



6 December 2019

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Dear Sir/Madam

AMENDMENTS TO THE DEBT LISTINGS REQUIREMENTS – PART 2 OF 2018

We refer to the market update letters issued by the JSE dated 1 February 2019 and 2 April 2019 regarding the proposed amendments to the Debt Listings Requirements (the “**Debt Requirements**”). The proposed amendments in principle deal with the significant enhancements to (i) corporate governance and (ii) disclosure in general in the debt market for the protection of investors.

During the JSE public consultation process which commenced during September 2018, the JSE embarked on an unprecedented three rounds of public consultation, played a key role in arranging two active engagement sessions between investors and debt issuers, and engaged actively through one on one sessions with various debt market participants. All the above steps have facilitated the JSE to hear and understand the concerns raised by both investors and debt issuers on the proposed amendments to the Debt Requirements. As a result of the committed active participation by investors and debt issuers, the JSE is pleased to confirm that a fourth version of the Debt Requirements will be published for public comments for a period commencing on 15 January 2020 until 29 January 2020. As you will notice this public consultation will be for a period of two weeks only, on the basis that the proposed amendments to the Debt Requirements have been well circulated already through three rounds of public consultation. The documents that will be published by the JSE in January 2020 will include a full marked-up version of the Debt Requirements, a comparison version to reflect the amendments between Version 3 and Version 4 of the Debt Requirements and a briefing note to explain the amendments to Version 4 of the Debt Requirements.

On the conclusion of this public consultation process, the JSE will embark on the final public consultation process, through publication in the Government Gazette by the Financial Sector Conduct Authority, pursuant to the provisions of the Financial Markets Act No 19 of 2012, (the “**FMA**”) and the Debt Requirements.

During the various engagements sessions, meetings and public consultation processes above, two items in particular were the subject of active debate between investors and debt issuers, being the concept of (i) investor representative and (ii) the payment of legal costs/counsel by the debt issuer for the benefit of investors in certain circumstances. As communicated in our letter dated 2 April 2019, the JSE obtained legal

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Alternate Director: JH Burke

Group Company Secretary: GA Brookes

advice that confirmed that it would be outside of the ambit of the JSE's powers to adopt listings requirements that attempt to regulate commercial market making processes which are subject to commercial negotiations, whether it being prior to or post listing. In addition hereto, the legal opinion confirmed that the JSE would not have been able to comply with its statutory obligation to enforce these requirements which, in itself, is a compelling and definitive consideration against the adoption of these requirements.

For the benefit of the upcoming fourth round of public consultation in January 2020, the JSE wishes to take the opportunity to inform the debt market, after obtaining internal and external legal advice, that the JSE is not in a position to proceed with amendments to the Debt Requirements dealing with –

- an obligation of the debt issuer to pay for the legal costs/counsel of investors; and
- an obligation imposed on debt issuers to circulate all comments received from investors involving the registration of a placing document, security document or any amendment thereto.

After careful consideration of all the facts and information at the JSE's disposal, the provisions of the applicable statutes and the legal advice obtained from external counsel, the JSE is of the view that any discussions about the payment of legal costs and/or the circulation of comments by debt issuers are, and should be, the subject of commercial negotiation between investors and debt issuers. It would not be competent nor appropriate for the JSE to address these issues in its Debt Requirements and the JSE would, in any event, not be able to enforce these requirements.

The JSE has introduced various measures that will significantly enhance investor protection, especially through the enhanced corporate governance provisions applicable to debt issuers, the mandatory appointment of a debt officer and the ability of holders of debt securities to call a meeting, to name a few.

Notwithstanding the exclusion of the above two items, the JSE is confident that the various additional measures proposed to be introduced by the JSE in the Debt Requirements will significantly enhance corporate governance and disclosure in general in the debt market for the protection of investors. These amendments will further increase confidence in the South African financial markets, promote the protection of investors and promote the international and domestic competitiveness of the South African financial markets.

The JSE wishes to thank investors and debt issuers for their active participation thus far and we look forward to your continued participation in this process in 2020.

Yours faithfully

A handwritten signature in black ink, appearing to be 'John Burke', is written over the typed name and title.

JOHN BURKE
DIRECTOR: ISSUER REGULATION

**CC: Mr. Solly Keetse: FSCA.Madiboane.Keetse@fsc.co.za
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