoming or ceasing to be a director of the clearing member;
  - 2.3.5 any change in its name or the address of its head office, or registered office;
  - 2.3.6 the clearing member, becoming aware that any person has become or ceased to be, or is to become or ceased to be, or might become or cease to be, a controller of the clearing member and shall in relation to any person becoming a controller of the clearing member state:
    - 2.3.6.1 the controller's name, principal business and address, and
    - 2.3.6.2 the date of the change or proposed change.

In this clause 2.3.6 the "controller" means a person entitled to exercise or control the exercise of 25 percent or more of the voting power in the clearing member, and
  - 2.3.7 any change in its business which might reasonably be considered material to the operation of this agreement.
- 2.4 Where the JSE receives notification pursuant to any clauses 2.2 to 2.3, or the JSE reasonably suspects that the clearing member may no longer satisfy the requirements for clearing membership of the JSE, the JSE shall be entitled in its absolute discretion to call for information pertinent to the issue in order to determine whether the clearing member continues to satisfy the requirements for such membership. The clearing member shall forthwith on demand supply such information to the JSE and shall ensure that such information is true and correct in all respects.
- 2.5 The clearing member agrees at all times to abide by the rules, it being recorded that the clearing member hereby acknowledges itself to be conversant with such rules.
- 2.6 The clearing member agrees that in respect of any IRC security which has to be cleared by JSE Clear in the clearing member's name in accordance with the rules, and in respect of any transaction entered into with regard to IRC securities, whether with a member or with a client, the clearing member shall contract as principal and not as an agent, unless it has advised the client prior thereto that it is not acting as a principal but as an agent in relation to that transaction.

## **3 Clearing facilities provided by JSE Clear**

- 3.1 Clearing of IRC securities
- Subject to the rules, JSE Clear agrees to clear all IRC securities reported to it by the clearing member, or reported directly to it by a trading member in accordance with the terms of the clearing agreement between the clearing member and such trading member.
- 3.2 Fees, levies and charges

Fees, levies and charges for services rendered shall be levied in accordance with the rules and the clearing member hereby undertakes to pay such amounts on the due date for payment thereof.

### 3.3 Novation

3.3.1 Upon the clearing by JSE Clear of a transaction in an IRC security, JSE Clear shall by the process of novation take an equal and opposite position to each party to the transaction in IRC securities and JSE Clear shall be liable and responsible for protecting buyers and sellers from financial loss by assuring performance on each transaction.

3.3.2 The clearing member through whom the transaction was cleared shall guarantee all obligations arising from such cleared transactions in accordance with the rules.

### 3.4 Notification and verification records

3.4.1 Pursuant to notification by the clearing member to JSE Clear of the details of a transaction, and upon remittance by JSE Clear to the clearing member of a daily report reflecting the details of the day's accepted deals, JSE Clear shall be deemed to have confirmed the transaction.

3.4.2 For the transaction to be correctly reflected in the accounting records of the clearing member, such notification by the trading system shall be identical to the report referred to in clause 3.4.1.

3.4.3 In addition, daily confirmation of positions shall be remitted by JSE Clear to the clearing member. Such confirmation shall confirm the accuracy of the accounting records of the clearing member.

### 3.5 Margins

3.5.1 The clearing member shall pay to JSE Clear such sum as JSE Clear shall require from time to time by way of initial, variation, settlement and top-up margin or any other amount required by JSE Clear in order to maintain existing margin balances in respect of or in connection with any position, such sums shall be placed with financial institutions acceptable to JSE Clear in interest-bearing investments. Clearing members shall be paid interest thereon on the second business day of each month on margins held.

3.5.2 Without in any way limiting the generality of the provisions of clause 3.5.1, JSE Clear shall be entitled to require the clearing member to pay in respect of any transaction either before the clearing thereof, or at any time during the subsistence thereof, a larger or additional margin.

3.5.3 JSE Clear shall pay to the clearing member any amounts due to it in terms of the rules, especially repayment of margin.

## 4 Maintenance and inspection of records

4.1 The clearing member undertakes to establish and maintain all records and accounts as are required by the Act and the rules.

4.2 The JSE shall have the right at all reasonable times to inspect the aforesaid records and shall further have the right to investigate the affairs of the clearing member for the purposes of ascertaining whether the clearing member is complying with the provisions of the Act, the rules and this agreement.

## 5 Trading limits

JSE Clear shall have the right at any time to limit the proprietary positions of the clearing member and the transactions to be cleared through it in a manner and on a basis agreed upon between the clearing member and JSE Clear.

## 6 Clearing agreement

The clearing member hereby undertakes to ensure that any clearing agreement entered into by it with a trading member of the JSE shall conform with the basic terms and conditions for such agreement as determined from time to time by the JSE.

## 7 Client agreement

The clearing member hereby undertakes to ensure that any client agreement entered into by it with a client shall conform with the basic terms and conditions for such agreement as determined from time to time by the JSE.

## 8 Telephone calls

The parties hereto acknowledge and confirm that they are conversant with the relevant provisions of the rules insofar as the tape recording of telephone calls are concerned and hereby irrevocably consent to such tape recordings being made.

## **9 Termination**

- 9.1 Subject to clause 9.2 hereof any party may terminate this agreement by giving to the other parties thirty days notice (or such other period as the parties may agree) in writing specifying the date of termination ("the termination date") which shall be a business day and this agreement shall terminate on the termination date. By the close of business on the termination date the clearing member shall ensure that all its proprietary positions are closed out and, if such positions are not closed out, the JSE shall be entitled to close out such positions in accordance with the relevant provisions of the rules.
- 9.2 If the clearing member is in breach of any term or provision of this agreement, or the rules, or if the JSE reasonably determines that the clearing member no longer satisfies the requirements for clearing membership, or the clearing member is in any way in default as contemplated by the rules, the JSE may in its absolute discretion terminate this agreement by written notice either summarily or on the expiry of such period as may be specified in the notice, in which event the JSE may take all such action as it deems expedient in its absolute discretion to protect itself or any other clearing member including, without limitation, the closing-out of any or all the clearing member's proprietary positions, but without prejudice to its own rights in respect of such positions. A notice given by the JSE under this clause may at the JSE's discretion allow the clearing member a specified period in which to remedy the breach or default or to satisfy the requirements for membership as the case may be, and may specify what is to be done to that end, and may provide that if the same is done to the satisfaction of the JSE within that period termination of this agreement shall not take effect.
- 9.3 Upon the termination of this agreement for whatever reason the clearing member shall in terms of the rules cease to be a clearing member.
- 9.4 Without in any way limiting the generality of the foregoing provisions of this clause 9, on the breach or default of the clearing member the relevant provisions of the rules shall apply *mutatis mutandis*.

## **10 Arbitration**

Any dispute between the parties emanating or arising from the implementation or interpretation of this agreement shall, unless resolved between the parties hereto, be referred to and decided by arbitration in terms of the relevant provisions of the rules.

## **11 Law**

This agreement shall be governed by and construed in accordance with the laws of the Republic of South Africa.

## **12 Relaxation**

No latitude, extension of time or other indulgence which may be given or allowed by any party to any other party in respect of the performance of any obligation under this agreement or the enforcement of any right arising from this agreement and no single or partial exercise of any right by any party shall under any circumstances be construed to be an implied consent by such party or operate as a waiver or a novation of, or otherwise affect the rights of any party under this agreement or prevent such party from enforcing, at any time without notice, strict and punctual compliance with each and every provision or term hereof.

## **13 Variation**

No addition or variation, consensual cancellation or novation of this agreement and no waiver of any right arising from this agreement of its breach or termination shall be of any force or effect unless reduced to writing and signed by all parties or their duly authorised representatives.

## **14 Whole agreement**

This agreement contains the entire agreement between the parties and none of them shall be bound by any undertakings, representations or warranties not recorded herein.

## **15 Notices and domicilia**

- 15.1 The parties choose as their *domicilia citandi et executandi* their respective addresses set out in this clause for all purposes arising out of or in connection with this agreement at which addresses all

processes and notices arising out of or in connection with this agreement, its breach or termination may validly be served upon or delivered to the parties.

For the purpose of this agreement the parties' respective addresses shall be as regards **JSE Clear and the JSE:**

One Exchange Square  
Gwen Lane  
Sandown

and the **clearing member:**

.....  
.....  
.....

or at such other address, not being a post office or box or *poste restante*, of which the party concerned may notify the others in writing.

15.2 Any notice given in terms of this agreement shall be in writing and shall: -

- 15.2.1 If delivered by hand during normal business hours at the addressee's registered address by deemed, until the contrary is proved, to have been received at the time of delivery; or
- 15.2.2 if posted by pre-paid registered post from an address within the Republic of South Africa to the addressee at the addressee's registered address be deemed until the contrary is proved by the addressee, to have been received by no later than the seventh day after the date of posting; or
- 15.2.3 if transmitted by facsimile or electronic means be deemed until the contrary is proved to have been received on confirmation or receipt.

15.3 Notwithstanding anything to the contrary contained in this agreement a written notice or communication actually received by one of the parties from another including by way of telex or facsimile transmission shall be adequate written notice or communication to such party.

Thus done and signed at .....  
on this the ..... day of ..... 20.....

.....  
Full name

.....  
**For JSE Clear**  
(who warrants that he is duly  
authorised to bind JSE Clear).

**As Witnesses:**

1. ....  
Full name

2. ....  
Full name

Thus done and signed at .....  
on this the ..... day of ..... 20.....


.....  
Full name

.....  
**For the JSE**

		(who warrants that he is duly authorised to bind the JSE).
<b>As Witnesses:</b>		
1.	.....	.....
	Full name	
2.	.....	.....
	Full name	
Thus done and signed at .....		
on this the ..... day of ..... 20.....		
.....		.....
Full name		<b>For the clearing member</b>
		(who warrants that he is duly authorised to bind the clearing member).
<b>As Witnesses:</b>		
1.	.....	.....
	Full name	
2.	.....	.....
	Full name	

**DB Clearing Agreement**

The JSE has resolved that the Clearing Agreement, as contemplated in rule 3.50.3.4, shall contain the terms and conditions set forth below, and shall be entered into between the clearing member and the trading member with substantially the same content as set out below.



---

**CLEARING AGREEMENT**

**Memorandum of Agreement  
between**

.....

**(the “clearing member”)**

**and**

.....

**(the “trading member”)**

**1 Interpretation**

1.1 In this agreement, unless otherwise clearly indicated by, or inconsistent with, the context –

1.1.1 all the terms used in this agreement bear the meaning assigned to them in the Interest Rate and Currency Rules of the JSE (“the rules”);

1.1.2 “IRC security” means a futures contract, an option contract or bonds as defined in the rules; and

1.1.3 “services” means the clearing and other services provided by the clearing member to the trading member in terms of this agreement and the rules.

1.2 In the event of conflict between the rules and the provisions of this agreement then the provisions of the rules shall apply.

1.3 The relevant provisions of the rules, decisions of the JSE Executive Committee and established practices of JSE shall apply *mutatis mutandis* to this agreement as if incorporated in this agreement.

**2 Clearing of IRC securities**



2.1 The parties agree that all transactions in IRC securities of the trading member or its clients which are required in terms of the rules to be cleared by the clearing house shall be cleared through the clearing member.

2.2 The trading member undertakes performance of all obligations in terms of the rules arising from its proprietary positions and the positions of its clients which are cleared by the clearing house.

### **3 Security**

3.1 By trading member

3.1.1 The clearing member has requested the trading member to provide to the clearing member the security as specified in Annexure A for the due performance of all its obligations to the clearing member which may arise from IRC securities cleared by the clearing house pursuant to this agreement for the trading member.

3.1.2 Liability under the security provided in this clause shall arise upon the failure of the trading member to perform any or all of its obligations under IRC securities cleared by the clearing house for the trading member.

3.2 Additional requirements

3.2.1 The clearing member shall have the right to impose such financial, capital adequacy and other requirements as it considers necessary on the trading member in addition to the requirements for the trading membership set by the rules or required by the JSE.

3.2.2 If the trading member fails to meet such requirements the clearing member shall have the right to terminate this agreement in terms of clause 12 hereof.

### **4 Fees, levies and charges**

Fees, levies and charges for the services rendered by the clearing member shall be levied in accordance with the schedule set out in Annexure B and the trading member hereby undertakes to pay such amounts on the due date.

### **5 Margin requirements**

5.1 The trading member shall pay to the clearing member such sums as the clearing member may require from time to time by way of initial, variation, settlement and top-up margin or any other amount required by the clearing member in order to maintain margin balances in respect of or in connection with any position as required by the Act and the rules.

5.2 Without in any way limiting the generality of the provisions of 5.1, the clearing member shall in its discretion be entitled to require the trading member to pay to him additional margin on demand in respect of any position either before or after the clearing thereof.

5.3 The clearing member shall pay to the trading member any amount due to the latter in terms of the rules, particularly margin due to the trading member.

### **6 Trading limits**

The clearing member shall have the right at any time to limit the proprietary positions of the trading member in a manner and on a basis agreed upon between the clearing member and the trading member and to close out any position which exceeds these limits.

### **7 Maintenance and inspection of records**

7.1 The trading member undertakes to establish and maintain all such records and accounts as are required by the Act and the rules.

7.2 The clearing member shall have the right at all reasonable times to inspect such records of the trading member and shall further have the right to investigate the affairs of the trading member for the purposes of ascertaining whether the trading member is complying with the provisions of the Act, the rules and this agreement.

### **8 Client agreement**

The trading member hereby undertakes to ensure that every client agreement entered into by it shall conform with the terms and conditions as prescribed by the JSE and warrants that all clients registered with the JSE for whom

DB 2.1 amended with effect from 9 May 2011

DB 3.1.1 amended with effect from 9 May 2011

the trading member will undertake transactions in IRC securities that are to be cleared through the clearing house shall have signed such a client agreement.

**9 Telephone calls**

The parties hereto acknowledge and confirm that they are conversant with the relevant provisions of the rules insofar as the tape recording of telephone calls is concerned and hereby irrevocably consent to such tape recordings being made.

**10 Breach by trading member**

10.1 Time shall be of the essence for the performance by either party of any obligation under this agreement.

10.2 The trading member shall be deemed to have breached its obligations in terms of this agreement if –

10.2.1 it fails to fulfil any of its obligations in terms of a transaction or a position or this agreement or any rule; in particular, if it fails to comply fully and immediately with its obligation to pay margin when due or required in terms of this agreement or the rules;

10.2.2 it is in default as contemplated by the rules; or

10.2.3 a guarantee or suretyship for the liabilities of the trading member in favour of the clearing member is withdrawn or becomes invalid, unenforceable or, in the opinion of the clearing member, becomes inadequate, insufficient or unreliable.

10.3 The clearing member shall in the event of a breach by the trading member of any of its obligations in terms of this agreement be entitled, without notice to the trading member, to –

10.3.1 close out any position or all proprietary positions of the trading member;

10.3.2 exercise a right of retention over any or all the assets of the trading member in the clearing member's possession, which assets shall be deemed to have been pledged to the member, and to sell such assets and apply the same or the proceeds of the sale to the liability of the trading member to the clearing member;

10.3.3 charge interest on the amount of the trading member's liability to the clearing member from the date that such liability is incurred until the date it is actually discharged; or

10.3.4 exercise any right it may have in terms of the rules or the common law.

**11 Breach by clearing member**

11.1 Should the clearing member breach any of the terms and conditions of this agreement and fail to rectify such breach within a reasonable period after notice from the trading member requiring such breach to be remedied, the trading member shall be entitled, without prejudice to any other rights which the trading member may have in terms of the provisions of this agreement or the rules or in law –

11.1.1 to cancel this agreement forthwith and transfer any position to any other clearing member after having entered into the prescribed clearing agreement with such other member, or to instruct the clearing member to close out any or all of the trading member's positions; or

11.1.2 to claim specific performance of all the obligations of the defaulting clearing member in terms of the provisions of this agreement including, but not limited to, repayment of margins.

11.2 The trading member shall advise the JSE of any action taken by it in terms of this clause.

11.3 Should the rights of the clearing member to trade on the JSE be suspended, the trading member hereby appoints the chief executive officer of the JSE as its attorney to do all things necessary to transfer any position held by the suspended member on behalf of the trading member to another clearing member.

**12 Voluntary termination**

12.1 Either party may terminate this agreement by giving to the other party thirty days notice (or such period as the parties may agree in writing) specifying the date of termination ("the termination date") which shall be a business day and this agreement shall terminate on the termination date. Provided that –

- 12.1.1 the trading member shall ensure that by the close of business on the termination date all its proprietary positions are closed out and, if such positions are not closed out, the clearing member shall be entitled to close them out in accordance with the rules;
- 12.1.2 the trading member shall ensure that by the close of business on the termination date all the positions of the clients of the trading member are closed out or transferred to another member and, if such positions are not closed out or transferred, such positions shall be transferred to the clearing member; and
- 12.1.3 such termination shall not affect the rights or obligations of the parties in terms of this agreement which may have arisen or are in existence at the date of termination of this agreement.

### 13 Arbitration

Any dispute between the parties arising from or concerning this agreement shall be referred to and decided by arbitration or mediation in terms of the rules.

### 14 Law

14.1 This agreement shall be governed by, and construed in accordance with, the laws of the Republic of South Africa.

14.2 Subject to the provisions of clause 13, the parties submit to the jurisdiction of the South African courts.

### 15 Relaxation

No latitude, extension of time or other indulgence which may be given or allowed by a party to the other party in respect of the performance of any obligation under this agreement or the enforcement of any right arising from this agreement, and no single or partial exercise of any right by any party shall under any circumstances be construed as an implied consent by such party or operate as a waiver or a novation of or otherwise affect the rights of any party under this agreement or prevent such party from enforcing strict and punctual compliance with each and every provision or term hereof.

### 16 Variation

No addition or variation, consensual cancellation or novation of this agreement and no waiver of any right arising from this agreement or its breach or termination shall be of any force or effect unless reduced to writing and signed by both the parties or their duly authorised representatives.

### 17 Whole agreement

This agreement contains the entire agreement between the parties and neither of them shall be bound by any undertakings, representations or warranties not recorded herein.

### 18 Notices and *domicilia*

18.1 The parties choose as their *domicilia citandi et executandi* their respective addresses set out in this clause for all purposes arising out of or in connection with this agreement at which addresses all processes, communications and notices arising out of or in connection with this agreement, its breach or termination may validly be served upon or delivered to the parties.

18.2 For the purposes of this agreement the respective addresses shall be as follows –

#### The clearing member

Address:

Telephone number:

Facsimile:

Electronic mail:


**The trading member****Address:**

--

**Telephone number:**

--

**Facsimile:**

--

**Electronic mail:**

--

or at such other address, not being a post office box or *poste restante*, or number of which the party concerned may notify the other in terms of this agreement.

18.3 Any notice given in terms of this agreement shall, unless sent by electronic means, be in writing and shall be deemed, until the contrary is proved, to have been received –

- 18.3.1 at the time of delivery if delivered by hand during normal business hours at the addressee's registered address;
- 18.3.2 by no later than the seventh day after the date of posting if posted by pre-paid registered post from an address within the Republic of South Africa to the addressee at the addressee's registered address;
- 18.3.3 on proof of transmission if transmitted by facsimile or electronic means.

18.4 Notwithstanding anything to the contrary contained in this agreement a communication actually received by one of the parties from another shall be adequate written notice or communication to such party.

Thus done and signed at .....  
on this the ..... day of ..... 20.....

.....  
Full name

**For the clearing member**

(who warrants that he is duly authorised to bind the clearing member).

**As Witnesses:**

1. ....  
Full name

.....

2. ....  
Full name

.....

Thus done and signed at .....  
on this the ..... day of ..... 20.....

.....  
Full name

**For the trading member**

(who warrants that he is duly authorised to bind the trading member).

**As Witnesses:**

1.

.....

Full name

.....
2.


.....

Full name

.....

**DC Client Agreement**

The JSE has resolved that the Client Agreement to be entered into between a trading member and a client, as contemplated in rule 7.80.1, shall contain terms and conditions which have substantially the same effect in law as the terms and conditions in the *proforma* agreement below, to the extent that the terms and conditions below are relevant to transactions in IRC securities entered into by the trading member with or on behalf of the client. The JSE has resolved that the Risk Disclosure Statement shall be annexed to the Client Agreement if the trading member will be executing transactions in derivative instruments on the trading system, and shall contain substantially the wording as set out in Annexure A below.



---

**CLIENT AGREEMENT**

**Between**

.....

("member")

**and**

.....

("client")

**1 Interpretation**

1.1 In this agreement, unless otherwise clearly indicated by, or inconsistent with, the context –

1.1.1 the words and expressions used in this agreement bear the same meaning as are assigned to them in the Interest Rate and Currency Rules of the JSE ("the rules");

1.1.2 In the event of conflict between the rules and the provisions of this agreement the provisions of the rules shall prevail; and

1.1.3 "clause" means a separate numbered provision of this agreement.

1.2 The rules shall apply *mutatis mutandis* to this agreement as if incorporated herein.

**2 Rules binding**

DC amended with effect from 9 May 2011

The client by his or her signature hereto acknowledges and confirms that he has read and understood and shall be bound by the rules.

### 3 Appointment

*(Delete clause which is not applicable)*

#### 3.1 Non-discretionary client agreement

The client appoints the member and the member accepts the appointment to trade in instruments listed by the JSE without discretion and only in response to an order from the client.

#### 3.2 Discretionary client agreement

The client hereby appoints the member and the member accepts the appointment to trade with the client in the instruments listed by the JSE on a discretionary basis as defined in the rules or in response to an order from the client, as the case may be.

### 4 Conditions precedent

This agreement shall be of no force and effect until the client has been loaded on the trading system in terms of the rules and has, if clause 14.4 of this agreement applies, paid the amount to be invested in terms of that clause.

### 5 Risk acknowledgement

The client acknowledges that he or she has read the Risk Disclosure Statement attached hereto as Annexure A and fully understands the contents thereof.

### 6 Obligations of member

#### 6.1 The member –

- 6.1.1 shall endeavour, but shall not be obliged, to confirm to the client that any instruction has been executed and shall not be responsible for any accidental delay or inaccuracy in the execution of the client's instructions;
- 6.1.2 may report to the client in writing whenever a trade is done and such report shall include details of the IRC security, the price, the number of IRC securities, the time of the instruction to trade, the time at which the trade was done and whether the trade had the effect of opening, closing, increasing or decreasing a position, the fees and commission payable and other details relevant to the trade; and
- 6.1.3 shall maintain the trading and position records and report to the client as required by rule 10.20, and shall take all reasonable steps to provide the client with any information that the client requires relating to the positions of the client.

6.2 In the case of a discretionary client agreement, the member warrants that he will manage the client's investments in accordance with the investment objectives of the client referred to in clause 14.4.1.

### 7 Margin and withdrawals from client's account

- 7.1 The member is authorised to withdraw from the client's account referred to in rule 10.70 such amounts as are required from time to time to settle any amounts due in the course of opening, closing or maintaining any positions on behalf of the client and to effect such other payments as are necessary in the operation of the client's account.
- 7.2 In terms of rule 8.80 the client shall pay to the member an amount of additional margin equal to a factor of .....% of the initial margin kept by the clearing house. *(Complete by inserting amount – insert 0% if not applicable)*

### 8 Trading capacity

The client hereby authorises the member to trade as –

Principal

Agent


	Principal or agent	<input type="text"/>
	(indicate choice with x)	
<b>9</b>	<b>Trading limits</b>	
	The member shall advise the client of all trading or position limits imposed upon it by its clearing member, if any, and of all limits imposed by the member on the client.	
<b>10</b>	<b>Telephone calls</b>	
	The parties acknowledge and confirm that they are conversant with the provisions of rule 10.30 relating to the tape recording of telephone calls that they shall be deemed irrevocably to have consented thereto.	
<b>11</b>	<b>Reserved</b>	
<b>12</b>	<b>Fees</b>	
12.1	Fees for services rendered shall be levied by the member in accordance with the rules and the client hereby undertakes to pay such amount on the due date for the payment thereof.	
12.2	The member shall give the client 30 days written notice of any change in the fees contained in Annexure B to this agreement.	
12.3	The member –	
	may	<input type="text"/>
	may not	<input type="text"/>
	(indicate choice with x)	
	charge a fee for any trade with the client when acting as principal.	
<b>13</b>	<b>Disclosure to third parties</b>	
	The member undertakes not to disclose confidential information relating to the client except where such disclosure is –	
13.1	made under compulsion of law or in terms of the rules;	
13.2	in compliance with a duty to the public to disclose;	
13.3	necessary to further the legitimate interests of the member; or	
13.4	made with the consent of the client.	
<b>14</b>	<b>Client warranties</b>	
	The client warrants that	
14.1	the information set out as regards him or her in the Client Registration Form and in this agreement is in all respects true and correct;	
14.2	he or she will keep the member informed of any changes in the information set out in the documents mentioned in clause 14.1;	
14.3	he or she complies and will comply with all the requirements of the rules for acceptance as a client; and	
14.4	in the case of a discretionary client agreement, that he or she–	
14.4.1	has the following investment objectives set out in Annexure D to this agreement, as amended from time to time;	
14.4.2	shall invest R ..... within ..... days of signature hereof, which shall constitute the investments made;	
14.4.3	intends to make the investment available for a period of ..... months, subject to clause 14.4.1, starting on ..... 20....., after which the period will automatically be extended by the number of months as stipulated above, subject to clause 19;	



(Complete 14.4.2 and 14.4.3)	
14.4.4	is entitled at any time to require the payment to him or her of any funds in the name of the client which exceeds the investments referred to in clause 14.4.2
<b>15</b>	<b>Breach by client</b>
15.1	Time shall be of the essence for the performance by the client of any obligation under this agreement and the rules including, but not limited to, a breach of rule 10.100.
15.2	The provisions of rules 11.10 and 11.20 shall apply in case of any breach by the client of his or her obligations under this agreement.
<b>16.</b>	<b>Breach by member</b>
16.1	Should the member fail to fulfil any obligation to the client in terms of this agreement the client shall immediately inform the JSE of the details of such breach.
16.2	The provisions rules 11.10 and 11.30 or 11.40, as the case may be, may be invoked in the case of any breach by the member of its obligations under this agreement.
<b>17</b>	<b>Voluntary termination</b>
A party shall be entitled to terminate this agreement by giving written notice to the other party in the manner provided in this agreement, provided that such termination shall not —	
17.1	affect the rights or obligations of the parties in terms of this agreement which may have arisen or are in existence at the date of such notice or at the date of termination of this agreement;
17.2	entitle the client to claim or withdraw from the account referred to in clause 7 any monies held to secure the obligations of the client, until such obligations have been settled.
<b>18</b>	<b>Arbitration</b>
Any dispute arising out of or in connection with this agreement or the subject-matter of this agreement, shall be resolved by arbitration or mediation in terms of section 5 of the rules.	
<b>19</b>	<b>Law</b>
19.1	This agreement shall be governed by, and construed in accordance with, the laws of the Republic of South Africa.
19.2	Subject to the provisions of clause 18, the parties submit to the jurisdiction of the South African courts.
<b>20</b>	<b>Relaxation</b>
20.1	No latitude, extension of time or other indulgence which may be given or allowed by a party to the other party in respect of the performance of any obligation under this agreement or the enforcement of any right arising from this agreement, and no single or partial exercise of any right by any party, shall under any circumstances be construed as an implied consent by such party or operate as a waiver or a novation of or otherwise affect the rights of any party under this agreement or prevent such party from enforcing strict and punctual compliance with each and every provision or term hereof.
20.2	The provisions of rule 10.100 of the rules shall otherwise apply to any such relaxation or indulgence.
<b>21</b>	<b>Variation</b>
No addition or variation, consensual cancellation or novation of this agreement and no waiver of any right arising from this agreement or its breach or termination shall be of any force or effect unless reduced to writing and signed by both the parties or their duly authorised representatives: Provided that no such addition, variation, novation or waiver shall, except in the case of any addition or variation to Annexures C and D, be effected without the prior approval of the executive officer.	
<b>22</b>	<b>Whole agreement</b>
This Agreement, read with any approved occurrences referred to in clause 21, contains the entire agreement between the member and client and neither of them shall be bound by any undertakings, representations or warranties not recorded herein.	
<b>23</b>	<b>Notices and domicilia</b>
23.1	The parties choose as their <i>domicilia citandi et executandi</i> their respective addresses set out in this clause for all purposes arising out of or in connection with this agreement at which addresses all processes, communications and notices arising out of or in connection with this agreement, its breach

or termination may validly be served upon or delivered to the parties.

23.2 For the purposes of this agreement the respective addresses shall be as follows -

**The member**

**Address:**

--

**Telephone number:**

--

**Facsimile:**

--

**E-mail:**

--

**The Client**

**Address:**

--

**Telephone number:**

--

**Facsimile:**

--

**E-mail:**

--

or at such other address, not being a post office box or *poste restante*, or number of which the party concerned may notify the other in terms of this agreement.

23.3 Any notice given in terms of this agreement shall, unless sent by electronic means, be in writing and shall be deemed, until the contrary is proved, to have been received –

23.3.1 at the time of delivery if delivered by hand during normal business hours at the addressee's registered address;

23.3.2 by no later than the seventh day after the date of posting if posted by pre-paid registered post from an address within the Republic of South Africa to the addressee at the addressee's registered address;

23.3.3 on proof of transmission if transmitted by facsimile or electronic means.

23.4 Notwithstanding anything to the contrary contained in this agreement a communication actually received by one of the parties from another shall be adequate written notice or communication to such party.

Thus done and signed at .....

on this the ..... day of ..... 20.....

.....  
Full name

.....

**For the member**

(who warrants that he is duly authorised to bind the member).

**As Witnesses:**

1. ....

Full name

.....

2. ....  
Full name

Thus done and signed at .....  
on this the ..... day of ..... 20.....

.....  
Full name

.....  
**For the client**

(who warrants that he is duly authorised  
to bind the client).

**As Witnesses:**

1. ....  
Full name

2. ....  
Full name

**ANNEXURE A**

**Risk Disclosure Statement**

This risk disclosure statement is made pursuant to the rules. The risk of loss arising from trading in futures and options can be substantial. You should carefully consider whether such investments are suitable for you in the light of your circumstances and financial resources. You should be aware of the following points -

1. If the market moves against your position, you may, in a relatively short time, sustain more than a total loss of the funds placed by way of margin or deposit with your member. You may be required to deposit a substantial additional sum, at short notice, to maintain your margin balances. If you do not maintain your margin balances your position may be closed out at a loss and you will be liable for any resulting deficit.
2. Under certain market conditions it may be difficult or impossible to close out a position. This may occur, for example, where trading is suspended or restricted at times of rapid price movement.
3. Where permitted, placing a stop-loss order will not necessarily limit your losses to the intended amounts, for market conditions may make it impossible to execute such orders at the stipulated price.
4. A spread or straddle position may be as risky as a simple long or short position and can be more complex.
5. Markets in futures and options can be highly volatile and investments in them carry a substantial risk of loss. The high degree of "gearing" or "leverage" which is often obtainable in trading these contracts stems from the payment of what is a comparatively modest deposit or margin when compared with the overall contract value. As a result a relatively small market movement can, in addition to achieving substantial gains where the market moves in your favour, result in substantial losses which may exceed your original investment where there is an equally small movement against you.
6. When your member deals on your behalf, you should allow this only in contracts listed on the JSE. Should you deal in contracts not listed on the JSE, then you do so at your own increased risk.
7. Prior to the commencement of trading, you should require from your member written confirmation of all current commissions, fees and other transaction charges for which you will be liable.
8. Members may also be dealers trading for their own account in the same markets as you, in which case their involvement could be contrary to your interests.
9. You should carefully consider whether your financial position permits you to participate in a syndicate. Areas of particular concern are —
  - 9.1 charges for management, advisory and brokerage fees;

9.2

the performance record of the syndicate and for how long it has been operating; and

9.3

the credibility of management.

10.

Your member should explain to you the meaning of various terms set out herein so that you are fully aware of their significance.

11.

If you have any doubts or concerns regarding the risks in trading futures and options you may contact the JSE for more detailed information before signing this statement.

This brief statement cannot disclose all risks of investment in futures and options. They are not suitable for many members of the public and you should carefully study such investments before you commit funds to them. They may also have tax consequences and on this you should consult your lawyer, accountant or other tax advisor.

ANNEXURE B

Fees schedule

The fees referred to in clause 12 of this agreement, will be as follows:

ANNEXURE C

Investment objectives of client

The investment objectives of the client as envisaged in clause 14.4.1 of this agreement shall be as follows:

NOTE:

Any later amendments to Annexures B or C must be attached to this agreement, properly signed and dated.

**DD Custody Agreement**

In accordance with rule 10.90.4, members holding client bonds must incorporate in their client agreements, the following minimum requirements that relate to a member's control over the bonds holdings of its clients:

- 1 The agreement and/or the attached schedules should contain a list of the types of IRC securities and JSE authorised investments over which the member is entitled to exercise control.
- 2 The agreement must state that all bonds holdings must be held by the member in safe custody on behalf of the client, subject to the applicable legislation and the JSE rules.
- 3 The client must warrant that any bonds delivered to the member or placed under the control of the member are free of any lien or pledge or charge and must remain free of any such lien or pledge or charge while they are held by the member in safe custody.
- 4 All bonds holdings over which the member has control must be registered in the client's name or in the name of a nominee appointed by the member to act as the registered holder of bonds.
- 5 Bonds holdings comprising uncertificated securities must be held by the member in safe custody reflected as an electronic entry in a central depository, electronic scrip registry or nominee register as approved by the JSE, and subject to any applicable legislation, the JSE rules and the terms of the agreement.
- 6 The member must be entitled to maintain an electronic record in respect of clients' bonds holdings in the central depository or registry through a CSDP of its choice and the holdings must be held via the CSDP's nominee, the member's own nominee or another account designated as a client account separate from the member's proprietary holdings, subject to any specific instructions from the client to the contrary.
- 7 The member must be authorised to move the client's bonds holdings from one electronic record to another or withdraw such holdings from safe custody only for the purpose of –
  - 7.1 transferring the holdings to the client or their order or upon termination of the agreement ,as notified by the client in writing;
  - 7.2 dealing with the holdings as may be required in fulfilling the terms of the agreement;
  - 7.3 lodging the holdings on behalf of the client with any person or entity in terms of an order of court or a special resolution of the issuer of the holdings;
  - 7.4 any other lawful purpose in terms of the agreement.
- 8 All cash deposits received by the member arising from the management of the client's bonds holdings must be paid by the member into a separate trust account with a bank unless it is paid over to the client.
- 9 The member must be authorised to retain or to withdraw from any cash deposited by the member into the client trust account such amounts as are required to –
  - 9.1 pay for bonds purchased on the client's behalf;
  - 9.2 effect such other payments as are necessary in the operation of the mandate; and

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DD amended with effect from 9 May 2011

DD1 deleted and DD2 renumbered DD1 and amended with effect from 9 May 2011

DD 3 renumbered DD2 and amended with effect from 9 May 2011

DD 4 renumbered 3 and amended with effect from 9 May 2011

DD 5 renumbered 4 with effect from 9 May 2011

DD 6 renumbered DD 5 and amended with effect from 9 May 2011

DD 7 renumbered DD 6 with effect from 9 May 2011

DD 8 renumbered DD 7 with effect from 9 May 2011

DD 8.1 renumbered DD 7.1 and amended with effect from 9 May 2011

DD 8.2 renumbered DD 7.2 and amended with effect from 9 May 2011

DD 8.3 renumbered DD 7.3 and amended with effect from 9 May 2011

DD 8.4 renumbered DD 7.4 and amended with effect from 9 May 2011

DD 9 renumbered DD 8 with effect from 9 May 2011

DD 10 and 10.1 to 10.3 renumbered 9 and 9.1 to 9.3 with effect from 9 May 2011

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- 9.3 discharge a debt due to the member by the client.
- 10 Where the agreement is terminated, or where the client has instructed the member in writing to realise and repay to it any portion of the holdings under the member's control, the member must pay any cash into the client's bank account as stipulated in the relevant annexure to the agreement .
- 11 The member must be entitled to management fees for the services provided by them in terms of the agreement, as set out in a Fees Schedule signed by the client and the member. The agreement may authorise the member to realise any bonds holdings held by them, in order to settle any outstanding fees if insufficient cash is available on the account.

## DE Tripartite Agreement

The JSE has resolved that the Tripartite Agreement to be entered into between an executing member, a nominated member and a client shall contain terms and conditions which have substantially the same effect in law as the terms and conditions in the *proforma* agreement below, to the extent that the terms and conditions below are relevant to transactions in IRC securities entered into by the executing member with or on behalf of the client.



**TRIPARTITE CLIENT AGREEMENT**

between

.....  
("executing member")

and

.....  
("nominated member")

and

.....  
("client")

**TERMS AND CONDITIONS OF AGREEMENT**

**1 Interpretation**

1.1 In this agreement, unless otherwise clearly indicated by, or inconsistent with, the context

DD 11 renumbered 11 amended with effect from 9 May 2011

DD 12 amended and renumbered DD 11 and DD 13 to 16 deleted with effect from 9 May 2011

DE amended with effect from 9 May 2011

	1.1.1	the terms used in this agreement bear the same meaning as are assigned to them in Interest Rate and Currency Rules of the JSE ("the rules");
	1.1.2	in the event of conflict between the rules and the provisions of this agreement the provisions of the rules shall prevail.
	1.2	The rules, the decisions of the JSE Executive Committee and the practices of the JSE shall be binding on the parties and apply to this agreement as if specifically incorporated herein.
<b>2</b>	<b>Conditions precedent</b>	
		This agreement shall be of no force and effect until the client has been loaded on the trading system as a client of the nominated member in terms of the rules.
<b>3</b>	<b>Investment manager</b>	
		It is recorded that if the client is an investment manager
	3.1	this agreement shall be of no force and effect until an investment management agreement between the client and the nominated member has been concluded;
	3.2	the investment manager acts as an agent for and on behalf of his clients listed in the list of clients annexed to the investment management agreement between the nominated member and the investment manager without incurring personal liability in respect of any trade allocated or transferred to the nominated member.
<b>4</b>	<b>Trading</b>	
	4.1	The client authorises the executing member to execute orders transmitted by the client to the executing member and to allocate or transfer the resulting executed trade to the nominated member accordingly.
	4.2	The nominated member
	4.2.1	may by notice to the client and the executing member place limits or conditions on the trades he will accept from the executing member for the client's account;
	4.2.2	shall accept all trades done within such limits or conditions allocated or transferred to him by the executing member; and
	4.2.3	may charge the client such fees or commissions on trades accepted by him as are agreed upon in the client agreement.
	4.3	The executing member
	4.3.1	shall be responsible for determining that all orders placed by the client are authorised;
	4.3.2	reserves the right to reject an order placed by the client;
	4.3.3	shall allocate or transfer all executed orders placed by the client to the nominated member for the account of the client on execution of such orders; and;
	4.3.4	may take a turn on any trade allocated or transferred to the nominated member for the account of the client.
	4.4	The client may give the executing member instructions by way of telephone, facsimile, electronic means or in any other manner agreed upon by the parties.
	4.5	An instruction to the executing member to trade with the nominated member remains valid until cancelled or, if not cancelled, until –
	4.5.1	expiry of the period agreed on when the instruction was given or, if no such period was agreed upon,
	4.5.2	the close of the market on the day that the instruction was given if it was given before 14h00, or 12h00 midday on the following business day if the instruction was given after 14h00, all times being South African times.
<b>5</b>	<b>Recommendation, advice and information</b>	
		Neither the executing member nor the nominated member shall incur any liability for any loss sustained by the client as a result of any recommendation made, advice given or information supplied to the client by the member relating to trading on the JSE, provided the recommendation is made, the advice given and the information is supplied in good faith and without gross negligence.
<b>6</b>	<b>Telephone recordings</b>	

	The parties confirm that they are conversant with the provisions of rule 10.30 relating to the tape recording of telephone calls and the client hereby irrevocably consents to such tape recording being made by the members, if the members consider it necessary.
<b>7</b>	<p><b>Confidentiality</b></p> <p>The members undertake not to disclose confidential information relating to the client except where such disclosure is –</p> <p>7.1 made under compulsion of law or in terms of the rules;</p> <p>7.2 in compliance with a duty to the public to disclose;</p> <p>7.3 necessary to further the legitimate interests of the members; or;</p> <p>7.4 made with the consent of the client.</p>
<b>8</b>	<p><b>Arbitration</b></p> <p>8.1 This clause is a separate, divisible agreement from the rest of this agreement and shall not be or become void, voidable or unenforceable by reason only of any alleged misrepresentation, mistake, duress, undue influence, impossibility (initial or supervening), illegality, immorality, absence of consensus, lack of authority or other cause relating in substance to the rest of the agreement and not to this clause and shall remain in effect even if this agreement is cancelled or terminated.</p> <p>8.2 Any dispute arising out of or in connection with this agreement or the subject matter of this agreement, including without limitation, any dispute concerning –</p> <p>8.2.1 the existence of this agreement apart from this clause;</p> <p>8.2.2 the interpretation and effect of this agreement;</p> <p>8.2.3 the respective rights and obligations of the parties under this agreement;</p> <p>8.2.4 the rectification of this agreement;</p> <p>8.2.5 the breach, termination or cancellation of this agreement or any matter arising out of the breach, termination or cancellation;</p> <p>8.2.6 damages in delict, compensation for unjust enrichment or any other claim, whether or not the rest of the agreement apart from this clause is valid and enforceable, shall be decided by arbitration as set out in the rules of the JSE.</p>
<b>9</b>	<p><b>Law</b></p> <p>9.1 This agreement shall be governed by, and construed in accordance with, the laws of the Republic of South Africa.</p> <p>9.2 Subject to the provisions of clause 8, the parties submit to the jurisdiction of the South African courts.</p>
<b>10</b>	<p><b>Relaxation</b></p> <p>No latitude, extension of time or other indulgence which may be given or allowed by a party to the other party in respect of the performance of any obligation under this agreement or the enforcement of any right arising from this agreement, and no single or partial exercise of any right by any party shall under any circumstances be construed as an implied consent by such party or operate as a waiver or a novation of or otherwise affect the rights of any party under this agreement or prevent such party from enforcing strict and punctual compliance with each and every provision or term hereof.</p>
<b>11</b>	<p><b>Whole agreement</b></p> <p>11.1 This agreement contains the entire agreement between the parties and neither of them shall be bound by any undertaking, representation or warranty not recorded herein.</p> <p>11.2 No addition or variation, consensual cancellation or novation of this agreement and no waiver of any right arising from this agreement or its breach or termination shall be of any force or effect unless reduced to writing and signed by both the parties or their duly authorised representatives.</p>
<b>12</b>	<p><b>Notices and domicilia</b></p> <p>12.1 The parties choose as their domicilia citandi et executandi their respective addresses set out below, or at such other address, not being a post office box or poste restante, of which the party concerned may notify the other in terms of this agreement, for all purposes arising out of or in connection with this agreement at</p>



which addresses all processes, communications and notices arising out of or in connection with this agreement, its breach or termination may validly be served upon or delivered to the parties.

12.2 Any notice given in terms of this agreement shall, unless sent by electronic means, be in writing and shall be deemed, until the contrary is proved, to have been received –

12.2.1 at the time of delivery if delivered by hand during normal business hours at the addressee's registered address;

12.2.2 by no later than the seventh day after the date of posting if posted by pre-paid registered post from an address within the Republic of South Africa to the addressee at the addressee's registered address;

12.2.3 on transmission if transmitted by facsimile or electronic means if sent on a business day and within business hours.

12.3 Notwithstanding anything to the contrary contained in this agreement a notice actually received by one of the parties from another shall be adequate written notice to such party.

12.4 For the purposes of this agreement the respective addresses shall be as follows –

**The executing member**

**Address:**

--

**Telephone number:**

--

**Facsimile:**

--

**E-mail:**

--

**The nominated member**

**Address:**

--

**Telephone number:**

--

**Facsimile:**

--

**E-mail:**

--

**The client**

**Address:**

--

**Telephone number:**

--

**Facsimile:**

--

**E-mail:**

--


or at such other address, not being a post office box or *poste restante*, or number of which the party concerned may notify the other in terms of this agreement.

Thus done and signed at .....  
on this the ..... day of ..... 20.....

..... Full name	..... <b>For the executing member</b> (who warrants that he is duly authorised to bind the executing member).
<b>As Witnesses:</b>	
1. .... Full name	.....
2. .... Full name	.....
Thus done and signed at ..... on this the ..... day of ..... 20.....	
..... Full name and designation	..... <b>For the nominated member</b> (who warrants that he is duly authorised to bind the nominated member).
<b>As Witnesses:</b>	
1. .... Full name	.....
2. .... Full name	.....
Thus done and signed at ..... on this the ..... day of ..... 20.....	
..... Full name and designation	..... <b>For the client</b> (who warrants that he is duly authorised to bind the client).
<b>As Witnesses:</b>	
1. .... Full name	.....
2. .... Full name	.....

**DF Investment Management Agreement**

The JSE has resolved that the Investment Management Agreement to be entered into between a trading member and an investment manager shall contain terms and conditions which have substantially the same effect in law as the terms and conditions in the *proforma* agreement below, to the extent that the terms and conditions below are relevant to transactions in IRC securities entered into by the trading member with or on behalf of the investment manager.



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**INVESTMENT MANAGEMENT AGREEMENT**

between

.....

(the "member")

and

.....

(the "investment manager")

acting as agent for and on behalf of each of the parties listed from time to time in the schedule annexed hereto marked C (each such party hereinafter being referred to as "the client")

Whereas -

A           The member is a member of JSE Limited ("JSE") and authorised to buy and sell IRC securities on behalf of other persons or on his own account;

B           The member and the investment manager wish to enter into an agreement with each other through the agency of the investment manager setting out the terms on which the member will trade with or on behalf of the client.

C           Pursuant to and in consideration of the member entering into this agreement with the client, the investment manager is to act as principal undertaking certain obligations to the member.

**1 Interpretation**

1.1 In this agreement, unless otherwise clearly indicated by, or inconsistent with the context –

1.1.1 a reference to any one gender includes a reference to all other genders;

1.1.2 the singular includes the plural and vice versa; and

1.1.3 all the terms used bear the same meaning as are assigned to such terms in the Interest Rate and Currency Rules of the JSE ("the rules").

1.2 In the event of conflict between the rules and the provisions of this agreement, the rules shall prevail.

1.3 The relevant provisions of the rules, resolutions of the JSE Executive Committee shall apply *mutatis mutandis* to this agreement as if incorporated in this agreement, the client hereby acknowledging and confirming that he has read and understood and shall be bound by the rules and such resolutions.

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DF amended with effect from 9 May 2011

**2 Capacity of trading member**

- 2.1 The client appoints the member to trade on the client's behalf as agent on the terms and conditions set out in the rules and this agreement which appointment the member accepts: Provided that the member shall be entitled to trade with the client as principal if prior notice is given to the client.
- 2.2 When acting as agent, the member shall on behalf of the client enter into an equal and opposite trade with a counterparty as required by the rules.

**3 Financial arrangements**

The client hereby –

- 3.1 authorises the member to operate a separate trust account with a bank into which all margin and other payments from or for the account of clients shall be deposited and to make withdrawals from it as provided for by the rules;
- 3.2 acknowledges that, as between the member and himself, all profits arising from trades to which he is a party and entered into in accordance with the provisions of this agreement, shall be for his own account and undertakes to place the member on demand in sufficient funds to enable the member to defray all losses and to pay all expenses and other costs arising from such trades; and
- 3.3 authorises the member to utilise any amount standing to the credit of the client in such account to settle any liabilities or losses arising from any trade entered into with or for the client pursuant to this agreement and instructs the member to repay to him, after any position relating to any such trade has been closed out or the trade has expired and no liabilities remain in respect thereof, any amount standing to his credit in that account.

**4 Fees, levies and charges**

Fees, levies and charges for services rendered by the member to the client shall be levied in accordance with the schedule set out in annexure A hereto.

**5 Instructions and notices**

- 5.1 The client or the investment manager or any person authorised in writing by him to the member may give the member instructions by way of telephone, facsimile, electronic means or any other manner agreed upon by the parties.
- 5.2 Telephonic instructions shall be confirmed and accepted by the representative of the member to whom they are given. The approximate time of entering into any transaction in an IRC security shall appear on the confirmation note which shall be supplied to the client.

**6 Risk acknowledgment**

The investment manager warrants that the client has been advised that by reason of the leverage afforded by the margining system and the volatile nature of transactions in IRC securities, trading involves a high degree of risk and should only be engaged in by persons who possess the required skill and who fully understand the underlying principles of IRC securities and transactions therein, the inherent risks of trading and the nature and extent of their rights and obligations.

**7 Margin**

- 7.1 The client shall pay to the member in terms of the rules, by depositing in the account referred to clause 3, initial, variation, settlement and top-up margin or any other amount required by the member to maintain margin in respect of a position.
- 7.2 The member shall, in his discretion and at any time, be entitled to increase the margin in respect of a position and the client shall pay such additional margin to the member on demand.

**8 Obligations of a trading member**

The member shall –

- 8.1 forthwith pay to the client any amounts due to the client in terms of the rules, especially repayment of margin; and
- 8.2 shall ensure that proper account is kept of the client's interest in and to the account referred to in clause 3.

<b>9</b>	<p><b>Recommendation, advice and information</b></p> <p>The member shall not incur any liability for any loss sustained by the client as a result of any recommendation made, advice given or information supplied to the client by the member relating to trading on the JSE, provided the recommendation is made, the advice given and the information is supplied in good faith and without gross negligence.</p>
<b>10</b>	<p><b>Closing of accounts</b></p> <p>10.1 Time shall be of the essence for the performance by the parties of any obligation under this agreement.</p> <p>10.2 The client shall be deemed to have breached his obligations in terms of this agreement if –</p> <p>10.2.1 the client fails to fulfil any of his obligations in terms of a trade or a position or breaches the provisions of this agreement or any rule; in particular, if he fails to comply fully and immediately with his obligation to pay margin when due or required in terms of this agreement or the rules;</p> <p>10.2.2 he is in default as contemplated by the rules; or</p> <p>10.2.3 a guarantee or suretyship for the liabilities of the client in favour of the member is withdrawn or becomes invalid, unenforceable or, in the opinion of the member, becomes inadequate, insufficient or unreliable.</p> <p>10.3 The member shall in the event of a breach by the client of any of his obligations in terms of this agreement be entitled, without notice to the client, to –</p> <p>10.3.1 close out any position or all positions of the client;</p> <p>10.3.2 exercise a right of retention over any or all the assets of the client in the member's possession, which assets shall be deemed to have been pledged to the member, and to sell such assets and apply the same or the proceeds of the sale to the liability of the client to the member;</p> <p>10.3.3 exercise any right he may have in terms of the rules or the common law.</p>
<b>11</b>	<p><b>Breach by member</b></p> <p>11.1 Should the member breach any of the terms and conditions of this agreement and fail to rectify such breach within a period of twenty-four hours after notice from the client requiring such breach to be remedied, the client shall be entitled, without prejudice to any other rights which the client may have in terms of the provisions of this agreement or the rules or in law –</p> <p>11.1.1 to cancel this agreement forthwith and transfer any position to any other member or to instruct the member to close out any or all of the client's positions; or</p> <p>11.1.2 to claim specific performance of all the obligations of the defaulting member in terms of this agreement including, but not limited to, repayment of margin.</p> <p>11.2 The client shall advise the JSE of any action taken by it in terms of this clause.</p>
<b>12</b>	<p><b>Telephone calls</b></p> <p>The client and the member each acknowledge and confirm that he is conversant with the relevant provisions of the rules insofar as the tape recording of telephone calls is concerned and the client hereby irrevocably consents to such tape recording being made by the broker, if the member considers it necessary to tape such calls.</p>
<b>13</b>	<p><b>Voluntary termination</b></p> <p>A party shall be entitled to terminate this agreement by the giving written notice to the other party in the manner provided in this agreement, provided that such termination shall not –</p> <p>13.1 affect the rights or obligations of the parties in terms of this agreement which may have arisen or are in existence at the date of such notice or at the date of termination of this agreement;</p> <p>13.2 entitle the client to claim or withdraw from the account referred to in clause 3 any monies held to secure the obligations of the client, until such obligations have been settled.</p>
<b>14</b>	<p><b>Disclosure to third parties</b></p> <p>The member undertakes not to disclose confidential information relating to the client except where such disclosure is –</p> <p>14.1 made under compulsion of law or in terms of the rules;</p> <p>14.2 in compliance with a duty to the public to disclose;</p>

14.3	necessary to further the legitimate interests of the member; or
14.4	made with the consent of the client.
<b>15</b>	<b>Arbitration</b>
15.1	This clause is a separate, divisible agreement from the rest of this agreement and shall not be or become void, voidable or unenforceable by reason only of any alleged misrepresentation, mistake, duress, undue influence, impossibility (initial or supervening), illegality, immorality, absence of consensus, lack of authority or other cause relating in substance to the rest of the agreement and not to this clause and shall remain in effect even if this agreement is cancelled or terminated.
15.2	Any dispute arising out of or in connection with this agreement or the subject matter of this agreement, including without limitation, any dispute concerning -
15.2.1	the existence of this agreement apart from this clause;
15.2.2	the interpretation and effect of this agreement;
15.2.3	the respective rights and obligations of the parties under this agreement;
15.2.4	the rectification of this agreement;
15.2.5	the breach, termination or cancellation of this agreement or any matter arising out of the breach, termination or cancellation;
15.2.6	damages in delict, compensation for unjust enrichment or any other claim, whether or not the rest of the agreement apart from this clause is valid and enforceable, shall be decided by arbitration as set out in the rules of the JSE.
<b>16</b>	<b>Law</b>
16.1	This agreement shall be governed by, and construed in accordance with, the laws of the Republic of South Africa.
16.2	Subject to the provisions of clause 15, the parties submit to the jurisdiction of the South African courts.
<b>17</b>	<b>Relaxation</b>
	No latitude, extension of time or other indulgence which may be given or allowed by a party to the other party in respect of the performance of any obligation under this agreement or the enforcement of any right arising from this agreement, and no single or partial exercise of any right by any party shall under any circumstances be construed as an implied consent by such party or operate as a waiver or a novation of or otherwise affect the rights of any party under this agreement or prevent such party from enforcing strict and punctual compliance with each and every provision or term hereof.
<b>18</b>	<b>Variation</b>
	No addition or variation, consensual cancellation or novation of this agreement and no waiver of any right arising from this agreement or its breach or termination shall be of any force or effect unless reduced to writing and signed by both the parties or their duly authorised representatives.
<b>19</b>	<b>Whole agreement</b>
	This agreement contains the entire agreement between the member and client and neither of them shall be bound by any undertakings, representations or warranties not recorded herein.
<b>20</b>	<b>Notices and domicilia</b>
20.1	The parties choose as their <i>domicilia citandi et executandi</i> their respective addresses set out in this clause for all purposes arising out of or in connection with this agreement at which addresses all processes, communications and notices arising out of or in connection with this agreement, its breach or termination may validly be served upon or delivered to the parties.
20.2	For the purposes of this agreement the respective addresses shall be as follows –
	<div style="display: flex; justify-content: space-between;"> <div style="width: 40%;"> <p><b>The member:</b></p> <p><b>Address:</b></p> </div> <div style="width: 55%; border: 1px solid black; height: 40px;"></div> </div>

<b>Telephone number:</b> <b>Facsimile:</b> <b>Electronic mail:</b>	<div style="border: 1px solid black; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; height: 20px;"></div>
<b>The investment manager:</b> <b>Address:</b>  <b>Telephone number:</b> <b>Facsimile:</b> <b>Electronic mail:</b>	<div style="border: 1px solid black; height: 40px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 2px;"></div> <div style="border: 1px solid black; height: 20px;"></div>

or at such other address, not being a post office box or *poste restante*, or number of which the party concerned may notify the other in terms of this agreement.

20.3 Any notice given in terms of this agreement shall, unless it sent by electronic means, be in writing and shall -

20.3.1 if delivered by hand during normal business hours at the addressee's registered address be deemed, until the contrary is proved, to have been received at the time of delivery;

20.3.2 if posted by pre-paid registered post from an address within the Republic of South Africa to the addressee at the addressee's registered address be deemed until the contrary is proved by the addressee, to have been received by no later than the seventh day after the date of posting;

20.3.3 if transmitted by facsimile or electronic means be deemed, until the contrary is proved, to have been received on proof of transmission.

20.4. Notwithstanding anything to the contrary contained in this agreement a communication actually received by one of the parties from another shall be adequate written notice or communication to such party.

**21 Termination of mandate**

21.1 The client shall immediately notify the member of the termination of his mandate to the investment manager.

21.2 In the event of such termination, the member shall be entitled and is hereby irrevocably authorised, without notice to the client, to close out any or all of the positions of the client.

**22 Warranties of investment manager**

22.1 The investment manager hereby warrants to the member that -

22.1.1 he is authorised to act on behalf of the clients listed in the list of clients annexed hereto and marked annexure C;

22.1.2 the client has acknowledged and agreed to the Risk Disclosure Agreement.

22.2 the investment manager shall -

22.2.1 allow the member to examine the mandate on request;

22.2.2 notify the member of the termination of the mandate;

22.2.3 keep the list of clients updated and correct, and immediately notify the member of any changes in it; and

22.2.4 provide the member with full details of any new client proposed for inclusion in the list of clients.

Thus done and signed at .....

on this the ..... day of ..... 20.....

.....

Full name .....  <b>As Witnesses:</b>  1. .... Full name .....  2. .... Full name .....  Thus done and signed at ..... on this the ..... day of ..... 20.....  ..... Full name .....	<b>For the member</b> (who warrants that he is duly authorised to bind the member).  .....  <b>For the investment manager</b> (who warrants that he is duly authorised to bind the investment manager).  .....  ..... Full name .....
<b>ANNEXURE A</b> <b>Schedule of fees</b>	
<b>ANNEXURE B</b> <b>Risk Disclosure Statement</b> <p>This risk disclosure statement is made pursuant to the rules. The risk of loss arising from trading in futures and options can be substantial. You should carefully consider whether such investments are suitable for you in the light of your circumstances and financial resources. You should be aware of the following points -</p> <ol style="list-style-type: none"> <li>1.       If the market moves against your position, you may, in a relatively short time, sustain more than a total loss of the funds placed by way of margin or deposit with your member. You may be required to deposit a substantial additional sum, at short notice, to maintain your margin balances. If you do not maintain your margin balances your position may be closed out at a loss and you will be liable for any resulting deficit.</li> <li>2.       Under certain market conditions it may be difficult or impossible to close out a position. This may occur, for example, where trading is suspended or restricted at times of rapid price movement.</li> <li>3.       Where permitted, placing a stop-loss order will not necessarily limit your losses to the intended amounts, for market conditions may make it impossible to execute such orders at the stipulated price.</li> <li>4.       A spread or straddle position may be as risky as a simple long or short position and can be more complex.</li> <li>5.       Markets in futures and options can be highly volatile and investment in them carry a substantial risk of loss. The high degree of "gearing" or "leverage" which is often obtainable in trading these contracts stems from the payment of what is a comparatively modest deposit or margin when compared with the overall contract value. As a result a relatively small market movement can, in addition to achieving substantial gains where the market moves in your favour, result</li> </ol>	



	in substantial losses which may exceed your original investment where there is an equally small movement against you.
6.	When your member deals on your behalf, you should allow this only in contracts listed on the JSE. Should you deal in contracts not listed on the JSE, then you do so at your own increased risk.
7.	Prior to the commencement of trading, you should require from your member written confirmation of all current commission, fees and other transaction charges for which you will be liable.
8.	Members may also be dealers trading for their own account in the same markets as you, in which case their involvement could be contrary to your interests.
9.	Your member's insolvency or that of any other members involved in your contracts may lead to your positions being closed out without your consent.
10.	You should carefully consider whether your financial position permits you to participate in a syndicate. Areas of particular concern are -
10.1	charges for management, advisory and brokerage fees;
10.2	the performance record of the syndicate and for how long it has been operating; and
10.3	the credibility of management.
11.	Your member should explain to you the meaning of various terms set out herein so that you are fully aware of their significance.
12.	If you have any doubts or concerns regarding the risks in trading futures and options you may contact the JSE for more detailed information before signing this statement.
	This brief statement cannot disclose all risks of investment in futures and options. They are not suitable for many members of the public and you should carefully study such investments before you commit funds to them. They may also have tax consequences and on this you should consult your lawyer, accountant or other tax advisor.
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<b>ANNEXURE C</b>	
<b>List of clients</b>	

# SECTION E

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## Section E: Settlement

### Scope of section

- EA Applicability of Section E
- EB Operation of accounts of a member at its CSDP
- EC Information to be submitted to the Settlement Authority
- ED Settlement timetable
- EE Client account opening procedures
- EF Carry transactions by the Settlement Authority
- EG Failed trade principles and procedures
- EH Margin on bonds trades
- EI Penalties
- EJ Settlement Authority fees

**EA Applicability of Section E**

Section E applies to the settlement of transactions in bonds.

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

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

- 1 a custody account;
- 2 a funds settlement account; and
- 3 if the member has custody of client bonds, a separate custody account must be opened with Strate for those bonds.

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

No trading 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 trading member's CSDP;
- 2 the trading member's Strate client account code;
- 3 the trading member's Strate settlement account reference;
- 4 the custody account number at the trading member's CSDP;
- 5 the funds settlement account number at the trading member's CSDP;
- 6 the custody account number at the trading member's CSDP for their member settled clients; and
- 7 the name and contact details of the trading member's settlement officer and his alternate.

**ED Reserved****EE Client account opening procedures**

- 1 A trading member may not place an order to trade in bonds on behalf of a client unless the trading member has opened a trading account for the client on the trading system, and -
  - 1.1 in the case of a non-member settled client, has verified the account details against the client's details on the Strate system and has obtained authorisation to open the account from the client's CSDP, in terms of this directive; or
  - 1.2 in the case of a member settled client, has opened an account for the client on the Strate system and has obtained authorisation to open the account from the member's CSDP, in terms of this directive.
- 2 A trading member may only open a trading account on behalf of a client on receipt of a client agreement and registration form from the client, duly completed and signed. .
- 3 Reserved
- 4 To register a member settled client on the Strate system for the settlement of bonds transactions, the trading member must record on the client's trading account on the trading system that the client is a member settled client.
- 5 Upon the loading of a client as a member settled client in terms of EE 4, the member must contact the Settlement Authority, who will obtain the Strate client account code and Strate settlement account reference and notify the member to update the trading system accordingly.

EA amended with effect from 9 May 2011

EB 3 amended with effect from 9 May 2011

ED deleted with effect from 17 July 2018

EE amended with effect from 9 May 2011

EE 1 amended with effect from 9 May 2011

EE 2 amended with effect from 9 May 2011

EE 3 deleted with effect from 9 May 2011

EE 4 amended with effect from 9 May 2011

EE 5 amended with effect from 9 May 2011

EE 5 amended with effect from 26 September 2017

EE 6 deleted with effect from 26 September 2017

EE 7 to 8 renumbered EE 6 to 7 with effect from 26 September 2017

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- 6 To register a non-member settled client on the Strate system for the settlement of bonds transactions, the trading member must record the following information on the non-member settled client's trading account –
- 6.1 the non-member settled client's custody account number at its CSDP;
  - 6.2 the non-member settled client's cash account number at its CSDP;
  - 6.3 the non-member settled client's CSDP's BPID;
  - 6.4 the non-member settled client's Strate client account code; and
  - 6.5 the non-member settled client's Strate settlement account reference.
- 7 Upon the loading of a client as a non-member settled client in terms of EE 6, the member must contact the Settlement Authority, who will obtain the Strate client account code and Strate settlement account reference and notify the member to update the trading system accordingly.
- EF Reserved**
- EG Failed trade principles and procedures**
- 1 A transaction, or any part thereof, which will not settle as a result of a failed trade must be dealt with on the basis set out in this directive.
- 2 A trading member or client that has complied with its obligations to settle a transaction in terms of the rules (the "non-failing party"), whose transaction will not settle as a result of a failed trade executed by another party, must, through its funds settlement account at its CSDP, receive a monetary payment placing the non-failing party in a monetary position equivalent to that in which the non-failing party would have been had the transaction settled in accordance with the rules.
- 3 In determining the monetary payment referred to in EG 2, the Settlement Authority will calculate the difference between –
- 3.1 the price at which the bonds in question were purchased or sold, as the case may be, (the "transaction price"); and
  - 3.2 a price determined by the Settlement Authority, in consultation with the Market Controller, with reference to the ruling price and the volume weighted average price (the "determined price"). The overriding objective in ascertaining the determined price will be to place the non-failing party in the same or equivalent position it would have been in had the transaction settled in accordance with the rules. For the purpose of this directive, "volume weighted average price" means, in respect of the period between 09h00 and 11h00 on the third business day after the trade date, the price determined by aggregating the volume multiplied by the price of each trade, divided by the total volume.
- 4 In the event that there is a differential of greater than a percentage, as determined by the JSE from time to time (which percentage is dependent on the liquidity of the relevant bonds), between the ruling price and the volume weighted average price, and the Settlement Authority, in consultation with the Market Controller and the Director: Market Regulation, forms the opinion that the ruling price of the said bonds may have been artificially manipulated to the benefit of the non-failing party, the Settlement Authority may elect to have the original trade corrected in accordance with the correction trade procedure as set out in rule 7.130.
- 5 Subject to EG 4 –
- 5.1 if the determined price has moved to the detriment of the non-failing party, the non-failing party must be paid the difference between the transaction price and the determined price; or
  - 5.2 if the determined price has moved to the benefit of the non-failing party, at the discretion of Settlement Authority the non-failing party will pay any differential between the price movement and the compensation to

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EE 8 amended with effect from 9 May 2011

EF amended with effect from 9 May 2011

EF deleted with effect from 17 July 2018

EG 2.2 deleted with effect from 26 September 2017

EG 3.1 amended with effect from 9 May 2011

EG 3.2 amended with effect from 9 May 2011

EG 3.2 amended with effect from 26 September 2017

EG 4.2 deleted with effect from 26 September 2017

EG 5.2 deleted with effect from 26 September 2017

EG 5.3 renumbered EG 5.2 with effect from 26 September 2017

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the failing party, unless the failing party has been declared to be in default, in which case the non-failing party must pay the relevant amount to the Guarantee Fund.

- 6 For the purpose of this directive, a non-failing party will be entitled to receive only cash compensation in terms of EG 2. The non-failing party will not be entitled to receive bonds as compensation equivalent to the bonds which were the subject of the failed trade.
- 7 In respect of trades cleared by JSE Clear, the settlement margin and top-up margin held by JSE Clear in respect of the failed trade will be applied by the Settlement Authority to pay the amount in terms of EG 2.
- 8 The clearing member of the trading member who effected the failed trade will pay any resultant shortfall after the application of the margin referred to in EG 7 to the Settlement Authority and may claim such shortfall from the trading member.
- 9 Any resultant surplus will be paid by the Settlement Authority to the clearing member of the trading member who effected the failed trade.
- 10 In respect of reported transactions not cleared by JSE Clear, the difference between the original value of the trade that failed and the value based on the close out price as established in accordance with rule 9.135 and this directive EG will be payable from the failing member to the non-failing member.

#### **EH Margin on bonds trades**

- 1 For the purposes of this directive, the following definitions will apply –
- “margin call” means a demand by JSE Clear for cash from a clearing member to cover the positions of the clearing member, its clients, the trading members for whom the clearing member clears and the clients of such trading members;
- “margin requirement” means the amount of margin due from the clearing member to JSE Clear to cover the positions of the clearing member, its clients, the trading members for whom the clearing member clears and the clients of such trading members, calculated in accordance with the principles set out in EH 2; and
- “spot trade” means a trade in bonds on a T+3 settlement cycle;
- 2 **Margining Procedures**
- A transaction in bonds will be margined on the basis set out below.
- 2.1 Only central order book trades and reported transactions where the clearing members acting on behalf of both trading members, have accepted the reported transaction for risk management purposes will be margined by JSE Clear.
- 2.2 Reported transactions which have not been accepted by the clearing member for risk management purposes will not be margined.
- 2.3 The margin requirement across different accounts will not be netted.
- 2.4 Central order book trades and reported transactions which the clearing member has accepted for risk management purposes per instrument, per settlement cycle will be netted into one position on an account and the net position will be margined.
- 2.5 Where a forward bond or a forward leg of a carry transaction on an account culminates in a spot trade and where initial margin is held for such forward bond or a forward leg of a carry, JSE Clear will recalculate the margin requirements, and where the recalculated settlement margin is higher than the initial margin held, the settlement margin will be called for from the clearing member of the relevant trading member.
- 2.6 JSE Clear will initiate a settlement margin call to the clearing member of the relevant trading member at the close of business on the day of the trade.

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EG 5.3 amended with effect from 9 May 2011

EG 6 amended with effect from 9 May 2011

EG 6 amended with effect from 26 September 2017

EG 7 amended with effect from 9 May 2011

EG 7 amended with effect from 26 September 2017

EG 8 amended with effect from 9 May 2011

EG 10 amended with effect from 9 May 2011

EH 2.4 amended with effect from 9 May 2011

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- 2.7 The settlement margin is payable by the clearing member to JSE Clear before 12h00 on T+1 and will be repayable by JSE Clear to the clearing member before 12h00 on S+1: Provided the trades have settled to the satisfaction of the JSE.
- 2.8 All positions referred to in EH 2.4 will be marked-to-market at the close of business on T+1 and T+2 and where there has been an adverse price movement, the JSE will initiate a top-up margin call to the clearing member of the trading member.
- 2.9 The top-up margin is payable by the clearing member to JSE Clear before 12h00 on T+2 and 12h00 on T+3 and will be repayable by JSE Clear to the clearing member, together with the settlement margin, before 12h00 on S+1: Provided the trades have settled to the satisfaction of the JSE.
- 2.10 The settlement margin and top-up margin held by JSE Clear may be used by the Settlement Authority to pay the amount incurred in settling or closing out a trading member or a client's trades as per directive EG.
- 2.11 The JSE will provide each clearing member with a daily report in respect of the positions of the clearing member, its clients, the trading members for whom the clearing member clears and the clients of such trading members detailing the settlement margin and top-up margin calculation and the net amount receivable or payable.

## **EI Penalties**

- 1 The penalties set out in EI 3 will be levied by the JSE in respect of transgressions relating to the settlement of transactions in bonds.
- 2 Despite the provisions of this directive, further disciplinary action may be taken by the JSE in appropriate circumstances in terms of section 4 of the rules, in relation to the transgressions set out in EI 3.
- 3 The following penalties will apply:

Transgression	Penalty
<p>3.1 Pre-trade: Trading in bonds where –</p> <p>3.1.1 a trading member has not opened a custody and funds settlement account with a CSDP and has not been set up on the trading system, Strate system and CSDPs system;</p> <p>3.1.2 where a transaction has been booked to a client's account that has not been registered in terms of directive EE.</p>	<p>R10 000</p> <p>R10 000</p>
<p>3.2 T</p> <p>Where a member has failed to allocate a trade in terms of rule 9.70.2.1 or assign a trade in terms of rule 9.70.2.2 on the date of the trade</p>	R1 000
<p>3.3 T</p> <p>Where a member has failed to correct an allocation in terms of rule 9.70.3.1 or failed to correct a principal assignment in terms of rule 9.70.3.2.</p>	R1 000

EH 2.8 amended with effect from 9 May 2011

EH 2.9 amended with effect from 9 May 2011

EI 3.1 amended with effect from 9 May 2011

EI 3.1.1 amended with effect from 9 May 2011

EI 3.4 amended and replaced with EI 3.2 with effect from 17 July 2018

EI 3.5 amended and replaced with EI 3.3 with effect from 17 July 2018

<p>3.4 Commitments to settle</p> <p>3.4.1 T+1, T+2 and T+3 trades:</p> <p>3.4.1.1 Where a member is unable to place the CSDP of the trading member or a nonmember settled client, as the case may be, in a position to commit to settle the T+1, T+2 or T+3 transactions of the trading member or its clients by 19h00 on the business day preceding the settlement date in terms of rule 9.100.5;</p> <p>3.4.1.2 In addition to 3.4.1.1, where a member is still unable to place the CSDP of the trading member or a non-member settled client in a position to commit to settle the T+1, T+2 or T+3 transactions of the trading member or its clients by 13h00 on settlement date in terms of rules 9.100.7 and 9.100.8.</p> <p>3.4.2 Same day trades</p> <p>Where a member is unable to place the CSDP of the trading member or a non-member settled client in a position to commit to settle the same day transactions of the trading member or its clients by 13h00 on settlement date in terms of rule 9.100.5.</p>	<p>R5 000 per occurrence which, notwithstanding the failure to commit to settlement by 19h00 on the business day preceding the settlement date in breach of rule 9.100.5, will be levied in respect of transactions for which the commitment to settle has still not been provided by 09h00 on the settlement date</p> <p>R 5000 per occurrence</p> <p>R 5000 per occurrence</p>
<p>3.5 Where a member introduces a trade for which settlement is rolled in terms of rule 9.125..</p>	<p>R1 000 plus 20 basis points on the nominal value up to a maximum of R100 000</p>
<p>3.6 Where a member introduces a proprietary or client trade which is declared a failed trade in terms of rule 9.70.5</p>	<p>R1 000 plus 30 basis points on the nominal value up to a maximum of R100 000</p>

#### 4. Payment of Penalties

- 4.1 In the absence of an objection lodged by a member in terms of EI 4.2, the member must pay any penalty imposed by the Settlement Authority within 5 business days of the date of the invoice.
- 4.2 An objection to a penalty imposed by the Settlement Authority must be lodged in writing accompanied by mitigating evidence, signed by the settlement officer or an alternate settlement officer of the trading member and received by the Settlement Authority by no later than 15h00 on the day that the penalty is due and payable.

EI 3.6 amended and replaced with EI 3.4 with effect from 17 July 2018

EI 3.4.1 introduced with effect from 17 July 2018

EI 3.4.1.1 introduced with effect from 17 July 2018

EI 3.4.1.2 introduced with effect from 17 July 2018

EI 3.4.2 introduced with effect from 17 July 2018

EI 3.7 deleted with effect from 17 July 2018

Old EI 3.8 amended and changed to 3.5 with effect from 17 July 2018

Old EI 3.9 amended and changed to 3.6 with effect from 17 July 2018

## 5. Publication of Penalties

The JSE will be entitled to publish the circumstances giving rise to and the details of the penalty imposed on a member in terms of EI 3.

**EJ Settlement Authority fees**

## 1 The following fees will be levied by the JSE in relation to action taken by the Settlement Authority.

Service	Fee
1.1 Assisting a trading member to source a counterparty to a carry or repurchase transaction in terms of rule 9.30.2.5 or source a lender of bonds in terms of rule 9.30.2.6	R5000
1.2 Execution by the Settlement Authority of the rolling of settlement process in terms of rule 9.30.2.10	R5 000 administration fee payable by the member who introduced the trade which resulted in the execution of the process in terms of 9.30.2.10
1.3 Execution by the Settlement Authority of the failed trade process in terms of rule 9.135.	R10 000 administration fee payable by the member who introduced the failed trade
1.4 Resolution by the Settlement Authority of an interest entitlement resulting from a rolling of settlement or failed trade procedure.	R1 000 administration fee payable by the member who introduced the failed trade
1.5 Requests to extend the trading window for the booking of same day cover trades to facilitate settlement.	R2500 per request

## 2. Payment of Fees

A member must pay any fees charged by the Settlement Authority within 5 business days of the date of the invoice.

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EJ 1.1 amended with effect from 17 July 2018

Old EJ 1.2 to EJ 1.5 deleted with effect from 17 July 2018

Old EJ 1.6 amended and changed to EJ 1.2 with effect from 17 July 2018

EJ 1.7 deleted with effect from 17 July 2018

Old EJ 1.8 amended and changed to EJ 1.3 with effect from 17 July 2018

Old EJ 1.9 amended and changed to EJ 1.4 with effect from 17 July 2018

EJ 1.5 introduced with effect from 17 July 2018

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