

**Amendments to the JSE Listings Requirements (the “Requirements”)**

**Actively Managed Certificates**

**October 2021**

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<b>Section</b>	<b>Proposed Amendment</b>	<b>Nature of amendment and rationale</b>
<b>Section 19 – Specialist Securities</b>	The JSE intends to amend the JSE Listings Requirements to expand the current Section 19 to include specific provisions dealing with the listing of actively managed certificates.	<p>There has been a significant trend internationally to list actively managed certificates and locally there has been an increasing demand to list this type of product on the JSE.</p> <p>An actively managed certificate is a non-interest paying debt instrument that pays the investor the performance of a basket of securities that is actively managed by a portfolio manager according to a specific mandate.</p> <p>The JSE has drafted the requirements based on a benchmarking process with Europe and Australia.</p>

**Section 19**  
**Specialist Securities**

**19.104 Actively managed certificates**

**Definitions**

In these Listings Requirements pertaining to the listing of actively managed certificates, unless the contrary intention appears, the following terms shall have the meanings assigned to the below:

"agent" means an issuer appointed agent to provide bids and offers in the market based only on the iRPV;

"AMC" means actively managed certificates, being notes issued by an issuer which offer investors exposure to the performance of a portfolio of underlying assets which are discretionarily managed by a third party in terms of a pre-determined strategy;

"iRPV" means the prevailing intra-day RPV published by the issuer during the trading day at intervals as determined in Form J of Schedule 2;

"portfolio composition file" means, in relation to the AMC, the complete details of the investments in the portfolio including their weightings within the portfolio;

"recognised exchange" means an exchange which is a member of the World Federation of Exchanges or where an exchange is part of a jurisdiction where its main regulator is an ordinary member of IOSCO; and

"RPV" means the reference portfolio valuation less the disclosed cost associated with the investment in the AMC.

**General**

19.105 AMC provides exposure to the performance of an underlying portfolio of assets. The portfolio is discretionarily managed by a portfolio manager based on a specific mandate. The mandate should be limited to investment in assets acceptable to the JSE and the underlying assets must be sufficiently liquid for proper price formation. An AMC must have a maturity date exceeding five years from the issue date.

The following assets are deemed acceptable to the JSE:

- (a) securities listed on a recognised exchange;
- (b) derivatives on listed securities but derivatives must be limited to 10% of the total assets of the portfolio and only used for efficient portfolio management purposes;
- (c) commodities or currencies of which trading prices are readily and publicly available; and
- (d) any other asset acceptable to the JSE.

19.106 The provisions of paragraphs 19.1 to 19.27 (excluding paragraph 19.17) and paragraph 19.43 apply to AMC.

## **Criteria for AMC**

19.107 An AMC must reference a portfolio that is actively managed by an independent portfolio manager.

19.108 The portfolio manager of the reference portfolio must be independent from the issuer and must implement the strategy as determined by the investment mandate. The issuer must confirm to the JSE that the portfolio manager complies with the following:

- (a) Cat II discretionary FSP, authorised by the FSCA; or
- (b) A Member of the JSE, authorised to manage discretionary funds.

19.109 The issuer must adhere to the liquidity requirements pursuant to paragraph 19.116.

19.110 Distributions, if applicable, made to the AMC holders must be announced through SENS in accordance with the corporate action timetable pursuant to Form H1 of Schedule 2.

## **Pricing supplement or placing document**

19.111 In addition to the disclosure provisions pursuant to paragraphs 19.16 and 19.17 above, an issuer must include the following additional information in the pricing supplement:

- (a) a statement that investors must obtain their own independent tax advice;
- (b) the name of the portfolio and the portfolio manager;
- (c) a statement that the portfolio manager is independent from the issuer;
- (d) the investment mandate of the reference portfolio must be included under the terms and conditions section of the placing document;
- (e) in relation to the mandate, the following additional details must be disclosed:
  - (i) the investment universe of eligible securities;
  - (ii) applicable benchmark for the performance of the portfolio; and
  - (iii) the investment theme and applicable sectors that the portfolio will invest;
- (f) in the event of any amendments being made to the investment mandate, the provisions of paragraphs 19.22 and 19.23(b)(i) in relation to approval from the AMC holders and the JSE will apply;
- (g) the cost ratio applicable to the AMC;
- (h) the methodology used to calculate the RPV and iRPV. This disclosure must clearly state that the credit risk assessment and impact on the valuation of the AMC is independent from the calculation of RPV;
- (i) disclosure of the location on the issuer's website of the following:
  - (i) RPV; and
  - (ii) iRPV or portfolio composition file or both;
- (j) if iRPV is published, the conditions under which the publication of iRPV will be halted. This must include disclosure that the publication of the iRPV will be halted if 10% of the underlying portfolio's pricing is no longer continuously available on an actively traded public market;
- (k) disclosure on how the liquidity requirements pursuant to paragraph 19.116 will be achieved:
  - (i) if a market maker is appointed pursuant to paragraph 19.116(a), disclosure of the location on the issuer's website where the iRPV and daily published portfolio composition file (if applicable) can be found; and
  - (ii) if an agent is appointed pursuant to paragraph 19.116(b), disclosure –
    - (aa) whether all the costs relating to the provision of liquidity will accrue to the portfolio or not; and
    - (bb) the location on the issuer's website where the bid and offer spread applied by the agent can be found.
- (l) a warning statement regarding the credit risk of the issuer; and

- (m) disclosure of the location on the issuer's website where the detailed disclosure of the material risks of the issuer can be found.

### **Continuing obligations**

19.112 The issuer is required to comply with paragraphs 19.20, and to Section 3 to the extent applicable under paragraph 19.20(i).

19.113 The issuer must publish:

- (a) the iRPV or the portfolio composition file of the AMC on the issuer's website;
- (b) the RPV of the portfolio on the issuer's website after close of business each trading day;
- (c) the total expense ratio of the AMC;
- (d) a monthly fact sheet of the portfolio pursuant to Form K of Schedule 2. The prescribed fact sheet must be made available on the issuer's website within 30 days of the month end. At the time the fact sheet is made available on the issuer's website, the issuer must immediately announce the availability of the fact sheet on SENS with a weblink to the issuer's website; and
- (e) on SENS any change in the bid and offer spread, where an agent is appointed pursuant to paragraph 19.116(b).

19.114 The issuer must inform the JSE immediately when the publication of the iRPV has been halted. The JSE will consider suspension of the listing of the AMC and, if trading is suspended, will lift the suspension once the iRPV publication has been resumed.

19.115 The issuer must inform the JSE immediately of any leak of information with respect to the underlying constituents and weightings of the portfolio.

### **Liquidity requirements**

19.116 An issuer must either appoint a market maker or an agent subject to meeting the requirements below. The issuer must confirm to the JSE that the necessary procedures are in place to ensure that the market maker or agent will only provide the liquidity in the market based on information available in the public domain to comply with the provisions of the FMA.

- (a) Appointment of a market maker as principal

The market maker must be appointed pursuant to paragraph 19.11. If the market maker is not in a position to provide the liquidity based on the iRPV only, the issuer must publish the portfolio composition file on a daily basis.

- (b) Appointment of agent

The issuer may only appoint an agent where no portfolio composition file is published on a daily basis. If an issuer elects to publish the portfolio composition file on a daily basis, then it must immediately appoint a market maker referred to in (a) above.

## **Form J of Schedule 2**

### **Publication of iRPV in relation to AMC**

The JSE requires that the prevailing intra-day RPV must be published by the issuer during the trading day at the following intervals:

- 08h30;
- 12h00; and
- 15h30.

## **Form K of Schedule 2**

### **AMC Fact Sheet**

The fact sheet must, as a minimum, include the following disclosures:

- 1 The issuer must state in the factsheet that the general terms and conditions of the AMC as well as generic product information is contained in the placing document or pricing supplement and investors must ensure that the factsheet is read in conjunction with the placing document or pricing supplement;
- 2 The total number of AMC notes in issue;
- 3 RPV of the AMC;
- 4 Applicable management fees;
- 5 Current bid/offer spread applicable, where an agent is appointed;
- 6 Monthly return;
- 7 Management fees;
- 8 Total expense ratio applicable to the AMC;
- 9 The top 10 holdings of the portfolio and a statement on changes to the portfolio during the last month;
- 10 Performance of the portfolio and regional disclosure; and
- 11 Contact details and contact to obtain additional information from the issuer regarding the AMC.

