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Member of the World Federation of Exchanges

JSE EQUITY MARKET

HIGH LEVEL MEMBERSHIP REQUIREMENTS

As set out below is a summary of the requirements applicable to an applicant for equity market membership of the JSE. The detailed requirements are set out in the JSE equity rules and directives.

Membership types

An applicant for Equities Membership must apply for authorisation to perform the following regulated services with conditions as follows:

- Trading Services Provider (TSP) – Authorised to perform Trading Services
- Custody Services Provider (CSP) – Authorised to perform Custody Services
- Investment Services Provider (ISP) – Authorised to perform Investment Services (Can only apply if already a TSP or applying to become a TSP)

Membership requirements

To be admitted as a member and to remain a member, an applicant or a member, respectively, must be incorporated and registered as a domestic company under the Companies Act.

- Only appoint executive and non-executive directors who comply with the fit and proper requirements of rule 4.10.
- Ensure that a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of the applicant or member complies with the fit and proper requirements of rule 4.10
- Appoint a compliance officer in terms of rule 4.30 who complies with the fit and proper requirements set out in rule 4.10.
- Appoint a settlement officer and an alternate settlement officer in terms of rule 4.40 who comply with the fit and proper requirements set out in rule 4.10;
- Appoint a CSDP, unless it only performs, or intends to perform, custody services and it does not necessarily require a CSDP in order to perform such services.

Specific conditions of membership

Upon the approval of an application for membership certain conditions of membership may be imposed, if necessary. These conditions will stipulate the services that the member firm are authorised to provide as well as any specific

preclusions. The member firm will be required to apply to the JSE in the prescribed format in order to amend any of those conditions.

Resources, procedures and systems

- A member must employ adequate resources and implement the relevant procedures and systems necessary for the effective performance of the regulated services for which the member has been approved and to ensure compliance with the Act, the rules and the directives that are relevant to the performance of such regulated services.
- A member must ensure that its employees are suitable, adequately trained and properly supervised
- A member must have a physical and operational presence in the Republic of South Africa.
- A member must register a company with the registrar of companies (CIPC) that is domiciled in the republic.
- The JSE does not provide for any remote membership of the market.

Business activities

- The dominant business activity of a member must be the performance of regulated services in respect of JSE authorised investments. The scope of a member's business activities may also include the management of investments or provision of advice in relation to other financial products, subject to the member having been granted the appropriate license to conduct such activity in terms of the FAIS Act and to the limitations referred to in rule 3.40.
- For the purpose of the rule 3.30.2, any activities which are not related to regulated services or services provided in terms of the FAIS Act, but which are not a regular feature of the member's business and are not held out by the member, in any communication with any person, to be part of the business activities of that member, will not be deemed to be part of the business activities of that member.

Please refer to chapter 3 of our equities rules for more information

Membership approval timelines

The membership application process depends largely on the quality of information supplied as per the application. Appropriate consideration is given to every application and is based on its own particular merits and relative distinguishing characteristics that may exist. Accordingly, no fixed time lines are contemplated. It must be also noted that membership is not guaranteed.

There are factors that will contribute to the timeline such as the initial set up on the network infrastructure which is dependent on your service provider. We will however attempt to manage this process as efficiently as possible.

Capital Requirements

Fixed Expenditure Base Requirement

The base requirement of a member is the higher of an amount determined in accordance with the directives as being adequate to meet a member's fixed expenditure for a period of 13 weeks or R400 000.

Adjusted liquid capital

A member must on admittance and at all times thereafter hold adjusted liquid capital which complies with the minimum requirements calculated in accordance with directive DC 2, sufficient to meet its base requirement and its risk requirement.

Banking Requirements

The following are the minimum banking accounts that are required:

Trust Account	-	Used to segregate client funds and linked to JSET (JSE Trustees)
Settlement Account	-	Used to ring-fence settlement funding obligations
Business Account	-	Used for funding all other business expenses

Outsourcing Requirements

Directive FI

A TSP may enter into an arrangement with another TSP (referred to as a "settlement agent") in terms of which the settlement agent assists the TSP in meeting its obligations to ensure the settlement of proprietary trades and trades executed on behalf of non-controlled clients.

Directive FL

Written agreement between a TSP and a CSP where a TSP does not meet the requirements of Directive FK but has controlled assets and therefore must outsource to another CSP in terms of Directive FL.

Directive AM

This directive applies when a provision is made by a member to perform accounting and administrative functions on behalf of another member. A member may not function as a host member unless its administration is, in the opinion of the Director: Market Regulation, adequately staffed and being conducted in an expert and orderly manner with all requisite controls in place.

Auditors

A member shall appoint an auditor registered as an accountant and auditor under the Public Accountants' and Auditors' Act, 1991, who engages in public practice as contemplated in that Act. The appointment of the auditor shall be conditional upon the approval of the appointee by the Director: Market Regulation. In order to get approval for your audit partner the auditor questionnaire needs to be completed. Although certain audit partners may have received prior approval from the JSE it is still imperative that the auditor questionnaire be completed.

In & Out Insurance

All members shall be covered at all times by the In & out Insurance.

Internal Controls and Risk Management

The applicant must document and submit with the application the details documenting the firm's internal control and risk management procedures as well as the policy around maintaining the procedures manual. For membership purposes the JSE needs to know who will be responsible for developing and documenting the firm's internal control and risk management procedures and for maintaining the procedures manual.

All member firms are required to appoint an audit committee. We also require details of your audit committee, the members of the committee and the intended frequency of meetings of that committee.

Swift

The approval of your SWIFT BIC code is an important factor which will determine your go-live dates as it is a membership requirement to be a swift participant before you are allowed to trade on the exchange.

SWIFT has a very rigid network control and can only add users during their monthly cut-over dates. Please refer to the SWIFT website for more information <http://www.swift.com>

Connectivity and trading

Members of the equity market are required to have a primary connection to the JSE's primary data Centre as well as a backup connection to the JSE. Please access the link provided for more information on the JSE Client Connectivity <https://www.jse.co.za/services/technologies>

One or all of these connections may be through an accredited Shared Infrastructure Provider (SIP) provided that they are able to provide access to all of the required platforms at the JSE. Please refer to the following link <https://www.jse.co.za/services/technologies/sip-accreditation> for a list of accredited suppliers.

The JSE does not offer a front-end API for trading on the equity market and members are required to procure the services of a third party software provider or develop their own software. In both these instances the software must conform to the minimum requirements and standards prescribed by JSE. Please use the following link to access our list of accredited software vendors. <https://www.jse.co.za/services/technologies/software-vendor-accreditation>

Software that has been specifically designed and developed for the firm or software that has been procured from a third party vendor that is not on our list of accredited vendors would need to be approved by the JSE prior to any 'live' use of such software.

You are required to have a minimum line bandwidth capacity as well as a backup line. The line should be sufficient for trading as well as your back office systems. The size of the line of the line will be dependent on the firm's resources in terms of the number of staff and workstations in operation.

BDA (Broker Dealer Accounting)

This application is a comprehensive mandatory system designed to manage all the back office functions, including scrip borrowing and lending and corporate actions for a member. BDA is used in a PC environment, providing you have 'mainframe emulation' software. You would also request sign-on with various levels of access.

Membership Fee

A once off non-refundable membership application fee is applicable with the submission of your application.

Communication

- We have various means of communicating to our members. For the purpose of applying for membership, the JSE Market Regulation's supervision team will be your primary contact point.
- The JSE Account Officer would be your primary contact at the JSE for all the operational matters
 1. Web access, our Extranet is a secure web page for all our members with price and service related information (as soon as you have been approved we will arrange access).
 2. General purpose gazettes (The JSE's official) notification mechanism.
 3. Hotlines for all system related communication.

Employees

Employment contracts must be submitted for all employees of the member firm whose function relates to the provision of regulated services

Key Staff Appointments

The key staff appointments required for an Equity Membership are as follows:

- Compliance Officer
- Settlement Officer
- Alternate Settlement Officer
- Stockbroker in control
- Equity Trader/s