

APPROVAL BY THE REGISTRAR OF SECURITIES SERVICES OF SAFCOM AS A QUALIFYING CENTRAL COUNTERPARTY FOR LISTED DERIVATIVES

1. The Securities Services Act, Act No. 36 of 2004 (“SSA”) applies to regulated persons and the securities services provided by regulated persons. The SSA empowers the Registrar of Securities Services (“the Registrar”) to supervise compliance of regulated persons with the stipulated objects of the Act, which are to:
 - (a) increase confidence in the South African financial markets by-
 - (i) requiring that securities services be provided in a fair, efficient and transparent manner; and
 - (ii) contributing to the maintenance of a stable financial market environment;
 - (b) promote the protection of regulated persons and clients;
 - (c) reduce systemic risk; and
 - (d) promote the international competitiveness of securities services in the Republic.
2. In fulfilling the responsibility assigned to the Registrar in terms of Section 5(3)(b)(i) of the SSA to have regard to international supervisory standards, this Office has reviewed the self-assessment conducted by SAFCOM, in terms of the Principles for Financial Market Infrastructures (“principles”), which have been issued by the Committee on Payment and Settlement Systems and the International Organisation of Securities Commissions. A copy of the report on the assessment conducted by the Financial Services Board (“FSB”) is available on the website of the FSB, i.e. www.fsb.co.za
3. In terms of Section 5(3)(d) of the SSA the Registrar may impose conditions in respect of any licence, authorisation, approval, consent or permission granted by the Registrar and may amend or withdraw such conditions.
4. For a qualifying central counterparty to be approved by the Registrar it must on an on-going basis comply with the principles.
5. The Registrar hereby approves SAFCOM as a qualifying central counterparty for listed derivatives, subject to the following conditions being complied with to the satisfaction of the Registrar:
 - 5.1. SAFCOM is required to procure confirmation from the JSE that it will at all times comply with its undertakings, duties and obligations in terms of the Clearing and Settlement Services Agreement or any subsequent agreements, accompanied by any schedules, concluded between the JSE and SAFCOM.
 - 5.2. A final comprehensive report summarising the detailed outcomes of the margin back-testing, the margin and stress testing model validation as well as the default fund quantification validation should be submitted to this Office not later than 31 January 2013.

- 5.3 Formal testing of the Default Procedure should be executed in 2013.
 - 5.3.1 Internal JSE systems and process testing should occur by 31 March 2013.
 - 5.3.2 Processes should be optimised as a result of the internal testing, and the test initiative should be expanded to include the rest of the market by 31 July 2013.
- 5.4. The SAFCOM Default Fund should be operationalised on 2 January 2013. Amendments to the JSE's rules in respect of the SAFCOM Default Fund should be submitted to this Office timeously, to enable the Registrar to approve the rules not later than 28 February 2013.
- 5.5. Updates with regard to the progress made to address the following matters should be provided to this Office not later than 28 February 2013:
 - 5.5.1 Discussions between SAFCOM and the commercial banks for the provision of a possible "emergency" liquidity line that can be accessed in stressed conditions.
 - 5.5.2 Testing of the timelines and reliability of procedures for access to liquid funds.
6. SAFCOM shall at all times comply with the relevant principles. The Registrar reserves the right to impose further conditions in the future, if deemed necessary.