

## NOTICE 39 OF 2002

## STOCK EXCHANGES CONTROL ACT, 1985

## AMENDMENT OF THE RULES OF THE JSE SECURITIES EXCHANGE SOUTH AFRICA

1. In terms of section 12 (6) of the Stock Exchanges Control Act, 1985 ( Act No. 1 of 1985), it is hereby notified that the JSE Securities Exchange South Africa has applied to the Registrar of Stock Exchanges for the approval to make amendments to its rules, as set forth in the Schedule hereto.
2. In terms of section 12 (7) of the said Act all interested persons (other than members of the Securities Exchange) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Stock Exchanges, PO Box 35655, Menlo Park, 0102, within a period of 30 days from the date of publication of this notice.

**J VAN ROOYEN**  
Registrar of Stock Exchanges

## SCHEDULE

General explanatory notes

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

## AMENDMENTS TO THE RULES OF THE JSE SECURITIES EXCHANGE SOUTH AFRICA

## 1. PROPOSED AMENDMENTS TO SECTION 2 – INTERPRETATIONS AND DEFINITIONS

<u>"after hours"</u>	<u>means before the opening auction call period and after the end of the closing auction call period and any extensions thereto and any other time that the equities market is halted or closed;</u>
<u>"asset swap"</u>	<u>means a transaction which complies with all the asset swap requirements of the South African Reserve Bank;</u>
<u>"auction call period"</u>	<u>means a period of time, during which orders for inclusion in an auction can be entered into and deleted from the order book and there is no automated trading;</u>
<u>"auction matching"</u>	<u>means the process of matching buy and sell orders according to a matching algorithm at the end of an auction call period;</u>
<u>"auction price"</u>	<u>means the price of transactions resulting from auction matching;</u>
<u>"auction trade"</u>	<u>means a transaction matched automatically in the JSE trading system during auction matching;</u>
<u>"automated trade"</u>	<u>means a transaction matched automatically in the JSE trading system during continuous trading;</u>
<u>"block trade"</u>	<u>means a transaction where a broking member (equities) trades as an agent in a single security where the transaction:</u> <ul style="list-style-type: none"> <li>- <u>has a minimum value of R5 million; and</u></li> <li>- <u>comprises at least 100% of the average daily value;</u></li> </ul>
<u>"contra trade"</u>	<u>means a transaction to correct an erroneous trade that is equal and opposite to a previously matched automated or auction trade that is</u>

<u>"corporate finance transaction"</u>	<p>entered on the same business day as the original trade; means a transaction which:</p> <ul style="list-style-type: none"> <li>- must be entered into in writing;</li> <li>- requires public notification in the press; and</li> <li>- complies with the requirements of transaction categories 1 or 2 or 3 of Section 9 of the Listing Requirements of the JSE;</li> </ul>
<u>"counterparty"</u>	means a person that a broking member (equities) trades with as principal;
<u>"fill or kill"</u>	means an order submitted to the order book which may only execute in full against eligible orders or otherwise is cancelled;
<u>"foreign professional market participant"</u>	means a person who does not reside in South Africa and whose regular business is the buying and selling of securities;
<u>"JSE SETS security"</u>	means all securities traded on the JSE SETS system;
<u>"JSE systems"</u>	means any system, device or network which is operated by or on behalf of the JSE for the purpose of providing an equities market;
<u>"late trade"</u>	<p>means a transaction where a broking member (equities) trades after hours with a professional market participant, as agent or principal, in fulfilment of -</p> <ul style="list-style-type: none"> <li>- an order already entered into the JSE trading system which reflects a reasonable price at which a client wishes to trade;</li> <li>- an order received prior to the end of the closing auction call period, the price of which could only be established after the closing auction call period; or</li> <li>- an order received after hours;</li> </ul>
<u>"limit order"</u>	means an order submitted to the order book, which is held on the order book and may execute either in full or in part against eligible orders;
<u>"market order"</u>	means an order submitted to the order book during an auction call period with no price limit, which is held on the order book and may execute either in full or in part against eligible orders, at the price of a new order entered into the order book or at the reference price;
<u>"market order extension period"</u>	means an extension to an auction call period which occurs when there would be unexecuted market orders on the order book following auction matching;
<u>"member application"</u>	means any system, software or program (excluding the JSE systems) operated by a broking member (equities) which submits data to and/or receives data from any client application or JSE systems;
<u>"normal market size"</u>	means a quantity of a security as specified by the Market Controller from time to time;
<u>"off order book principal trade"</u>	<p>means a transaction where a broking member (equities) trades as a principal in a single security where the transaction:</p> <ul style="list-style-type: none"> <li>- has a minimum value of R500,000; and</li> <li>- comprises at least six times the normal market size;</li> </ul> <p>except where the transaction is with a foreign professional market participant in which case no minimum value or quantity of securities will apply;</p>
<u>"order book"</u>	means the order book operated by the JSE in which automated trades occur according to price then time priority;
<u>"order"</u>	means an instruction from a client or counterparty to buy or sell securities or an instruction to amend or cancel a prior instruction to buy or sell securities;
<u>"order entry application"</u>	<p>means any system, software or program operated by a client, counterparty or broking member (equities) which facilitates electronic submission of orders to a member application and as a minimum:</p> <ul style="list-style-type: none"> <li>- is able to ensure that the price of the order is within a defined parameter of the reference price;</li> <li>- is able to ensure that the order is within normal trading</li> </ul>

	<p>patterns for that client; and</p> <p>- complies with such other requirements as the JSE may from time to time prescribe;</p>
"portfolio"	<p>means a list of investments which</p> <p>- has a minimum value of R15 million; and</p> <p>- comprises at least 10 different securities none of which exceeds 25% of the total value of the portfolio;</p>
"portfolio transaction"	means a transaction where a broking member (equities) trades as an agent in a portfolio;
"post contra trade"	means a transaction to correct an erroneous trade that is equal and opposite to a previously matched automated or auction trade that is entered on the business day following the original trade;
"price monitoring extension period"	means an extension to an auction call period which occurs when the indicative auction price is a specified percentage or more away from the reference price;
"professional market participant"	means an investment manager approved in terms of the Act, the Financial Markets Control Act 1989 or any equivalent or replacement act or acts;
"publication"	means in relation to a transaction, the disclosure of the price and quantity of securities traded to the equities market via the JSE systems;
"reference price"	means the last auction or automated trade price, whichever is the most recent, or in the absence of a last auction and automated trade price a price as determined by the JSE;
"reported transactions"	means a transaction executed off the order book by a single broking member (equities) but excluding exercise of warrants, exercise of options and exercise of traded options transactions which may be two member trades;
"traded option"	means an option on a security, traded on the JSE;
"transaction correction"	means a message sent to the JSE trading system to correct a previously reported transaction that was reported on that or the previous business day;
"volatility auction period"	means the auction call period which occurs during automated trading when an order is entered that would execute at a price that is a percentage, as specified by the JSE Executive from time to time, or more away from the reference price;
"warrant"	means a warrant as defined in the Listing Requirements of the JSE;

## 2. PROPOSED AMENDMENTS TO SECTION 5 – TRANSACTIONS, TRADING PROCEDURES AND DISPUTES

Rule 5.50 is hereby substituted by the following rule 5.50.

### 5.50 Trading rules for JSE SETS Securities

- 5.50.1 When acting for a client in the purchase and/or sale of securities, a broking member (equities) must at all times adhere to the best execution principle taking reasonable care to obtain the result which is the best available for the client, in the equities market provided that the broking member (equities) must at all times act in accordance with the terms and conditions of the agreed mandate from the client.
- 5.50.2 All transactions in securities shall only be conducted through the JSE trading system, unless otherwise stipulated by the JSE.
- 5.50.3 A broking member (equities) may only deal as principal with a counterparty if the broking member (equities) has, prior to trading, obtained the consent of the counterparty.

- 5.50.4 A securities trader, who seeks to be registered with the JSE, must satisfy the requirements of rule 3.20 and must have obtained a pass in the securities trader examination as may be prescribed by the JSE.
- 5.50.5 The Market Controller and any one member of the JSE Executive may decide that the market in securities be closed in the event that a fair and realistic market does not exist. In this event the rules applicable to late trades shall apply. A fair and realistic market will be deemed not to exist at the discretion of the Market Controller after consideration of the percentage of broking members (equities) not able to access the JSE systems, the reasons for such lack of access and their contribution to price formation.
- 5.50.6 Notwithstanding any other provision of the rules or any directive and subject to rule 1.40, the JSE Executive, in accordance with prevailing circumstances may –
- 5.50.6.1 reduce or extend the hours of operation of the JSE trading system for any particular business day;
- 5.50.6.2 without prior notice to any person, halt or close the JSE trading system for trading at any time and for any period;
- 5.50.6.3 without prior notice to any person suspend automated trading;
- 5.50.6.4 if there has been any failure of the JSE systems, for any reason, or if JSE systems have been closed, suspended or halted, declare that a transaction effected through or by the JSE trading system is void. Such declaration shall bind a broking member (equities), a client of a broking member (equities) and a counterparty on behalf of or with whom the transaction was effected;
- 5.50.6.5 exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of the rules and directives, and as may be necessary to resolve any issue which may arise from the closure, suspension, halt or failure of the JSE systems; and
- 5.50.6.6 take such other steps as may be necessary to ensure an orderly market.
- 5.50.7 Each security will be allocated to a segment and functional sector based on trading characteristics. These trading characteristics will include volatility, liquidity, price and country of issue.
- 5.50.8 Notwithstanding any other provisions of the rules and directives –
- 5.50.8.1 the Market Controller may instruct a broking member (equities) immediately to discontinue using a member or client application; or
- 5.50.8.2 the Market Controller may restrict the usage by a broking member (equities) of any or all components of a member or client application; or
- 5.50.8.3 the Director: Surveillance or his deputy, in conjunction with the Chief Executive Officer or acting Chief Executive Officer or failing the Chief Executive Officer or acting Chief Executive Officer, the Director: Listings, may declare a trading halt in a listed security. During a trading halt no broking member (equities) may trade that listed security for the duration of the trading halt but may submit orders to and delete orders from the order book.
- 5.50.9 Broking members (equities) accessing JSE systems must at all times –

5.50.9.1 maintain and enforce appropriate security procedures which are designed to prevent unauthorised persons from having access to any JSE systems, member applications or client applications; and

5.50.9.2 have the necessary resources to ensure that any data sent to or received from JSE systems does not interfere with the efficiency and integrity of the equities market or the proper functioning of the JSE systems.

5.50.10 Trading Capacity, Orders and Trading Periods and Times

5.50.10.1 The JSE trading system shall operate on every business day according to the following standard periods and times:

5.50.10.1.1 market opening period 08h30 to 08h35;

5.50.10.1.2 opening auction call period: 08h35 to 09h00;

5.50.10.1.3 automated trading period: 09h00 to 16h50;

5.50.10.1.4 closing auction call period: 16h50 to 17h00;

5.50.10.1.5 runoff period: 17h00 to 18h00;

5.50.10.1.6 system close: 18h00;

5.50.10.1.7 intra-day auction call period for selected securities: 12h00 to 12h15.

5.50.10.2 Additional periods may occur under certain market conditions. These periods include:

5.50.10.2.1 volatility auction period;

5.50.10.2.2 market order extension period;

5.50.10.2.3 price monitoring extension period;

where up to a maximum of two of the auction extension periods referred to in 5.50.10.2.2 and 5.50.10.2.3 may occur after any auction call period except for after a closing auction period when there may be up to a maximum of three. In this event, the closing auction period will be extended.

5.50.10.3 Orders submitted to the JSE trading system must specify the capacity in which the member is dealing.

5.50.10.4 When an order is executed with a combination of agency and principal capacities, separate brokers notes must be issued for the agency and principal portions, clearly indicating the capacity in each case.

5.50.10.5 A broking member (equities) may not make a profit in respect of an agency transaction other than the brokerage, the amount of which must be reflected on the broker's note.

5.50.10.6 All orders received by a broking member (equities) must be recorded in price and then time priority by the broking member (equities) and be submitted to the JSE trading system in such order. Orders from clients will always be given time priority

over such broking member (equities) own account orders except where that broking member (equities) had already entered own account orders into the JSE trading system at the time that a client order was received by that broking member (equities).

5.50.10.7 Orders received by a broking member (equities) after hours will have the time priority of entry of the order into the JSE trading system.

5.50.10.8 Orders entered individually will carry their own time priority.

#### 5.50.11 Reported Transactions

5.50.11.1 Reported transactions do not have to be executed through the order book. The following transactions may validly be reported by the selling member to the JSE trading system –

5.50.11.1.1 block trades (BT);

5.50.11.1.2 asset swaps (AS);

5.50.11.1.3 corporate finance transactions (CF);

5.50.11.1.4 portfolio transactions (PF);

5.50.11.1.5 late trades (LT);

5.50.11.1.6 exercise of warrants (WX);

5.50.11.1.7 exercise of traded options (TX);

5.50.11.1.8 exercise of options (OX);

5.50.11.1.9 off order book principal trades (OP);

5.50.11.1.10 contra trades (CT);

5.50.11.1.11 post contra trades (PC); and

5.50.11.1.12 transaction corrections.

#### 5.50.11.2 Reported transactions –

5.50.11.2.1 if conducted during trading hours must immediately be reported by the broking member (equities) to the JSE trading system. Where two broking members (equities) are involved, the selling broking member (equities) must report the transaction. In addition, portfolio trades must be reported forthwith by facsimile to the Director: Surveillance;

5.50.11.2.2 if conducted after trading hours, must be reported to the JSE trading system on the next business day within 15 minutes of the commencement of the market opening period. In addition, portfolio trades must be reported by facsimile to the Director: Surveillance by no later than the next market opening period; and

5.50.11.2.3 are immediately published unless otherwise stated except for exercise of options, exercise of warrants and exercise of traded options which are not published.

#### 5.50.12 Off Order Book Principal Trades

5.50.12.1 Where an off order book principal trade is greater than R500 000 and six times the normal market size, the details of the transaction may be released for publication according to 5.50.12.2.

5.50.12.2 In the event that 80% of the risk profile of the transaction has been unwound, the details of the transaction must be immediately released for publication by the broking member (equities) and publication of the transaction will be as follows:

5.50.12.2.1 if the transaction is six times or greater than the normal market size, publication may be delayed for no longer than one business day.

#### 5.50.13 Trade Corrections

5.50.13.1 Contra and post contra trades will only be considered if -

5.50.13.1.1 the request is received by the Director: Surveillance on the same business day or by 09h00 on the business day following the erroneous trade; and

5.50.13.1.2 the quantity of shares traded exceeds 5% of the issued share capital of that security; or

5.50.13.1.3 the price entered on the order which results in the error, is 10% or more away from the previous reference price, or, if there were no trades on that business day, the previous business day's closing price.

5.50.13.2 If, in the opinion of the Director: Surveillance, an auction, automated trade or reported transaction materially impacts the integrity or transparency of the equities market, or the correctness of the statistics, the Director: Surveillance may instruct broking members (equities) to enter a contra or post contra trade or perform a transaction correction without being requested to do so by any broking members (equities) involved.

5.50.13.3 Notwithstanding any other provision of the rules or any directive, the Director: Surveillance may, where in his opinion a trade has been matched as a result of a clear error by a broking member (equities) or reported in error, grant permission to or instruct the respective broking members (equities) to execute a contra trade, a post contra trade or a transaction correction.