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## BOARD NOTICE

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### BOARD NOTICE 56 OF 2011

#### SECURITIES SERVICES ACT, 2004

#### PROPOSED AMENDMENTS TO THE YIELD X RULES

1. In terms of section 61(5) of the Securities Services Act, 2004 (Act No. 36 of 2004), it is hereby notified that the JSE Limited has applied to the Registrar of Securities Services for approval of proposed amendments of its rules, which amendments are set out in the Schedule.
2. In terms of section 61(5) of the said Act, all interested persons who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Securities Services, PO Box 35655, Menlo Park, 0102, or at the following email address: [normanm@fsb.co.za](mailto:normanm@fsb.co.za), within a period of 14 days from the date of publication of this notice.
3. In terms of section 61(6) of the said Act, I, Dube Tshidi, hereby determine 15 April 2011 as the date on which the rules in the Schedule come into operation. If any objections are received, another commencement date may be determined by notice in the Gazette.

DP TSHIDI  
REGISTRAR OF SECURITIES SERVICES

#### SCHEDULE

#### PROPOSED AMENDMENTS TO THE YIELD X RULES

##### General explanatory notes:

1. Words underlined with a solid line (\_\_\_\_) indicate the insertions in the existing rules.
2. Words in bold and in square brackets ([ ]) indicate omissions from existing rules.

##### **Overall changes-**

The term "a Yield-X security" wherever the same appears is substituted by "an IRC security".

The term "Yield-X securities" wherever the same appears is substituted by "IRC securities".

The term "Yield-X trading system" wherever the same appears is substituted by "trading system".

The term "the Yield-X rules" wherever the same appears is substituted by "these rules".

The term "these Yield-X rules" whenever the same appears is substituted by "these rules".

The term "settlement agent" wherever the same appears is substituted by "CSDP".

The term "STRATE settled bonds" wherever the same appears is substituted by "bonds".

The term "STRATE" wherever the same appears is substituted by "Strate".

The term "JSE Gazette" wherever the same appears is substituted by "JSE Market Notice".

#### **Section 1      General Provisions**

##### **1.50      Yield-X Rules and Directives**

1.50.1      ...

1.50.2      **[Yield-X rules]** Rules and directives are binding

- 1.50.2.1 ...
- 1.50.2.2 ...
- 1.50.2.3 The Yield-X rules are binding on [any person using the services of a member or] clients of a member and any other person who concludes a transaction with a member in the course of that member's business.
- 1.50.2.4 The Yield-X rules are binding on CSDPs acting on behalf of members and their clients [settlement agents].
- 1.50.2.5 ...

#### 1.60 Transactions subject to provisions of the Act, the Yield-X Rules and directives

Every transaction in Yield-X securities entered into by a member must be concluded on the specific condition that the transaction is entered into subject to the provisions of the Act, these Yield-X rules and **[the]** the directives.

#### 1.100 Indemnification

A member of an advisory committee, trustee of the **[Fidelity Fund] Compensation Funds** and employee of the JSE shall be indemnified by the JSE out of the funds of the JSE against any liability, loss or, damage incurred or suffered as a result of any *bona fide* or negligent, but not grossly negligent or wilful, act or omission in the execution of their duties. For the purposes of this rule, such member, trustee or employee shall not be regarded as having been grossly negligent or having acted in wilful breach of duty or trust if the act or omission resulted from incorrect information supplied to such member, trustee or employee by a source from which the member, trustee or employee would normally accept the information as correct and which can be expected to provide the correct information.

#### 1.120 Transitional Provisions

- [1.120.1 Anything done under or for the purposes of a provision of the derivative rules in respect of interest rate products previously listed under such rules shall be effective from the effective date as if done under or pursuant to the Yield-X rules and directives.]
- [1.120.2 The disciplinary procedures set out in section 4 may, from the effective date and at the discretion of the JSE, be applied in the investigation and prosecution of any offence in terms of the derivative rules committed prior to the effective date in respect of transactions in interest rate products previously listed under such rules.]
- 1.120.1 The markets operated by the JSE in which interest rate securities and currency derivatives were listed, namely, Yield-X and BESA, have been integrated with effect from the date as advised by the JSE ("the effective date"). The effect of the integration is that the Yield-X and BESA rules and directives, as well as the membership of the two markets have been integrated.
- 1.120.2 The Yield-X rules and directives form the basis of the rules and directives for the integrated markets, with appropriate amendments having been made to give effect to the integration, and the integrated rules and directives have been re-named the JSE interest rate and currency ("IRC") rules and directives. The transitional provisions in 1.120.2 to 1.120.14 are necessary to give effect to the integration of the Yield-X and BESA rules and directives.
- 1.120.3 For the purpose of these rules and directives-
  - 1.120.3.1 authorised users of the integrated interest rate and currency markets are referred to as Interest Rate and Currency ("IRC") members; and
  - 1.120.3.2 securities listed in the integrated interest rate and currency markets are referred to as Interest Rate and Currency ("IRC") securities.
- 1.120.4 The rules and directives of the BESA market are repealed with effect from the effective date.
- 1.120.5 Anything done under any provision of the BESA rules prior to the repeal in rule 1.120.4, in respect of interest rate securities previously listed under such rules, shall be effective from the effective date as if done under or pursuant to these rules and directives.

- 1.120.6 The disciplinary procedures set out in section 4 may, from the effective date, and at the discretion of the JSE, be applied in the investigation and prosecution of any offence committed in terms of the BESA rules, prior to the repeal of such rules in terms of rule 1.120.4.
- 1.120.7 The dispute resolution procedures set out in section 5 must, from the effective date, be applied in the resolution of complaints and disputes referred in terms of the BESA rules, prior to the repeal of such rules in terms of rule 1.120.4.
- 1.120.8 All authorised users of the BESA market who were not members of the Yield-X market shall, as at the effective date, become IRC members, and shall be authorised to trade in bonds, subject to any condition of membership that may be imposed by the JSE.
- 1.120.9 All members of the Yield-X market who were not members of the BESA market, shall, as at the effective date, become IRC members, and shall be authorised to trade in IRC securities, subject to any condition of membership that may be imposed by the JSE.
- 1.120.10 A registered bond trader under the BESA rules, who was authorised to execute transactions in bonds under such rules, as at the effective date, is automatically authorised to act as a dealer in bonds in terms of these IRC rules and directives.
- 1.120.11 A registered derivatives trader under the BESA rules, who was authorised to execute transactions in derivatives under such rules, as at the effective date, is automatically authorised to act as a dealer in interest rate derivatives, other than currency derivatives, in terms of these IRC rules and directives.
- 1.120.12 A registered dealer under the Yield-X rules, who was authorised to execute transactions in derivative securities under such rules, as at the effective date, is automatically authorised to act as a dealer in derivative securities in terms of these IRC rules and directives.
- 1.120.13 A registered compliance officer under the BESA rules, as at the effective date, shall be recognised as a compliance officer under these IRC rules and directives, subject to such compliance officer being required to obtain any additional qualification as may be required by the JSE in terms of the directives if the trading member is subsequently granted authorisation to trade in interest rate or currency derivatives.
- 1.120.14 Notwithstanding the provisions of rule 1.120.5, all client agreements concluded between BESA members and their clients in terms of the BESA rules shall, as at the effective date, remain in effect. Provided that those members must ensure that the agreements comply with the requirements regarding client agreements as prescribed in these IRC rules and directives.
- 1.120.15 For the purpose of the trust deed of the Guarantee Fund, any reference in the trust deed to the "Rules" shall include these IRC rules, as the IRC rules effectively replace the BESA rules.

#### 1.130 [Fidelity Fund] Compensation Funds

- 1.130.1 The JSE shall have the power to –
  - 1.130.1.1 establish and maintain, to the satisfaction of the Registrar, [a Fidelity Fund] one or more Compensation Funds out of which shall be paid claims up to an amount specified in the respective rules of such funds in respect of liabilities arising prior to the default of a member. Such payment shall be limited to claims arising out of transactions in Yield-X securities with or on behalf of other persons by such member and such other liabilities as may be specified in the rules of the [Fidelity Fund] Compensation Funds and shall be subject to any defences which the defaulting member may have against a claimant; and
  - 1.130.1.2 determine a levy to be payable by every member to the [Fidelity Fund] Compensation Funds on [all] transactions in Yield-X securities.
- 1.130.2 ...
- 1.130.3 The trustees of the [Fidelity Fund] Compensation Funds, in their capacity as trustees, acquire, incur and administer the assets and liabilities of the [Fidelity Fund] Compensation Funds.
- 1.130.4 The income of the [Fidelity Fund] Compensation Funds, including but not limited to levy contributions by members, vests in the trustees and is administered by the trustees as part of the [Fidelity Fund] Compensation Funds.

**1.140 Settlement System**

1.140.1 The JSE may operate, or contract with a third party to operate, one or more settlement systems and the JSE may prescribe –

1.140.1.1 procedures and requirements with which members must comply when using such settlement systems; and

1.140.1.2 the fees payable by the members for the use of such settlement systems.

**Section 2: Definitions and Interpretation****2.10 Definitions**

In these Yield-X rules, unless otherwise clearly indicated by, or inconsistent with the context, the following terms shall have the meanings that are assigned to them hereunder, namely –

<b>"Act"</b>	...
<b><u>"alternate settlement officer"</u></b>	<u>means the person appointed by a member in terms of rule 3.120.4;</u>
<b><u>"BESA"</u></b>	<u>means a market in bonds operated by the JSE prior to the effective date of the integration of the JSE's interest rate and currency markets;</u>
<b>"bonds"</b>	means those Yield-X securities which create or acknowledge indebtedness of the issuer, and "bond" has a corresponding meaning;
<b><u>"broadcast"</u></b>	<u>means the communication or dissemination of bid and offer prices on an effective one-to-many and non-discriminatory basis, excluding requests for quotes where the information is disseminated to a specific recipient;</u>
<b><u>"central securities depository"</u></b>	<u>has the same meaning as that contained in section 1 of the Act;</u>
<b>"clearing"</b>	means the process in terms of which SAFCOM becomes the buyer from the seller and the seller to the buyer in every matched transaction in a Yield-X security <u>executed on the central order book or where a clearing member accepts a reported transaction for risk management</u> , whereupon the clearing member guarantees to SAFCOM all obligations arising out of any position resulting from such transaction in terms of these Yield-X rules;
<b>"Companies Act"</b>	means the Companies Act, 1973 (Act No. 61 of 1973), <u>as amended from time to time;</u>
<b><u>"Compensation Funds"</u></b>	<u>means collectively, the Fidelity Fund and the Guarantee Fund, as contemplated in section 9(1)(e) of the Act;</u>
<b><u>"compliance officer"</u></b>	means the person appointed by <b>[each]</b> a member in terms of rule 3.120.2;
<b><u>"CSDP"</u></b>	<u>means a central securities depository participant that has been accepted by the central securities depository as a participant in that central securities depository, and who is appointed to settle transactions in bonds on behalf of a trading member or a client of a trading member;</u>
<b><u>"default"</u></b>	means a default by a client or <u>trading member or clearing member</u> as contemplated in Section 11;
<b><u>"derivative rules"</u></b>	means the rules and directives of the JSE applicable to the equity derivatives and <b>[agricultural products]</b> <u>commodity derivatives markets</u> [, as referred to in rule



1.120];

"derivative securities"	means those JSE listed securities traded on the <u>applicable</u> JSE derivatives trading system;
["effective date"]	<b>[means the date of the coming into operation of these Yield-X rules;]</b>
"Fidelity Fund"	means <b>[the JSE Fidelity Fund]</b> a Compensation Fund as contemplated in terms of Section 9(1)(e) of the Act, <u>out of which shall be paid claims arising from the default of a member in accordance with the rules of the fund;</u>
"forward transaction"	<u>means a transaction in bonds in which the counterparties to the transaction agree to settle the transaction on a settlement date which is more than three business days after the trade date;</u>
"Guarantee Fund"	<u>means a Compensation Fund as contemplated in terms of Section 9(1)(e) of the Act, out of which shall be paid claims arising from the default of a trading member in accordance with the rules of the fund;</u>
"inter-dealer broker" or "IDB"	<u>means a sub-category of trading member authorised to trade and to provide services in respect of the buying and selling of IRC securities subject to the rules pertaining to inter-dealer brokers;</u>
"IRC securities"	<u>means the interest rate and currency securities listed on the JSE and traded on the trading system;</u>
["JSE Gazette"]	<b>[means the gazette published by the JSE under the authority of the JSE Executive;]</b>
"JSE Market Notice"	<u>means the notice published by the JSE under the authority of the JSE Executive;</u>
"loan date"	means the date on which loaned STRATE settled bonds <u>[is] are transferred by the Settlement Authority into the custody account of a trading member or client; or the date on which funds are transferred by the Settlement Authority into the funds settlement account of a trading member or client, as the context may require;</u>
"matched principal"	<u>means a transaction in bonds which is facilitated by a trading member (including but not limited to an IDB), in terms of which the facilitating trading member -</u> <ul style="list-style-type: none"> <li>(a) <u>trades with or on behalf of two other trading members or on behalf of a client and another trading member;</u></li> <li>(b) <u>does not disclose the identity of the two counterparties to the transaction to each other; and</u></li> <li>(c) <u>reports to the trading system a purchase transaction and a sale transaction with or on behalf of the two counterparties through the trading member's stock account;</u></li> </ul>
"member"	means an interest rate and currency member, which is a category of authorised user admitted to membership of the JSE under these Yield-X rules;
"name give-up"	<u>means a transaction in bonds which is facilitated by a trading member (including but not limited to an IDB), in terms of which the facilitating trading member -</u> <ul style="list-style-type: none"> <li>(a) <u>arranges the transaction between two counterparties (either two other trading members or a client and another trading member);</u></li> <li>(b) <u>discloses the identity of the two counterparties to the transaction to each other; and</u></li> </ul>

	(c) <u>leaves it to those counterparties to report the transaction between them to the trading system;</u>
<b>"registered officer"</b>	means a compliance officer, settlement officer, <u>alternate settlement officer</u> , or a dealer registered by the JSE as such in the name of the member;
<b><u>"repurchase transaction"</u></b>	<u>means a sale and repurchase transaction between two parties in terms of which one party agrees to buy bonds from the other party while simultaneously agreeing to sell the bonds back on an agreed future date at an agreed price;</u>
<b><u>"rolling of settlement"</u></b>	<u>means the process initiated by the Settlement Authority in terms of which the settlement date of a transaction in bonds is postponed to a later date as determined by the Settlement Authority;</u>
<b>["settlement agent"]</b>	<b>[means a person accepted by STRATE as a CSD participant to settle bonds for a trading member or a client in terms of the STRATE rules;]</b>
<b>["STRATE settled bonds"]</b>	<b>[means bonds which, in respect of transactions in such bonds, qualify as eligible securities in terms of the STRATE rules and may only be settled electronically through STRATE; ]</b>
<b>"SWIFT emigrant's blocked account notification"</b>	means the notification, utilising the SWIFT network <b>[from the SAFCOM nominated SWIFT agent]</b> to the authorised bank, instructing the authorised bank to make or accept payment of margin to or from an emigrant's blocked account in the amount specified in the notification;
<b>"SWIFT non-resident account notification"</b>	means the notification, utilising the SWIFT network <b>[from the SAFCOM nominated SWIFT agent]</b> to the authorised bank, instructing the authorised bank to receive payment of interest into a non-resident account in the amount specified in the notification;
<b><u>"these rules"</u></b>	<u>means the interest rate and currency rules issued in pursuance of section 18 of the Act, including any alteration, addition or amendment thereof;</u>
<b>"top-up margin"</b>	means the amount of margin payable as a result of an adverse mark-to-market of unsettled positions in bonds <u>executed on the central order book or reported to the trading system and accepted by the respective clearing members as a reported transaction for risk management purposes;</u>
<b>"trading member"</b>	means a sub-category of authorised user of the JSE, <b>[registered]</b> <u>authorised to trade in IRC securities and to provide services in respect of the buying and selling of [Yield-X] IRC securities [under the] in terms of these [Yield-X] rules;</u>
<b><u>"trading system"</u></b>	<u>means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of IRC securities;</u>
<b>"trustees"</b>	means the trustees of <b>[the Fidelity Fund]</b> <u>one or both of the Compensation Funds, as the context may require;</u>
<b>"Yield-X"</b>	means <b>[the]</b> <u>a market in interest rate and currency securities operated by the JSE prior to the effective date of the integration of the JSE's interest rate and currency markets; [in terms of the Act to facilitate trading in Yield-X securities;]</u>
<b>["Yield-X lending and borrowing system"]</b>	<b>[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a mechanism to record and settle lending and borrowing arrangements in bonds;]</b>



["Yield-X rules"]	[means these Yield-X rules issued in pursuance of section 18 of the Act, including any alteration, addition or amendment thereof;]
["Yield-X securities"]	[means those JSE listed securities traded on the Yield-X trading system;]
["Yield-X trading system"]	[means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of Yield-X securities.]

### Section 3 Membership

#### 3.20 Categories of membership

- 3.20.1 An [interest rate] IRC member is a category of authorised user of the JSE and may be authorised by the JSE to [operate] provide securities services in one of two sub-categories, either as a clearing member or a trading member or in both.
- 3.20.2 ...
- 3.20.3 A trading member –
- 3.20.3.1 ...
- 3.20.3.2 may trade for and on behalf of clients [and enter into client agreements with clients].
- 3.20.4 An IDB –
- 3.20.4.1 is a sub-category of trading member that is subject to the rules pertaining to IDBs; and
- 3.20.4.2 may not be a clearing member.
- 3.20.5 In authorising an IRC member to provide securities services, the JSE may impose restrictions or conditions on the IRC member in relation to the particular securities services that the IRC member is authorised to provide or the particular IRC securities for which the IRC member is authorised to provide securities services, or both.

#### 3.30 General requirements

- 3.30.4 ...
- 3.30.5 A trading member that intends to enter into transactions which will be cleared by SAFCOM in terms of section 8 of these rules must have appointed a clearing member or have been authorised as a clearing member.
- 3.30.6 A trading member that intends to enter into transactions in bonds on the trading system must have appointed a CSDP.

#### 3.35 Specific requirements applicable to inter-dealer brokers

A trading member authorised to operate as an IDB in terms of these rules, shall meet the following requirements in order to maintain its status as an IDB –

- 3.35.1 its business activities in the JSE listed bonds must be limited to arranging transactions between two counterparties on a name give-up basis or trading with or on behalf of two other parties on a matched principal basis;
- 3.35.2 when transacting in bonds with or on behalf of other trading members or clients on a matched principal basis, it may not take a proprietary position against the other member or the client; and
- 3.35.3 it must, on request from any member with or on whose behalf it is going to trade in bonds as a matched principal, provide the list of clients who may be the opposite counterparties to such transactions.

**3.40 Capital adequacy requirements**

- 3.40.4 A trading member that does not trade in bonds and that trades in [Yield-X securities] derivative instruments listed on the JSE solely for its own account, and is exempt from the requirement to submit monthly capital adequacy returns to the Director: Surveillance, in terms of rule 3.90.5, is not required to comply with the requirements of rule 3.40.1 but shall ensure that its assets (excluding goodwill and other intangible assets) exceed its liabilities (excluding loans validly subordinated in favor of all other creditors).

**3.50 Application for membership**

- 3.50.1 An application for membership shall be made to the JSE in the manner and in the form prescribed by the JSE and shall indicate in what category or categories of membership the applicant wishes to apply. The application must be accompanied by any application fee prescribed by the JSE.
- 3.50.3 The applicant shall include with its application, the following information:
- 3.50.3.1 ...
- 3.50.3.2 ...
- 3.50.3.3 ...
- 3.50.3.4 a completed clearing agreement, in the case of a trading member application where the applicant intends to execute transactions in IRC securities on the central order book or execute reported transactions that will require risk management by a clearing member, or a completed SAFCOM agreement, in the case of a clearing member application.
- 3.50.7 The JSE shall notify the applicant in writing of its decision and of any restrictions that will be applicable to its business activities as an IRC member, and any conditions that are required to be fulfilled.

**3.90 Duty to furnish information**

- 3.90.5 A member that—
- 3.90.5.1 is a bank;
- 3.90.5.2 is a branch of a foreign bank; [or]
- 3.90.5.3 does not trade in bonds and that trades in [Yield-X securities] derivative instruments listed on the JSE solely for its own account[,]; or
- 3.90.5.4 is a state owned entity.
- shall be exempt from the requirement to submit the monthly capital adequacy return referred to in rule 3.90.4, provided the member has advised the JSE, in writing, that it meets the requirements of rule 3.90.5.1, 3.90.5.2, [or] 3.90.5.3 or 3.90.5.4.

**3.100 Fees, levies and charges**

- 3.100.2 The JSE may, in addition to the subscriptions, fees and charges prescribed by these Yield-X rules, impose upon every member a levy which shall be paid to the JSE or any of its [funds] Compensation Funds on such conditions as the JSE may decide. Such levy may be recovered from the clients of the member.

**3.120 Member's obligation to ensure registration of officers**

- 3.120.1 Each member must ensure the registration by the JSE of a compliance officer, [and] a settlement officer and an alternate settlement officer:
- 3.120.4 An alternate settlement officer must –
- 3.120.4.1 have obtained such qualification as may be required by the JSE;
- 3.120.4.2 in the absence of the settlement officer deal with all queries by the JSE in relation to settlement;

3.120.4.3 in the absence of the settlement officer ensure that all transactions are settled in terms of these rules and directives;

3.120.4.4 in the absence of the settlement officer advise the JSE of any issue that may potentially impact on the settlement of a transaction; and

3.120.4.5 in the absence of the settlement officer cooperate with the Settlement Authority to ensure the efficient and timeous settlement of all transactions.

3.120.[4]5 A member shall not carry on business for more than two months in any continuous period of twelve months unless such member has registered a compliance officer, **[and] a settlement officer and an alternate settlement officer** in terms of rule 3.120.1: Provided that in the absence of a duly appointed compliance or settlement officer **or alternate settlement officer**, or where the post has become vacant, a senior director shall temporarily assume the responsibility of the compliance or settlement **or alternate settlement officer** as referred to in rule 3.120.2, **[and] rule 3.120.3 and rule 3.120.4** respectively, for no longer than 2 months.

3.120.[5]6 A trading member shall ensure the registration by the JSE of dealers who shall be the only persons entitled to trade for a member's own account and for and on behalf of clients and who shall have obtained such qualification that may be required by the JSE. A trading member may not trade without having at least one dealer present at the trading member's place of business unless the JSE has in writing granted temporary registration to a person nominated in writing by the trading member to trade for a period not exceeding 15 business days in the absence of such dealer. The JSE shall publish the name of such nominee in a notice to members.

### 3.130 Registration of officers by the JSE

3.130.1 ...

3.130.2 **[The JSE shall in a notice to members publish the name of the applicant, and members shall within ten business days of such notice notify the JSE in writing of objections to or comments on the application.] Reserved.**

3.130.3 The **[JSE shall convene a meeting of the]** JSE Executive **shall [to]** consider the application referred to in rule 3.130.1 and **[any objection to or comment on it in order to recommend to the JSE to] either** accept or reject the application.

3.130.4 An application to change the registration of a registered officer from one member to another or from one office to another shall be made in writing to the **[Executive Officer] JSE** by the member intending to register the officer and the **JSE Executive [Officer] shall[,] consider the application and either accept or reject it, [in his discretion, decide to grant such change in registration or to refer the application to the JSE Executive for consideration at its next meeting];** Provided that, if aggrieved by the decision of the JSE Executive, the member concerned shall have the right of appeal to the board of appeal.

3.130.5 ...

3.130.6 ...

3.130.7 The registration, whether permanent or temporary, or termination of the registration of a registered officer **in the name of a particular member in a particular office shall become effective on the date stipulated in the written notification to the member by [and the time of the notice to members by] the JSE, confirming the registration or termination of registration of the registered officer [unless stated otherwise in the notice].**

### 3.160 **[Lien over proceeds of sale of JSE shares] Reserved**

**[The JSE shall have a first lien on the proceeds of the sale or other disposition of any JSE shares held by a member in the event that the member selling or disposing of such JSE shares is in any way indebted to the JSE. The Fidelity Fund or Funds of the JSE shall have a second lien on the proceeds of the sale or other disposition of such JSE shares in the event that the member selling or disposing of such shares has defaulted and the Fidelity Fund or Funds have discharged any of the member's obligations. After the satisfaction of the**

lien or liens, the balance of the proceeds of the sale or other disposition will revert to the selling or disposing member or the estate of the selling or disposing member as the case may be.]

#### Section 4: Disciplinary Matters

##### 4.30 Improper conduct

The following acts and practices whether of commission or omission, on the part of any person who at the time of the alleged act or practice was a member, a director, employee or registered officer of a member shall constitute improper conduct: Provided that the acts and practices so specified are not intended to be a complete list of acts and practices which may constitute improper conduct –

4.30.1 ...

##### 4.60 Penalties

4.60.1 When any person has been found guilty of improper conduct by a Tribunal pursuant to these Yield-X rules, the Tribunal –

4.60.1.1 may warn, [or impose a]reprimand, censure or impose a fine upon the respondent, which fine shall in respect of each contravention not exceed R1 million, or such other amount as may be stipulated in the Act or in any regulations promulgated in terms of the Act;

##### 4.90 JSE's powers of publication

4.90.1 The JSE may in such manner as it may deem fit, notify the public of any fact that the JSE considers to be in the public interest, including, but not limited to, the name of a member or any employee or registered officer of a member who has been found guilty of any charge and of the sentence imposed on such member, employee or officer of a member.

#### Section 5: Dispute Resolution

##### 5.100 Consideration by an ombud

5.100.13 The ombud is not obliged to provide a ruling on a dispute if he is of the view that the dispute is [if] of such a complex nature that it cannot be resolved expeditiously by means of the dispute resolution process and can only be properly considered by a court of law.

#### Section 6: [Yield-X Securities] IRC Securities

##### 6.40 Reserved [Listing of bonds]

[6.40.1 The JSE may –

- 6.40.1.1 grant a listing of bonds, review the list annually and suspend or terminate a listing of bonds;
- 6.40.1.2 prescribe the minimum requirements with which an issuer shall comply before each bond issued by such issuer is granted a listing;
- 6.40.1.3 prescribe the minimum requirements with which an issuer shall comply while a bond issued by it remains listed;
- 6.40.1.4 suspend, alter or rescind a requirement prescribed before or after a listing has been granted and to prescribe additional requirements;
- 6.40.1.5 prescribe the circumstances under which a listing of bonds shall or may be suspended or terminated; and
- 6.40.1.6 halt trading in any bonds for such period as the JSE may deem necessary in the public interest or for the purpose of market stability.]

## 6.50 Reserved [Listing Fees]

[The fees for the listing of bonds shall be as prescribed by the JSE in the Listing Requirements which the JSE may issue.]

## Section 7: Trading

### 7.10 [Financial exchange] Buying and selling of IRC securities

7.10.1 The business of the buying and selling of Yield-X securities by trading members as contemplated by section [10 (2)] 19(a) and (b) of the Act must be conducted on the Yield-X trading system[.]; Provided that –

7.10.1.1 a trading member may execute transactions in Yield-X securities on another exchange as an authorised user or as a client of an authorised user of such exchange; or

7.10.1.2 transactions in Yield-X securities which meet the criteria set out in rule 7.120 may be [conducted] negotiated off the Yield-X system and reported to the Yield-X system.

7.10.2 A transaction negotiated off the trading system in terms of rule 7.10.1.2 is only deemed to be a valid transaction once the transaction has been reported to the trading system by the member or members who are party to the transaction.

### 7.30 Trading members' obligations

7.30.1 ...

7.30.2 ...

7.30.3 Reserved [Due fulfilment of transactions]

[7.30.3.1 Subject to rule 7.30.3.2, a trading member shall guarantee the fulfilment of all transactions in Yield-X securities, entered into by the trading member for its own account and for or on behalf of a client and executed on the Yield-X trading system or reported to and matched by the Yield-X trading system.]

[7.30.3.2 Rule 7.30.3.1 shall not apply to reported transactions where only one trading member is involved and where the clients who are parties to such transaction have, between themselves, concluded the terms of the transaction and instructed the trading member to report the transaction through the Yield-X trading system. A client shall have no recourse against a trading member in respect of such transaction.]

[7.30.3.3 Except in the circumstances set out in rule 7.30.3.2, any action by a client in respect of a Yield-X transaction shall be against the trading member who entered into the transaction on the instruction of such client and not against any other trading member or a client of such trading member.]

[7.30.3.4 A trading member shall ensure that buyers and sellers of Yield-X securities are aware of their settlement obligations in terms these Yield-X rules.]

7.30.6 Broadcast of market prices

7.30.6.1 Any member that broadcasts bid and offer prices in JSE listed bonds or spreads comprising two bonds, either on its own behalf or on behalf of clients, must make such prices available to the JSE on request.

7.30.6.2 The JSE may use the broadcast prices for the purpose of promoting liquidity and the effective regulation of trading in JSE listed bonds.

### 7.40 Market Integrity

7.40.7 The Director: Surveillance or his deputy, in conjunction with the Executive Officer or acting Executive Officer or failing the Executive Officer or acting Executive Officer, the Director: Issuer Services, may

declare a trading halt in a Yield-X security in circumstances where the Director: Surveillance or his deputy determines that the trading activity in a Yield-X security –

7.40.7.1 ...

#### 7.60 Orders

7.60.1 All orders received by a trading member which are to be executed in the central order book of the trading system must be recorded in price or yield and then time priority by the trading member and be submitted to the Yield-X trading system in such order. Orders from clients will always be given time priority over such trading member's own account orders except where that trading member had already entered own account orders into the Yield-X trading system at the time that a client order was received by that trading member.

7.60.2 ...

7.60.3 ...

7.60.4 [The] A trading member must keep a record of [the] an order received for a period of not less than six months after the order was received, in terms of rule 10.220.5, whether the order was entered into the central order book of the trading system or resulted in a transaction reported to the trading system.

#### 7.70 Trading capacity

7.70.5 A trading member may trade for a client as agent by –

7.70.5.1 ...

7.70.5.2 ...

7.70.5.3 executing an agency trade between two clients or between a client and another trading member off the central order book and reporting such trade to the Yield-X trading system, provided such trade qualifies as a reported transaction in terms of rule 7.120.

#### 7.80 Trading with [for] or on behalf of clients

7.80.1 Client agreement

7.80.1.1 A trading member may not trade with [for] or on behalf of a client in Yield-X securities unless the trading member has entered into a client agreement with the client[,]. The [the minimum] terms and conditions of [which are prescribed in the directives] the client agreement must have substantially the same effect in law as the terms and conditions contained in the pro forma agreement in Directive DC.

7.80.2 Client acceptance[, registration] and maintenance procedures

7.80.2.1 ...

7.80.2.2 ...

7.80.2.3 A trading member may not trade with [for] or on behalf of a client in Yield-X securities until the member has loaded the client on the trading system by recording the particulars that are required by the trading system [registration of the client has been effected, in accordance with the directives].

7.80.2.4 [SAFCOM]The JSE will maintain a record of the clients which are [registered] loaded as clients of trading members and will keep a record of the particulars associated with each client as required under rule 7.80.2.3.

7.80.2.6 The trading member must ensure that clients which have ceased trading with the trading member are removed from the [register] record of clients of the trading member on the trading system.

7.80.2.7 The client's [registration] particulars will be retained by the JSE [SAFCOM] for as long as it deems necessary after the client has ceased trading.



## 7.80.4 Notification of transactions

7.80.4.1 ...

7.80.4.2 The transaction notification referred to in rule 7.80.4.1 must set out -

7.80.4.2.1 ...

7.80.4.2.2 the capacity in which the trading member acted; and

**[7.80.4.2.3 if the transaction is in bonds, whether the transaction was executed on the central order book; and]**7.80.4.2.**[4]**3 if the transaction is executed by the member in an agency capacity, the details of any commission charged by the trading member.

## 7.90 Employees and trading members trading as clients

7.90.1 An employee of a trading member may be a client of that trading member or another trading member; provided that such client fulfils all his obligations in terms of these Yield-X rules.7.90.2 A trading member must establish and maintain controls and procedures in relation to transactions executed for the direct or indirect benefit of employees of the trading member, in order to avoid such transactions conflicting with the interests of the trading member's clients, whether such transactions are executed by the trading member or by another trading member. [Except with the written approval of the Director: Surveillance and subject to such conditions as he may impose -

7.90.2.1 an employee of a trading member may not have a beneficial interest in another trading member;

7.90.2.2 an employee of a trading member may not be a client of another trading member or have a beneficial interest in a client;

7.90.2.3 a trading member may not be a client of another trading member or have a beneficial interest in a client;

7.90.2.4 a trading member may not accept an employee of another trading member or a trading member as a client.]

7.90.3 The controls and procedures in relation to the transactions referred to in rule 7.90.2, should as a minimum, make provision for the review by the trading member of those transactions, in order to identify any transactions which are in conflict with the interests of that trading member's clients.

## 7.100 Aggregation, division and allocation of trades

7.100.1 When bulking or aggregating agency client orders and trades, trading members are required to use designated agency suspense accounts, as specified in the directives, for the order entry, trading, consolidation, division or allocation of such orders and trades.

7.100.2 ...

7.100.7 If a trading member uses an agency suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the allocation of a trade to the dedicated suspense account is deemed to be an allocation to the client for the purpose of rule 7.100.6.7.100.**[7]**8 A trading member may allocate a trade in futures or option contracts executed on the Yield-X trading system for an agency suspense account to another trading member, provided that the trade is pursuant to a tripartite agreement, as set out in the directives, and that the trade is allocated to the other trading member at the price of the original trade.

## 7.110 Principal assignment trades

7.110.1 When filling a client's order **[as principal]** through a principal assignment trade, trading members are required to use designated principal assignment stock accounts, as specified in the directives, for the order entry, trading, consolidation, division and assignment of such orders and trades.

7.110.2 ...

7.110.7 If a trading member uses a suspense account dedicated to a particular client for the allocation of trades to underlying accounts under the control of that client, the assignment of a trade to the dedicated suspense account is deemed to be an assignment to the client for the purpose of rule 7.100.6.

## 7.120 Reported Transactions

7.120.1 Reported transactions do not have to be executed through the central order book. The following transactions may be validly reported to the Yield-X trading system –

7.120.1.1 ...

7.120.1.2 expiry of physically settled futures contracts, as instructed by the Market Controller, in terms of rule 8.30.7; and

7.120.1.3 principal assignment trades; and

**[7.120.1.4 carry transactions where the transaction has been effected to prevent a trade from failing.]**

7.120.2 Subject to rules 7.120.3 and 7.120.6 [R]reported transactions between two trading members must be reported to the trading system [immediately], by the trading members who are party to the transaction, [to the Yield-X trading system.] within 30 minutes of the transaction being concluded. [Where two trading members are involved, both trading members must immediately report the transaction.]

7.120.3 Trading members must take reasonable steps to ensure that all reported transactions between two trading members that are concluded within the 30 minute period before the trading system closing time, as stipulated in the directives, are reported to the trading system before the system closing time. If despite taking all reasonable steps, trading members are unable to report transactions concluded during this 30 minute period to the trading system before the system closing time, the transaction must be reported by no later than 09h00 on the following business day.

7.120.4 Subject to rule 7.120.5 and rule 7.120.6, reported transactions between a trading member and a client must be reported to the trading system without delay but by no later than the trading system closing time on the trade date.

7.120.5 Trading members must take reasonable steps to ensure that all reported transactions between the trading member and a client that are concluded within the 2 hour period before the trading system closing time, as stipulated in the directives, are reported to the trading system before the system closing time. If despite taking all reasonable steps, trading members are unable to report transactions concluded within this 2 hour period to the trading system before the system closing time, the transaction must be reported by no later than 09h00 on the following business day.

7.120.6 All reported transactions that are concluded by trading members after the closing time of the trading system, as stipulated in the directives, must be reported to the trading system by no later than 09h00 on the following business day.

7.120.7 A trading member who reports a transaction in bonds must ensure that the date and time at which the transaction was concluded is included when the transaction is reported to the trading system.

7.120.8 If a reported transaction in bonds is reported to the trading system by a person other than a dealer, the trading member must retain a record identifying the dealer who was responsible for executing the transaction.

## 7.130 Correction trades

7.130.1 Notwithstanding any other provision of the Yield-X rules or any directive, the Director: Surveillance may, where in his opinion a central order book trade has been matched as a result of a clear error by a trading member [or reported in error,] grant permission to the relevant trading member or members to cancel the trade and may –

- 7.130.1.1 instruct the member or members to enter an equal and opposite correction trade on the [trade date of the ] original trade date; or
- 7.130.1.2 instruct the Settlement Authority to effect an equal and opposite correction trade on behalf of the member or members on the day after the original trade date.
- 7.130.2 Equal and opposite correction trades in respect of central order book trades will only be considered in exceptional circumstances and provided the trade meets at least the following requirements –
  - 7.130.2.1 the request is received by the Director: Surveillance within 20 minutes from the time of the erroneous trade;
  - 7.130.2.2 the consideration or contract value of the trade or trades for which the correction trade is requested is 5% or more away from the consideration or contract value immediately before the erroneous trade occurred, or, if there were no automated or auction trades on that day, the consideration or contract value per the previous day's closing price; and
  - 7.130.2.3 the difference between the aggregate consideration or contract value of the trades that qualify in terms of 7.130.2.2 and the consideration or contract value that would have resulted had such trades been executed at the reference price is R50 000 (fifty thousand Rand) or more.
- 7.130.3 If a trading member has reported a trade in error to the trading system, the trading member may correct the error either by-
  - 7.130.3.1 reporting an equal and opposite correction trade to the trading system by 17h00 on the second business day after the trade date; or
  - 7.130.3.2 in exceptional circumstances where the trading member is unable to correct the error by 17h00 on the second business day after the trade date, requesting the Settlement Authority to effect an equal and opposite correction trade on behalf of the relevant member or members on that business day.

#### 7.140 Emergency provisions

- 7.140.1 In order that the business of the JSE be carried out with due regard to the interests of the public in a fair and orderly market, the JSE may, in addition to the powers given in terms of the Act in circumstances of emergency, restrict or suspend trading in any or all of the instruments kept by it in its list of Yield-X securities for such period as the JSE may deem necessary.

### Section 8: Clearing

#### 8.10 Applicability of Section 8

Section 8 shall apply to [all Yield-X securities, unless the context clearly indicates otherwise-] transactions in IRC securities that qualify to be cleared in terms of this section.

#### 8.20 Clearing

- 8.20.1 SAFCOM shall perform the clearing and ensure the performance of –
  - 8.20.1.1 trades in Yield-X securities executed on the central order book of the Yield-X trading system;
  - 8.20.1.2 reported transactions in futures and options contracts reported to and matched by the trading system [principal assignment trades in Yield-X securities reported to the Yield-X trading system];
  - 8.20.1.3 reported transactions in bonds reported to the trading system, where the respective clearing members accept the reported transactions for risk management purposes [reported transactions in futures and option contracts reported to and matched by the Yield-X trading system]; and

- 8.20.1.4 principal assignment trades in bonds reported to the trading system, where the original trade being assigned is cleared in terms of rule 8.20.1.1 or rule 8.20.1.3 [reported transactions in bonds reported to the Yield-X trading system, where the respective clearing members accept the reported transaction for risk management purposes].

## 8.50 Margin payments

### 8.50.2 Settlement margin

Settlement margin shall be paid by a trading member or client where the trading member or client has unsettled bonds positions and where such positions arose either from transactions executed on the central order book of the trading system or from reported transactions reported to the trading system where the respective clearing members accept the reported transactions for risk management purposes [which can be set off against positions in related futures and option contracts, for the purpose of providing for compensation payable in respect of a potential failed trade].

### 8.50.4 Top-up margin

Top-up margin shall be paid by a trading member or client where the trading member or client has unsettled bonds positions and where such positions arose either from transactions executed on the central order book of the trading system or from reported transactions reported to the trading system where the respective clearing members accept the reported transactions for risk management purposes, [in whose name a position in bonds is registered] as the result of an adverse mark-to-market of a position in terms of rule 8.40.

### 8.50.5 Additional margin

8.50.5.1 A clearing member may require a trading member with whom it has entered into a clearing agreement to deposit with it, with respect to the proprietary position of the trading member or the position of any of the clients of the trading member, an amount of additional margin as agreed upon between the parties in terms of the clearing agreement.

## 8.70 Trading, clearing and settlement fees

8.70.1 [The] With the exception of transactions in bonds, the JSE shall levy trading[,] and clearing [and settlement] fees on a clearing member in respect of the trades of the clearing member, its clients and the trading members with whom the clearing member has entered into clearing agreements, in an amount and in a manner as decided by the JSE Executive, and such fees may be recovered from the clearing member on behalf of the JSE by SAFCOM.

8.70.2 ...

8.70.5 With regards to transactions in bonds, the JSE shall levy trading and clearing fees on a trading member in respect of trades of the trading member and its clients, in an amount and in a manner determined by the JSE Executive.

## 8.80 Payment procedures

8.80.1 With respect to its proprietary positions, the positions of its clients, the positions of the trading members with whom it has entered into clearing agreements and the positions of the clients of such trading members, the clearing member shall pay to or receive from SAFCOM the net amount of –

8.80.1.1 subject to rule 10.130.1 in respect of non-resident and emigrant clients, the sum of the initial margin, settlement margin and top-up margin;

8.80.1.2 the variation margin; and

8.80.1.3 the trading, clearing and settlement fees for transactions in interest rate and currency derivatives.

8.80.4 With respect to its proprietary positions and the positions of its clients, a trading member shall pay to or receive from the clearing member the net amount of –

- 8.80.4.1 subject to rule 10.130.2 in respect of non-resident and emigrant clients, the initial margin, settlement margin and top-up margin referred to in rule 8.50;
  - 8.80.4.2 the additional margin referred to in rule 8.50.5.1;
  - 8.80.4.3 the variation margin referred to in rule 8.50.3; and
  - 8.80.4.4 the trading, clearing and settlement fees for transactions in interest rate and currency derivatives, referred to in rule 8.70.2.
- 8.80.7 Subject to rule 10.130.1 in respect of non-resident and emigrant clients, with respect to his positions a client shall pay to or receive from the trading member with whom he traded to open such positions the net amount of –
- 8.80.7.1 the total of the initial margin, settlement margin and top-up margin referred to in rule 8.50 for all his aggregate positions: Provided that any amount so due from the resident client shall be off-set against any retained margin referred to in rule 8.50.6;
  - 8.80.7.2 the additional margin referred to in rule 8.50.5.2;
  - 8.80.7.3 the variation margin referred to in rule 8.50.3; and
  - 8.80.7.4 the trading, clearing and settlement fees for transactions in interest rate and currency derivatives, referred to in rules 8.70.3 and 8.70.4.

## Section 9: Settlement

### 9.10 Applicability of [this] Section 9

Section 9 shall apply to **[STRATE settled bonds]** the settlement of transactions in bonds.

### 9.15 Settlement assurance

- 9.15.1 Subject to rule 9.15.2, a trading member shall guarantee the fulfilment of all transactions in IRC securities entered into by the trading member for its own account and on behalf of a client or another member, executed on the central order book of the trading system or reported to the trading system.
- 9.15.2 Rule 9.15.1 shall not apply to reported transactions where-
  - 9.15.2.1 only one trading member is involved and where the clients who are parties to such transaction have, between themselves, concluded the terms of the transaction and instructed the trading member to report the transaction to the trading system. A client shall have no recourse against a trading member in respect of such transaction; or
  - 9.15.2.2 a trading member facilitates a transaction in bonds on a name give-up basis on behalf of a client or another trading member, and the trading member is not recorded as a counterparty to the transaction reported to the trading system. The client or the other trading member shall have no recourse against the facilitating trading member in respect of such transaction.
- 9.15.3 Except in the circumstances set out in rule 9.15.2, any action by a client in respect of a market transaction shall be against the trading member who entered into the transaction on the instruction of such client and not against any other trading member or a client of such trading member.
- 9.15.4 A trading member shall ensure that buyers and sellers of IRC securities are aware of their settlement obligations in terms of these rules. However, if a client is not aware of such settlement obligations, the client remains bound by the settlement rules contained in this section 9.

### 9.20 Settlement principles for STRATE settled bonds

Settlement of STRATE settled bonds shall be effected in accordance with the following principles –

- 9.20.1 trade by trade;
- 9.20.2 between the scrip root and the cash root;
- 9.20.3 rolling and contractual; and



- 9.20.4 on a net basis per [client or] trading member, per settlement date, per listed bond whereby individual transactions are consolidated and offset into net amounts of bonds and funds for settlement by Strate.

### 9.30 Settlement Authority

- 9.30.1 [In order to ensure that the principles set out in rule 9.20 are adhered to, SAFCOM has appointed the] The Settlement Authority [to] will manage –

9.30.1.1 ...

9.30.1.2 the settlement of transactions in bonds reported to the trading system, where the respective clearing members accept the reported transactions for risk management purposes as referred to in rule 8.20.1.3 [principal assignment trades in bonds reported to the Yield-X trading system as referred to in rule 8.20.1.2];

9.30.1.3 the settlement of principal assignment trades in bonds reported to the trading system as referred to in rule 8.20.1.4; [transactions in bonds reported to the Yield-X trading system, where the respective clearing members accept the reported transactions for risk management purposes as referred to in rule 8.20.1.4; 9.30.1.4; and]

9.30.1.4 the settlement of all other reported transactions in bonds reported to the trading system as contemplated in rule 7.120; and

9.30.1.~~[4]~~<sup>5</sup> the risks associated with the settlement of the transactions referred to in rules 9.30.1.1 to 9.30.1.~~[3]~~<sup>4</sup>.

- 9.30.2 In order to perform its functions in terms of rule 9.30.1, [The] the Settlement Authority may –

9.30.2.1 Reserved [monitor the settlement obligations of trading members and their clients;]

9.30.2.2 Reserved [ensure that the settlement obligations of trading members and clients are met on the settlement date;]

9.30.2.3 Reserved [monitor uncommitted settlements and take appropriate action in respect of such settlements to ensure settlement;]

9.30.2.4 ...

9.30.2.5 enter into a carry or repurchase transaction through the Yield-X trading system on behalf of a trading member or client in order to facilitate the settlement process and manage the risk associated with such process [to meet any obligations arising from the management of the settlement process and the risks associated with such process];

9.30.2.6 borrow, as agent, on behalf of a trading member or client as undisclosed principal, bonds from third parties to facilitate the [management of the] settlement process and manage the risks associated with such process;

9.30.2.7 ...

9.30.2.8 ...

9.30.2.9 instruct a trading member or a client (via the trading member) to close a purchase or sale transaction at a price and on the basis set out in rule 9.130 or rule 9.135; [and]

9.30.2.10 in its sole discretion and in exceptional circumstances, instruct a trading member or client (via the trading member) to roll the settlement of a purchase or sale transaction on the basis set out in rule 9.125; and

9.30.2.~~[10]~~<sup>11</sup> if at any stage it becomes aware of a transaction not being able to settle which may, in its sole discretion, cause systemic risk, defer the settlement of such transaction by notifying STRATE accordingly and extending the times referred to in rules 9.70, 9.80, 9.90, 9.100, [and] 9.130 and 9.135.

### 9.40 Trading in STRATE settled bonds

- 9.40.1 A client shall only place an order in respect of STRATE settled bonds with a trading member if –

9.40.1.1 ...



- 9.40.1.2 the client [in respect of a sell order-] has taken the appropriate steps to ensure that settlement of the transaction will occur on settlement date.
- 9.40.1.2.1 the bonds to be sold is lodged with a settlement agent as uncertificated securities; or
- 9.40.1.2.2 another transaction has been concluded through the Yield X trading system which provides for an equivalent amount of bonds being available for settlement on settlement date; or
- 9.40.1.2.3 a satisfactory borrowing arrangement reported through the Yield-X lending and borrowing system is in place which provides for an equivalent amount of STRATE settled bonds being available for settlement on settlement day.]
- 9.40.2 A trading member shall only place an order or report a transaction in respect of STRATE settled bonds on the Yield-X trading system if such member has appointed a clearing member, where applicable, and a settlement agent as prescribed by directive, and has taken reasonable steps to satisfy itself that –
- 9.40.2.1 ...
- 9.40.2.2 settlement of the transaction will occur on settlement date. [in respect of a sell order-
- 9.40.1.2.1 the bonds to be sold is lodged with a settlement agent as uncertificated securities; or
- 9.40.1.2.2 another transaction has been concluded through the Yield X trading system which provides for an equivalent amount of bonds being available for settlement on settlement date; or
- 9.40.1.2.3 a satisfactory borrowing arrangement reported through the Yield-X lending and borrowing system is in place which provides for an equivalent amount of STRATE settled bonds being available for settlement on settlement day. ]
- 9.70 Settlement of STRATE settled bonds**
- 9.70.1 ...
- 9.70.2 A trade [conducted] in bonds by a trading member shall –
- 9.70.2.1 in accordance with rule 7.100, be allocated to a client or a trading member's proprietary account on the trade date: Provided that where a trade on a suspense account dedicated to a particular client has not been allocated on the trade date to underlying accounts under the control of that client, [in contravention of this rule,] to ensure that the trade still settles on settlement date, [late] allocations to the underlying accounts may be made up to [10h00] 17h00 on the second business day after the original trade. All late allocations after 17h00 on the second business day after the trade date, in contravention of this rule, will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5;
- 9.70.2.2 if the trade is effected through a principal assignment stock account, be assigned to a client on the trade date in accordance with rule 7.110: Provided that where a trade has not been assigned on the trade date[, in contravention of [this] rule 7.110, to ensure that the trade still settles on settlement date, late principal assignment trades [may] must be effected by the trading member up to [10h00] 17h00 on the second business day after the original trade. All late principal assignment trades after 17h00 on the second business day after the trade date will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment trades shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5;
- 9.70.2.3 ...

- 9.70.2.5 be committed to by the settlement agent of the trading member or client by no later than [12h00] 11h00 on the [second business day after the trade] settlement date; [and]
- 9.70.2.6 with the exception of trades referred to in rules 9.70.2.7 and 9.70.2.8, be settled on the third business day after the trade date in accordance with the settlement timetable as prescribed by directive;[.]
- 9.70.2.7 if the counterparties to a reported trade agree thereto, be settled on the trade date or on the first or second business day after the trade date; and
- 9.70.2.8 if the trade is a carry transaction or a forward transaction, be settled on such a date as may be agreed to by the counterparties to the transaction.
- 9.70.3 Notwithstanding rules 9.70.2.1 to 9.70.2.3 –
- 9.70.3.1 allocation corrections in respect of transactions due to settle on the third business day after the trade date or a later settlement date may be effected up to [10h00] 17h00 on the second business day after the trade date if they have not been effected on the trade date. All [such] late allocation corrections after 17h00 on the second business day after the trade date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5;
- 9.70.3.2 principal assignment corrections in respect of transactions due to settle on the third business day after the trade date or a later settlement date may be effected up to [10h00] 17h00 on the second business day after the trade date if they have not been effected on the trade date. All [such] late principal assignment corrections after 17h00 on the second business day after the trade date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5;[.]
- 9.70.3.3 allocations corrections and principal assignment corrections in respect of trades due to settle on the first or the second business day after the trade date may be effected up to 17h00 on the business day preceding the settlement day. All late allocation corrections and late principal assignment corrections after 17h00 on the business day preceding the settlement date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections or late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5.
- 9.70.4 If a settlement agent has not committed to settle a transaction by [16h00] 11h00 (for transactions due to settle in the first settlement run) or by 14h30 (for transactions due to settle in the second settlement run) on the [second business day after the trade] settlement date, in accordance with the settlement timetable as prescribed by directive, the transaction shall be a failed trade and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130 or 9.135, unless the Settlement Authority rolls the settlement of the transaction to a subsequent date as set out in rule 9.125.
- 9.70.5 If a trading member advises the Settlement Authority at any stage that the settlement agent of the trading member or the settlement agent of a client will not be in a position to settle a transaction on settlement day and the Settlement Authority is not able to procure that the settlement of the transaction will take place on settlement day, or the Settlement Authority does not roll the settlement to a subsequent date, the transaction shall be declared a failed trade by no later than 09h00 on the next business day and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130 or rule 9.135.

## 9.80 Non-member settled client settlement obligations

- 9.80.1 ...
- 9.80.2 A non-member settled client shall, by no later than [12h00] 16h30 on the business day preceding the settlement [second business day after the trade] date, ensure and procure that his settlement agent is in a position to commit [has committed] to settle the transaction on his behalf on the settlement date.

9.80.3 A commitment by a settlement agent to settle a transaction on behalf of a non-member settled client in terms of rule 9.80.2 shall become unconditional as at **[12h00] 11h00** on the **[second business day after the trade]**settlement date, **subject to rule 9.115**.

9.80.4 In the event that a non-member settled client fails to comply with rule 9.80.2, or is advised by the Settlement Authority that the transaction may not settle at 11h00 on the settlement date, the trading member which effected the transaction –

9.80.4.1 is obliged in terms of rule 9.100.8 to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on such non-member settled client's account; and

9.80.4.2 may proceed in the manner set out in rule 9.80.5.

9.80.5 ...

9.80.6 The non-member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the trading member as a result of the member acting in accordance with rule 9.80.4 or 9.80.5 or any action taken by the Settlement Authority in terms of rule 9.130 or rule 9.135.

#### 9.90 Member settled client settlement obligations

9.90.1 ...

9.90.2 In the event that a member settled client fails to comply with the provisions of rule 9.90.1, the trading member which effected the transaction –

9.90.2.1 is obliged in terms of rule 9.100.4 to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on such member settled client's account; and

9.90.2.2 may proceed in the manner set out in rule 9.90.3.

9.90.4 The member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the trading member as a result of the trading member acting in accordance with rules 9.90.2 or 9.90.3 or any action taken by the Settlement Authority in terms of rule 9.130 or rule 9.135.

#### 9.100 Trading member settlement obligations

9.100.1 ...

9.100.2 ...

9.100.3 No trading member may, on settlement day, **[alter or]** stop payment in respect of a STRATE settlement.

9.100.5 A trading member shall endeavour to ensure that by no later than **[12h00] 16h30** on the business day preceding the settlement **[second business day after the trade]** date, the settlement agent of that trading member is in a position to commit **[has committed]** to settle the transactions in respect of member settled clients and the proprietary transactions of that trading member on the settlement date.

9.100.6 A commitment by a settlement agent to settle a transaction in respect of a member settled client and the proprietary transactions of a trading member in terms of rule 9.100.5 shall become unconditional as at **[12h00] 11h00** on the **[second business day after the trade date, ]** settlement date **[subject to rule 9.110]**.

9.100.7 If by 16h30 on the business day preceding the settlement date, a member settled client remains unable to settle a transaction **[by 12h00]** on the settlement **[second business day after the trade]** date, the trading member shall continue to take the necessary steps to ensure that, by no later than **[14h00] 11h00** on the **[second business day after the trade date]** settlement date, the settlement agent of the trading member commits to settle any transactions in respect of that member settled client.

9.100.8 If a non-member settled client fails to comply with rule 9.80.2, or is advised by the Settlement Authority that the transaction may not settle at 11h00 on the settlement date, the trading member must take the

necessary steps to ensure that the transaction settles on settlement day, which may include the borrowing or lending of bonds or funds or entering into a carry transaction on the said client's account.

- 9.100.9 If by 16h30 on the business day preceding the settlement date, a non-member settled client remains unable to ensure and procure that his settlement agent will be in a position to commit[s] to settling a transaction [by 12h00] on the [second business day after the trade] settlement date, the trading member shall continue to take the necessary steps to ensure that, by no later than [14h00] 11h00 on the [second business day after the trade] settlement date, the settlement agent of the non-member settled client commits to settling the transaction.
- 9.100.10 ...
- 9.100.11 If the Settlement Authority receives notification in terms of rule 9.100.10 and is able to procure the settlement of the transaction by means of the borrowing of bonds or funds or effecting a carry or repurchase transaction, the trading member shall by no later than the close of business on the next business day –
- 9.100.11.1 in respect of a sale transaction, buy such bonds for the account of the client and advise the Settlement Authority accordingly; or;
- 9.100.11.2 in respect of a purchase transaction, sell such bonds for the account of the client and advise the Settlement Authority accordingly.
- 9.100.12 If the Settlement Authority receives notification in terms of rule 9.100.10, and [is] either rolls the settlement in terms of rule 9.125 or is able to close the transaction in terms of rule 9.30.2.9 or declares the transaction to be a failed trade in terms of rule 9.70.4, the trading member shall act in accordance with the instructions received from the Settlement Authority in terms of rule 9.130 or 9.135 respectively.
- 9.110 **[Obligations in the event of an application for the provisional or final sequestration of a trading member]**  
**Reserved**
- [9.110.1 At the discretion of the Settlement Authority, in consultation with the relevant settlement agent and clearing member, the lifting of settlement commitments by a settlement agent on net bonds transactions will be permitted after 12h00 on the second business day after the trade date and prior to settlement on settlement day, if an application for the provisional or final sequestration of a trading member on whose behalf the commitment was given has been made or is about to be made to court. The settlement agent who requests the Settlement Authority to allow it to lift its settlement commitment must confirm in writing that such trading member is in the process of being placed in provisional or final liquidation. A copy of the application, stamped by the court, is to be lodged with the Settlement Authority by the settlement agent who requested permission to lift its settlement commitment within two business days of the request.]
- [9.110.2 The settlement agent who has been given permission to lift a settlement commitment in terms of rule 9.110.1 may be required by the Settlement Authority to lift their settlement commitment on all bonds transactions entered into by the relevant trading member, which have been committed to by the settlement agent but have not yet settled.]
- [9.110.3 If a settlement commitment is lifted in terms of rule 9.110.1 or 9.110.2, the transactions making up the net settlement of the relevant trading member will be dealt with as follows:
- 9.110.3.1 The Settlement Authority shall use its best endeavours to procure that all open transactions between the relevant trading member and other trading members and clients making up the net settlement to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply are settled, by taking such steps as may reasonably be necessary;
- 9.110.3.2 In procuring settlement of these open transactions, the Settlement Authority shall require clients of the relevant trading member to meet their settlement obligations in respect of the open transactions executed for or on their behalf;
- 9.110.3.3 Where possible, any funds or bonds held by the relevant trading member or their settlement agent on behalf of member settled clients which are required to effect settlement of open transactions conducted on behalf of those clients, will be applied by the Settlement Authority to settle such transactions;

- 9.110.3.4 In attempting to procure that open transactions in bonds are settled in terms of rule 9.110.3.1, the Settlement Authority shall be entitled to buy in or sell out bonds which cannot be either delivered or paid for by the relevant trading member or its client, in those instances where the Settlement Authority is able to, and deems it appropriate to, procure the settlement of a transaction by means of the borrowing of securities or funds;
- 9.110.3.5 If the Settlement Authority is unable to procure the settlement of any open transactions to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply, the failed trade procedures set out in 9.130 will be applied;
- 9.110.3.6 Any loss or costs arising from the application of rule 9.110.3 will be recovered by the Settlement Authority from the clearing member;
- 9.110.3.7 The clearing member shall, in the first instance, recover any loss or cost referred to in rule 9.110.3.6 from any margin provided to the clearing member by the relevant trading member in respect of the relevant trading member's proprietary positions in bonds;
- 9.110.3.8 Any loss or costs not recovered by the clearing member in terms of rule 9.110.3.7 shall be claimed by the clearing member from the relevant trading member;
- 9.110.3.9 In claiming any loss or costs from the relevant trading member in terms of rule 9.110.3.8, any such loss or costs which were incurred by the Settlement Authority in either settling or closing out transactions in bonds by the relevant trading member on behalf of a client may, in the first instance, be recovered by the clearing member from any margin provided by such client in respect of bonds positions; and
- 9.110.3.10 In the event that the margin referred to in rule 9.110.3.9 is insufficient to cover any loss or costs associated with the settling or closing out of a client's transactions in bonds, the clearing member may, notwithstanding its claim for such a shortfall from the relevant trading member in terms of rule 9.110.3.8, claim the shortfall from the client.]
- [9.110.4 The clearing member of a trading member who is the subject of an application for provisional or final sequestration and a request by the trading member's settlement agent for the lifting of settlement commitments, as referred to in rule 9.110.1, is entitled to apply the following provisions upon notification by the Settlement Authority of the granting of such a request to the settlement agent:
- 9.110.4.1 The clearing member may close out proprietary positions held by the trading member in futures and option contracts through the Yield-X trading system following the notification by the Settlement Authority, in order to mitigate the risk to the clearing member arising out of its obligations to SAFCOM and the Settlement Authority in respect of the relevant futures and option contracts and unsettled bonds transactions; and
- 9.110.4.2 Any profits realised on the closing out of positions in futures and option contracts in terms of rule 9.110.4.1 may be offset by the clearing member against any amounts owed by the trading member to the clearing member in respect of any actions taken by the Settlement Authority in terms of rule 9.110.3.]
- [9.110.5 The application of rule 9.110.4 by the clearing member will be subject to whether the trading member is declared to be in default in terms of rule 11.10 during the period between the Settlement Authority notifying the clearing member in terms of rule 9.110.4 and the closing out of the relevant futures and option contract positions. In the event that the trading member defaults during this period, the default provisions in rule 11.40 shall immediately apply.]
- [9.110.6 In the event that a trading member is the subject of an application for provisional or final sequestration and a request by the trading member's settlement agent for the lifting of settlement commitments, as referred to in rule 9.110.1, and defaults on their obligations to their clearing member in respect of futures and option contract positions -



- 9.110.6.1 the Settlement Authority, on receipt of a request from the relevant clearing member and subject to the clearing member or the Settlement Authority being able to borrow the relevant bonds on behalf of the clearing member, will have the right to request the settlement agent of the trading member to lift any or all settlement commitments on unsettled proprietary bonds transactions of such trading member which the settlement agent has not lifted;
- 9.110.6.2 the Settlement Authority will transfer such unsettled proprietary bonds transactions from the trading member to the clearing member and the clearing member may close out such transactions through the Yield-X trading system, in order to mitigate the risk to the clearing member arising out of its obligations to SAFCOM and the Settlement Authority in respect of the relevant futures and option contracts and unsettled bonds transactions;
- 9.110.6.3 any profits realised on the closing out of the proprietary bonds transactions in terms of rule 9.110.6.2 may be offset by the clearing member against any amounts owed by the trading member to the clearing member in respect of the futures and option contract positions; and
- 9.110.6.4 the clearing member will claim any resultant shortfall after applying the offset referred to in rule 9.110.6.3 from the trading member and any resultant surplus after applying the offset referred to in rule 9.110.6.3 will be due by the clearing member to the trading member.
- [9.110.7 This rule 9.110 shall be binding on SAFCOM, clearing members, trading members, member settled clients and settlement agents acting on behalf of trading members. In the event that the application to court requesting the provisional or final sequestration of the trading member is not successful, such trading member will have no recourse against the JSE, SAFCOM or the clearing member acting on behalf of the trading member for any action taken by those persons in terms of this rule 9.110. ]
- [9.110.8 The Settlement Authority will have the right to advise other markets and exchanges in the event of it becoming aware in terms of rule 9.110.1 of an application for the provisional or final sequestration of a trading member being made.]
- 9.115 [Obligations in the event of an application for the provisional or final sequestration of a non-member settled client] Reserved
- [9.115.1 At the discretion of the Settlement Authority, in consultation with the relevant settlement agent and clearing member, the lifting of settlement commitments by a settlement agent on net bonds transactions will be permitted after 12h00 on the second business day after the trade date and prior to settlement on settlement day, if an application for the provisional or final sequestration of a non-member settled client on whose behalf the commitment was given has been made or is about to be made to court. The settlement agent who requests the Settlement Authority to allow it to lift its settlement commitment must confirm in writing that such non-member settled client is in the process of being placed in provisional or final liquidation. A copy of the application, stamped by the court, is to be lodged with the Settlement Authority by the settlement agent who requested permission to lift its settlement commitment within two business days of the request.]
- [9.115.2 The settlement agent who has been given permission to lift a settlement commitment in terms of rule 9.115.1 may be required by the Settlement Authority to lift their settlement commitment on all bonds transactions entered into by the relevant non-member settled client, which have been committed to by the settlement agent but have not yet settled.]
- [9.115.3 If a settlement commitment is lifted in terms of rule 9.115.1 or 9.115.2, the transactions making up the net settlement of the relevant non-member settled client will be declared by the Settlement Authority to be failed trades and dealt with in accordance with the instructions received from the Settlement Authority in terms of rule 9.130.]
- [9.115.4 The trading member of a non-member settled client who is the subject of an application for provisional or final sequestration and a request by the non-member settled client's settlement



agent for the lifting of settlement commitments, as referred to in rule 9.115.1, is entitled to apply the default provisions in rule 11.30.]

[9.115.5 In the event that a non-member settled client of a trading member is the subject of an application for provisional or final sequestration and a request by the non-member settled client's settlement agent for the lifting of settlement commitments, as referred to in rule 9.115.1, and defaults on their obligations to their trading member in respect of futures and option contract positions -

9.115.5.1 the Settlement Authority, on receipt of a request from the relevant trading member and subject to the trading member or the Settlement Authority being able to borrow the relevant bonds on behalf of the trading member, will have the right to request the settlement agent of the non-member settled client to lift any or all settlement commitments on unsettled bonds transactions of such client which the settlement agent has not lifted;

9.115.5.2 the Settlement Authority will transfer such unsettled bonds transactions from the non-member settled client to the trading member and the trading member may close out such transactions through the Yield-X trading system, in order to mitigate the risk to the trading member arising out of its obligations to its clearing member and the Settlement Authority in respect of the relevant futures and option contracts and unsettled bonds transactions respectively;

9.115.5.3 any profits realised on the closing out of the bonds transactions in terms of rule 9.115.5.2 may be offset by the trading member against any amounts owed by the non-member settled client to the trading member in respect of the futures and option contract positions; and

9.115.5.4 the trading member will claim any resultant shortfall after applying the offset referred to in rule 9.115.5.3 from the non-member settled client and any resultant surplus after applying the offset referred to in rule 9.115.5.3 will be due by the trading member to the non-member settled client.

[9.115.6 This rule 9.115 shall be binding on SAFCOM, clearing members, trading members, non-member settled clients and settlement agents acting on behalf of non-member settled clients. In the event that the application to court requesting the provisional or final sequestration of the non-member settled client is not successful, such non-member settled client will have no recourse against the JSE, SAFCOM, the clearing member acting on behalf of the trading member or the trading member acting on behalf of the non-member settled client for any action taken by those persons in terms of this rule 9.115.]

[9.115.7 The Settlement Authority will have the right to advise other markets and exchanges in the event of it becoming aware in terms of rule 9.115.1 of an application for the provisional or final sequestration of a non-member settled client being made.]

#### 9.120 Margin on bond[s trades] transactions

9.120.1 Clearing members shall be required to provide margin to SAFCOM as follows in respect of unsettled trades in bonds which are cleared by SAFCOM in terms of rule 8.20.1-

9.120.1.1 [initial margin and] settlement margin shall be payable by a clearing member before 12h00 on the business day after the original trade in respect of the clearing member's proprietary positions, the positions of its clients, the positions of trading members with which it has entered into clearing agreements and the positions of clients of such trading members;

9.120.1.2 top-up margin shall be payable by a clearing member before 12h00 on the second business day after the original trade in respect of the clearing member's proprietary positions, the positions of its clients, the positions of trading members with which it has entered into clearing agreements and the positions of clients of such trading members.

**9.125 Rolling of settlement**

- 9.125.1 The rolling of settlement will be carried out in the following manner:
- 9.125.1.1 The Settlement Authority will obtain a list of the settlements excluded for settlement by the CSDPs, which will include the failed trade leg as well as the opposite trade leg;
- 9.125.1.2 The Settlement Authority will advise the failing and non-failing trading members that the transaction will be rolled to a revised settlement date determined by the Settlement Authority;
- 9.125.1.3 The failing and non-failing trading members will be instructed to re-book the original transaction for settlement on the revised settlement date.
- 9.125.2 If settlement does not take place on the revised settlement date, the transaction may, at the discretion of the Settlement Authority, either be rolled to another revised settlement date, under exceptional circumstances, or be declared to be a failed trade, and the affected trading members must act in accordance with the instructions received from the Settlement Authority in terms of rule 9.130 or rule 9.135.
- 9.125.3 The failing trading member or non-failing trading 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 any expenses incurred or income foregone by the member or the client as a consequence of the rolling of settlement, including interest.
- 9.125.4 The non-failing trading member shall in respect of a reported transaction, claim any losses and compensation resulting from the rolling of settlement from the failing trading member. Failure by the failing trading member to pay such funds shall be in contravention of these rules and directives, and may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.
- 9.125.5 In the case of transactions which are cleared by SAFCOM in terms of rule 8.20.1, 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.

**9.130 Failed trade[s] procedure applicable to trades cleared by SAFCOM**

- 9.130.1 A failed trade arising out of a transaction which is cleared by SAFCOM in terms of rule 8.20.1, shall be dealt with in the following manner-
- 9.130.1.1 the Settlement Authority will obtain a list of the settlements excluded for settlement by the CSDPs, which will include the failed trade leg as well as the opposite trade leg [shall match a failed trade against a single equal but opposite transaction which is a terminating transaction];
- 9.130.1.2 [if there is no transaction, or more than one transaction, of the type referred to in rule 9.130.1.1, the Settlement Authority shall, in terms of the failed trade procedures as set out in the directives, select such transactions, the failing of which will be least disruptive to settlement agent, members and clients;] Reserved;
- 9.130.1.3 the transactions selected in terms of rule[s] 9.130.1.1 [or 9.130.1.2] shall be closed at a price to be determined by the Settlement Authority in accordance with principles set out in the directives. This price may differ from the original transaction price and will include compensation for the trading members or clients whose transactions are being closed;
- 9.130.1.4 ...

**9.135 Failed trade procedure applicable to reported transactions not cleared by SAFCOM**

- 9.135.1 A failed trade arising out of a reported transaction not cleared by SAFCOM shall be dealt with in the following manner:
- 9.135.1.1 the Settlement Authority will obtain a list of the settlements excluded for settlement by the CSDPs, which will include the failed trade leg as well as the opposite trade leg;
- 9.135.1.2 the transactions selected in terms of rule 9.135.1.1 shall be closed at a price to be determined by the Settlement Authority in accordance with principles set out in the directives. This price may differ from the original transaction price and will include compensation for the trading members or clients whose transactions are being closed;

9.135.1.3 the non-failing trading member shall claim any losses and compensation resulting from the close out of the transaction from the failing trading member. Failure by the failing trading member to pay such funds shall be in contravention of these rules and directives, and may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.

#### **9.160 Carry and repurchase transactions in bonds to prevent a trade from failing**

9.160.1 In the event that a trading member -

9.160.1.1 ...

9.160.1.2 ...

9.160.1.3 ...

the Settlement Authority will endeavour to enter into a carry or repurchase transaction, as agent, on behalf of the trading member or client as undisclosed principal, as required by the trading member or client to comply with its obligations to settle the transaction.

9.160.2 The arrangement whereby the Settlement Authority facilitates a carry or repurchase transaction as contemplated in rule 9.160.1 shall be on the terms and conditions set out in the directives.

9.160.3 A client must pay any costs that may be incurred in relation to a carry or repurchase transaction in bonds to effect settlement and any penalty imposed on the trading member by the Settlement Authority as set out in the directives, where the client failed to meet his obligations to settle the transaction.

9.160.4 Failure by a trading member or a client to -

9.160.4.1 provide margin required for the carry or repurchase transaction; or

9.160.4.2 timeously settle the carry or repurchase transaction,

in contravention of the Yield-X rules and directives may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10 or 11.20 respectively.

### **Section 10: Conduct of business**

#### **10.30 Telephone recordings**

10.30.6 Tape-recordings contemplated in [this] rule 10.30.2 shall be [kept in safe custody] retained by the trading member for a period of at least 14 days.

#### **10.90 Trading members' control of client holdings in STRATE settled bonds**

10.90.4 Any arrangements entered into between a client and a trading member whereby the member exercises control over the client's bonds holdings, shall be provided for in [a written mandate] the client agreement that shall contain the minimum requirements as [prescribed] set out in Directive DD [in the directives].

#### **10.120 Margin payable**

The initial margin [or], settlement margin or top-up margin payable with respect to the open futures and option contract positions or unsettled bonds positions, as the case may be, of a non-resident or emigrant client shall be the initial margin [or], settlement margin or top-up margin that would otherwise have been payable by or to a member or a resident client in relation to equivalent positions, adjusted by the margin category assigned by the member in question to the non-resident or emigrant client, and a trading member may not hold any retained or additional margins in relation to the positions of any non-resident or emigrant client.

**10.130 Settlements**

10.130.1 With respect to his open futures and option contract positions or unsettled bonds positions a non-resident client shall pay from his non-resident account to, or receive into his non-resident account from, or an emigrant client shall pay from his emigrant's blocked account to, or receive into his emigrant's blocked account from, the client trust account of the trading member with whom he traded to open such positions, the net amount of the initial margin, settlement margin, variation margin and top-up margin: Provided that—

10.130.1.1 the initial margin [or], settlement margin or top-up margin to be paid in terms of this rule 10.130.1 shall be the initial margin [or], settlement margin or top-up margin that would otherwise be required to be paid to SAFCOM in respect of equivalent positions of a trading member or a resident client adjusted by the margin category assigned by the trading member to the non-resident or emigrant client in question;

10.130.1.2 ...

**10.140 Trading, clearing and settlement fees**

[In terms of rule 8.70 the] [t]The trading member shall be entitled in terms of rule 8.70.3 to claim payment for trading, clearing and settlement fees in respect of transactions with a non-resident or emigrant client [for payment by] from the authorised bank concerned [from] out of that non-resident client's non-resident account or, in the case of an emigrant client, [from] out of the emigrant client's [emigrant's] blocked account [to the trading member]: Provided that –

10.140.1 ...

**10.160 Authority to manage investments in Yield-X securities**

All trading members are authorised to manage investments comprising Yield-X securities: Provided that they comply with the provisions of this rule, and all other applicable Yield-X rules, and undertake such management in compliance with the [prescribed] client agreement referred to in rule 7.80.1. This rule shall, however, not apply to a trading member if the member is a bank or if the majority of such trading member's intermediary services do not relate to trading in JSE listed securities as an authorised user of any of the JSE markets. Such a trading member shall be required to obtain a licence to operate as a financial services provider in terms of the FAIS Act in respect of any advice or intermediary services which it provides to clients relating to Yield-X securities, and the relevant provisions of that Act shall apply to such advice or intermediary services.

**10.170 Trading as an investment manager in Yield-X securities**

10.170.1 A trading member may not trade as an investment manager in Yield-X securities for or on behalf of a client unless it has concluded a discretionary client agreement with the client and the client has been registered with the JSE [SAFCOM] as a client of that member in terms of rule 7.80.2.

**10.180 Management and investment advice in respect of JSE authorised investments other than Yield-X securities**

10.180.1 ...

10.180.2 ...

10.180.3 The provisions of rules 10.180.4 to 10.180.13 shall not apply to a trading member in respect of transactions in JSE authorised investments other than Yield-X securities where such transactions relate to securities listed on an exchange other than the JSE, [including the Bond Exchange of South Africa,] and where such transactions are conducted as an authorised user of such exchange. Such transactions will instead be subject to the rules of the relevant exchange.

**10.220 Code of conduct**

10.220.9 Internal resources and risk management

A member shall employ effectively the resources and procedures that are necessary for the proper performance of its business activities and to eliminate, as far as [if] is reasonably possible, the risk that clients will suffer financial loss through theft, fraud, other dishonest acts, poor administration, negligence, professional misconduct or culpable omissions. It shall organise and control its internal affairs in a

reasonable manner and keep proper records. Its staff shall be suitable, adequately trained and properly supervised.

#### Defaults: Section 11

##### 11.30 Consequences of default by a client

Without limiting or detracting from any other remedies and rights which a trading member may have against a client, in the event of default by a client –

11.30.1 ...

11.30.2 ...

11.30.3 ...

11.30.4 the closing of transactions of the defaulting client in STRATE settled bonds shall be dealt with as follows:

11.30.4.1 The trading member shall use its best endeavours to procure that all open transactions of the defaulter that are guaranteed by the trading member in terms of rule [7.30.3.1] 9.15.1 are settled, by taking such steps as may reasonably be necessary; and

11.30.4.2 If the trading member is unable to procure the settlement of any open transactions to which rule [7.30.3.1] 9.15.1 applies, the failed trade procedures set out in rule 9.130 or rule 9.135 will be applied;

11.30.5 ...

11.30.6 any amount payable by the trading member in terms of rules 11.30.3, 11.30.4 or 11.30.5 will be set-off against any of the obligations of the client in terms of these default rules, and any shortfall remaining after the application of this rule 11.30 shall be recovered from the client and any surplus shall be paid to the client.

##### 11.40 Consequences of default by a trading member

11.40.1 Without limiting or detracting from any other remedies and rights which a member or client may have against a trading member, in the event of default by a trading member –

11.40.1.1 ...

11.40.1.4 the closing of transactions of the defaulting trading member in STRATE settled bonds shall be dealt with as follows:

11.40.1.4.1 ...

11.40.1.4.5 If the Settlement Authority is unable to procure the settlement of any open transactions to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply, the failed trade procedures set out in rule 9.130 or rule 9.135 will be applied;

##### 11.50 Consequences of default by a clearing member

Without limiting or detracting from any other remedies and rights which a trading member or client or SAFCOM may have against a clearing member, in the event of default by a clearing member –

11.50.1 ...

11.50.2 SAFCOM shall open a separate trust account with a bank (hereinafter referred to as the "trust account"), into which shall be paid all margin due and payable, the proceeds from the suretyship referred to in rule [3.40.7] 3.40.8 and any other monies or securities held by SAFCOM in favour of or on behalf of or for the account of the clearing member;

11.50.3 SAFCOM shall manage the trust account and all the affairs of the clearing member arising from and relating to its membership of the JSE and –



- 11.50.3.1 ...
- 11.50.3.2 shall assume control of all assets held or administered by the clearing member, close out all futures and options contract positions of the clearing member, and all unsettled bond transactions of the clearing member through SAFCOM, at the best price it can obtain when, in its sole discretion, it so decides;
- 11.50.3.4 ...
- 11.50.3.5 **[if a shortfall remains after rule 11.50.3.4 has been applied, any JSE shares owned by the clearing member may be sold by the JSE and the proceeds utilised towards settlement of any such shortfall;] Reserved;**
- 11.50.3.6 any shortfall remaining after the application of rule[s] 11.50.3.4 **[and 11.50.3.5]** shall be recovered from the clearing member and any surplus shall be paid to the clearing member; and
- 11.50.3.7 ...

#### **11.60 Settlement Defaults and the Guarantee Fund**

- 11.60.1 The Guarantee Fund shall be maintained and be made available primarily for the purpose of-
  - 11.60.1.1 paying compensation to a trading member or a client as a result of a settlement default by a trading member arising out of a transaction in bonds; and
  - 11.60.1.2 facilitating settlement of a transaction in bonds to avoid an imminent settlement default by a trading member,

provided the relevant bond transaction was not executed on the central order book or has not been accepted for risk management purposes as contemplated in these rules.
- 11.60.2 The Guarantee Fund may also be utilised, subject to rule 11.60.6.1, for the purpose of reducing the risk of claims or the quantum of claims against the Guarantee Fund.
- 11.60.3 For the purpose of these rules, a settlement default refers to the failure by a trading member to pay any amounts claimed by another member or a client in terms of the failed trade procedures in rule 9.135.
- 11.60.4 The JSE shall determine the amount of funds which it recommends the Guarantee Fund should have available and the amount to be reserved exclusively for settlement defaults (the "exclusive funds"). The exclusive funds shall at no time be less than R30 million.
- 11.60.5 The exclusive funds shall be reserved exclusively, on the further terms and conditions of these rules, for-
  - 11.60.5.1 compensating claimants for settlement defaults;
  - 11.60.5.2 compensating any person (other than the trading member or client who is at risk of defaulting) who, at the request of the Settlement Authority, takes any action to facilitate settlement to avoid an imminent settlement default; and
  - 11.60.5.3 insuring the Guarantee Fund against any claims contemplated in rule 11.60.5.1.
- 11.60.6 To the extent that the total funds in the Guarantee Fund exceed the exclusive funds, the excess portion (the "excess funds") may be distributed as follows by the trustees in their sole discretion:
  - 11.60.6.1 in consultation with the Registrar, to any person that the trustees consider will use the funds so distributed to them in order to attempt to reduce the risk of claims being made at all, or reducing the quantum of claims made, pursuant to a settlement default; or
  - 11.60.6.2 for the purposes contemplated in rule 11.60.5.



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- 11.60.7 Upon declaration by the Settlement Authority of a settlement default by a trading member, the Settlement Authority must -
- 11.60.7.1 determine the defaulting trading member's net settlement obligations and other open positions of the defaulting trading member in respect of each bond transaction;
  - 11.60.7.2 determine a list of potential claimants;
  - 11.60.7.3 inform the controlling body and the trustees;
  - 11.60.7.4 lodge a claim with the trustees on behalf of a trading member or a client or any other party who has suffered a loss and who is a beneficiary under the Guarantee Fund; and
  - 11.60.7.5 pay over to the relevant claimant any such payment received from the Guarantee Fund in respect of such claim.
- 11.60.8 The Settlement Authority may lodge a claim with the trustees provided the claimant has submitted copies of the claim to the Settlement Authority in writing which must include -
- 11.60.8.1 full details of the amount claimed as computed in terms of the failed trade principles and procedures in rule 9.135 and directive EG; and
  - 11.60.8.2 any further evidence that the Settlement Authority or the trustees may require.
- 11.60.9 Failure by a claimant to comply within a reasonable period with any requirements of the Guarantee Fund or the JSE, or any requirement in these rules is grounds upon which the trustees may reject the claim.
- 11.60.10 Payment of any amount may only be made by the trustees against a valid out and out cession to the Guarantee Fund by the claimant in respect of claims against the defaulting trading member. In this regard, the claimant in question shall be deemed to have ceded the claim in question to the Guarantee Fund on the Guarantee Fund making the aforesaid payment.
- 11.60.11 The aggregate of all payments made by the Guarantee Fund pursuant to a settlement default shall not exceed the amount available from the exclusive funds, unless otherwise determined by the trustees.
- 11.60.12 All claims must be met on a pro rata basis in proportion to the total claims by all members and clients lodging claims in respect of a settlement default.
- 11.60.13 Payment of claims accepted by the trustees must be paid to the JSE and the trustees must receive an acknowledgement of receipt of payment from the claimant once the JSE has paid over the relevant amount to the claimant.
- 11.60.14 Payment must be effected by cheque or electronic transfer of funds to a nominated account held at a registered bank of the relevant claimant.
- 11.60.15 All claims lodged pursuant to this rule 11.60 must be lodged against the Guarantee Fund and no trading member or client may have any claim against the trustees or the JSE.
- 11.60.16 Except for trading members who only execute transactions on a name give-up basis, all trading members who execute reported transactions in bonds must contribute to the Guarantee Fund an amount determined by the JSE in accordance with rule 1.130.1.2.
- 11.60.17 Any contribution made by a member towards the Guarantee Fund shall have no impact on the quantum of claims to which the trading member may be entitled from the Guarantee Fund.
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