JSE FAILED TRADE PROCEDURES

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1. VERSION CONTROL

Version	Author(s)	Date	Notes
0.1 Draft	Brett Kotze	2015-07-31	Document creation
0.2 Draft	Brett Kotze	2015-11-06	Update document with comments
1.0	Brett Kotze	2015-11-13	Clean up document and move to final
2.0	Brett Kotze	2016-06-15	Update with JSEs Rules as an annexure. Update definitions.

2. REFERENCES

Note that references in this context could refer to documents, discussions, interviews, presentations, workshops, white-papers etc.

Reference	Version	Author(s)
Rolling of Settlement Controlled Client presentation	Final	Brett Kotze
Rolling of Settlement Non-Controlled Client presentation	Final	Brett Kotze
Rolling of Settlement Prop Accounts	Final	Brett Kotze

3. GLOSSARY

Term	Description
BDA	Broker Dealer Accounting system
BOD	Beginning Of Day
CSDP	CSD Participant
ECS	Equities Clearing System
Failing member	Is the member that introduced the failing transaction that Rolling of Settlement or the Failed Trade procedure is being instigated
Non-failing member	Is the member whose transaction is selected for Rolling of Settlement or the Failed Trade procedure
Failing party	Is the party, which could be a client or a broker (proprietary trade), who owns the transaction that is failing
Non-failing party	Is the party, which could be a client or a broker (proprietary trade), who owns the transaction is selected for Rolling of Settlement or the Failed Trade procedure
JSE	Johannesburg Stock Exchange

Failed Trade Procedures	Where the JSE Settlement Authority is unable to enter into a SLB transaction the Failed Trade Procedures will be instigated. This could result in – - Rolling Of Settlement - Failed Trade with a Re-transactions - Failed Trade with Compensation
Rolling of Settlement	The action taken by the JSE Settlement Authority to roll the settlement date of a failing and a non-failing transaction to a future settlement date – typically a new T+3 settlement cycle
Failed Trade Retransaction	The action taken by the JSE Settlement Authority to instruct a member to retransact for the non-failing client which will be booked to the client for a future settlement date - typically a new T+3 settlement cycle
Failed Trade Compensation	The action taken by the JSE Settlement Authority to pay compensation between the failing and non-failing parties.
Terminating transaction	A transaction which is not on delivered into the market
Non-terminating transaction	A transaction which is on delivered into the market
SLB	Securities Lending & Borrowing

4. INTRODUCTION

Failed Trade Procedures are not new to the South African market. The Rules and Directives provisioning the Failed Trade Procedures were introduced on 16 October 2010, replacing the old Rules and Directives relating to voluntary and compulsory give-ups. Since the introduction of the new Rules and Directives, the JSE Settlement Authority has instigated 5 Failed Trades.

In moving to a T+3 settlement cycle, it is envisaged that the daily failed trade rate will escalate substantially which will require a change of processes, and systems that are more automated and efficient in processing failed trades.

As part of T+3 Phase 2 the JSE introduced a new application called the Equities Clearing System (ECS) which laid the foundation for an automated and flexible system to allow the JSE Settlement Authority to execute the Failed Trade Procedures for multiple transactions within a short period of time, which is a pre-requisite to moving to a T+3 settlement cycle.

It should be noted that although this processing and functionality is being introduced for Failed Trade Procedures, the JSE Settlement Authority's first line of defence will always be Securities Lending & Borrowing (SLB) before going into the Failed Trade Procedures.

Failed Trade Procedures will only be done for Main Board deals.

5. CAUSES OF FAILED TRADES

There may be multiple causes for Failed Trades, each of which are explored below with detailed actions that the JSE is taking in conjunction with the market to reduce the amount of Failed Trades.

5.1. CLIENTS INSTRUCTIONS TO THEIR CSDP

On-market settlement allegements are generated to the non-controlled clients CSDP on T or BOD T+1. The CSDP then waits for their client to:

- Affirm the transaction- referred to as settlement instruction;
- Book other transactions to allow the settlement of the on-market settlement allegement:
  - Off-Markets (non-residents)
  - SLBs
  - Account Transfers
  - Collateral Returns
  - ADRs

In a T+3 environment, all of these activities need to take place by EOD T+1 to avoid imposing margin on the executing broker and their clients (instructions can be sent by 12h00 on T+2 but the client will be in breach of the JSE's Rules and Directives if sent after this time). The settlement allegement will finally go into Compulsory Reverse Substitution at 16h00 on T+2. In terms of the JSE's Rules and Directives, brokers may collect the margin from their clients which will have a direct (positive) impact on cash flows.

Where the JSE member is unable to do an SLB and the JSE Settlement Authority, as lender of last report, is also unable to secure an SLB, the transaction will become a Failed Trade and the appropriate Failed Trade Procedures will be instigated.

The JSE has undertaken an extensive education campaign locally and abroad to educate investors on the changes that will come into effect in a T+3 environment.

5.2. ARBITRAGE TRANSACTIONS

Arbitrage transactions are where clients, typically non-resident clients, buy dual listed securities on an overseas exchange and sell the securities on the JSE. The securities have to be moved from the overseas register to the South African register – this process is referred to as “removals”.

As most European exchanges and the UK exchange have recently moved to a T+2 settlement cycle – and with the JSE being on a T+3 settlement cycle- it will not be possible to move the securities before EOD T+1.These transactions will therefore be liable for margining at EOD T+1.

The focus is to ensure that the securities are removed to the South African register before Compulsory Reverse Substitution runs at 16h00 on T+2, to allow the non-controlled client’s CSDP to commit.

As noted, the JSE has undertaken an extensive education campaign locally and abroad to educate investors on the changes that will come into effect in a T+3 environment including the changes to the removals process.

Over and above this the following actions are also being taken by the JSE in conjunction with the market:

- Documenting the removal flows which will be published to the market;
- Investigating any inefficient processing;
- Implementing automation where possible

5.3. DUAL LISTED COMPANIES – FREEZING OF THE REGISTERS

In the current process when a Corporate Action on a dual or inward listed security has a primary listing offshore (or vice versa) and dividends are being paid from foreign income, there is a freeze period where securities cannot be moved between registers. This freeze period could be anything from RD-10 to 4 weeks prior to LDT and is normally driven by the finalisation date.

During this period, shareholders are not able to transfer securities between registers once a dividend has been announced. This creates a “squeeze” period on the market resulting in settlement and liquidity issues which could lead to a failed trade.

The freeze period is largely driven by the Finalisation Date of the event. The reason for the freezing of the register is historic and driven by the fact that the dividend is being paid in foreign currency and the Issuing Company has to book an exchange rate to convert to South African Rand. Once the exchange rate is booked, the Issuing Company does not want to have shares moving between the registers as this will affect the dividend that has to be paid in South Africa and introduces currency risk to the Issuing Company.

The JSE has been in discussions with the dual and inward listed Issuer companies to reduce this period to LDT-1. Based on the discussions, the Issuer companies are comfortable with this but this does mean that the ZAR dividend rate will only be released on LDT-1.

Further, there will still be a freeze period – albeit a shorter period between LDT-1 and Record Date which will equate to 5 business days.

5.4. SECURITIES LENDING AND BORROWING WHERE THERE ARE COMPLEX CORPORATE ACTIONS OR UNKNOWN DIVIDEND TAX IMPLICATIONS

In the current process where there are complex corporate actions or unknown dividend tax implications due to the uncertainties of entitlement or complex administration (dividend tax), lenders tend to recall their loans or withdraw the availability of the security undergoing the corporate action or unknown tax implications, which lead to:

- Borrowers buying the security in the market due to the recall – leading to other short sellers
- A squeeze on the security which drives up lending fees

Even though the JSE’s Rules state that Securities Lending and Borrowing is a pre-trade requirement, there are several factors that contribute to short sales which ultimately lead to Failed Trades as the client, or Member or JSE Settlement Authority are unable to borrow the securities for the short sales.

This is not just on the more illiquid securities, as in the past we have seen this happen on the more liquid securities as well.

The JSE in conjunction with the South African Securities Lending Association (SASLA) are taking several steps to resolve the above, these include:

- Creating documentation explaining the implications of Corporate Actions on outstanding Securities Lending and Borrowing and reassuring lenders that they are fully protected for all entitlements from the borrower. As per the GMSLA agreement, the borrower is liable to make good on all Corporate Action Entitlements
- Creating documentation explaining the implications of tax on dividends on outstanding Securities Lending and Borrowing and reassuring lenders that they are protected for all dividend tax from the borrower. Asper the GMSLA agreement, the borrower is liable to make good on all Corporate Action Entitlements including dividend tax
- Meeting with lenders to discuss the issues as noted as well as find out if there are other issues which are unknown to the JSE and SASLA
- Educating the market on the JSEs Rules which state that securities lending and borrowing is a pre-trade requirement when a short sale is entered into. The market should be aware of extenuating factors, such as complex corporate actions or freeze periods between registers, for dual listed securities.

5.5. SECURITIES LENDING AND BORROWING ON NEW ENTITLEMENT SECURITIES

Currently, where there is a Corporate Action which leads to a new security being issued as the Corporate Action Entitlement, such as a scheme of arrangement, lenders do not allow the new security to be loaned out until Payment Date (PD) when the entitlement is updated to their custody account with their custodian. This leads to squeezes in the market which results in Failed Trades.

The JSE have investigated the causes of this for which the following has been noted:

- The JSEs Listing Requirements currently state that a Corporate Action can be cancelled until Record Date (RD);
- The CSDPs and/or Lenders systems do not cater for loaning out of a future entitlement

The JSE are currently taking the following actions:

- Changing the JSEs Listing Requirements to state that a Corporate Action can only be cancelled up to LDT-1
- Meeting with CSDPs and Lenders to get systems changed, as part of T+3, to reflect future entitlements and to make them available for lending in the market.
- Educating the market on the JSEs Rules and reinforcing the fact that securities lending and borrowing is a pre-trade requirement where a short sale is entered into. The market should be aware of extenuating factors, such as complex corporate actions or freeze periods between registers, for dual listed securities.

6. WHAT IS INCLUDED IN FAILED TRADE PROCEDURES

The Failed Trade Procedure includes Rolling of Settlement and Failed Trades (which incorporates Re-transactions and Compensation) all of which have their own processing requirements. The decision relating to Failed Trade Procedures will be done as follows:

1. Rolling of Settlement – will be at the discretion of the JSE Settlement Authority and will be largely driven based on whether the rolled transaction will settle within a period of time. Transactions may only be rolled twice. Each rolling of settlement will default to a T+3 settlement cycle where the original trade date will be kept. Failure to secure commitment for the transactions to settle on the second rolling will require the JSE Settlement Authority to invoke either the Re-transactions or Compensation procedures. Margin will be held until the future Rolling of Settlement has settled.

2. Re-transaction – is largely driven based on whether there is sufficient liquidity in the market for the transaction to be re-transacted within a limited period of time. In the case of insufficient liquidity, the JSE will undertake the Compensation Procedure. The Re-transaction Procedure requires that the non-defaulting Broker (the innocent purchaser) goes into the market and re-transacts the original purchase. Once the purchase has been completed the transaction will be booked back to the client (purchaser) at the original price – settlement will default to a T+3 settlement cycle where the original trade date will be kept. The non-defaulting broker will claim

any differences between the original purchase and the new purchase. Margin will be held until the future transaction has settled.

3. Compensation – is largely driven based on whether there is sufficient liquidity in the market for the transaction to be re-transacted within a limited period of time. If the liquidity is insufficient, the JSE will calculate a compensation amount for the non-defaulting Broker/client. This will be sent to the non-defaulting Broker who will have 7 days to object to the compensation amount giving details on why they have rejected same. Margin will be held until the compensation has settled.

7. FAILED TRADE PROCEDURES TIMINGS

As per the new Rules and Directives to be introduced for T+3, the JSE Settlement Authority will instigate the Failed Trade Procedures between 10h00 and 12h00 on T+3 (settlement date). However, as is the current practice, the JSE Settlement Authority may take over the management of 'potentially failing transactions' to ensure settlement at any stage throughout the settlement cycle. Due to the complications between the various parties systems with regards to terminating and non-terminating transactions, it has been agreed that Failed Trade Procedures can only be instigated after Compulsory Reverse Substitution has run at 16h00 on T+2. Other actions, such as Securities Lending and Borrowing by the JSE Settlement Authority can still take place prior to this.

8. TERMINATING VERSUS NON-TERMINATING

In the event that a transaction is identified as a potential failing deal by the JSE Settlement Authority, to assist with resolving the issue related to potential non-settlement of the 'problem' transaction and therefore the settlement group, the JSE will receive non-terminating transactions from Strate, who would have received the same from the CSDPs, for non-controlled clients and from the BDA system for proprietary and controlled client transactions. The messages from the CSDPs will be triggered from T and will flow to the JSE (via Strate) real-time throughout the settlement cycle. The transactions from the BDA system for proprietary and controlled clients' transactions will be triggered on request from the ECS system.

The development for terminating and non-terminating transactions between the CSDPs and the JSE forms a large part of T+3 Phase 3 and is also the most complex part of T+3 Phase 3. The focus in terms of the Failed Trade Procedures is to select a terminating transaction which has the least impact to the market.

9. CORPORATE ACTION IMPACTS

Where the JSE Settlement Authority choses a terminating or non-terminating transaction/s for the Failed Trade Procedures which affects a Corporate Action entitlement, the Non-failing Party will be able to claim the Corporate Action entitlement from the JSE Settlement Authority through the Non-failing Member that executed their trade. The Non-failing Party would also have to include any tax implications with regards to the Dividends Withholding Tax so that the JSE Settlement Authority may also compensate the Non-failing Party for tax.

Where the Failed Trade Procedures affects an election provided to a CSDP or broker for an elective event, the CSDP or broker will notify their Non-failing Party of amendments to their elections.

10. MARGIN

The margin calculated and called for at EOD T+1 from the Failing Member will be held until the Failed Trade has been resolved and the future settlement, in terms of Rolling of Settlement and Re-transaction, has settled or Compensation paid.

The Failed Trade will be revalued on a daily basis via a Mark-To-Market process and the margin called for daily where there is a shortfall.

As noted, the Failing Member may call the margin from their Failing Party. In the case of the Failed Trade Procedures being instigated, the margin will be held until the future settlement. Brokers may also call for any Mark-To-Market from their clients.

In the case of default of a member, the margin held for the Failed Trades will be protected in terms of the Insolvency Act which makes reference to the Exchanges Rules.

11. ALGORITHM TO SELECT TERMINATING TRANSACTIONS BY ECS

As the JSE receives the non-terminating messages from Strate, the ECS application will be updated to reflect terminating transactions versus the non-terminating transactions. With regards to the non-terminating transactions, ECS will reflect the dependencies such as it being linked to a Report Only transaction etc.

On request by ECS, BDA will supply the terminating and non-terminating transactions for broker proprietary and controlled clients.

The following algorithm will then be applied by ECS to determine which transaction will be used in the Failed Trade Procedures process:

Step 1:

ECS will identify a terminating transaction as a contra deal to the failing deal in the following sequence:

- Equal and Opposite; then
- Highest to lowest

If a terminating transaction could not be found by applying the above logic, then proceed with Step 2.

Step 2:

JSE will look for a non-terminating transaction (with the least impact) as a contra deal to the failing deal in the following sequence:

- On-market Report only;
- Account transfers;
- Portfolio Move;
- Collateral;
- Collateral Return;
- SLB;
- SLB Return; then
- Off-Market.

If the contra deal is found, it will be selected against the below criteria:

- Equal and Opposite then
- Highest to Lowest.

12. FAILED TRADE PROCEDURES TRANSACTIONS CREATED

12.1. ROLLING OF SETTLEMENT

At the time of executing the Failed Trade Procedures for Rolling of Settlement:

- ECS will choose an opposite transaction/s which will be rolled so as to allow the failing transaction to settle.
- In the case where the opposite transaction/s is on a non-controlled clients account, ECS will cancel the settlement allegement under confirmation to the applicable CSDP.
- Where a client is involved a cancelled contract note will be generated out by the broker. The contract note will state “Cancelled: Rolling Of Settlement”.
- ECS will then automatically book the new transaction/s for the rolled settlement date. The trade date of the new transactions will remain as the original trade date – only the settlement date changes.

- Where a client is involved a new contract note will be generated by the broker. The new contract note will state "Rolling of Settlement" and the trade date will remain as the original trade date – only the settlement date changes.

Notes –

1) The only instance where the trade date will not remain as the original trade date on the new transaction/s or the contract note is where a Corporate Action has taken place where a new instrument replaces the old instrument.
2) The margin called for from the Failing Member will be held until the future date of the Rolling of Settlement has taken place and any claims have been received and paid.
3) The JSE will endeavour to not choose the same terminating trade for an extended rolling or fail. It would be at the JSE best effort basis depending on market volatility.
4) The Non-failing Party is not precluded from selling the securities from the Rolling of Settlement.i.e.if a purchase is rolled the Non-failing Party may still sell the securities from the rolled settlement.

12.2. FAILED TRADE RE-TRANSACTION

At the time of executing the Failed Trades, the JSE Settlement Authority will not know if this will be resolved via a Re-transaction or Compensation.

- ECS will choose an opposite transaction/s which will be rolled so as to allow the failing transaction to settle.
- In the case where the opposite transaction/s is on a non-controlled client's account, ECS will cancel the settlement allegement under confirmation to the applicable CSDP.
- Where a client is involved a new contract note will be generated by the broker. The contract note will state "Cancelled: Failed Trade".

Where the decision is made that that the Failed Trade will be resolved with a Re-transaction, the JSE Settlement Authority will instruct the non-failing JSE broker to re-transact and once the purchase has been completed:

- ECS will book the new transaction/s on a new settlement cycle. The trade date of the new transactions will remain as the original trade date – only the settlement date changes.
- A new contract note where a client is involved will be generated by the broker. The new contract note will state “Re-transaction” and the trade date will remain as the original trade date – only the settlement date changes.

Note –

1) The only time that the trade date will not remain as the original trade date on the new transaction/s or the contract note is where a Corporate Action has taken place where a new instrument replaces the old instrument.
2) The margin called for from the Failing Member will be held until the future date of the Retransaction settlement has taken place and any claims have been received and paid.
3) The Non-failing Party may sell securities once the Retransaction is booked to their account.

12.3. FAILED TRADE COMPENSATION

At the time of executing the Failed Trades, the JSE Settlement Authority will not know if this will be resolved via a Re-transaction or Compensation.

- ECS will choose an opposite transaction/s which will be rolled so as to allow the failing transaction to settle.
- In the case where the opposite transaction/s is on a non-controlled clients account ECS will cancel the settlement allegement under confirmation to the applicable CSDP.
- Where a non-controlled or controlled client is involved, a cancelled contract note will be generated by the broker. The contract note will state “Cancelled: Failed Trade”.

Where the decision is made that that the Failed Trade will be resolved with by Compensation, this will be dealt with outside of the systems by the JSE Settlement Authority.

Note –

1) The margin called for from the Failing Member will be held until any claims have been received and paid with the Compensation amount.

13. ANNEXURE A – JSE RULES

10.105 Rolling of settlement

10.105.1 The rolling of settlement will be carried out in the following manner:

10.105.1.1 The Settlement Authority will match the transaction for which settlement is being rolled against an opposite transaction or transactions represented by one or more contract notes, being mindful of any apparent implications for the parties concerned.

10.105.1.2 The Settlement Authority will advise the failing and non-failing member that the transaction will be rolled to a revised settlement date determined by the Settlement Authority, which should not be more than 3 business days after the settlement date of the original transaction.

10.105.1.3 If the non-failing party is a client the Settlement Authority will transfer the original transaction of the non-failing party to a proprietary account of the non-failing member so that the settlement of the transaction may be rolled.

10.105.1.4 The Settlement Authority will book an opposite settlement transaction through Strate between the failing member and the non-failing member for the same quantity and at the same price as the non-failing party's original transaction.

10.105.1.5 The Settlement Authority will re-book the settlement transaction through Strate between the failing member and the non-failing member for the same quantity and at the same price as the non-failing party's original transaction for the revised settlement date.

10.105.1.6 If the non-failing is a client, the Settlement Authority will re-book the original transaction to the client for settlement on the revised settlement date.

10.105.1.7 If the failing party is a client, the member that transacted on behalf of the client must re-book the original transaction to the client for settlement on the revised settlement date.

10.105.2 If settlement does not take place on the revised settlement date, the transaction may be rolled for a further revised settlement date, determined by the Settlement Authority, which should not be more than 6 business days after the settlement date of the original transaction. If settlement does not take place on the final revised settlement date, the transaction will be declared to be a failed trade and the affected members must act in accordance with the instructions received from the Settlement Authority in terms of rule 10.110.

10.105 introduced with effect from 16 October 2008

10.105.3 The non-failing member must, before the close of business on the business day following that on which the rolling of settlement has been completed, submit a statement, in writing, to the Settlement Authority detailing–

10.105.3.1 if applicable, any corporate action which the equity security is subject to from the day of the original transaction;

10.105.3.2 if applicable, any tax implications that may have arisen; and

10.105.3.3 any expenses incurred or income foregone by the member or the client as a consequence of the rolling of settlement, including interest.

10.105.4 If the equity security of the original transaction is subject to a corporate action and the rolling of settlement results in either of the parties not receiving an entitlement, the claim for the loss of entitlement will be managed by the Settlement Authority so as to, as closely as possible, place the parties in the position that they would have been in had the original transaction not been rolled.

10.105.5 The Settlement Authority will, on request, use reasonable endeavours to procure that the purchaser of the equity securities involved in a rolling of settlement will be able to exercise any voting rights attaching to those securities during the period between the original settlement date and the revised settlement date.

10.105.6 Any margin taken on the original transaction will be retained by the Settlement Authority until payment of any claims on the rolled settlement has been made.

10.110 Failed trades

10.110.1 A failed trade will be dealt with in the following manner:

10.110.1.1 The Settlement Authority will match a failed trade against an opposite transaction or transactions represented by one or more contract notes, being mindful of any apparent implications for the parties concerned.

10.110.1.2 The Settlement Authority will advise the non-failing member that its transaction has been selected in terms of rule 10.110.1.1.

10.110.1.3 If the non-failing party is a client, the Settlement Authority will transfer the original transaction of the non-failing party to a proprietary account of the non-failing member.

10.110.1.4 The Settlement Authority will book an opposite settlement transaction through Strate between the failing member and the non-failing member for the same quantity and at the same price as the non-failing party's original transaction.

10.110.2 Redress in respect of a failed trade will be dealt with in the following manner:

10.110.2.1 The Settlement Authority, in consultation with the Director: Surveillance and the Market Controller, will consider the circumstances of the original transaction, the factors which gave rise to its failure to settle and the current prevailing market conditions, and consequently determine the manner in which the matter be most suitably resolved by:

10.110.2.1.1 the non-failing member re-establishing the non-failing party's original transaction by way of re-transacting and recovering any costs from the failing party, on the basis set out in rule 10.110.3; or

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10.110.1 deleted and replaced with effect from 16 October 2008

10.110.2 deleted and replaced with effect from 16 October 2008

10.110.2.1.2 determining appropriate compensation payable by the failing party to the non-failing party on the basis set out in rule 10.110.4.

10.110.2.2 The Settlement Authority will notify the failing member and non-failing member of the decision.

10.110.3 Re-transacting in respect of a failed trade must be dealt with in the following manner:

10.110.3.1 The non-failing member must re-transact the trade in the market for its own account within a period specified by the Settlement Authority and, where the non-failing party is a client, the Settlement Authority will re-book the original transaction to the client's account.

10.110.3.2 The non-failing member must, before the close of business on the business day following that on which the re-transaction has been completed, submit a statement, in writing, to the Settlement Authority detailing–

10.110.3.2.1 the date, price and quantity of securities of the original transaction and re-transaction, and the consequential profit or loss;

10.110.3.2.2 if applicable, any corporate action which the equity security is subject to from the day of the original transaction;

10.110.3.2.3 if applicable, any tax implications that may have arisen; and

10.110.3.2.4 any expenses incurred or income foregone by the member or the client as a consequence of the re-transaction, including interest.

10.110.3.3 The Settlement Authority will consider the information supplied by the non-failing member and determine the extent of any financial prejudice suffered, if any. Payment will be made to the non-failing member utilizing the margin held in respect of the failing member. Should the margin be insufficient, the failing member must pay any shortfall to the Settlement Authority on the day of receipt of the instruction to do so. In the event that the re-transaction results in a surplus, such surplus is payable to the JSE.

10.110.3.4 In determining the extent of the financial prejudice suffered, the Settlement Authority may review the price of the re-transaction with reference to the principle of best execution.

10.110.3.5 Any margin taken on the original transaction will be retained by the Settlement Authority until payment of any claims on the re-transaction has been made.

10.110.4 Compensation in respect of a failed trade will be dealt with in the following manner:

10.110.4.1 In determining the compensation referred to in rule 10.110.2.1.2, the following factors may be considered –

10.110.4.1.1 the price at which the equity securities were originally transacted;

10.110. 4.1.2 the prevailing market conditions at the time the equity securities were originally transacted;

10.110.4.1.3 the circumstances of the original transaction;

10.110.3 introduced with effect from 16 October 2008

10.110.4 introduced with effect from 16 October 2008

10.110.4.1.4 the nature and pattern of trading in the equity security since the original transaction;

10.110.4.1.5 the current market conditions;

10.110.4.1.6 any publicly available information regarding the equity security or the issuer of the equity security;

10.110.4.1.7 any corporate action which the equity security is subject to from the day of the original transaction;

10.110.4.1.8 any expenses incurred or income foregone by the member or the client as a consequence of the failed trade, including interest; and

10.110.4.1.9 any other factors deemed relevant.

10.110.5 The non-failing member must, before the close of business on the business day after notification in terms of rule 10.110.2.2, submit a statement, in writing, to the Settlement Authority detailing –

10.110.5.1 if applicable, any corporate action which the equity security is subject to from the day of the original transaction; and

10.110.5.2 any expenses incurred or income foregone by the member or the client as a consequence of the failed trade, including interest.

10.110.6 Where it is determined that it is appropriate to compensate the non-failing party in respect of a failed trade, compensation will be paid to the non-failing member utilizing the margin held in respect of the failing member. Should the margin be insufficient, the failing member must pay any shortfall to the Settlement Authority on the day of receipt of the instruction to do so.

10.110.7 Any margin taken on the original transaction will be retained by the Settlement Authority until payment of any compensation has been made.

10.110.5 introduced with effect from 16 October 2008

10.110.6 introduced with effect from 16 October 2008