

BOARD NOTICE RAADSKENNISGEWING

BOARD NOTICE 78 OF 2002

FINANCIAL MARKETS CONTROL ACT, 1989 (ACT NO 55 OF 1989) AMENDMENT OF RULES OF THE JSE SECURITIES EXCHANGE SOUTH AFRICA

1. In terms of section 17(3) of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), it is hereby notified that the JSE Securities Exchange South Africa has applied to the Registrar of Financial Markets for approval of the amendments of its rules as set out in the Schedule.
2. In terms of section 17(3) of the said Act all interested persons (other than members of the JSE Securities Exchange South Africa) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Financial Markets, P O Box 35655, Menlo Park, 0102, within a period of 30 days from the date of publication of this notice.

J VAN ROOYEN
REGISTRAR OF FINANCIAL MARKETS

SCHEDULE

General explanatory note:

1. Words in bold in square brackets (**[]**) indicate deletions from existing rules.
2. Words underlined with a solid line (_____) indicate insertions in existing rules.

AMENDMENT OF THE RULES OF THE JSE SECURITIES EXCHANGE SOUTH AFRICA

1. AMENDMENT OF SECTION 7 – TRADING

7.20.2.10 a clear indication of whether in the case of an order the derivatives member shall be entitled to fill the order in more than one purchase or sale in the market and whether or not such purchases or sales are to be concluded by the derivatives member as the offeror's agent as specified in rule 7.40.2.2 or as principal, as specified in rule 7.40.2.1 [whether the contracts are to be aggregated in the derivatives member's proprietary account and bought or sold to or from it at an average price once the order has been completely filled or filled to the offeror's satisfaction].

[7.40.2 The derivatives member may trade with his client as an agent or as a principal, as specified in rule 7.20.2.7: Provided that, when trading with a client as an agent, he shall immediately before or after the trade with the client trade with another derivatives member or, in terms of rule 7.40.4, with another client at the same price, but in the opposite direction.]

7.40.2.1 A derivatives member trades as principal, as defined in these rules, with his client, by trading with his client for the member's own account and by –

7.40.2.1.1 entering the client order directly on the client account; or

7.40.2.1.2 filling the client's order by trading and aggregating the contracts in the derivatives member's client sub account before allocating to the client; or

7.40.2.1.3 employing another derivatives member to fill the client order on behalf of such member.

7.40.2.2 A derivatives member trades for his client as agent, as defined in these rules, by trading with another derivatives member or with another client and by –

7.40.2.2.1 entering the client order directly on the client account; or

- 7.40.2.2.2 filling the client's order by trading and aggregating the contracts in the derivatives member's client sub account, before allocating to the client; or
- 7.40.2.2.3 employing another derivatives member to fill the client order on behalf of such member.

7.139 ATS 4-Digit Sub Account

- 7.139.1 When bulking or aggregating client orders, or orders received from other members, members are required to use dedicated 4-digit sub accounts, as specified by the JSE, for the order entry, trading, consolidation, division or allocation of such orders and trades;
- 7.139.2 members are responsible for the time priority of allocations of the transactions in respect of which orders have been bulked;
- 7.139.3 members may not trade on the dedicated sub account for their own accounts or for any accounts in which affiliated officers have a direct or indirect beneficial interest; and
- 7.139.4 all trades on the sub account must be allocated to the relevant clients or members on the day of the trading and no positions must remain on such sub account overnight.
- 7.140.1 aggregate a number of trades that were done on the ATS by means of offers made by the derivatives member for his 4-digit sub account/s [own account] and, in terms of rule 7.150, allocate such aggregated trade to a client or other derivatives member in terms of an order from the client or other derivatives member [at a price, calculated by the ATS equal to the average price of the original trades]; or
- 7.140.2 divide a trade that was done on the ATS by means of an offer made by the derivatives member for his 4-digit sub account/s [own account] and, in terms of rule 7.150, allocate such subdivided trades to two or more clients and/or other derivatives members respectively in terms of orders from such clients or other derivatives members.
- 7.150 Trade allocation
- A derivatives member [shall] must allocate a trade that has been done on the ATS on the particular business day for his 4-digit sub account/s [the account of the derivatives member] to a client or another derivatives member –
- 7.150.1 [when the derivatives member acts as principal in terms of the order from a client or] pursuant to a tripartite agreement that was executed by means of an offer made on the ATS by the derivatives member for his [own] 4-digit sub account;
- 7.150.3 [when a derivatives member trades with another derivatives member] as a result of an order from the other derivatives member which has been executed on his behalf by means of the offer on the ATS: Provided that:

2. **AMENDMENT OF SECTION 9 – NON-RESIDENT AND EMIGRANT CLIENTS**

- 9.30.1 With respect to his 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 derivatives member with whom he traded to open such positions, the net amount of the initial margin referred to in rule 8.60.1 and the variation margin referred to in rule 8.60.2: Provided that –...
- 9.30.2 With respect to his 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 derivatives member with which he traded to open such positions the variation margin referred to in rule 8.90.9.

3. **AMENDMENT OF SECTION 11 – MANAGEMENT OF DERIVATIVES MEMBERS' AND CLIENTS' FUNDS**

- 11.40.1 A derivatives member shall keep a separate trust account with a bank into which he shall deposit [all additional and retained margin held by him with respect to his resident clients and he shall at all times keep records that shall show the amount held in respect of each client with respect to additional margin and with respect to retained margin] directly or ensure the direct deposit of all client money either held or received by him

and he shall at all times keep updated records that must show the amounts held in trust, received into trust or paid out from trust in respect of each client and he shall at all times ensure that the correct amount of additional margin as required in terms of the relevant client agreement is held in respect of each client's positions.

- 11.40.2 Other than in respect of the payment for fees and services rendered, a derivatives member must at all times ensure that there is no deposit or receipt of client funds into his own proprietary account.

4. AMENDMENT OF SECTION 12 – DEFAULTS

- 12.30.6.3 where the clearing member (derivatives) previously had a client agreement with the client of the non-clearing member (derivatives), such positions and obligations and subsequent trades shall be subject to that agreement[.];

- 12.30.6.4 the JSE must on request provide the clearing member with the registration and contact details of the clients of a defaulting member as supplied to the JSE; and

- 12.30.6.5 on the default of a non-clearing member, the clearing member must immediately inform the clients of such defaulting member of the default and make arrangements for the transfer of existing client positions to the broking division of the clearing member or to another broking member.

5. AMENDMENT OF SECTION 15 – MANAGEMENT OF INVESTMENTS

- 15.30.2 An investment manager may not directly or indirectly buy or sell investments for or from his own account or any account in which an affiliated officer has a direct or indirect beneficial interest, from or to a client.