
GENERAL NOTICE ALGEMENE KENNISGEWING

NOTICE 1893 OF 2004

FINANCIAL MARKETS CONTROL ACT, 1989

REPEAL AND SUBSTITUTION OF RULES OF THE BOND EXCHANGE OF SOUTH AFRICA

1. In terms of section 17(3)(e) of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), it is hereby notified that the Bond Exchange of South Africa has applied to the Registrar of Financial Markets for approval of the repeal of its current rules and the substitution for those rules of the rules contained in the Schedule.
2. In terms of section 17(3)(f) of the said Act all interested persons (other than members of the Bond Exchange of 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 in the *Gazette*.

J VAN ROOYEN,
REGISTRAR OF FINANCIAL MARKETS

SCHEDULE

BOND EXCHANGE OF SOUTH AFRICA

RULES

RULES

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STATUS AND INTERPRETATION OF RULES**A1.1 Status of Rules**

- A1.1.1 The Rules constitute the founding document of the Bond Exchange and shall govern the activities and actions of the Bond Exchange.
- A1.1.2 In the event of any conflict –
- A1.1.2.1 between the Act and the Rules, the Act shall prevail;
- A1.1.2.2 between the Rules and any market association constitution, the Rules shall prevail.
- A1.1.3 Upon the approval of these Rules by the Registrar, the rules of the Bond Exchange which applied prior to the approval of these Rules, are repealed.
- A1.1.4 Anything done under any provision of the rules of the Bond Exchange repealed under rule A1.1.3, and which can be done under these Rules, is deemed to have been done under these Rules.

A1.2 Interpretation

- A1.2.1 *Interpretation and enforcement of Rules*
- A1.2.1.1 Subject to the provisions of Part C - Section 12, the interpretation and enforcement of the Rules, the directives and of any decision or determination of the governing committee shall vest in the governing committee.
- A1.2.1.2 In the Rules, unless the context otherwise indicates –
- A1.2.1.2.1 a reference to any one gender includes a reference to all other genders;
- A1.2.1.2.2 the singular includes the plural and *vice versa*; and
- A1.2.1.2.3 the heading and sub-heading of a Section or rule shall not be taken into account in the interpretation of any of the Rules.
- A1.2.2 *Structure of Rules*
- The Rules shall consist of not less than four parts –
- A1.2.2.1 General Rules;
- A1.2.2.2 Constitutional Rules;
- A1.2.2.3 Core Rules; and
- A1.2.2.4 Market Association Rules,
- which Rules shall collectively be referred to as the "Rules".

A1.2.3 *Rules binding*

A1.2.3.1 The General Rules, including any directive, decision or determination made under the General Rules, are applicable to and binding upon –

A1.2.3.1.1 the Bond Exchange, its governing committee and all officers and employees of the Bond Exchange;

A1.2.3.1.2 rightsholders;

A1.2.3.1.3 the Forum and its representatives;

A1.2.3.1.4 users and their registered officers, traders and employees involved in the management or administration of trading;

A1.2.3.1.5 the recognised clearing house; and

A1.2.3.1.6 every person utilising the services of a user or person who concludes a trade with a user in the course of that user's business.

A1.2.3.2 The General Rules create a contract between –

A1.2.3.2.1 the Bond Exchange and all rightsholders;

A1.2.3.2.2 rightsholders amongst themselves;

A1.2.3.2.3 the Bond Exchange and the Forum;

A1.2.3.2.4 the Bond Exchange and each market association;

A1.2.3.2.5 the Bond Exchange and all users;

A1.2.3.2.6 members of a market association amongst themselves; and

A1.2.3.2.7 a market association and its members.

A1.2.3.3 The Constitutional Rules, including a directive, decision or determination made under the Constitutional Rules, are applicable to and binding upon –

A1.2.3.3.1 the Bond Exchange, its governing committee and officers and employees of the Bond Exchange;

A1.2.3.3.2 rightsholders; and

A1.2.3.3.3 the Forum and its representatives.

A1.2.3.4 The Constitutional Rules create a contract between –

A1.2.3.4.1 the Bond Exchange and rightsholders;

A1.2.3.4.2 rightsholders amongst themselves; and

- A1.2.3.4.3 the Bond Exchange and the Forum.
- A1.2.3.5 The Core Rules, including a directive, decision or determination made under the Core Rules, are applicable to and binding upon –
 - A1.2.3.5.1 the Bond Exchange, its governing committee and officers and employees of the Bond Exchange;
 - A1.2.3.5.2 users and their registered officers, traders and employees involved in the management or administration of trading; and
 - A1.2.3.5.3 every person utilising the services of a user or person who concludes a trade with a user in the course of that user's business.
- A1.2.3.6 The Core Rules create a contract between –
 - A1.2.3.6.1 the Bond Exchange and each market association;
 - A1.2.3.6.2 the Bond Exchange and all users;
 - A1.2.3.6.3 members of a particular market association amongst themselves; and
 - A1.2.3.6.4 a particular market association and its members.
- A1.2.3.7 The Market Association Rules of a particular market association established in terms of the Core Rules, including any directive, decision or determination made under the relevant Market Association Rules, are applicable to and binding upon –
 - A1.2.3.7.1 the Bond Exchange, its governing committee and officers and employees of the Bond Exchange;
 - A1.2.3.7.2 users, admitted as members of that particular market association, and their registered officers, traders and employees involved in the management or administration of trading;
 - A1.2.3.7.3 a recognised clearing house to the extent applicable;
 - A1.2.3.7.4 settlement agents to the extent applicable; and
 - A1.2.3.7.5 every person utilising the services of a user or person who concludes a trade with a user in the course of that user's business, where the user is a member of that particular market association.
- A1.2.3.8 The Market Association Rules of a particular market association shall create a contract between –
 - A1.2.3.8.1 the Bond Exchange and that market association;

- A1.2.3.8.2 the Bond Exchange and members of that market association;
- A1.2.3.8.3 members of that market association amongst themselves; and
- A1.2.3.8.4 the market association and its members.
- A1.2.3.9 The General Rules, the Core Rules and the relevant Market Association Rules, remain binding on any past user in respect of any act or omission which occurred at a time when such past user was still a user.
- A1.2.3.10 A financial instrument trader shall ensure, by means of a written user-client agreement, that a client is made aware of and shall be bound by the General Rules, the Core Rules and the relevant Market Association Rules, including any directive, decision or determination made in terms of these Rules.
- A1.2.3.11 The governing committee must, by notice, inform a rightsholder or a user of any directive, decision or determination of the governing committee with which a rightsholder or a user must comply.
- A1.2.3.12 Despite any provision to the contrary in the Rules, every trade concluded by a user with another user or with or on behalf of a client, shall be concluded on the specific condition that the trade is entered into subject to the provisions of the Act, the General Rules, the Core Rules and the relevant Market Association Rules: Provided that every transaction note, whether in physical or electronic form, issued by a user to a client shall state that the trade to which such note relates has been concluded subject to this rule.

A1.3 Definitions

In the Rules, unless the context otherwise indicates –

- "Act" means the Financial Markets Control Act, 1989 (Act No. 55 of 1989) as amended or substituted from time to time;
- "advertise" in respect of rule C5.4, means the displaying or quoting of a price of a listed financial instrument at which the user is prepared to trade;
- "associate" means, in relation to a natural person –
 - (a) that person's spouse;
 - (b) that person's child, parent, step-child or step-parent and any spouse of such person;
 - (c) another person who has entered into an agreement or arrangement with that natural person, relating to the acquisition, holding or disposal of rights, or the exercising of the voting rights attaching to such rights;
 - (d) a juristic person whose board of directors acts in accordance with that natural person's directions or instructions;

(e) a trust controlled or administered by that person,

or in relation to any juristic person –

(a) which is a company, means, in relation to that company, any subsidiary, any holding company or ultimate holding company and any subsidiary of those holding companies, including any fellow subsidiary;

(b) which is a close corporation, registered under the Close Corporations Act, 1984 (Act No. 69 of 1984) as amended or substituted from time to time means any member thereof as defined in section 1 of that Act;

(c) which is not a company or close corporation, means another juristic person which would have been its subsidiary or holding company –

(i) had it been a company; or

(ii) in the case where that other juristic person, too, is not a company, had both it and that other juristic person been a company;

(d) any person who directs or instructs that juristic person's board of directors;

(e) another juristic person whose board of directors acts in accordance with the juristic person's directions or instructions; and

(f) includes a trust controlled or administered by that juristic person;

"annual general meeting" means an annual general meeting of rightsholders as contemplated in rule B3.9;

"binding matched trade" means a trade reported to the Bond Exchange in accordance with the provisions of rule C5.2;

"BMA" means Bond Market Association;

"Bond Exchange" means Bond Exchange of South Africa referred to in rule B1.1;

"BTA" means Bond Traders' Association referred to in rule D1.1;

"BTA member" means a user admitted to membership of the BTA;

"business day" means any day except a Saturday, Sunday or public holiday within the meaning of the Public Holidays Act, 1994 (Act No. 36 of 1994) as amended or substituted from time to time, or any other day declared by the governing committee, and approved by the Registrar, not to be a business day;

"buy and sell back trade" means an agreement between two parties in terms of which one party agrees to buy underlying assets from the other party and simultaneously agrees to sell the underlying assets back on an agreed future date at an agreed price;

"buyer"	means a buyer of a listed financial instrument in terms of a trade, and, where applicable, includes the settlement agent appointed by the buyer;
"chief executive officer"	means the person appointed by the governing committee as chief executive officer of the Bond Exchange in terms of rule B4.1.1, or the deputy or acting chief executive officer appointed in terms of rules B4.1.1 and B4.1.2 respectively;
"client"	means any person who is not a user and who trades with or through a user;
"company"	means a company incorporated under the Companies Act, 1973 (Act No. 61 of 1973) as amended or substituted from time to time;
"compliance officer"	means the officer referred to in rule C2.4 and includes an alternate compliance officer;
"Constitutional Rules"	means the rules regulating the structure, ownership, management and control of the Bond Exchange, and any matters incidental thereto, which rules are identified by the prefix "B";
"Core Rules"	means the rules stipulating the minimum requirements in respect of the business of buying and selling listed financial instruments, and any matters incidental thereto, which rules are identified by the prefix "C";
"current market value"	means the market price of the listed financial instrument at the time of settlement default by the user;
"directives"	means a determination of the governing committee as required in terms of a specific rule, which directive binds rightsholders, users or members of a particular market association, as the case may be;
"Disciplinary Tribunal"	means the Disciplinary Tribunal established by rule C12.2.1;
"equal and opposite trade"	means a trade equivalent in all respects to the original trade and which is concluded in order to reverse the effect of the original trade;
"fidelity insurance cover"	in respect of rule C2.3, means fidelity insurance cover against fraud and misappropriation carried by a user and includes any self-insurance against fraud and misappropriation by the user;
"financial instrument"	means – (a) a futures contract as defined in section 1 of the Act; (b) an option contract as defined in section 1 of the Act; (c) loan stock as defined in section 1 of the Act; or (d) any other instrument declared by the Registrar by notice in the <i>Government Gazette</i> to be a financial instrument,

- "financial instrument principal" means any person who is a member, who is not a financial instrument trader, and who is authorised in terms of the Rules to carry on the business of buying and selling listed financial instruments on his own account;
- "financial instrument trader" means any person who is a member who is authorised in terms of the Rules to carry on the business of buying and selling listed financial instruments on behalf of other persons or on his own account;
- "financial year" in relation to –
- (a) the Bond Exchange, means a year ending on the last day of December;
 - (b) a user, means a year ending on a date notified in advance in writing by the user to the Bond Exchange;
- "fixed time" means the specific time of day as determined by the governing committee, at which the daily mark to market determination is made;
- "Forum" means the Stakeholder Forum established in terms of rule B5.1;
- "Forum constitution" means the constitution of the Forum, as amended or substituted from time to time;
- "Forum representative" means a representative appointed to the Forum in terms of rule B5.2;
- "general meeting" means a general meeting of rightsholders as contemplated in rule B3.9 or a general meeting of users or of members of a particular market association as contemplated in rule C1.3, as the case may be;
- "General Rules" means the rules setting out definitions and matters incidental thereto, which rules are identified by the prefix "A";
- "governing committee" means the executive authority of the Bond Exchange appointed in terms of rule B3.2 and which committee succeeds the executive committee (the executive authority which managed and controlled the affairs of the Bond Exchange prior to the date of approval of these Rules);
- "governing committee member" means a person appointed to the governing committee in terms of rule B3.2;
- "institutional investor" means any institutional investment manager, institutional fund or entity that –
- (a) invests in listed financial instruments;
 - (b) manages funds with a value in excess of the minimum prescribed value determined by the Forum from time to time;
- "issuer" means any issuer of listed financial instruments;
- "lead exchange" means the Registrar of Banks, or a licenced exchange in the Republic of South Africa approved by the Registrar, for the purposes of monitoring compliance by a user with the financial resources requirements prescribed by the Registrar;
- "licenced exchange" means a financial exchange as defined in section 1 of the Act or a stock exchange licenced in terms of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985) as

amended from time to time or, if the Act so permits and with the approval of the Registrar, a foreign financial or other exchange;

"listed financial instruments" means financial instruments included in the list of financial instruments kept by the governing committee;

"loss" means the adverse financial position arising from the difference between the agreed price of the original trade and the market value of the same trade at the time of failure by the user to meet the terms of the original trade, excluding any consequential loss;

"market association" means an association of ten or more users formed for the purpose of –

- (a) carrying on the business of a market association;
- (b) supervising the buying and selling of listed financial instruments, as identified in the particular Market Association Rules, by its members; and
- (c) representing and promoting the common interests of its members;

"market association agreement" means an agreement between the Bond Exchange and a particular market association, which regulates the terms and conditions upon which services and facilities shall be provided by the Bond Exchange to such market association, and ancillary matters;

"market association constitution" means the constitution of a particular market association;

"market association council" means the committee, which manages and controls the affairs of a particular market association, and which is appointed in accordance with the relevant market association constitution;

"market association member" means a user admitted to membership of a market association;

"Market Association Rules" means in relation to a market association, the rules of that particular market association, which regulate the buying and selling of listed financial instruments by members of that market association, and any matters incidental thereto, and which rules are identified by the prefix "D" or subsequent alpha character;

"mark to market" means the valuation by the Bond Exchange of listed financial instruments, using the ruling market prices at a fixed time on each business day;

"member" means any person who is a financial instrument trader or financial instrument principal;

"nett settlement" means the final settlement after deducting all sales from all purchases of the same financial instrument;

"notice" means a notice to a rightsholder or a user in terms of rule A2.2;

"officer" means -

	<ul style="list-style-type: none">(a) in relation to a rightsholder, a natural person registered in terms of rule B2.2.4 with the Bond Exchange as a representative officer or alternate representative officer, as the case may be;(b) in relation to a user, a natural person registered in terms of rule C2.4 with the Bond Exchange as a compliance officer, representative officer, alternate compliance officer, or alternate representative officer, as the case may be;
"ordinary proposal"	means in relation to the Forum – <ul style="list-style-type: none">(a) a proposal to amend a market association constitution; or(b) a proposal with a view to a resolution by the governing committee or a proposal with a view to a resolution by rightsholders in a general meeting, which resolution, in the opinion of the governing committee, may be or is likely to be of interest to the Forum;
"original trade"	means the trade in a listed financial instrument concluded on trade date;
"put-through"	means a trade between two clients for whom a financial instrument trader acts as an agent;
"Registrar"	means the Registrar of Financial Markets as defined in section 1 of the Act;
"representative officer"	means the officer referred to in rules B2.2.4 and C2.4 and includes an alternate representative officer;
"retransact"	means concluding a new trade to fulfil the obligations of an original trade;
"rights"	means a rightsholder's entitlement to ownership of the Bond Exchange and the number of rights held by a rightsholder indicates that rightsholder's proportionate interest in the Bond Exchange;
"rightsholder"	means a person who holds at least one right and who need not be a user nor a body corporate;
"Rules"	means all the rules of the Bond Exchange, as described in rule A1.2.2, and approved by the Registrar;
"ruling market price"	means the market price of a listed financial instrument at a fixed time on a particular business day;
"same day trade"	means a trade which is settled on trade date;
"screen"	means the electronic screen or systems designated by the governing committee which users may utilise for the purposes of trading in listed financial instruments;
"seller"	means a seller of a listed financial instrument in terms of a trade, and, where applicable, includes the settlement agent appointed by the seller;

"service provider"	means a person approved by the governing committee to provide a trading, clearing or settlement service or any other facility or service to users, on the terms and conditions set out in a service provider agreement;
"service provider agreement"	means an agreement between the Bond Exchange and a service provider which regulates the terms and conditions upon which such service provider will render certain services to the Bond Exchange or to users;
"settlement"	in respect of a trade in a listed financial instrument, means the delivery of the listed financial instrument by a seller to a buyer against the payment, giving or passing of the agreed consideration by the buyer to the seller, and "to settle" has a corresponding meaning;
"settlement agent"	means a member of the South African Automated Clearing Bureau approved by the governing committee to provide electronic settlement facilities to users;
"settlement date"	means the date of settlement of the original trade;
"special proposal"	means in relation to the Forum – (a) a proposal to amend the Rules; (b) a proposal to amend the Forum constitution; or (c) a proposal with a view to a resolution by the governing committee or a proposal with a view to a resolution by rightsholders in a general meeting, which resolution, in the opinion of the governing committee, may or is likely to affect in a material manner, any of the rights, interests, duties or obligations of the Forum;
"STRATE"	means STRATE Limited, a public company incorporated in accordance with the laws of the Republic of South Africa (registration number 1998/022242/06 and registered as a central securities depository under the Custody and Administration of Securities Act, 1992 (Act No. 85 of 1992) or any successor;
"trade"	when used as a noun, means a transaction in a listed financial instrument where at least one party to the transaction is a user and, when used as a verb, or when "trading" is referred to, will have a corresponding meaning;
"trade date"	means the date on which the original trade is concluded;
"trade date +3"	means the third business day after trade date;
"trader"	means a natural person registered in terms of rule C2.5 with the Bond Exchange as a trader.
"turnover"	means the aggregate of the daily turnover in each listed financial instrument, which turnover is the sum of the values calculated by multiplying the selling price of each trade in a particular listed financial instrument by the corresponding nominal quantity of each trade in that listed financial instrument sold on that day;

"user" means a member registered with the Bond Exchange in accordance with the provisions of Part C – Section 2, in order to carry on the business of buying and selling listed financial instruments and who also has membership of a market association recognised by the Bond Exchange.

A1.4 Amendment of Rules

A1.4.1 Proposals in respect of additions to or amendments of the Rules must be lodged in writing with the secretary for submission to the next meeting of the governing committee.

A1.4.2 For the purposes of rule A1.4.1, the parties who may propose additions or amendments are limited to –

A1.4.2.1 in respect of General Rules, a governing committee member, a rightsholder, a market association council, three or more users or the Forum;

A1.4.2.2 in respect of Constitutional Rules, a governing committee member, any rightsholder or the Forum;

A1.4.2.3 in respect of Core Rules, a governing committee member, a market association council, three or more users or the Forum; and

A1.4.2.4 in respect of any particular Market Association Rules, a governing committee member, the relevant market association council, three or more members of the relevant market association or the Forum.

A1.4.3 The governing committee must consider the proposed addition to or amendment of the Rules and must, within five days thereafter, publish its decision with regard thereto in a notice to the relevant parties referred to in rule A1.4.2.

A1.4.4 Irrespective of whether the governing committee has adopted or rejected the proposal, if within five days of the publication of the governing committee's decision in terms of rule A1.4.3 an objection in writing is received from the Forum, then the governing committee shall convene a joint sitting of the governing committee and the Forum within five days of the date upon which the objection is lodged, as contemplated in rule B5.3.

A1.4.5 Within five days of the joint sitting referred to in rule A1.4.4, the governing committee must publish the outcome of the decision made at the joint sitting in respect of the proposed amendment, in a notice to the relevant parties referred to in rule A1.4.2.

A1.4.6 Irrespective of whether an objection has been received in terms of rule A1.4.4 and irrespective of any decision referred to in rule A1.4.5, if a ballot is demanded by requisition in writing within 21 days of the publication of the governing committee's decision in terms of rule A1.4.3 –

A1.4.6.1 in respect of a proposed amendment of the General Rules, by not less than one-third of all rightsholders and one-third of all users;

A1.4.6.2 in respect of a proposed amendment of the Constitutional Rules, by not less than one-third of all rightsholders;

A1.4.6.3 in respect of a proposed amendment of the Core Rules, by not less than one-third of all users; or

A1.4.6.4 in respect of a proposed amendment of the particular Market Association Rules, by not less than one-third of all members of that particular market association,

then the governing committee must convene, as the case may be, within 14 days of the date upon which the requisition is made –

A1.4.6.5 in respect of a proposed amendment of the General Rules, a general meeting of rightsholders and users at which meeting a separate ballot of rightsholders and of users must be conducted in terms of rule B3.10;

A1.4.6.6 in respect of a proposed amendment of the Constitutional Rules, a general meeting of rightsholders at which meeting a ballot of rightsholders must be conducted in terms of rule B3.10;

A1.4.6.7 in respect of a proposed amendment of the Core Rules, a general meeting of users at which meeting a ballot of users must be conducted in terms of rule B3.10; or

A1.4.6.8 in respect of a proposed amendment of the particular Market Association Rules, a general meeting of members of that particular market association at which meeting a ballot of those members must be conducted in terms of rule B3.10.

A1.4.7 If the governing committee rejects the proposal and no ballot is demanded in terms of rule A1.4.6 or if at such a ballot a majority of votes cast by the relevant parties referred to in rule A1.4.6 are recorded against the adoption of the proposal, the proposal is rejected.

A1.4.8 If the governing committee adopts the proposal and no ballot is demanded in terms of rule A1.4.6 or if at such a ballot a majority of votes cast by the relevant parties referred to in rule A1.4.6 are recorded in favour of the proposal, the proposal is adopted.

A1.4.9 The governing committee shall submit any adopted proposal to the Registrar for his approval, which proposal is valid from the date of granting of such approval in writing.

A1.5 Waiver

No failure by the Bond Exchange to exercise, nor any delay on its part in exercising, any of its rights in whole or in part under the Rules shall operate as a waiver of the Bond Exchange's rights or remedies upon that or any subsequent occasion.

PART A - SECTION 2 GENERAL PROVISIONS

A2.1 Continued existence of Bond Exchange

A2.1.1 The Bond Exchange is for all purposes in law deemed to have assumed all the rights, powers, duties and obligations of its predecessor, the BMA, at the time when a financial market licence was issued to the Bond Exchange.

- A2.1.2 Unless otherwise determined by the governing committee, the registered office of the Bond Exchange is –

Mezzanine Level
30 Melrose Boulevard
Melrose Arch
2196

A2.2 Notices

- A2.2.1 Every rightsholder and every user must notify the governing committee of a business address, a postal address, a telefax number and an electronic mail address where notices issued by the governing committee may be delivered.

- A2.2.2 A notice to rightsholders or users issued by the governing committee must be in writing and must be transmitted via electronic mail to –

A2.2.2.1 in respect of a rightsholder, the nominated electronic mail addresses of both the representative officer and alternate representative officer appointed in terms of rule B2.2.4; and

A2.2.2.2 in respect of a user, the nominated electronic mail addresses of both the compliance officer and alternate compliance officer appointed in terms of rule C2.4,

and is deemed –

A2.2.2.3 to have been received on the date of transmission, until the contrary is proved by the rightsholder or user; and

A2.2.2.4 to be a notice in writing in terms of section 12(1) of the Electronic Communications and Transactions Act, 2002 (Act No. 25 of 2002).

- A2.2.3 Despite rule A2.2.2, a notice issued by the governing committee may also be sent to a rightsholder's or a user's business address, postal address or telefax number and such notice –

A2.2.3.1 if delivered by hand during normal business hours at a rightsholder's or user's business address referred to in rule A2.2.1, must be deemed, until the contrary is proved by the rightsholder or user, to have been received on the date of delivery; or

A2.2.3.2 if posted by pre-paid registered post from an address within the Republic of South Africa to a rightsholder's or user's postal address referred to in rule A2.2.1, is deemed, until the contrary is proved by the rightsholder or user, to have been received by no later than the seventh day after the date of posting; or

A2.2.3.3 if transmitted by telefax to a rightsholder's or user's telefax number is deemed, until the contrary is proved by the rightsholder or user, to have been received on the date of transmission.

- A2.2.4 A notice posted on the rightsholders' or users' sections of the official website of the Bond Exchange, the address of which must be notified by the governing committee to rightsholders and users from time to time, has the same effect as a notice delivered to rightsholders or users in terms of rule A2.2.2, which notice takes effect from the time that it is so posted on the official website,

unless otherwise stated in the notice, and must remain posted on such official website for a period of at least 5 business days: Provided that the validity of any such notice shall not be affected by it having been temporarily removed from the official website during the said period.

- A2.2.5 A notice to users, displayed on a reporting facility provided by the Bond Exchange, has the same effect as a notice delivered to users in terms of rule A2.2.2, which notice takes effect from the time that it is so posted on the reporting facility, unless otherwise stated in the notice, and must remain posted on such reporting facility for a period of at least 5 business days: Provided that the validity of any such notice shall not be affected by it having been temporarily removed from the reporting facility during the said period.

RULES

PART B

CONSTITUTIONAL RULES

PART B - CONSTITUTIONAL RULES

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PART B - SECTION 1
GENERAL PROVISIONS

B1.1 Name

The name of the Association is Bond Exchange of South Africa, in these Rules called Bond Exchange.

B1.2 Corporate Body

The Bond Exchange is a non-proprietary, voluntary association and, as from the date upon which it is for the first time issued with a financial market licence, a juristic person capable of –

- B1.2.1 suing or being sued in the name in which it is licenced;
- B1.2.2 acquiring, owning, burdening, hiring, letting and alienating property; and
- B1.2.3 doing such things as may be necessary for or incidental to the exercise of its powers or the carrying out of its duties in terms of the Act, the Rules and its financial market licence.

B1.3 Objects

- B1.3.1 The main object of the Bond Exchange is to carry on the business of an exchange for trading in financial instruments and not to carry on solely any other business, including, *inter alia*, ordinary trading operations in the commercial sense, speculative transactions, dividend stripping activities or the letting of property on a systematic or regular basis;
- B1.3.2 The other objects of the Bond Exchange are -

- B1.3.2.1 to carry on other related or ancillary business ;
- B1.3.2.2 to obtain and maintain a financial market licence to carry on the business of trading in financial instruments; and
- B1.3.2.3 to promote the common interests of the market associations and their respective members and good relations between –
 - B1.3.2.3.1 the Bond Exchange and the Registrar;
 - B1.3.2.3.2 the Bond Exchange and rightsholders;
 - B1.3.2.3.3 the rightsholders amongst themselves;
 - B1.3.2.3.4 the Bond Exchange and the market associations;
 - B1.3.2.3.5 the Bond Exchange and each user who is a member of a market association;
 - B1.3.2.3.6 a market association and its members;
 - B1.3.2.3.7 the members of a market association amongst themselves; and
 - B1.3.2.3.8 the members of a particular market association and their clients.

B1.4 Powers

The Bond Exchange shall have all the powers that are necessary for or incidental to the attainment or furtherance of its objects and interests, and without limiting the generality of the foregoing, the powers of the Bond Exchange are –

- B1.4.1 to make, and amend rules to comply with the provisions of the Act and generally to, control, manage and regulate the affairs of the Bond Exchange, the rightsholders, the market associations and users;
- B1.4.2 to co-operate with, amalgamate with, or transfer the whole or part of its business to any other licenced exchange whose objects are similar to those of the Bond Exchange: Provided that –
 - B1.4.2.1 such co-operation, amalgamation or transfer shall not be effected unless approved –
 - B1.4.2.1.1 at a general meeting of rightsholders, called for the specific purpose of approving such co-operation, amalgamation or transfer;
 - B1.4.2.1.2 by at least three-quarters of all the voting rights, collectively held by all rightsholders, regardless of whether such rightsholders are present in person or by proxy;
 - B1.4.2.2 the rights, powers, duties and obligations of each market association are not adversely affected by such co-operation, amalgamation or transfer; and

- B1.4.2.3 such co-operation, amalgamation or transfer may not be effected without the prior written approval of the Registrar;
- B1.4.3 to maintain an orderly market for trading in listed financial instruments;
- B1.4.4 to enter into contracts with the recognised clearing house, any service provider, or other body for the provision of services or facilities to the Bond Exchange, the market associations or any group of users;
- B1.4.5 to provide such services or facilities to users as is deemed necessary for the trading in listed financial instruments and to prescribe the fees which users or the public must pay for such services rendered or information furnished;
- B1.4.6 to render to users or the public any other service as the governing committee may determine and to prescribe the fees for such services;
- B1.4.7 to determine the manner in and conditions subject to which listed financial instrument prices and statistics must be provided to users and other persons, and to enter into contracts to regulate the distribution of such information;
- B1.4.8 to borrow money up to an amount of R20 million and to secure the repayment thereof: Provided that a general meeting of rightsholders may authorise any borrowings in excess of this amount;
- B1.4.9 to undertake and execute any trust;
- B1.4.10 to establish a pension or provident fund for its staff;
- B1.4.11 to insure itself against any loss, damage, risk or liability which it may suffer or incur; and
- B1.4.12 to invest surplus funds: Provided that such investments may only be made with financial institutions authorised by the relevant regulator under an Act of Parliament of the Republic of South Africa to do business in their respective field, including, an insurer, bank, and collective investment scheme.

B1.5 Control

Subject to rule B2.4.3.9, a person exercises control over the Bond Exchange, if that person, alone or with an associate –

- B1.5.1 holds rights in the Bond Exchange of which the total nominal value represents more than 15 percent of the nominal value of all the rights;
- B1.5.2 holds rights which entitle that person to exercise more than 15 percent of the voting rights in the Bond Exchange; or
- B1.5.3 has the power to determine the appointment of more than 15 percent of the members of the governing committee, including the power to –
- B1.5.3.1 appoint or remove without the concurrence of another person, more than 15 percent of the members of the governing committee; or
- B1.5.3.2 prevent a person from being appointed as a member of the governing committee without another person's consent.

B1.6 Dissolution

B1.6.1 If the Bond Exchange ceases to carry on the business of an exchange for trading in listed financial instruments, the rightsholders may voluntarily dissolve the Bond Exchange in accordance with the Act and subject to –

B1.6.1.1 a general meeting of rightsholders being called for the specific purpose of dissolving the Bond Exchange;

B1.6.1.2 agreement at such meeting, to voluntarily dissolve the Bond Exchange, by at least three-quarters of all the voting rights, collectively held by all rightsholders, regardless of whether such rightsholders are present in person or by proxy;

B1.6.1.3 the prior written approval of the Registrar being granted:

Provided that no voluntary dissolution of the Bond Exchange shall be effected unless and until each market association has either been –

B1.6.1.4 recognised, for the purpose of trading in listed financial instruments, by some other licenced exchange;

B1.6.1.5 granted a financial market licence by the Registrar;

B1.6.1.6 exempted by the Registrar from the applicable provisions of the Act; or

B1.6.1.7 voluntarily dissolved in terms of the relevant market association's constitution.

B1.6.2 Upon the winding-up of the Bond Exchange, whether voluntarily or by an order of the Court, the assets of the Bond Exchange remaining after the discharge of all its liabilities must be distributed to rightsholders registered with the Bond Exchange at the time of such winding-up.

B1.7 Limitation of liability

B1.7.1 The Bond Exchange, the members of its governing committee or other committees, the chief executive and other officers, and the employees of the Bond Exchange are not liable for any loss sustained by or damage caused to any person, including rightsholders and users, as a result of anything done or omitted to be done by the Bond Exchange, its recognised clearing house and their agents, contractors and employees, the members of its governing committee or other committees, and their officers and employees, the Forum, a market association, rightsholders or users in the *bona fide* or negligent, but not grossly negligent, exercise of any power or carrying out of any duty or performance of any function under or in terms of the Act, the Rules or any directive.

B1.7.2 The recognised clearing house, its agents, contractors and employees are not liable for any direct, indirect or consequential loss sustained by or damage caused to the Bond Exchange, the rightsholders or users as a result of anything done or omitted to be done by the recognised clearing house, its agents, contractors and their employees in the *bona fide* or negligent, but not grossly negligent, performance of any services in terms of any agreement entered into between the Bond Exchange and the recognised clearing house.

PART B - SECTION 2
RIGHTS

B2.1 Nature of rights

A right represents an entitlement to ownership of the Bond Exchange and each right carries one voting right at a meeting of rightsholders of the Bond Exchange.

B2.2 Privileges and obligations of rightsholders

B2.2.1 The number of rights held by a rightsholder shall indicate that rightsholder's proportionate interest in the Bond Exchange.

B2.2.2 A rightsholder must, in order to be registered as such, hold at all times at least one right.

B2.2.3 A rightsholder may –

B2.2.3.1 vote at any meeting of rightsholders of the Bond Exchange;

B2.2.3.2 participate in surplus funds or assets of the Bond Exchange on its winding-up in accordance with the Rules, but in no other circumstances.

B2.2.4 A rightsholder must notify the Bond Exchange in writing of –

B2.2.4.1 its registered name and address, and of such other contact information as may be stipulated by the governing committee; and

B2.2.4.2 the names of a representative officer and alternate representative officer who must –

B2.2.4.2.1 be full-time employees of the rightsholder;

B2.2.4.2.2 receive all rightsholder notices issued by the governing committee; and

B2.2.4.2.3 represent the rightsholder in its dealings with the Bond Exchange.

B2.2.5 Notwithstanding any other rule, the privileges and obligations of rightsholders may only be modified or abrogated with the sanction of a resolution passed by three-quarters of rightsholders present, in person or by proxy, at a general meeting of rightsholders, duly convened in terms of the Rules.

B2.3 Register of rightsholders

The governing committee must maintain and hold open for inspection by the public at its registered office a register –

B2.3.1 of all rightsholders;

B2.3.2 of all rights issued; and

B2.3.3 reflecting whether each rightsholder was the holder of an active or dormant seat on the conversion date referred to in rule B2.5.

B2.4 Creation, acquisition and transfer of rights**B2.4.1 *New rights***

B2.4.1.1 The governing committee may create and issue new rights and may attach new conditions or obligations to such rights: Provided that the privileges and obligations of existing rightsholders may not be adversely affected by such new rights.

B2.4.1.2 Rights created but not yet issued must remain under the control of the governing committee, and the voting rights inherent in such rights may not be exercised by the Bond Exchange or any other person.

B2.4.2 *Rights created through conversion scheme*

B2.4.2.1 Subject to rule B2.5, rights shall initially be held by –

B2.4.2.1.1 holders of active seats on the conversion date referred to in rule B2.5.1.1;
and

B2.4.2.1.2 holders of dormant seats on the said conversion date,

which persons are known as initial rightsholders.

B2.4.2.2 Rights may only be held by initial rightsholders and by such other persons as may be approved in advance by the governing committee and the Registrar.

B2.4.3 *Transfer of rights*

B2.4.3.1 Rights are transferable in accordance with the Rules and may only be sold or otherwise disposed of by private treaty or by public auction subject to rule B2.4.2.2.

B2.4.3.2 A rightsholder may not register in its name, a right in respect of which it is not the beneficial owner and only the registered owner may exercise a power attaching to a right.

B2.4.3.3 Subject to rule B2.4.2.2, the seller of a right must forthwith notify the secretary in writing of the sale or disposal of a right, giving the date of sale, the name of the acquiring party and the price.

B2.4.3.4 The notification referred to in rule B2.4.3.3 must be accompanied by a duly completed transfer form as prescribed by the governing committee.

B2.4.3.5 A transfer form in respect of a right must be signed by or on behalf of the transferor, and the transferor is deemed to remain the holder of such right until the name of the transferee is entered into the register of rightsholders.

B2.4.3.6 The purchaser of a right must pay the purchase price to the Bond Exchange and, after satisfaction of any lien referred to in rule B2.4.3.7, the balance of the purchase price must be paid over to the seller.

B2.4.3.7 The Bond Exchange and the Bond Exchange Guarantee Fund must, respectively, have a first and second lien on the proceeds of a sale or other disposition of a right in the event that the seller or disposer of such right is in any way indebted to the Bond Exchange or the Bond Exchange Guarantee Fund.

B2.4.3.8 Rights may not be utilised by rightsholders as security in any form whatsoever.

- B2.4.3.9 A rightsholder may not, without the prior written approval of the governing committee and the Registrar, acquire or hold, directly or indirectly, more than 15 percent of all issued rights or exercise control over the Bond Exchange.

B2.5 Conversion of seats to rights

B2.5.1 Conversion scheme

B2.5.1.1 In this rule, unless the context otherwise indicates –

- "active seat" means, in the context of the Rules approved by the Registrar on 15 May 1996, a membership seat held by a member on the conversion date;
- "conversion date" means a date, set by the governing committee, not more than 180 days after the date of approval of these Rules by the Registrar;
- "conversion member" means, in the context of the Rules approved by the Registrar on 15 May 1996, a member who holds an active seat on the conversion date.
- "conversion scheme" means the conversion scheme of the Bond Exchange which will, with effect from the conversion date, entitle –
- (a) a member to 200 rights for each active seat held on the conversion date and one additional right for each completed R10 000 of the Guarantee Fund allocation of such member on the conversion date; and
 - (b) each ex-member to 100 rights for each dormant seat held on the conversion date;
- "dormant seat" means, in the context of the Rules approved by the Registrar on 15 May 1996, a membership seat held by an ex-member who ceased to enjoy all the rights and privileges attaching to membership prior to the conversion date, but who remains registered as the holder of such seat on the conversion date;
- "ex-member" means, in the context of the Rules approved by the Registrar on 15 May 1996, a former member who holds a dormant seat on the conversion date;
- "Guarantee Fund" means, in the context of the Rules approved by the Registrar on 15 May 1996, the Guarantee Fund contemplated in section 14 of those Rules;
- "Guarantee Fund allocation" means the certified rand value of each member's notional interest in the Guarantee Fund as at the conversion date, calculated in accordance with criteria laid down by the governing committee prior to the conversion date.

B2.5.1.2 On the conversion date –

B2.5.1.2.1 a member and an ex-member will become a rightsholder;

B2.5.1.2.2 each –

(a) member will become a user if that member obtains membership of a market association on the conversion date or obtains such membership within 30 days after the conversion date;

(b) active seat will be converted into 200 rights;

(c) completed R10 000 of the Guarantee Fund allocation of each member will entitle such rightsholder to one additional right;

(d) dormant seat will be converted into 100 rights; and

B2.5.1.2.3 rightsholders shall be those persons who hold at least one right.

B2.5.2 Entitlements of dormant seat holders

B2.5.2.1 A right entitles the holder of a dormant seat on the conversion date, to –

B2.5.2.1.1 vote at any meeting of rightsholders of the Bond Exchange;

B2.5.2.1.2 participate in surplus funds or assets of the Bond Exchange on the winding-up of the Bond Exchange in accordance with the Rules, but in no other circumstances.

B2.5.2.2 An ex-member who is the holder of a dormant seat on the conversion date may not become a user by virtue of holding a dormant seat.

**PART B - SECTION 3
GOVERNANCE**

B3.1 Functions of governing committee

B3.1.1 The affairs of the Bond Exchange are managed and directed by the governing committee in accordance with the Act and the Rules.

B3.1.2 Without derogating from the generality of rule B3.1.1, the governing committee may –

B3.1.2.1 institute, bring, carry on, discontinue, or refer to arbitration or compromise, any proceedings, actions, and claims on behalf of the Bond Exchange, and defend, on behalf of the Bond Exchange, any proceedings, actions, and claims against the Bond Exchange;

B3.1.2.2 assist any rightsholder or user to institute or defend any legal proceedings; and

B3.1.2.3 defend any legal proceedings instituted against any governing committee member or any official or employee of the Bond Exchange in respect of the performance of any

function under or in terms of the Rules by such person, and to indemnify that person against costs in such legal proceedings.

- B3.1.3 The governing committee must submit, not less than 21 days before the annual general meeting, a report on its activities since the last financial year-end to the Registrar and all rightsholders.

B3.2 Appointment and composition of governing committee

B3.2.1 Composition

- B3.2.1.1 The governing committee comprises not less than 7 and not more than 11 persons, who have equal status *inter se*, and who must include -

B3.2.1.1.1 one executive member, being the chief executive officer;

B3.2.1.1.2 a minimum of 3 and a maximum of 5 non-executive governing committee members representing rightsholders; and

B3.2.1.1.3 a minimum of 3 and a maximum of 5 independent non-executive governing committee members, as described in rule B3.2.1.2.

- B3.2.1.2 An independent non-executive member of the governing committee is a non-executive governing committee member who -

B3.2.1.2.1 is independent of the executive management of the Bond Exchange;

B3.2.1.2.2 is not a full-time employee of any rightsholder or user or of any juristic person associated with a rightsholder or user;

B3.2.1.2.3 has not been employed by the Bond Exchange in any capacity in the preceding three financial years;

B3.2.1.2.4 is not a member of the immediate family of a person who is or has been employed by the Bond Exchange in the preceding three financial years;

B3.2.1.2.5 is not a professional advisor to the Bond Exchange;

B3.2.1.2.6 is not a significant supplier to or customer of the Bond Exchange;

B3.2.1.2.7 has no significant contractual relationship with the Bond Exchange; and

B3.2.1.2.8 is free from any business or other relationship which could be seen to interfere materially with the capacity to act in an independent manner.

- B3.2.1.3 The number of non-executive members referred to in rule B3.2.1.1.2 shall not exceed the number of independent non-executive members referred to in rule B3.2.1.1.3, except for so long as a casual vacancy exists.

- B3.2.1.4 No governing committee member may appoint an alternate in his stead during his absence or inability to act.
- B3.2.1.5 A governing committee member absents himself from two consecutive meetings without good cause or without the prior permission of the governing committee or its chair ceases to be a member of the governing committee.
- B3.2.1.6 No governing committee member may at the same time hold office as a member of a market association council or as a representative of the Forum.

B3.2.2 *Appointment of governing committee members*

- B3.2.2.1 At every annual general meeting, the non-executive governing committee members shall retire, and where eligible for re-election, may be nominated by the remaining governing committee members to stand for re-election by the rightsholders.
- B3.2.2.2 At every annual general meeting, at least two independent non-executive governing committee members must retire, and where eligible for re-election, may be nominated by the remaining governing committee members to stand for re-election by the rightsholders.
- B3.2.2.3 For the purposes of rule B3.2.2.2, the –
 - B3.2.2.3.1 number of independent non-executive governing committee members to retire in any year shall be determined by the governing committee; and
 - B3.2.2.3.2 independent non-executive governing committee members who must retire must be determined by lot: Provided that the longest serving governing committee members must retire first.
- B3.2.2.4 Despite rule B3.2.1, the governing committee may from time to time increase the number of governing committee members.

B3.3 **Vacancies on governing committee**

- B3.3.1 A governing committee member vacates that position if he –
 - B3.3.1.1 tenders his resignation as a governing committee member;
 - B3.3.1.2 becomes disqualified in terms of the Companies Act, 1973 (Act No. 61 of 1973) to act as a director of any company; or
 - B3.3.1.3 is declared of unsound mind.
- B3.3.2 Subject to rule B3.2.1, the governing committee may fill any casual vacancy arising on the governing committee: Provided that the governing committee member so appointed holds office for the unexpired portion of the period of office of his predecessor.
- B3.3.3 If any governing committee member resigns, the governing committee member may, at the request of the governing committee, continue to hold office and exercise all the powers of the governing committee member until the vacancy caused by his resignation has been filled –

B3.3.3.1 despite any vacancy, the remaining governing committee members may act as the governing committee and may do all things which the Rules empower the governing committee to do; or

B3.3.3.2 if all the governing committee members resign, all the powers vested in them vest in the chief executive officer, who must forthwith convene a general meeting to enable rightsholders to appoint a new governing committee.

B3.4 Liaison with other persons

A person invited by the governing committee may attend any proceedings of the governing committee and may participate in the discussions of the governing committee, but may not vote.

B3.5 Committees

B3.5.1 The governing committee may appoint one or more committees in order to deal more effectively with the business of the Bond Exchange.

B3.5.2 Committee members need not be governing committee members or representatives of rightsholders.

B3.5.3 Where no committee chair is appointed by the governing committee, the committee members must elect from among their number the chair of the committee at the first meeting of the committee after the appointment of the members of that committee.

B3.5.4 If at any committee meeting the committee chair is not available, the committee members present must elect one of their number to be the chair of that committee meeting.

B3.5.5 The secretary shall serve as secretary to any committee.

B3.5.6 At any committee meeting a quorum shall consist of a majority of committee members, unless otherwise determined by the governing committee.

B3.5.7 A committee member has one vote at any committee meeting and any matter arising at a committee meeting is decided by a majority of votes and, in the case of an equality of votes, the committee chair has a casting vote in addition to his deliberative vote.

B3.5.8 A committee member absenting himself from two consecutive meetings without good cause or without the prior permission of the committee or its chair, ceases to be a committee member.

B3.5.9 If a vacancy occurs on any committee, the committee must recommend to the governing committee some other person to be appointed by the governing committee as a committee member.

B3.6 Confidentiality

A governing committee member, or committee member appointed in terms of the Rules, must keep confidential and not publish, divulge, or make known in any manner, any information which may come to his attention in his capacity as governing committee member or committee member unless it has been otherwise agreed at the governing committee meeting or committee meeting, or unless the governing committee member has obtained the prior written consent of the chair of the governing committee.

B3.7 Reimbursement of expenses

Governing committee members are, upon making prior representation to the treasurer, entitled to reimbursement of their reasonable travelling, transport and subsistence expenses –

B3.7.1 in attending meetings of the governing committee; and

B3.7.2 in the performance of functions delegated or entrusted to them by the governing committee,

at rates determined by the governing committee.

B3.8 Office bearers**B3.8.1 Chair**

B3.8.1.1 The chair shall be an independent non-executive member of the governing committee and must be elected by the governing committee members.

B3.8.1.2 The duties of the chair are to -

B3.8.1.2.1 preside at all governing committee meetings and at general meetings of rightsholders;

B3.8.1.2.2 sign the minutes of all the meetings referred to in rule B3.8.1.2.1;

B3.8.1.2.3 represent the Bond Exchange at public functions; and

B3.8.1.2.4 make, or delegate the making of, any public announcement or address on behalf of the Bond Exchange.

B3.8.2 Deputy chair

B3.8.2.1 The deputy chair must be a member of the governing committee and must be elected by the governing committee members: Provided that no executive member of the governing committee shall serve as deputy chair.

B3.8.2.2 The duties of the deputy chair are -

B3.8.2.2.1 to deputise or act for the chair in the performance of any duties when the chair is absent or unable to act; and

B3.8.2.2.2 generally, to perform such duties as the chair may entrust to the deputy chair.

B3.8.3 Treasurer

B3.8.3.1 The governing committee must appoint a treasurer: Provided that the treasurer in office on the date of approval of these Rules by the Registrar must be the treasurer to the first governing committee.

B3.8.3.2 The duties of the treasurer are –

B3.8.3.2.1 to report, as required by the governing committee, on the financial affairs of the Bond Exchange;

B3.8.3.2.2 to act as the public officer of the Bond Exchange in its dealings with the South African Revenue Service and any other fiscal authority; and

B3.8.3.2.3 generally, to supervise the financial affairs of the Bond Exchange and to perform such other functions as may be delegated or entrusted to the treasurer by the governing committee or the chief executive officer.

B3.8.4 Secretary

B3.8.4.1 The governing committee must appoint a secretary: Provided that the secretary in office on the date of approval of these Rules by the Registrar shall be the secretary to the first governing committee.

B3.8.4.2 The duties of the secretary shall be –

B3.8.4.2.1 to supply the Registrar with all the information as may be requested;

B3.8.4.2.2 to act as secretary to the governing committee particularly with regard to the holding of meetings of the governing committee and of rightsholders, and to record the minutes of such meetings;

B3.8.4.2.3 to supply the chief executive officer with all information regarding the activities of the Bond Exchange as may be required by the chief executive officer; and

B3.8.4.2.4 generally, to perform such other functions as may be delegated or entrusted to the secretary by the governing committee or the chief executive officer.

B3.9 Meetings

B3.9.1 Governing committee meetings

B3.9.1.1 The governing committee must meet at least quarterly in any calendar year: Provided that a governing committee meeting may be convened at any time by the requisition of at least three governing committee members or by the chair.

B3.9.1.2 Notice of governing committee meetings, which must include the agenda for the meeting, must be given to each governing committee member in writing at least 5 days before the date of a meeting, or such shorter period as the chair may determine.

B3.9.1.3 If at any governing committee meeting neither the chair nor the deputy chair is available, the members present must elect one of their number to be the chair of that meeting.

- B3.9.1.4 At any governing committee meeting a quorum consists of a majority of governing committee members then in office.
- B3.9.1.5 A governing committee member has one vote at any governing committee meeting and any matter arising at a governing committee meeting must be decided by a majority of votes of governing committee members present in person and voting at the meeting and, in the case of an equality of votes, the chair has a casting vote in addition to his deliberative vote: Provided that a governing committee member absent from the meeting may convey his vote in writing to the secretary prior to the commencement of the meeting, which vote shall be taken into account in any vote on such matter.
- B3.9.1.6 Despite rules B3.9.1.1 to B3.9.1.5, decisions or determinations of the governing committee may be taken in writing if such decisions or determinations are signed by the governing committee members being not less than a quorum for a governing committee meeting: Provided that all available governing committee members were informed of the content of the decisions or determinations.
- B3.9.1.7 Where a governing committee member has a direct or indirect interest in any contract or proposed contract to be entered into by the Bond Exchange or interest in any other matter before the governing committee, the governing committee member must disclose such interest in writing to the governing committee, who must determine if the governing committee member may take part in the deliberations of the governing committee on that matter and cast any vote thereon.
- B3.9.1.8 Minutes of each meeting of the governing committee must be recorded in a minute book provided for that purpose, and shall be confirmed at the next governing committee meeting.
- B3.9.1.9 The governing committee shall record in the minute book all decisions or determinations passed at governing committee meetings.
- B3.9.1.10 Any record or extract of the minute book shall be *prima facie* evidence of the matter stated therein if it is signed by the chair of that meeting, or any person at that meeting who is authorised by the governing committee to sign in place of the chair.
- B3.9.2 *General meetings of rightsholders*
- B3.9.2.1 The annual general meeting of rightsholders must be held within six months after the end of each financial year of the Bond Exchange on such a date and at such a time and place as determined by the governing committee.
- B3.9.2.2 At an annual general meeting of rightsholders, the rightsholders must -
- B3.9.2.2.1 receive and consider the governing committee's report referred to in rule B3.1.3, and the audited annual financial statements in respect of the immediately preceding financial year of the Bond Exchange;
- B3.9.2.2.2 elect members of the governing committee; and

- B3.9.2.2.3 consider any resolution of which notice has been given in terms of the Rules.
- B3.9.2.3 The governing committee –
- B3.9.2.3.1 may at any time; or
- B3.9.2.3.2 must on the requisition of at least one third of the rightsholders at the date on which that requisition is lodged,
- convene a general meeting of rightsholders.
- B3.9.2.4 A notice convening a meeting of rightsholders must –
- B3.9.2.4.1 in the case of an annual general meeting be given to all rightsholders not less than 21 days prior to the date of such meeting;
- B3.9.2.4.2 in the case of any other general meeting be given to all rightsholders not less than 14 days prior to the date of such meeting; and
- B3.9.2.4.3 include the agenda for the meeting.
- B3.9.2.5 The non-receipt of a notice by any rightsholder shall not invalidate any resolution passed at a general meeting.
- B3.9.2.6 Notice of any resolution to be proposed at an annual general meeting not included in the agenda, shall be lodged with the secretary at least 14 days before the date fixed for that meeting, and a copy must be sent by notice by the secretary to all rightsholders at least 7 days before the date fixed for the meeting: Provided that the respective periods of 14 days and 7 days may be waived by the governing committee, subject to subsequent approval by the rightsholders at the meeting.
- B3.9.2.7 The chair of each general meeting of rightsholders must be –
- B3.9.2.7.1 the chair of the governing committee;
- B3.9.2.7.2 in his absence, the deputy chair; or
- B3.9.2.7.3 if neither the chair nor the deputy chair is available, a governing committee member elected by the rightsholders present at the meeting.
- B3.9.2.8 The chair of a general meeting of rightsholders may, with the consent of the meeting, adjourn the meeting but no business may be transacted at the reconvened meeting other than the business left unfinished at the meeting which was so adjourned: Provided that notice of the time and place of the reconvened meeting must be given to the rightsholders at least 3 days before the reconvened meeting.
- B3.9.2.9 At a general meeting of rightsholders a quorum consists of one-fifth of all the rightsholders in number, who may be present in person or represented by proxy.

- B3.9.2.10 If a quorum is not present, the meeting must be adjourned to the same day in the next week at the same time and place: Provided that if that day is not a business day then it must be adjourned to the same time on the first ensuing business day, and if at the adjourned meeting a quorum is not present the rightsholders present constitute a quorum for that meeting.
- B3.9.2.11 Voting at any general meeting must take place on a show of hands in terms of rule B3.9.2.12 or by ballot in terms of rule B3.10.
- B3.9.2.12 Where voting takes place on a show of hands, each rightsholder present in person or by proxy at a general meeting has one vote irrespective of the number of rights held by that rightsholder.
- B3.9.2.13 In the case of an equality of votes, the chair has a casting vote in addition to his deliberative vote as chair.
- B3.9.2.14 A declaration by the chair regarding the outcome of a vote, and an entry to that effect in the minutes of the proceedings of the meeting, is conclusive evidence thereof.
- B3.9.2.15 A ballot may be instituted by the chair or demanded by any rightsholder who is present and entitled to vote at any general meeting, in accordance with the provisions of rule B3.10.
- B3.9.2.16 Minutes of a general meeting must be recorded in a minute book provided for that purpose, and must be confirmed at the next general meeting.
- B3.9.2.17 Any record or extract of the minutes of a general meeting is *prima facie* evidence of the matter stated therein if it is signed by the chair of that meeting, or any person at that meeting who is authorised by the governing committee to sign in place of the chair.

B3.10 Ballot procedures and requirements

- B3.10.1 The governing committee must determine any matter in connection with the calling for a ballot which is not specifically provided for in the Rules.
- B3.10.2 Unless otherwise determined in the Rules, any resolution put to the vote by ballot must be determined by a majority of votes on the basis of one vote for every right held, irrespective of whether the rightsholders holding such rights are present in person or represented by proxy.
- B3.10.3 A notice of proxy, in the form prescribed by the governing committee, must, in order to be valid, be lodged with the secretary at the registered office not less than 48 hours before the date of the meeting.
- B3.10.4 The ballot must be held at such place and time as determined by the governing committee.
- B3.10.5 The chair of the meeting must appoint scrutineers in respect of a ballot and must declare the result of the ballot as soon as reasonably possible.

- B3.10.6 Every vote must be recorded by means of a mark on a voting paper supplied to the rightsholders for that purpose: Provided that the number of voting papers issued to a rightsholder may be no more than and no less than the number of rights held by that rightsholder, or where a single voting paper is supplied to each rightsholder, each voting paper must reflect the number of rights held by that rightsholder, but may in no other way identify the rightsholder.
- B3.10.7 Any voting paper which does not comply with this rule or with the voting instructions on the ballot paper, or which contains alterations, shall be deemed to be a spoilt paper.
- B3.10.8 As regards the election of the members of the governing committee, the number of votes which may be cast by a rightsholder in respect of each vacancy, may be no more than the number of rights held by that rightsholder.

PART B - SECTION 4
MANAGEMENT AND OPERATIONS

B4.1 Staff of the Bond Exchange

- B4.1.1 The governing committee must appoint the following persons upon such terms and conditions as the governing committee and persons agree:
- B4.1.1.1 the chief executive officer;
 - B4.1.1.2 the deputy chief executive officer;
 - B4.1.1.3 the office bearers referred to in rule B3.8; and
 - B4.1.1.4 any senior executive managers or other officials of similar standing.
- Provided that the appointed person may not enter into trades on behalf of any person or himself, and may not be associated with any user, or director, officer, trader or employee of a user without the written permission of the governing committee.
- B4.1.2 In the event of the absence or impending absence of both the chief executive officer and the deputy chief executive officer, the governing committee must appoint an acting chief executive officer to hold office in their absence, and rule B4.1.1 also applies to an acting chief executive officer but only for the period that the acting chief executive officer remains in office as such.
- B4.1.3 In performing their functions in terms of the Act and the Rules, the chief executive officer, the deputy chief executive officer and any acting chief executive officer, may perform all such further duties and functions as may be ancillary thereto.
- B4.1.4 Full or part-time officials or employees, other than the persons mentioned in rule B3.8, may be appointed to and dismissed from the Bond Exchange by the chief executive officer: Provided that any person appointed in terms of this rule may not enter into trades on behalf of any person or himself.
- B4.1.5 Such officials or employees must hold office for such period, perform such functions and receive such remuneration, as the chief executive officer may determine.
- B4.1.6 Such officials or employees may not have a direct or indirect pecuniary interest in the business of any user, other than a user which is a listed public company.

B4.2 Finances

- B4.2.1 The governing committee must cause proper accounts, books and records to be kept as are necessary to represent fairly the state of affairs of the Bond Exchange, to reflect the particulars of all monies received and disbursed, and to reflect the assets and liabilities of the Bond Exchange.
- B4.2.2 All monies collected shall be deposited into banking accounts in the name of the Bond Exchange.
- B4.2.3 Monies held in trust by the Bond Exchange must be designated as such and held in separate accounts.
- B4.2.4 Any monies of the Bond Exchange not immediately required to conduct the day-to-day affairs of the Bond Exchange may be invested by the governing committee, in the manner it deems fit from time to time, in the name of the Bond Exchange.
- B4.2.5 The financial statements of the Bond Exchange must be submitted annually for approval by an auditor appointed by the governing committee and approved by the Registrar: Provided that no member of the governing committee or official or employee of the Bond Exchange may act as auditor, or be a director, partner in, or employee of any firm which acts as auditor.
- B4.2.6 Audited annual financial statements in respect of the last completed financial year of the Bond Exchange must be issued to all rightsholders not less than 21 days before the annual general meeting pertaining to that financial year.

B4.3 Signatories

All legal and other documents which are required to be signed on behalf of the Bond Exchange, must be signed in such manner and by such persons as determined by the governing committee.

**PART B - SECTION 5
STAKEHOLDER FORUM**

B5.1 Establishment and role of the Forum

- B5.1.1 A Stakeholder Forum is hereby established, referred to in these Rules as the Forum.
- B5.1.2 The Forum is a non-proprietary, voluntary association of industry representatives of institutional investors, issuers and other persons. From the date of approval of these Rules by the Registrar, the Forum –
- B5.1.2.1 is constituted separately from Forum representatives in terms of a Forum constitution;
- B5.1.2.2 has juristic personality and perpetual succession;
- B5.1.2.3 is capable of acquiring rights, obligations and duties in law apart from those of the Forum representatives;
- B5.1.2.4 is an association in which the Forum representatives have a limited beneficial interest;
- B5.1.2.5 is an association not for gain; and

B5.1.2.6 is subject to the provisions of the Rules.

B5.1.3 For the purposes of rule B5.1.2, the reference to "other persons" includes, representatives of the National Treasury and the South African Reserve Bank.

B5.1.4 The Forum must –

B5.1.4.1 represent the interests of the Forum representatives in their relations and dealings with the Bond Exchange;

B5.1.4.2 provide a mechanism for Forum representatives to express their views on matters relating to the Bond Exchange; and

B5.1.4.3 contribute through advice and consultation to the functioning of the Bond Exchange, in a manner that advances the best interests of the Forum representatives.

B5.2 Forum constitution

B5.2.1 The Forum constitution is the founding document of the Forum and governs the functions of the Forum: Provided that if any conflict between the Forum constitution and the Rules arises, the Rules shall prevail.

B5.2.2 Subject to the Rules, the interpretation and enforcement of the Forum constitution shall vest in the Forum.

B5.2.3 The Forum constitution must –

B5.2.3.1 be adopted by agreement of the majority of the voting representatives of the Forum at the first meeting of the Forum;

B5.2.3.2 be considered and ratified by the governing committee within 14 days of the meeting referred to in rule B5.2.3.1;

B5.2.3.3 be applicable and of full force and effect from the date of ratification by the governing committee;

B5.2.3.4 be applicable to and binding upon the Forum and the Forum representatives; and

B5.2.3.5 create a contract between the Forum and the Forum representatives, and between the Forum representatives amongst themselves.

B5.2.4 The Forum constitution must give effect to rules B5.1 and B5.2.1 to B5.2.3, and must further, include provisions to the effect that –

B5.2.4.1 the Forum may sue or be sued in any court and has such powers as may be necessary or desirable to achieve its objects;

B5.2.4.2 the Forum must be comprised of voting and non-voting Forum representatives, whose number must be determined by the Forum;

- B5.2.4.3 voting Forum representatives may attend, speak and vote at any meeting of the Forum, whilst non-voting Forum representatives may attend and speak at any meeting of the Forum, but may not vote;
- B5.2.4.4 no governing committee member or market association council member may at the same time hold office as a Forum representative;
- B5.2.4.5 the first Forum shall include 4 voting Forum representatives who must be appointed by their respective associations –
 - B5.2.4.5.1 Debt Issuers' Association;
 - B5.2.4.5.2 Life Offices' Association;
 - B5.2.4.5.3 Investment Managers' Association of South Africa; and
 - B5.2.4.5.4 Association of Corporate Treasurers of South Africa;
- B5.2.4.6 the first Forum must include three non-voting Forum representatives comprising one appointed by –
 - B5.2.4.6.1 the National Treasury;
 - B5.2.4.6.2 the South African Reserve Bank; and
 - B5.2.4.6.3 the Bond Exchange;
- B5.2.4.7 the Forum shall annually, at the first meeting in every calendar year, elect a chair;
- B5.2.4.8 the Forum must meet for the despatch of business as the Forum representatives deem fit: Provided that there shall be at least two Forum meetings in any calendar year;
- B5.2.4.9 a Forum representative must be indemnified by the Forum against all actions and liabilities which he may incur or become liable for in respect of anything done or omitted in his capacity as a Forum representative;
- B5.2.4.10 the Forum constitution may only be amended at a meeting of the Forum duly convened for such purpose and with the approval of not less than two-thirds of the voting Forum representatives: Provided that any amendment of the Forum constitution is invalid unless ratified by the governing committee.

B5.3 Ordinary and special proposals

- B5.3.1 The secretary must, prior to approval, circulate any ordinary or special proposal to the Forum representatives.
- B5.3.2 The Forum may consider any ordinary proposal and within 5 days of receipt thereof to –
 - B5.3.2.1 submit in writing its views on the ordinary proposal to the governing committee; or
 - B5.3.2.2 petition the governing committee to apply the procedure in relation to special proposals, as prescribed in the Rules.

- B5.3.3 The Forum may consider any special proposal and –
- B5.3.3.1 in respect of any proposed amendment of the Rules, may submit in writing to the governing committee an objection thereto in terms of rule A1.4.4;
- B5.3.3.2 in respect of any proposed amendment of the Forum constitution, may petition the governing committee to convene a joint sitting in terms of rule B5.3.4; or
- B5.3.3.3 in respect of any proposed resolution of the governing committee or of rightsholders, may submit in writing to the governing committee its views on the proposed resolution or may petition the governing committee to convene a joint sitting in terms of rule B5.3.4.
- B5.3.4 The secretary must convene a joint sitting of the governing committee and the Forum –
- B5.3.4.1 where an objection is lodged in terms of rule A1.4.4, which joint sitting must take place within 5 days of the date upon which such objection is lodged;
- B5.3.4.2 on the requisition of the Forum lodged in terms of rules B5.3.3.2 or B5.3.3.3.
- B5.3.5 At a joint sitting contemplated in rule B5.3.4, an equal number of governing committee members and Forum representatives must be present and entitled to address the joint sitting: Provided that the number of governing committee members and Forum representatives present must not be less than that required for a quorum at governing committee meetings and Forum meetings respectively.
- B5.3.6 Pursuant to rule B5.3.5, Forum representatives must be excused from the joint sitting and governing committee members must vote on a show of hands whether the special proposal should be adopted, amended or rejected.
- B5.3.7 The outcome of the vote of the governing committee members must be notified to the Forum.

RULES

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PART C - CORE RULES

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PART C - SECTION 1**GENERAL PROVISIONS****C1.1 Establishment of market association**

C1.1.1 At least one market association must be established to supervise the trading by its members in listed financial instruments.

C1.1.2 A market association is a non-proprietary, voluntary association of 10 or more users, which association –

C1.1.2.1 is constituted separately from the market association members, in terms of a market association constitution;

C1.1.2.2 has juristic personality and perpetual succession;

C1.1.2.3 is capable of acquiring rights, obligations and duties in law apart from those of the market association members;

C1.1.2.4 is an association in which the market association members have a limited beneficial interest;

C1.1.2.5 is an association not for gain; and

C1.1.2.6 is subject to the Rules:

Provided that the first market association must be established on the date of approval of these Rules by the Registrar.

C1.1.3 A market association must –

C1.1.3.1 carry on the business of a market association, supervising the trading by its members in listed financial instruments, as identified in the Market Association Rules;

C1.1.3.2 obtain and maintain its status as a market association, authorised by the Bond Exchange to conduct business as a market association;

C1.1.3.3 implement trading practices among its members that contribute to the efficiency, security and transparency of the market, including a central price discovery mechanism; and

C1.1.3.4 represent and promote the common interests of its members in their relations with the Bond Exchange, and good relations between its members amongst themselves.

C1.2 Market association constitution

C1.2.1 A market association constitution is the founding document of any market association and governs the activities and actions of that market association: Provided if a conflict between a market association constitution and the Rules arises, the Rules shall prevail.

C1.2.2 Subject to the Rules, the interpretation and enforcement of a market association constitution shall vest in the relevant market association council.

C1.3 Meetings

C1.3.1 The governing committee may convene a general meeting of users or of members of a particular market association.

C1.3.2 Any notice convening a general meeting referred to in rule C1.3.1 must be in writing and must be issued not less than 14 days prior to the date set for such meeting, and must include the agenda for the meeting.

C1.3.3 The non-receipt of a notice issued in terms of the Rules by any user or member of a particular market association, will not invalidate any resolution passed at a general meeting.

PART C - SECTION 2
USER STATUS

C2.1 Eligibility for user status

- C2.1.1 Any person, whether a natural or juristic person, may be granted user status of the Bond Exchange.
- C2.1.2 To be eligible for user status an applicant must satisfy the governing committee that -
- C2.1.2.1 a regular feature of its business is the trading of listed financial instruments;
 - C2.1.2.2 the applicant is at least 21 years of age and of full legal capacity or if it is a juristic person, that its directors, members or trustees are all at least 21 years of age and of full legal capacity;
 - C2.1.2.3 the applicant is of good character and high business integrity or if the applicant is a juristic person, that its directors, members or trustees are all of good character and high business integrity;
 - C2.1.2.4 the applicant complies with the financial resources requirements prescribed in the Rules and at all times holds the capital prescribed by such requirements in the Republic of South Africa;
 - C2.1.2.5 the applicant has the necessary administrative systems and resources as determined by the governing committee from time to time;
 - C2.1.2.6 all the applicant's officers and traders contemplated in rules C2.4 and C2.5 respectively comply with the requirements for registration referred to in the Rules; and
 - C2.1.2.7 the applicant is a member of a market association.
- C2.1.3 Despite any other provision in the Rules, an applicant for user status -
- C2.1.3.1 who is not ordinarily resident in the Republic of South Africa; or
 - C2.1.3.2 which is a juristic person not incorporated in the Republic of South Africa,
- must, in pursuance of an application for user status, register as an external company or incorporate a public company in South Africa, as required by the Companies Act, 1973 (Act No. 61 of 1973).

C2.2 Application for and transfer of user status

- C2.2.1 *Application for user status*
- C2.2.1.1 An application for user status must be made to the governing committee on the form and accompanied by the fee as determined by the governing committee.
 - C2.2.1.2 Upon making application for user status each applicant must agree in writing to be bound by the Act and the Rules.
 - C2.2.1.3 An application for user status must be accompanied by written proof of membership of a market association and a certificate of good standing issued by the relevant market association.

- C2.2.1.4 The governing committee must publish the name and address of an applicant for user status in a notice to market association members, who may object thereto in terms of rule C2.2.1.5.
- C2.2.1.5 A market association member writing to object to any application for user status must lodge an objection within 14 days of the notice in terms of rule C2.2.1.4 with the governing committee stating the reasons for the objections.
- C2.2.1.6 The governing committee may require -
- C2.2.1.6.1 an applicant to furnish further information, and may, with the consent of the applicant, institute any such investigation which it deems necessary, to verify information submitted by the applicant in support of an application;
- C2.2.1.6.2 an applicant or one or more representatives of the applicant, to be interviewed by the governing committee, the chief executive officer or any other person appointed by the governing committee for that purpose.
- C2.2.1.7 The agreed or reasonable costs of verification of information referred to in rule C2.2.1.6 must be borne by the applicant.
- C2.2.1.8 After expiry of the period of notice referred to in rule C2.2.1.5, the governing committee must consider an application for user status and must notify the applicant in writing of its decision to grant or refuse the applicant user status, and shall publish its decision in a notice to members of the relevant market association.
- C2.2.1.9 The governing committee must furnish an applicant and the particular market association with written reasons for its decision to refuse an application for user status.
- C2.2.1.10 If an applicant fails to acquire user status duly approved by the governing committee, the applicant may exercise the right of appeal as contemplated in the Act.
- C2.2.1.11 If an application for user status is refused and the applicant does not exercise his right of appeal against the refusal or his appeal is unsuccessful, the same applicant may not be entitled to re-apply for user status for a period of three years from the date of refusal, unless the governing committee determines otherwise.
- C2.2.1.12 The chief executive officer must maintain and hold open for inspection by the public at its registered office, a register of all users to whom user status has been granted.
- C2.2.2 *Granting of user status*
- C2.2.2.1 The granting of user status to an applicant confers formal user status of the Bond Exchange on the successful applicant.
- C2.2.2.2 User status may not be granted to a nominee or agent of the applicant and shall be registered in the name of the successful applicant.

- C2.2.2.3 Before the granting of user status to an applicant, all such registration fees, as may be determined by the governing committee, must have been paid to the Bond Exchange, and in the event that an application for the registration or transfer of user status is refused or withdrawn such fees are not refundable to the applicant.

C2.2.3 *Transfer of user status*

A user or a person who has been granted the right of admission to user status in terms of rule C2.2.1.8 may not transfer or otherwise assign his right, title or interest in or to his user status to any other person.

C2.3 Privileges and obligations of users

C2.3.1 A user must -

- C2.3.1.1 satisfy at all times the user status requirements as determined by the governing committee, including being a member of a market association;
- C2.3.1.2 where the user is a member or active participant of more than one licenced exchange, elect a lead exchange as its lead regulator;
- C2.3.1.3 must at all times comply with the prescribed financial resources requirements set out by its lead regulator;
- C2.3.1.4 enter into agreements covering functions designated by the governing committee in order to fulfil the functions and obligations of a user;
- C2.3.1.5 declare in writing in advance to the governing committee the user's intention to trade as a financial instrument trader or as a financial instrument principal;
- C2.3.1.6 declare in writing in advance to the governing committee the user's intention to convert his user status registration between a financial instrument trader and a financial instrument principal, and *vice versa*;
- C2.3.1.7 in respect of all trades entered into by the user, comply with the reporting requirements as determined by the governing committee;
- C2.3.1.8 in respect of all trades entered into by the user, comply with the settlement requirements as determined by the governing committee;
- C2.3.1.9 hold such fidelity insurance cover in respect of fraud and misappropriation by any director, officer, trader or other person involved in the management or administration of trading, as the user or its board of directors or other governing entity of the user deems appropriate for the level of business undertaken by the user; and
- C2.3.1.10 ensure compliance with the Act, the Rules, the directives, the constitution of the market association in question, and a decision or determination of the governing committee.

- C2.3.2** A financial instrument trader may establish or maintain a nominee company, which has been approved, with the main object of being the registered holder of listed financial instruments on behalf of the financial instrument trader and clients.

- C2.3.2.1 The shares in the nominee company shall be beneficially owned –
 - C2.3.2.1.1 in the case of a sole proprietor, by the sole proprietor and be registered in the name of the sole proprietor;
 - C2.3.2.1.2 in the case of a partnership, by all of the partners and be registered in the name of one or more of the partners; and
 - C2.3.2.1.3 in the case of a corporate entity, by the corporate entity and be registered in the name of the corporate entity.
- C2.3.2.2 The financial instrument trader must ensure that such nominee company incurs no liabilities other than those normally incurred as a result of its acting as a nominee in respect of the holding of listed financial instruments.
- C2.3.2.3 The powers of the nominee company are limited to the main object set out in 2.3.2, and such other acts as may be necessary to achieve the said object.
- C2.3.2.4 A nominee company established in terms of this rule must comply with the additional requirements determined by the Bond Exchange.

C2.4 Registration and functions of officers

- C2.4.1 Upon admission to membership of the Bond Exchange, a user must register with the Bond Exchange upon payment of the prescribed fee and in the manner determined by the governing committee, a compliance officer and a representative officer who must each -
 - C2.4.1.1 be a director or employee of the user;
 - C2.4.1.2 be at least 21 years of age and of full legal capacity;
 - C2.4.1.3 be of good character and high business integrity; and
 - C2.4.1.4 comply with the minimum requirements with regard to training and experience as determined by the governing committee.
- C2.4.2 A user may not carry on the business of buying and selling listed financial instruments unless a compliance officer and representative officer appointed by the user remain registered with the Bond Exchange as required in terms of rule C2.4.1: Provided that a user may be granted dispensation from the provisions of this rule upon the conditions determined by the Bond Exchange.
- C2.4.3 The compliance officer -
 - C2.4.3.1 may at the same time hold office as the representative officer of the user;
 - C2.4.3.2 must have obtained a pass in the compliance officer examination as prescribed by the governing committee;
 - C2.4.3.3 must at all times monitor compliance by the user concerned with the Act, the Rules and a directive, decision or determination of the governing committee;

- C2.4.3.4 must monitor compliance at all times by the user with all agreements to be entered into by the user in terms of rule C2.3.1.3;
 - C2.4.3.5 must monitor compliance at all times by the user with the financial resources requirements prescribed in the Rules;
 - C2.4.3.6 must ensure that, for the user, the prescribed return in respect of the financial resources requirements is submitted to the chief executive officer at such intervals as determined by the governing committee;
 - C2.4.3.7 must receive all notices from the Bond Exchange and the recognised clearing house, and must ensure compliance by the user concerned with the requirements of the notices;
 - C2.4.3.8 must report in writing to the chief executive officer any apparent breaches by the user of the Act, the Rules, any directive, decision or determination of the governing committee or the constitution of the relevant market association; and
 - C2.4.3.9 if any breach or error arises in respect of any trades entered into by, or effecting the user, upon being so requested by the chief executive officer or the recognised clearing house, must take or cause to be taken all such steps as may be necessary to rectify the breach or to eliminate the error.
- C2.4.4 The representative officer -
- C2.4.4.1 may at the same time hold office as the compliance officer of the user;
 - C2.4.4.2 may be a person who stands on behalf of the user for election as a member of the governing committee; and
 - C2.4.4.3 shall represent the user in all other matters for which the compliance officer is not responsible.
- C2.4.5 A user must also register with the Bond Exchange an alternate compliance officer and alternate representative officer in the manner determined by the governing committee.
- C2.4.6 The governing committee may decide to accept or refuse an application for registration of any officer and must, at the request of the applicant, furnish the reasons for its decision.
- C2.4.7 A user who is not satisfied with a decision of the governing committee in respect of an application for registration of its officers, may exercise the right of appeal as contemplated in the Act.
- C2.4.8 The chief executive officer must maintain and hold open for inspection by the public at its registered office a register of all officers granted registration by the governing committee.
- C2.4.9 Any change in the particulars relating to an officer shall be notified forthwith in writing to the Bond Exchange in the manner determined by the governing committee.
- C2.4.10 The appointment of any officer shall not in any way relieve the user from any of the duties and responsibilities in terms of the Act, the Rules and any decision or determination of the governing committee, and these duties and responsibilities shall remain of a principal nature and are not accessory or subordinate to the functions of such officer.

- C2.4.11 A user must forthwith in writing notify the Bond Exchange if any of its officers have been found guilty of any improper conduct by any licenced exchange, by any current or previous employer, by any professional association, including the relevant market association, or by a court.

C2.5 Registration of traders

- C2.5.1 Upon admission to user status of the Bond Exchange, a user must register one or more trader with the Bond Exchange upon payment of the prescribed fee and in the manner determined by the governing committee: Provided that no user may carry on the business of buying and selling listed financial instruments unless at least one trader appointed by the user remains registered with the Bond Exchange as required by this rule.
- C2.5.2 The governing committee may decide to accept or refuse an application for registration of any trader and must at the request of the applicant furnish the reasons for its decision.
- C2.5.3 A user who is not satisfied with the decision of the governing committee in respect of an application for registration of its traders, may exercise the right of appeal as contemplated in the Act.
- C2.5.4 The chief executive officer must maintain and hold open for inspection by the public at its registered office a register of all traders granted registration by the governing committee.
- C2.5.5 Any change in the particulars relating to a trader shall be notified in writing to the Bond Exchange in the manner determined by the governing committee.
- C2.5.6 A user must forthwith in writing notify the Bond Exchange if any of its traders have been found guilty of any improper conduct by any licenced exchange, by any current or previous employer, by any professional association, or by any court.

C2.6 Fees and levies

- C2.6.1 The governing committee must give users written notice of any proposed fees and levies to be paid by users to the Bond Exchange or the recognised clearing house, at least 14 days prior to the imposition thereof.
- C2.6.2 A user who fails to pay any fees or levies within 30 days of such fees or levies becoming payable, must be notified by the governing committee of such arrears.
- C2.6.3 If the arrears are not paid by the user within seven days of the date of receipt of such notice, or any extended period granted in writing by the governing committee, the governing committee may, despite the provisions of PART C – Section 12, suspend the user status of the user until all monies owed by the user to the Bond Exchange or the recognised clearing house have been paid.
- C2.6.4 The monies owed must include interest calculated from the due date to the date of actual payment at a rate determined by the governing committee.

C2.7 Adherence to Act and Rules

- C2.7.1 The governing committee may require a user to instruct its auditor to examine any or all procedures and transactions of a user's business relating to the Bond Exchange and the recognised clearing house, and verify the user's adherence to the Act, the Rules, a decision or determination of the governing committee or the constitution of the affected market association in question.

C2.7.2 The report of the auditor must be submitted to the governing committee and the costs of such audit must be borne by the governing committee, provided that if, as a result of such audit, it is ascertained that the user has contravened or has not complied with the Act, the Rules, a decision or determination of the governing committee, then the costs of the audit must be borne by the user or market association in question.

C2.7.3 The governing committee may submit, after due consideration, a report referred to in rule C2.7.2 to the Disciplinary Tribunal.

C2.8 Termination of user status

C2.8.1 A user may terminate user status of the Bond Exchange by giving one calendar month's written notice of termination to the chief executive officer.

C2.8.2 The chief executive officer shall by written notice to the governing committee and the users at least 14 days prior to the intended date of termination, give notice of the intention of the user to resign.

C2.8.3 After the lapse of the 14 days notice period referred to in rule C2.8.2 and prior to the intended date of termination, the governing committee must consider the notice of termination and may accept the resignation either unconditionally or on such conditions as it may deem fit, or may refuse to accept the resignation until it is satisfied that all outstanding obligations of such user in terms of the Rules have been complied with.

C2.8.4 The notification of termination of user status by a user shall not be withdrawn without the written consent of the governing committee.

C2.8.5 The user status of a user shall terminate when -

C2.8.5.1 the user is placed under curatorship;

C2.8.5.2 the user is liquidated or placed under judicial management, whether provisionally or finally;

C2.8.5.3 the user is expelled for any reason from the Bond Exchange or the market association in question;

C2.8.5.4 the user fails to take steps within 30 days of judgement having been granted against the user by a court to satisfy such judgement or to have it set aside; or

C2.8.5.5 the governing committee by written notice terminates the user status as a consequence of that user having obtained admission to user status by having furnished to the governing committee information in connection with its application for admission which is found in any material respect to be untrue or misleading.

C2.8.6 The name of the user whose user status has terminated and the date from which the termination takes effect must be published by the governing committee by means of a notice to users and the market association in question.

PART C - SECTION 3
CODE OF CONDUCT**C3.1 Conduct**

No user, officer, trader or any person involved in the management or administration of trading may commit any act or engage in any conduct likely to bring the Bond Exchange into disrepute, and in particular may not -

C3.1.1 create, or cause to be created, or do anything that is calculated to create a false or misleading appearance of active trading or a false or misleading appearance with respect to the market for, or the price for trading in, listed financial instruments;

C3.1.2 whether directly or indirectly, participate in a trade in a listed financial instrument which is intended to have the effect of -

C3.1.2.1 creating an artificial price for trading in listed financial instruments; or

C3.1.2.2 maintaining at a level that is artificial a price for trading in listed financial instruments;

C3.1.3 by means of any fictitious or artificial transaction or device maintain, inflate or depress, or cause fluctuations in, the price for trading in listed financial instruments;

C3.1.4 make statements or disseminate information which the user knows, or ought reasonably to know, to be false or misleading -

C3.1.4.1 and to be likely to induce other persons to trade or refrain from trading;

C3.1.4.2 and to be likely to have the effect of inflating, depressing or maintaining the price for trading in listed financial instruments;

C3.1.4.3 regarding the services that the user is capable of delivering to a client;

C3.1.4.4 regarding the qualifications and competency of the user; or

C3.1.4.5 regarding the investment performance that the user has accomplished or can reasonably be expected to achieve for a client;

C3.1.5 make a statement or disseminate information to the Bond Exchange, the governing committee, the market association council or the recognised clearing house which the user knows, or ought reasonably to know, to be false or misleading;

C3.1.6 by -

C3.1.6.1 making or publishing any statement, promise or forecast which the user knows to be misleading, false or deceptive; or

C3.1.6.2 concealing of material information at the user's disposal,

induce another person to trade or refrain from trading;

C3.1.7 effect an own account transaction or a transaction for a client when the user is aware that effecting the transaction is prohibited by statutory restrictions on insider trading, money laundering or any other practice prohibited by statute or subordinate legislation;

C3.1.8 enter into trades with or on behalf of a client other than in accordance with the reasonable instructions of the client;

C3.1.9 execute trades on behalf of a client other than in the best interests of the client;

- C3.1.10 enter into any agreement with a client nor give effect to any term of an agreement with a client if the effect, likely effect or purported effect of such agreement or term, is to exclude or limit the liability of that user, officer, trader or any person involved in the management or administration of trading, to the client for negligence, fraud, or dishonesty, in relation to the trading activities with or on behalf of the client; or
- C3.1.11 permit any officer, trader or employee from circumventing the restrictions on unsolicited calls, as provided for in section 25 of the Act.

C3.2 Ethics

A user, officer, trader or any person involved in the management or administration of trading must -

- C3.2.1 act with integrity, dignity, proper skill, care and diligence, and exercise independent professional judgement, in respect of a trade;
- C3.2.2 provide full and accurate information, including information regarding fees as contemplated in rule C3.2.6, to clients;
- C3.2.3 maintain knowledge of and comply with all applicable laws, rules and regulations of government, governmental agencies and regulatory organisations governing the user's activities in respect of trading;
- C3.2.4 not participate in, assist, or withhold knowledge of any acts in violation of any applicable law, rule or ethical code governing the user's activities in respect of trading;
- C3.2.5 not directly or indirectly offer, solicit or accept any gift or inducement in respect of a trade, excluding any fees contemplated in rule C3.2.6 or the agreed consideration in respect of the trade;
- C3.2.6 ensure that fees charged for services are fair and reasonable;
- C3.2.7 not advise a client to buy or sell listed financial instruments with the primary intention of maximising the user's income;
- C3.2.8 preserve the confidentiality of information communicated by a client concerning matters within the scope of the confidential relationship, unless required by law to disclose such information;
- C3.2.9 act promptly in accordance with the instructions of a client, unless the user has a discretion as to timing and uses that discretion in a responsible manner;
- C3.2.10 inform a client in advance of any restrictions pertaining to the access of the client to his funds or financial instruments under the control of the user and, in the absence of such restriction, the user must ensure that a client who requests access to his funds or financial instruments, obtains such access within a reasonable period of time;
- C3.2.11 ensure that a client is able to contact the user timeously and with ease;
- C3.2.12 if requested, disclose to a client information which the user knows is likely to affect the performance of an investment in listed financial instruments; and

- C3.2.13 not knowingly either advise or trade, in relation to a transaction for a client, in which the user has a material interest and which is likely to give rise to a conflict of interest in relation to such a transaction, unless the user takes reasonable steps to ensure fair treatment of the client.

C3.3 Advertising

- C3.3.1 Promotional material by or on behalf of any user, in the form of any oral, visual or documentary presentation directed at the public through any medium of communication is acceptable if the purpose of such advertising is to call a potential client's attention to an investment in financial instruments and to encourage the potential client to obtain additional information about the investment.
- C3.3.2 The nature or type of the investment or the investment service to which the advertisement relates must be clear.
- C3.3.3 No user shall make any communication with the public or use any promotional material which -
- C3.3.3.1 is false or misleading in any material respect;
 - C3.3.3.2 makes any statement or suggests that trading on the Bond Exchange is appropriate for all persons;
 - C3.3.3.3 refers to the possibility of profit unless accompanied by an equally prominent statement of the risk of loss;
 - C3.3.3.4 includes any reference to either hypothetical results or to actual past trading profits without mentioning that these hypothetical or past results are not necessarily indicative of future results; or
 - C3.3.3.5 compares one user or the performance of one user with another user or the performance of another user.
- C3.3.4 Any reference to the past performance of an investment scheme must include information about the previous five years or, if less, the period from the date of issue of the investment.
- C3.3.5 Statements or opinion included in any promotional material must be clearly identified as such, and must have a reasonable basis in fact.
- C3.3.6 No advertising placed by a user shall be worded in a manner calculated to better the image of that user to the detriment of another user.
- C3.3.7 In the event that the governing committee considers that a user has failed to conform to any of the advertising requirements under this rule, it may (without prejudice to its other powers under the Rules) require that no further advertising material or other promotional or marketing material may be published by or on behalf of such user unless it has been submitted to the governing committee in advance and the governing committee has notified the user that the material is not unsuitable for publication.

C3.4 Contraventions to be reported

Every user must report to the chief executive officer any contravention by another user of the Act or the Rules regarding conduct, ethics or advertising that comes to the user's attention.

PART C - SECTION 4
LISTINGS

C4.1 Power to list financial instruments

C4.1.1 The governing committee may -

C4.1.1.1 grant a listing on the Bond Exchange in respect of financial instruments;

C4.1.1.2 prescribe the minimum requirements with which an issuer must comply -

C4.1.1.2.1 before a financial instrument issued by such issuer is granted a listing; and

C4.1.1.2.2 while the financial instrument issued by such issuer remains listed; and

C4.1.1.3 authorise a market association to trade in particular listed financial instruments.

C4.2 Minimum disclosure requirements

The minimum information to be disclosed in respect of a financial instrument listed or traded on the Bond Exchange must include -

C4.2.1 the name of the financial instrument;

C4.2.2 the type of financial instrument;

C4.2.3 the name and financial details of the creator or issuer of the financial instrument;

C4.2.4 the ISIN number allocated to the financial instrument, where applicable;

C4.2.5 financial terms and conditions relating to the financial instrument;

C4.2.6 date on which the financial instrument is to be listed or introduced for trading;

C4.2.7 a copy of any enabling resolution of the issuer, or any enabling statute in terms of which the financial instrument is created or issued; and

C4.2.8 a copy of the placing document, prospectus or offering circular, where applicable.

C4.3 Consolidation, suspension, removal or alteration of listing requirements

C4.3.1 The governing committee may consolidate, suspend, remove or alter -

C4.3.1.1 a requirement for the listing of financial instruments prescribed before or after a listing has been granted; and

C4.3.1.2 a listing of a financial instrument,

and may prescribe the circumstances under which such requirement or listing must or may be

consolidated, suspended, removed or altered.

C4.3.2 The governing committee must notify users and the public that it has -

C4.3.2.1 consolidated listed financial instruments;

C4.3.2.2 suspended the listing of any financial instrument;

C4.3.2.3 removed a listed financial instrument from the list of financial instruments referred to in rule C4.3.1; and

C4.3.2.4 altered the listing of any financial instrument,

and it must publish the reasons for such consolidation, suspension, removal or alteration, as the case may be, in whole or in part as it deems necessary.

C4.3.3 The governing committee must notify or cause to be notified to users and the public that it has investigated a trade in a listed financial instrument.

C4.3.4 The chief executive officer may at any time publish, or cause to be published, in any newspaper or other periodical or permit or authorise the proprietor or publisher of such newspaper or other periodical to publish any statement made in terms of rules C4.3.2 and C4.3.3.

C4.4 Fees and levies

C4.4.1 The governing committee may impose fees and levies in respect of financial instruments listed or traded on the Bond Exchange, at such rates as may be determined by the governing committee.

C4.4.2 Fees and levies are payable at such times, and in such manner as determined by the governing committee.

PART C - SECTION 5 TRADING

C5.1 Eligibility to trade

The rules of a market association must make provision for -

C5.1.1 eligibility requirements, applicable to members of that market association, in respect of the buying and selling of listed financial instruments;

C5.1.2 minimum qualification requirements applicable to traders employed by members of that market association; and

C5.1.3 the buying and selling of listed financial instruments to be conducted only by traders registered with the Bond Exchange in accordance with the Rules.

C5.2 Facilities for concluding and reporting trades

C5.2.1 The governing committee, in consultation with the particular market association council, must determine the facilities for concluding and reporting trades to be utilised by members of a market association;

C5.2.2 A user may make a recording of any conversation in connection with the execution of a trade, which recording may be submitted as evidence in any dispute referred to in rule C11.1.1.

C5.2.3 All trades in listed financial instruments concluded by a user shall be reported by the user to the Bond Exchange within the times and in the manner determined by the governing committee.

C5.3 Trading procedures

C5.3.1 The business days on which the Bond Exchange is closed for the purposes of trading, must be published by means of a notice to users.

C5.3.2 The rules of every market association must make provision for –

C5.3.2.1 the determination of the period during which trading in listed financial instruments is permitted;

C5.3.2.2 the determination of a standard trade size;

C5.3.2.3 the appropriate supervision of traders employed by the members of that market association; and

C5.3.2.4 the fair execution of client trades.

C5.4 Market prices

Save with the prior written consent of the governing committee, no user shall advertise or publish or cause to be advertised or published in any form listed financial instrument prices or statistics through non-users.

C5.5 User trades

A market association shall prescribe the requirements in respect of the trading of listed financial instruments between members of that market association, which requirements must be approved by the governing committee and the Registrar.

C5.6 Client trades

A market association must prescribe the requirements in respect of the trading of listed financial instruments by members of that market association, with or on behalf of clients, which requirements must be approved by the governing committee and the Registrar.

C5.7 Restrictions on trading

C5.7.1 A director, officer, trader or employee of a user involved in the management or administration of trading may be a client of that user for his own account or for an account in which the director, officer, trader or employee has a beneficial interest: Provided that any trades concluded are separately recorded and identified in the accounting records of the user, but are otherwise dealt with in the same manner and subject to the same conditions applicable to trades of other clients of the user.

C5.7.2 A trade concluded in terms of rule C5.7.1 shall be reported to and monitored by the compliance officer of the user, which compliance officer must be independent of the director, officer, trader or employee concerned, except where the user is an entity consisting of no more than 10 people who

are involved in the business and administration of trading, and who maintain controls to ensure that the trading and conduct of the director, officer, trader or employee is not prejudicial to the interests of the user or the user's other clients.

C5.7.3 No official or employee of the Bond Exchange or any person associated with such official or employee shall enter into any trades, whether for own account or on behalf of other persons.

C5.7.4 A director, officer, trader or employee of a user involved in the management or administration of trading may be a client of another user for his own account or for an account in which the director, officer, trader or employee has a beneficial interest: Provided that -

C5.7.4.1 he has the prior written approval of the compliance officer of the user of which he is the director, officer, trader or employee;

C5.7.4.2 he discloses in writing in advance to the other user that the account is for the purposes of trading on his own account; and

C5.7.4.3 a certified copy of the written approval in terms of rule C5.7.4.1 and notice in terms of rule C5.7.4.2 is forwarded to the chief executive officer upon the granting of such approval.

C5.8 Unreasonable trades

C5.8.1 Where, from a lack of clarity in the published information available at the time of a trade, a user trades in a quantity or at a price which in the opinion of the governing committee is unreasonable, the governing committee may, after consultation with the user and client in question, declare such trade void; and may similarly declare the trade of the other user or user and client, as the case may be, who is party to that trade, to be void.

C5.8.2 A declaration in terms of rule C5.8.1 shall be binding on the user who entered into such trade and on the client with whom or on whose behalf the trade was executed; and is similarly binding on the other user or user and client, as the case may be, to that trade.

C5.9 Emergency actions

C5.9.1 If in the opinion of the governing committee, any circumstances, calling for emergency action for the orderly conduct of trading on the Bond Exchange or the due performance of trades, have developed or are developing, the governing committee may take any steps it deems necessary to enable the orderly conduct of trading or the due performance of trades.

C5.9.2 Circumstances falling within the scope of rule C5.9.1 may include trades not yet settled in terms of the Rules, a state of war or threatened hostilities, the introduction of official controls affecting the market or due performance in respect of trades or any change in such controls, any change in legal provisions or administrative or financial practice affecting the Bond Exchange or due performance in respect of trades, or any other undesirable situation or practice.

C5.9.3 If any of the circumstances contemplated in this rule occur, the chief executive officer may, in consultation with the chief executive officers of other licenced exchanges, form a committee, which may be chaired by the Registrar, to discuss and implement an agreed course of action to be taken by the Bond Exchange and the licenced exchanges.

C5.9.4 Where any restriction or suspension of trading is declared, the governing committee must by notice to users convey -

- C5.9.4.1 the reason for the restriction or suspension;
- C5.9.4.2 the period of the restriction or suspension; and
- C5.9.4.3 when the next governing committee meeting will be held to review the restriction or suspension.

C5.9.5 Where a restriction or suspension of trading has been declared, the governing committee shall determine the course of action with regard to trades not yet settled prior to the restriction or suspension.

PART C - SECTION 6 CLEARING

C6.1 Financial resources requirements

- C6.1.1 The rules of a market association must provide for the financial resources requirements applicable to members of that market association;
- C6.1.2 The funds required to be held by members of a market association and, where necessary, by a market association, must be determined by the governing committee.
- C6.1.3 The financial resources requirements specified in rule C6.1.1 and C6.1.2 shall at no time be less than the minimum requirements prescribed by the Registrar.
- C6.1.4 The chief executive officer shall establish and maintain appropriate procedures to ensure that adequate information is submitted by market association members and, where necessary, a market association, to permit the Bond Exchange to effectively monitor compliance with the financial resources requirements referred to in rule C6.1.3.
- C6.1.5 If a member of a market association, or a market association, fails to comply with a financial resources requirement referred to in rule C6.1.3 and fails to rectify forthwith such non-compliance after being so requested in writing by the chief executive officer, the chief executive officer shall proceed in accordance with rule C12.1.1.
- C6.1.6 If the alleged non-compliance referred to in C6.1.5, is reported to the Disciplinary Tribunal in terms of rule C12.1.3, the Disciplinary Tribunal must, where a market association member, or a market association, is found guilty of such non-compliance, impose an appropriate penalty on the market association member or market association, as the case may be.

C6.2 Risk management of trades

The rules of a market association must provide for the manner in which and conditions subject to which risk management of trades must take place.

PART C - SECTION 7 SETTLEMENT

C7 Settlement of trades

- C7.1 The rules of a market association must make provision for the requirements in respect of the settlement of trades and must include provisions relating to –
 - C7.1.1 settlement times;
 - C7.1.2 settlement procedures; and
 - C7.1.3 settlement shortages.

- C7.2 The Bond Exchange, in consultation with each market association, must determine the manner and conditions of settlement in respect of trades.

**PART C - SECTION 8
SETTLEMENT DEFAULT**

C8.1 Performance of trades

A market association must prescribe the manner of performance of trades by members of that market association.

C8.2 Defaults

A market association must prescribe the manner in which and the conditions subject to which a default by a market association member must be declared and managed.

**PART C - SECTION 9
SEGREGATION OF ASSETS**

C9 Segregation of financial instruments and other assets

A user must -

- C9.1 at all times identify and keep separate the financial instruments and other assets of another user or of a client from the user's own assets;
- C9.2 not use the financial instruments or other assets belonging to another user or client to finance the user's own trades or the trades of any other person; and
- C9.3 not use the financial instruments or other assets of another user or client to operate his own business.

**PART C - SECTION 10
RECORDS AND PRESCRIBED AGREEMENTS**

C10.1 Trading records kept by a user

C10.1.1 A user must keep a record or cause a record to be kept, of -

- C10.1.1.1 the date, time and nature of trades entered into with or on behalf of clients, or with other users, and maintain separate records showing the date, time and nature of the user's own trading and the details of funds used for that trading;
- C10.1.1.2 all trades concluded but not yet settled with other users and with or on behalf of each of the user's clients; and
- C10.1.1.3 the segregation of funds, financial instruments and other assets as contemplated in the Rules:

Provided that a user who is a member of more than one market association must keep separate records of his trades in each market association.

- C10.1.2 The records referred to in this rule shall be kept for a period of not less than 5 years from the date of entering into a trade by the user, and must be kept in a form that will enable the records to be conveniently and properly audited.

C10.2 Financial records kept by a user

A user must keep such financial records as determined by the governing committee.

C10.3 Submission of audited financial information

- C10.3.1 A user must submit to the Bond Exchange within three months after the end of the user's financial year -

C10.3.1.1 two copies of the user's audited annual financial statements;

C10.3.1.2 two copies of an audited certificate certifying -

C10.3.1.2.1 compliance with the financial requirements of the Act and the Rules; and

C10.3.1.2.2 that the board of directors of the user has instituted procedures that the board deems appropriate for reviewing the level of fidelity insurance cover held by the user in accordance with rule C2.3.1.8.

- C10.3.2 Despite rule C10.3.1, the governing committee may request a user to submit financial reports at any time.

- C10.3.3 If a user ceases to operate in that capacity, the user must cause his accounting records to be audited as required by the Act.

- C10.3.4 Any audit required in terms of rule C10.3.1 must be performed by an auditor registered under the Public Accountants' and Auditors' Act, 1991 (Act No. 80 of 1991), and the appointment of such auditor must be communicated in writing to the Bond Exchange: Provided that a user must confirm in writing to the Bond Exchange at the end of each calendar year that the user has retained the services of its auditor.

- C10.3.5 A user shall immediately notify in writing any change of its auditor to the Registrar and the Bond Exchange.

C10.4 General

- C10.4.1 A market association must prescribe the minimum conditions to be contained in an agreement concluded, between a user and a -

C10.4.1.1 client;

C10.4.1.2 service provider;

C10.4.1.3 settlement agent; or

C10.4.1.4 employee of a user.

- C10.4.2 Any written agreement concluded in terms of rule C10.4.1 must contain at least conditions to the effect that -

- C10.4.2.1 the words used in the agreement must bear the same meanings assigned thereto in the Act and the Rules;
- C10.4.2.2 the parties to the agreement acknowledge that they have read the Act and the Rules, are conversant with them and will be bound by them;
- C10.4.2.3 in the event of any conflict between the Rules and the agreement, the Rules prevail;
- C10.4.2.4 in the event of any conflict between the Core Rules and the relevant Market Association Rules, the Core Rules prevail;
- C10.4.2.5 either party may terminate the agreement by giving to the other party 30 days notice in writing, or such other period of notice as the parties may agree in writing, specifying the date of termination: Provided that such termination may not affect any rights or obligations of any one of the parties to the agreement which exist at the date of such notice or at the date of termination of the agreement;
- C10.4.2.6 any dispute between the parties emanating or arising from the implementation or interpretation of the agreement must, unless resolved between the parties thereto, be referred to and decided by either mediation or arbitration, whichever procedure is decided upon by the parties concerned; and
- C10.4.2.7 the agreement is governed by and construed in accordance with the laws of the Republic of South Africa.

PART C - SECTION 11
DISPUTES

C11.1 General

- C11.1.1 A resolution mechanism for all disputes between users or between users and clients in respect of –
 - C11.1.1.1 a trade or settlement ;
 - C11.1.1.2 the implementation or interpretation of any agreement concluded in terms of rule C10.4; or
 - C11.1.1.3 advice regarding trading given by a user and which is not the subject of a preliminary investigation in terms of rule C12.1.1 must be determined by each Market Association Council.
- C11.1.2 The resolution mechanism must at least provide for the following:
 - C11.1.2.1 Disputes must be reduced to writing by the parties thereto.
 - C11.1.2.2 The resolution of disputes through mediation, conciliation, recommendation or determination.
 - C11.1.2.3 The adoption of an independent and equitable process to resolve disputes.
 - C11.1.2.4 The adoption of a dispute resolution process that is informal, fair and cost effective.
 - C11.1.2.5 Matters of interest shall be reported to the Registrar.

C11.1.2.6 The effective enforcement of determinations.

C11.1.2.7 Notification by a user to a client of the procedures being followed by the user to investigate the dispute and of any action taken.

C11.1.3 No party to a dispute may be prevented from obtaining urgent relief pending the outcome of the dispute resolution procedure from any competent court having jurisdiction.

C11.2 Dispute resolution

C11.2.1 Disputes that are not resolved must be made known in writing to the chief executive officer by the parties concerned;

C11.2.2 Disputes must be resolved by means of the mechanism provided for in rule C11.1.2.2: Provided that if the parties cannot resolve their dispute by mediation, conciliation, recommendation or determination, the dispute must be resolved by arbitration.

C11.2.3 If it appears that a user has contravened or failed to comply with the Act or the Rules the alleged contravention or non-compliance must be referred to the chief executive officer in accordance with rule C12.1.1.

PART C - SECTION 12 DISCIPLINARY MATTERS

C12.1 Preliminary investigation

C12.1.1 An alleged contravention of or non-compliance with the Act, the Rules, the directives or a decision or determination of the governing committee, which allegation must be reduced to writing, is the subject of a preliminary investigation by the chief executive officer or by a person authorised by the chief executive officer, who must report in writing his findings to the chief executive officer.

C12.1.2 If an alleged contravention or non-compliance by a user, officer or trader is the subject of a preliminary investigation referred to in rule C12.1.1, the chief executive officer or a person so authorised may instruct any other user, officer or trader to undertake an internal investigation into the matter and to report in writing the findings of such internal investigation to the chief executive officer or authorised person.

C12.1.3 The chief executive officer must, where satisfied that there is a *prima facie* case of a contravention or non-compliance by a user, officer or trader -

C12.1.3.1 report the findings of the chief executive officer or the findings of the delegated person to the Disciplinary Tribunal;

C12.1.3.2 impose a fine on the user, officer or trader in accordance with the schedule of penalties determined by the governing committee;

C12.1.3.3 suspend the user or the registration of an officer or trader: Provided that the user, officer or trader is given notice of the intention of the chief executive officer and is allowed an opportunity to make representations to the chief executive officer; or

- C12.1.3.4 warn the user, officer or trader in writing if the chief executive officer believes that the contravention or non-compliance is not serious enough to warrant any action in terms of rules C12.1.3.1 to 12.1.3.3:

Provided that rules C12.1.3.1 to 12.1.3.3 are not mutually exclusive of each other.

- C12.1.4 The chief executive officer must advise the governing committee in writing of any preliminary investigation undertaken and of the action taken in terms of rules C12.1.3.1 to 12.1.3.4.

C12.2 Appointment of Disciplinary Tribunal

- C12.2.1 The governing committee must establish a Disciplinary Tribunal consisting of a judge or retired judge of one of the divisions of the High Court of the Republic of South Africa, or an advocate of senior counsel status of such Court of not less than ten years standing, who is the chair of the Disciplinary Tribunal, an accountant in public practice registered as an accountant and auditor, under the Public Accountants' and Auditors' Act, 1991 (Act 80 of 1991), of not less than 10 years standing, and a person appointed by virtue of that person's knowledge of the financial markets in the Republic.

- C12.2.2 The Disciplinary Tribunal must appoint a secretary who performs the duties prescribed in this rule and such other functions as may be delegated or entrusted to the secretary by the chair of the Disciplinary Tribunal.

C12.3 Proceedings of Disciplinary Tribunal

The Disciplinary Tribunal must convene a disciplinary hearing upon receipt of a report contemplated in rule C12.1.3.1 or upon receipt of an appeal by a user, officer or trader against a fine imposed under rule C12.1.3.2 or a suspension imposed under rule C12.1.3.3. The chair of the Disciplinary Tribunal must determine the proceedings of the disciplinary hearing.

C12.4 Inspections by Disciplinary Tribunal

- C12.4.1 The Disciplinary Tribunal may authorise any person (hereunder referred to as "the inspector") not associated with any user to inspect the affairs of a user -

- C12.4.1.1 to ascertain whether the user or any officer, trader or employee of the user complies with the provisions of the Act, the Rules, the directives and any decision or determination of the governing committee;

- C12.4.1.2 to ascertain whether the user or trader is trading in such a manner that as a consequence of such trading such user may not be able to fulfil its obligations to another user, a client, the Bond Exchange or the recognised clearing house; or

- C12.4.1.3 to ascertain whether the user is carrying on the business of buying and selling listed financial instruments in a manner which could be detrimental to the interest, good name or welfare of the Bond Exchange and its users.

- C12.4.2 The inspector must be furnished by the Disciplinary Tribunal with a letter of authority which the inspector must produce at the request of any interested person, and the inspector may with regard to a matter that is the subject of an investigation, subject to rule C12.4.1, without prior notice -

- C12.4.2.1 enter the premises of any user;

- C12.4.2.2 have access to documents, books, records, articles, recordings of a user or make copies of or take extracts from, such documents, books, records, articles or recordings;
- C12.4.2.3 question a director, officer, trader, employee or representative of a user; and
- C12.4.2.4 request information from the recognised clearing house.
- C12.4.3 On completion of an inspection, the inspector must prepare a report thereon which must be submitted to the Disciplinary Tribunal and the Registrar: Provided that with the consent of the Disciplinary Tribunal a copy of the report may be transmitted to the user concerned.
- C12.4.4 The Disciplinary Tribunal may either convene a hearing in terms of rule C12.5 or dismiss the matter or appeal, after considering the report of the inspector.

C12.5 Hearings of Disciplinary Tribunal

- C12.5.1 A hearing of the Disciplinary Tribunal must commence within 21 days after its convening and must be completed within one month after the date of its commencement, unless postponed with the consent of the user concerned.
- C12.5.2 No member of the governing committee, a market association council or the Forum may serve on the Disciplinary Tribunal or be present at a hearing unless such member is a party to the hearing.
- C12.5.3 The secretary of the Disciplinary Tribunal must cause notice of such hearing to be sent to the user, officer or trader concerned, specifying a date, time and place for the hearing, giving details of the alleged contravention, or omission, and nominating, where deemed necessary by the Disciplinary Tribunal, any particular director, officer, trader or employee of the user from whom the Disciplinary Tribunal wishes to receive any information or explanation.
- C12.5.4 The compliance officer of the user concerned may in person or by means of a person authorised by the compliance officer, appear at the hearing.
- C12.5.5 At the hearing the user, officer or trader concerned -
 - C12.5.5.1 is entitled to legal representation;
 - C12.5.5.2 is entitled to be heard in argument;
 - C12.5.5.3 may give evidence in that user's own defence and be subject to cross-examination;
 - C12.5.5.4 may cross-examine;
 - C12.5.5.5 may call witnesses, who are subject to cross-examination; and
 - C12.5.5.6 may, after the verdict is given and before sentence is passed, give evidence in mitigation:

Provided that the Disciplinary Tribunal may reach a decision even if the user concerned does not appear, or is not represented at the hearing.

C12.5.6 If the Disciplinary Tribunal finds the user, officer or trader guilty of the alleged contravention or non-compliance, it may -

- C12.5.6.1 reprimand or warn the user, officer or trader in private or by publication of the details of the reprimand or warning;
- C12.5.6.2 censure the user, officer or trader;
- C12.5.6.3 impose a fine on the user, officer or trader not exceeding R 1 million;
- C12.5.6.4 suspend the user status of the user, officer or trader;
- C12.5.6.5 terminate the user status of the user, officer or trader;
- C12.5.6.6 direct the user to terminate the employment of an officer or employee;
- C12.5.6.7 order the user or trader not to trade;
- C12.5.6.8 require a user to take steps to remedy or prevent the recurrence of the misconduct which has given rise to the proceedings;
- C12.5.6.9 require the user, officer or trader to give a written undertaking in such terms as the Disciplinary Tribunal deems fit as to the future conduct of that user, officer or trader;
- C12.5.6.10 notify the Director of Public Prosecutions of any likely contravention of a statutory prohibition;
- C12.5.6.11 notify the Insider Trading Directorate; or
- C12.5.6.12 cancel the registration of any officer or trader who is found to have been a party to the contravention:

Provided that the provisions of rule C12.5.6 are not be mutually exclusive and the Disciplinary Tribunal may take any one or more of such actions in respect of the user, officer or trader.

C12.5.7 The Disciplinary Tribunal may make any order of suspension or order not to trade, subject to such conditions as it deems fit, and may give the user directions on the conduct of the user's affairs: Provided that no suspension of a user, officer or trader or order not to trade shall be for a period in excess of six months.

C12.5.8 Any decision contemplated in rule C12.5.6.4 may be expressed to take effect, or cease to have any effect, upon the happening of an event or the fulfilment of a condition: Provided that the period of 6 months referred to in rule C12.5.7 does not apply to a conditional suspension of user status under this rule.

C12.5.9 If any employee of a user, or any duly authorised person acting on behalf of a user, including any officer or trader who acts on behalf of the user, performs any act or omits to do any act, which act or omission if done or omitted by that user would constitute a contravention or non-compliance as referred to in rule C12.1.1, then such user is liable for such contravention or non-compliance as if he himself had committed the contravention or non-compliance.

C12.6 Fines

- C12.6.1 A fine imposed on a user, officer or trader who has been found guilty of any contravention or non-compliance referred to in rule C12.1.1 shall not exceed R1 million for each contravention or non-compliance.
- C12.6.2 The Disciplinary Tribunal must stipulate the time and manner of payment of the fine when imposed.

C12.7 Suspension

Where the Disciplinary Tribunal has suspended a user, officer or trader, such user, officer or trader -

- C12.7.1 is not permitted -
- C12.7.1.1 to trade during the period of suspension unless with the approval of, and on the conditions imposed by, the Disciplinary Tribunal;
 - C12.7.1.2 to propose or second an applicant for user status;
 - C12.7.1.3 to act as surety for any applicant for user status; or
 - C12.7.1.4 to vote as a user;
- C12.7.2 must, subject to rule C12.7.1.1, be permitted to retain and use during the period of suspension such services and facilities as the user may have been receiving from the Bond Exchange and recognised clearing house; and
- C12.7.3 is liable for payment of all fees and levies due to the Bond Exchange and the recognised clearing house during the period of suspension; and
- C12.7.4 must comply with the Act and the Rules during the period of suspension.

C12.8 Expulsion

- C12.8.1 A user, officer or trader expelled in terms of rule C12.5.6.5, and who appeals in terms of the Act against such expulsion, is deemed to be suspended, and this rule, in so far as it relates to a suspension of a user, officer or trader, shall apply *mutatis mutandis* to the user until the decision of the Appeal Board is announced.
- C12.8.2 Upon expulsion, the user, officer or trader forfeits -
- C12.8.2.1 all rights under or by virtue of the Act and the Rules; and
 - C12.8.2.2 any fees or levies paid to the Bond Exchange or the Bond Exchange Guarantee Fund.
- C12.8.3 A user, officer or trader may be expelled subject to such conditions as the Disciplinary Tribunal deems fit and the Disciplinary Tribunal may direct the user, officer or trader with regard to any actions it deems necessary.

C12.9 Notice of convictions

C12.9.1 The chief executive officer must publish a written notice to users setting out details of any conviction of a user, officer or trader and the penalty imposed by the Disciplinary Tribunal: Provided that the contravention is an offence as determined by the Disciplinary Tribunal justifying such notice.

C12.9.2 The chief executive officer may publish, or cause to be published, in any newspaper or other periodical, or permit or authorise the proprietor or publisher of such newspaper or other periodical to publish the notice referred to in rule C12.9.1.

C12.10 Full and final

Any decision of the Disciplinary Tribunal in terms of this rule is final unless and until the Appeal Board modifies such decision.

C12.11 Record of proceedings

A user, officer, trader or employee who has made representations to the Disciplinary Tribunal is entitled to a copy of the record of the proceedings at which the representations were considered.

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RULES****PART D - MARKET ASSOCIATION RULES****BOND TRADERS ASSOCIATION****PART D - SECTION 1 GENERAL PROVISIONS**

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PART D - SECTION 1
GENERAL PROVISIONS

D1.1 General

The rules in Part D must be read together with the relevant provisions of the Core Rules.

D1.2 Name and constitution

- D1.2.1 The name of the market association is the Bond Traders' Association, in these Rules called the BTA.
- D1.2.2 The BTA –
- D1.2.2.1 will be the first market association established on the date of approval of these Rules by the Registrar;
- D1.2.2.2 must be constituted separately from BTA members in terms of a market association constitution.

PART D - SECTION 2
ASSOCIATION MEMBER STATUS

D2.1 Eligibility for association member status

D2.1.1 Any person, whether a natural or juristic person, may be admitted to membership of the BTA.

D2.1.2 To be eligible for BTA membership, an applicant must satisfy the BTA council that –

D2.1.2.1 a regular feature of its business is the trading of BTA listed financial instruments;

D2.1.2.2 such person is at least 21 years of age and of full legal capacity or if the applicant is a juristic person, that its directors, members or trustees are all at least 21 years of age and of full legal capacity; and

D2.1.2.3 such person complies with the financial resources and administrative system requirements prescribed by the BTA.

D2.2 Application for association member status

D2.2.1 An application for BTA membership must be made to the BTA council on the form and accompanied by the fee as determined by the BTA council.

D2.2.2 Upon making application for BTA membership each applicant must agree in writing to be bound by the Act and the Rules.

D2.2.3 Approval by the BTA Council of such application entitles the applicant to apply for user status in terms of rule C2.2.

D2.3 Termination of association member status

D2.3.1 A BTA member may terminate membership of the BTA by giving one calendar month's written notice of termination to the BTA council.

D2.3.2 The BTA council must, within five days of receiving a notice referred to in rule D2.3.1, advise the Bond Exchange and the BTA members of such intention of the BTA member to resign.

D2.3.3 Prior to the intended date of termination, the BTA council must consider the notice of termination and may accept such resignation either unconditionally or on such conditions as it may deem fit, or may refuse to accept such resignation until it is satisfied that all outstanding obligations of such BTA member in terms of the Rules have been complied with: Provided that such resignation is not effective unless and until the governing committee has received a recommendation in writing from the BTA council and has ratified the resignation.

D2.3.4 The notification of termination of BTA membership by a BTA member may not be withdrawn without the written consent of the BTA council and the governing committee.

D2.3.5 The BTA membership of a BTA member terminates when -

D2.3.5.1 the BTA member is placed under curatorship;

- D2.3.5.2 the BTA member is liquidated or placed under judicial management, whether provisionally or finally;
- D2.3.5.3 the BTA member is expelled from or has his user status revoked by the Bond Exchange for any reason, or is expelled from the BTA for any reason;
- D2.3.5.4 the BTA member fails to take steps within 30 days of judgement having been granted against the BTA member by a court to satisfy such judgement or to have it set aside; or
- D2.3.5.5 the governing committee or the BTA council by written notice terminates user status or BTA membership, as the case may be, as a consequence of that BTA member having obtained admission to user status or BTA membership by having furnished to the governing committee or the BTA council, as the case may be, information in connection with its application for admission which is found in any material respect to be untrue or misleading.
- D2.3.6 The name of the BTA member whose BTA membership has terminated and the date from which the termination takes effect shall be published by the BTA council by means of a notice to BTA members.

PART D - SECTION 3
CODE OF CONDUCT

RESERVED

PART D - SECTION 4
LISTINGS

D4.1 BTA listed financial instruments

The listed financial instruments which may be traded by BTA members shall comprise government and corporate bonds and similar securities, as described in paragraphs "c" and "d" of the definition of financial instrument contained in rule A1.3.

D4.2 Specific disclosure requirements

The specific information to be submitted by an issuer, in pursuance of a listing of government or corporate bonds or related financial instruments must include –

- D4.2.1 the issue date, coupon rate, payment periods, payment dates and maturity date, to the extent applicable;
- D4.2.2 a copy of the resolution by the governing authority of the issuer authorising the issue of financial instruments;
- D4.2.3 a copy of the provisions of the Act under which such financial instruments are to be issued and listed;
- D4.2.4 a copy of any applicable government guarantee in respect of the financial instruments; and

- D4.2.5 copies of all marketing material used in connection with the original issue of the financial instruments.

PART D - SECTION 5
TRADING

D5.1 Eligibility to trade

Prior to concluding any trades in listed financial instruments, a BTA member must ensure that –

- D5.1.1 the BTA member is registered with the Bond Exchange as either a financial instrument principal or financial instrument trader;
- D5.1.2 every trader employed by the BTA member to conclude trades in listed financial instruments must have completed the registered person's examination of the South African Institute of Financial Markets, or any equivalent examination recognised by the BTA and approved by the governing committee; and
- D5.1.3 traders employed by the BTA member to conclude trades in listed financial instruments are registered with the Bond Exchange.

D5.2 Facilities for concluding and reporting trades

- D5.2.1 A trade reported to the Bond Exchange in terms of rule C5.2.3 shall only be deemed to be a binding matched trade when the trade particulars have been received by the registered clearing house and a matched trade reference number has been generated by the registered clearing house.
- D5.2.2 A matched trade reference number -
- D5.2.2.1 is conclusive evidence of a binding matched trade;
- D5.2.2.2 serves as acceptable confirmation of the details of the trade reported by the user; and
- D5.2.2.3 binds the parties in respect of their obligations to the trade.

D5.3 Trading procedures

- D5.3.1 Trading in listed financial instruments is permitted on any business day for a period of 24 hours or such other period as determined by the governing committee in consultation with the BTA council.
- D5.3.2 The standard trade size in respect of transactions in listed financial instruments must be determined by the BTA council.
- D5.3.3 A BTA member shall ensure that traders employed by the BTA member have sufficient experience and are appropriately supervised by the BTA member.
- D5.3.4 A financial instrument trader must execute a trade on behalf of a client prior to executing a trade in the same listed financial instrument for own account: Provided that if the financial instrument trader is unable to execute the trade on behalf of the client prior to a trade on own account, the financial instrument trader must ensure that the trade on behalf of the client is concluded on terms and conditions not worse than that of the trade concluded on own account.

D5.4 Market prices

A BTA member may advertise a listed financial instrument price by means of a screen and telephone to other BTA members or to clients.

D5.5 User trades

All trades between BTA members shall be concluded on a principal to principal basis and no user may conclude a trade as a client.

D5.6 Client trades

D5.6.1 A financial instrument trader may not enter into trades with or on behalf of a client unless the client is registered for reporting purposes with the Bond Exchange, in the manner determined by the governing committee.

D5.6.2 Subject to rule D10.1, a financial instrument trader who buys from or sells to a client, listed financial instruments on his own account, must notify the client concerned in advance that those listed financial instruments are to be bought or sold.

D5.6.3 A financial instrument trader who buys or sells listed financial instruments on behalf of a client shall conclude an equal and opposite trade with a counterparty, which trade must be at the same price and on the same terms as the instructions given by the client: Provided that -

D5.6.3.1 the financial instrument trader remains liable to the client for the due fulfilment by the counterparty, including a counterparty to a put-through, of all the obligations of the counterparty to the client in terms of the trade; and

D5.6.3.2 any claim by a client in respect of a trade shall be against the financial instrument trader who entered into the trade on the client's behalf, and not against any other user or client of such user who is the counterparty to the trade.

D5.6.4 A financial instrument trader shall, within 24 hours of concluding a trade with or on behalf of a client, issue to that client a transaction note, whether in physical or electronic form, detailing the terms of the trade and indicating the commission and any other fees charged.

PART D - SECTION 6
CLEARING

D6.1 Financial resources requirements

D6.1.1 Upon admission as a BTA member and at all times thereafter, a BTA member must hold own funds, as determined by the governing committee, sufficient to meet the BTA member's initial capital requirement and risk requirement.

D6.1.2 The initial capital requirement referred to in rule D6.1.1 shall be the higher of -

D6.1.2.1 an amount determined by the governing committee as being adequate to meet the operating costs of the BTA member for a period of 13 weeks; or

D6.1.2.2 either -

D6.1.2.2.1 R 200 000 in the case of a BTA member that does not have access to the assets or financial instruments of any client without referral to the client or the client's agent; or

D6.1.2.2.2 R 400 000 in all other cases.

D6.1.3 The risk requirement referred to in rule D6.1.1 shall be the sum of the BTA member's position risk requirement, counterparty risk requirement, large exposure risk requirement and foreign exchange risk requirement, as determined by the governing committee.

D6.1.4 Where the alleged non-compliance by the BTA member with rule D6.1, is reported to the Disciplinary Tribunal in terms of rule C12.1.3, such Disciplinary Tribunal must, where the accused is guilty of such non-compliance, impose a fine amounting to the lower of -

D6.1.4.1 5% of the shortfall in own funds required to be held by the user in accordance with the Rules; or

D6.1.4.2 R 25 000,

for each day from the first date on which such shortfall occurs: Provided that the Disciplinary Tribunal may impose any additional penalty which the Tribunal may deem appropriate in the circumstances.

D6.2 Risk management of trades

The BTA shall, not later than 12 months after the date of approval of these Rules by the Registrar, prescribe rules to regulate the risk management of trades concluded by BTA members.

PART D - SECTION 7 SETTLEMENT

D7.1 Settlement

D7.1.1 A BTA member and client must comply with the settlement procedures prescribed by the settlement agent appointed by the BTA member or client.

D7.1.2 Settlement must be based on the scrip and fund account balances held by the BTA member or client, as the case may be, with the settlement agent.

D7.1.3 Settlement agents must commit to settlement by the time specified by the Bond Exchange -

D7.1.3.1 in respect of a nett settlement run, to every account that a settlement agent is satisfied is funded with the required scrip or cash, as the case may be, and, where an account is not fully funded, to all those trades for which the funding is sufficient, and

D7.1.3.2 for every trade that is not satisfactorily funded, to identify and move such trade to another settlement run on that day.

D7.1.4 Settlement must be in terms of the settlement schedules provided by the recognised clearing house to the settlement agent and in addition -

- D7.1.4.1 a BTA member or client, as the case may be, must comply with the settlement agent agreement concluded in terms of rule D10.3;
- D7.1.4.2 a BTA member or client, as the case may be, shall maintain scrip and fund accounts with a settlement agent in order to effect settlement and nothing contained in the Rules prevents a BTA member or client from having more than one settlement agent or settlement account; and
- D7.1.4.3 settlement takes place on every business day at the settlement times as determined by the Bond Exchange.
- D7.1.5 If a settlement agent declines to settle the settlement position of a BTA member or a client, the affected BTA member and the appointed settlement agent must forthwith advise the chief executive officer, in writing, of that fact: Provided that the chief executive officer must manage such a potential settlement default in accordance with rule D7.2.
- D7.1.6 If a client has not appointed a settlement agent, the BTA member with whom or through whom the client has traded shall effect settlement in the manner determined by the Bond Exchange and as agreed to between the BTA member and the client: Provided that such agreement may not relieve the BTA member concerned of any obligations which may be owed to the BTA member's settlement agent.

D7.2 Rectifying settlement shortages

If a BTA member or client is short of scrip or fails to submit settlement instructions to the appointed settlement agent, the settlement agent and the affected BTA member must notify the chief executive officer, in writing, of this fact and must provide all information as requested by the chief executive officer, who may, in his sole discretion, instruct any user to enter trades, including scrip lending and substitution, or do or not do any other thing reasonably necessary or desirable to rectify the settlement shortage in question.

PART D - SECTION 8 SETTLEMENT DEFAULT

D8.1 Establishment of Guarantee Fund

The governing committee must establish and maintain to the satisfaction of the Registrar, on behalf of BTA members, a Guarantee Fund of not less than R30 million for the discharge of a claim as prescribed in the Rules, of the outstanding liabilities of a BTA member arising out of trades.

D8.2 Control of Guarantee Fund

- D8.2.1 The Guarantee Fund must be managed and controlled by the governing committee in accordance with the Act and the Rules.
- D8.2.2 The governing committee must appoint annually a committee in accordance with rule B3.5 to directly oversee the administration of the Guarantee Fund.
- D8.2.3 The committee referred to in rule D8.2.2 must meet at least quarterly in any calendar year: Provided that a special meeting of such committee may be convened at any time by the requisition of at least two committee members or by the chairman of the committee.
- D8.2.4 The governing committee shall ensure that -

- D8.2.4.1 the monies of the Guarantee Fund are kept in a separate account and applied for the purposes of the Guarantee Fund;
- D8.2.4.2 any correspondence or payments relating to the Guarantee Fund are authorised by appointed officers of the Bond Exchange;
- D8.2.4.3 proper accounts, books and records in respect of the affairs, funds, assets and liabilities of the Guarantee Fund are established and maintained;
- D8.2.4.4 quarterly financial statements in respect of the Guarantee Fund are laid before the governing committee;
- D8.2.4.5 audited annual financial statements in respect of the Guarantee Fund are laid before the governing committee within six months after the end of each financial year of the Bond Exchange.

D8.3 Administration of Guarantee Fund

The Bond Exchange administers the Guarantee Fund.

D8.4 Contributions to Guarantee Fund

- D8.4.1 The basis upon which BTA members must contribute to the Guarantee Fund and the period within which contributions must be paid, must be determined by the governing committee: Provided that in making such determination the governing committee must ensure that -
 - D8.4.1.1 all BTA members contribute to the Guarantee Fund;
 - D8.4.1.2 the contribution due by a BTA member is related to the monthly turnover of the BTA member;
 - D8.4.1.3 the monetary value of the contribution per unit of turnover is notified in writing in advance to BTA members;
 - D8.4.1.4 the contribution due by a BTA member is determined monthly and communicated forthwith in writing to the BTA member concerned;
 - D8.4.1.5 the contribution due by a BTA member shall be payable within 30 days of the last day of the preceding month for which the contribution is due;
 - D8.4.1.6 a penalty, by way of interest calculated at a rate determined by the governing committee from time to time, will be imposed on any contribution unpaid after the expiry of the period referred to in rule D8.4.1.5;
 - D8.4.1.7 the name of a BTA member who has not paid a contribution due within the period referred to in rule D8.4.1.5, is reported in writing to the governing committee and the Registrar; and
 - D8.4.1.8 the manner in which a contribution due is paid to the Guarantee Fund is determined by the governing committee.
- D8.4.2 The liability of BTA members to the Guarantee Fund is limited to the contributions due to the Guarantee Fund in terms of the Rules.

D8.5 Claims against Guarantee Fund

- D8.5.1 If a BTA member fails to fulfil any obligations in terms of a trade, the chief executive officer must immediately inform the governing committee and the relevant committee appointed by the governing committee.
- D8.5.2 The governing committee must determine the current market value of all listed financial instruments involved in the trade.
- D8.5.3 The committee must also determine a list of potential claimants.
- D8.5.4 A claim against the Guarantee Fund may be lodged -
- D8.5.4.1 by the Bond Exchange in the event that the chief executive officer fulfils the obligations of a defaulting BTA member in terms of rule D8.10.2.2; or
- D8.5.4.2 by a BTA member or client who retransacts in order to fulfil the terms of the original trade in terms of rule D8.10.2.3.
- D8.5.5 A claimant must submit a claim to the committee in writing and include -
- D8.5.5.1 evidence of the terms of the original trade or evidence of the trades concluded to settle the defaulter's nett settlement position;
- D8.5.5.2 the loss or potential loss sustained by the claimant in terms of the original trade at current market value which shall be determined and announced by the committee;
- D8.5.5.3 the extent of the actual loss if any retransaction has taken place; and
- D8.5.5.4 any further evidence that the committee may require.
- D8.5.6 Failure by a claimant to comply within a reasonable period with any requirements of the committee is ground upon which the committee may reject the claim.
- D8.5.7 Payment of any amount may only be made against a valid out and out cession to the committee by the claimant in respect of claims against the defaulting user.
- D8.5.8 If a BTA member or client concludes an equal and opposite trade in accordance with rule D8.10.2.4, the BTA member or client -
- D8.5.8.1 may claim from the Guarantee Fund any loss resulting from the replacement trade; and
- D8.5.8.2 must deposit with the Guarantee Fund any profit resulting from the replacement trade: Provided that should a BTA member or client elect not to conclude a replacement trade, then the computation of the claim on the Guarantee Fund or of the profit due to the Guarantee Fund, must be based on the daily closing price fixed by the Bond Exchange in respect of every listed financial instrument.

D8.6 Payment of claims against Guarantee Fund

- D8.6.1 Claims must be met from the total funds available to the Guarantee Fund and may not be drawn in proportion to contribution.
- D8.6.2 The committee may make payments in respect of claims accepted by the committee.
- D8.6.3 The aggregate payment shall not exceed the amount of the assets standing to the credit of the Guarantee Fund.
- D8.6.4 The committee may not entertain claims exceeding R10 million in aggregate in the case of default by a single BTA member unless otherwise determined by the committee and the governing committee: Provided that claims of loss must be met on a *pro rata* basis to a maximum of R10 million and in proportion to the total claims by all BTA members and clients of the defaulting BTA member lodging claims in respect of the default.
- D8.6.5 All subsequent claims on the Guarantee Fund are limited in the aggregate to one-third of the assets of the Fund at the time of default by a BTA member unless otherwise determined by the committee.
- D8.6.6 Payments of claims accepted by the committee may be paid only to the claimant and the committee must obtain written acknowledgement of receipt of payment.
- D8.6.7 Payment must be effected by cheque or electronic transfer of funds to a nominated account held at a registered bank.
- D8.6.8 All claims must be lodged against the Guarantee Fund and no BTA member or client may have any claim against the Bond Exchange.

D8.7 Winding-up of Guarantee Fund

If the Bond Exchange is voluntarily dissolved or wound up by a court, the governing committee must apply the assets of the Guarantee Fund to in the following order:

- D8.7.1 The discharge of any liabilities of the Guarantee Fund to the insurers;
- D8.7.2 the discharge of any claims against the Guarantee Fund;
- D8.7.3 the discharge of any claims against the Guarantee Fund resulting from the administration by the Bond Exchange; and
- D8.7.4 any surplus remaining is deemed to become an asset of the Bond Exchange.

D8.8 Events of default

A default shall be deemed to have occurred in the following circumstances:

- D8.8.1 If a BTA member or a client fails to fulfil any of their settlement obligations in respect of a trade;
- D8.8.2 if a BTA member or a client commits an act of insolvency or an application is made for the liquidation or sequestration of a BTA member or a client;
- D8.8.3 if a BTA member is suspended or its membership terminated in accordance with the Rules; or
- D8.8.4 if a BTA member or a client fails to provide adequate assurance to the governing committee that the BTA member or client will be able to fulfil their obligations in respect of any trade.

D8.9 Declaration of default

- D8.9.1 A BTA member, client or settlement agent who becomes aware of an event of default must immediately notify the chief executive officer thereof.
- D8.9.2 The chief executive officer must, having independently established the facts of the matter, declare the BTA member or client to be a defaulter as from the time at which the default occurred and shall as soon as possible thereafter publish the name of the BTA member or client by way of a notice to BTA members.
- D8.9.3 Upon declaration as a defaulter in terms of rule D8.9.2 –
- D8.9.3.1 a defaulting BTA member shall be deemed to be suspended in accordance with rule C12.7; and
- D8.9.3.2 a defaulting client is suspended from the trade reporting facilities provided by the recognised clearing house.

D8.10 Default procedures**D8.10.1 *Client default***

- D8.10.1.1 Upon declaration of a client default, a BTA member must assume the obligations in respect of all trades concluded by the BTA member with or on behalf of a defaulting client.
- D8.10.1.2 No claim against the Guarantee Fund shall be entertained in respect of trades concluded with or on behalf of a defaulting client.
- D8.10.1.3 If a BTA member is unable to fulfil the obligations in respect of trades concluded by that BTA member with or on behalf of the defaulting client, the BTA member must be declared a defaulter in terms of rule D8.9.2.

D8.10.2 *BTA member default*

- D8.10.2.1 Upon declaration of a BTA member default the chief executive officer must –
- D8.10.2.1.1 determine the defaulting BTA member's nett settlement obligations and other open positions to the market in respect of each listed financial instrument; and
- D8.10.2.1.2 endeavour to fulfil these obligations on behalf of the defaulting BTA member.
- D8.10.2.2 In order to fulfil the obligations of a defaulting BTA member, the chief executive officer may –
- D8.10.2.2.1 utilise all scrip, funds or margin held by any settlement agent or other Exchange on behalf of the defaulting BTA member;
- D8.10.2.2.2 draw upon the resources of the Guarantee Fund; and

D8.10.2.2.3 alienate the defaulter's excluded assets.

D8.10.2.3 If the chief executive officer is unable to fulfil the nett settlement obligations of the defaulting BTA member, the affected BTA members and clients may, upon notification in writing by the chief executive officer, close out their positions in listed financial instruments by concluding equal and opposite trades in the manner determined by the governing committee.

D8.10.2.4 No defaulting BTA member may compromise with or accept payment on account from any other BTA member or client in connection with any trade, as from the time of declaration as a defaulter.

D8.10.3 Issuer default

D8.10.3.1 Where an application is made for the liquidation of an issuer or if an issuer fails to fulfil the listing requirements prescribed in rule C4.1, the chief executive officer must forthwith suspend the listing of such financial instruments in terms of rule C4.2: Provided that all trades in the issuer's listed financial instruments which have not been settled as at the date of suspension of the listing shall be reversed at a price determined by the chief executive officer.

D8.10.3.2 No claim against the Guarantee Fund may be entertained in respect of trades in financial instruments of which the listing has been suspended or terminated.

D8.11 Defaulter's excluded assets

The following provisions apply with reference to the assets, whether in the form of money, financial instruments, or other corporeal or incorporeal things (hereunder referred to as the "defaulter's excluded assets") of a BTA member with effect from the date upon which control of such defaulter's excluded assets is assumed by the chief executive officer.

D8.11.1 The chief executive officer must assume control of a defaulter's excluded assets upon declaring a BTA member to be a defaulter.

D8.11.2 A person for the time being having custody of such defaulter's excluded assets must give effect to all instructions in relation thereto as may be furnished to such person by the chief executive officer.

D8.11.3 The chief executive officer must, as soon as reasonably possible, realise (whether by sale or otherwise) all of such defaulter's excluded assets and must place the nett proceeds of such realisation (after deduction therefrom of any costs incurred by the chief executive officer in such realisation) and any cash forming part of the defaulter's excluded assets, in a separate trust account (herein referred to as "the liquidation trust account") with a bank in the Republic of South Africa, in which any funds accruing must also be placed.

D8.11.4 The chief executive officer must give written notice to be given of the establishment of the liquidation trust account to persons considered by the chief executive officer to be potential claimants of the money in the liquidation trust account, and claims in respect thereof shall lie within such period as determined by the governing committee.

- D8.11.5 The chief executive officer must publish, or cause to be published, in any newspaper or other periodical, or permit or authorise the proprietor or publisher of such newspaper or periodical to publish the notice referred to in rule D8.11.4.
- D8.11.6 The chief executive officer may publish supplementary notices and announcements to invite claims from potential claimants.
- D8.11.7 A claim must be in the form as determined by the governing committee, and must contain such particulars and be accompanied by such vouchers or other proof, as the governing committee shall require.
- D8.11.8 On the expiry of the period of a notice given in term of rules D8.11.4 and D8.11.5 and of any extension thereto in any notice or announcement in terms of rule D8.11.6, the chief executive officer must adjudicate upon all claims submitted in response to such notices, in accordance with this Rule.
- D8.11.9 A decision of the chief executive officer to admit a claim, or to refuse admission of a claim, or as to the amount of a claim admitted is final and binding on all parties affected thereby.
- D8.11.10 The amount standing to the credit of the liquidation trust account must be applied by the chief executive officer as follows and in the following order of precedence: Provided that if any balance distributable amongst claimants of equal precedence is less than the aggregate of their claims, the available amounts must be distributed amongst them in proportion to the amounts of their respective claims -
- D8.11.10.1 in the first instance, towards payments of all costs reasonably incurred by the chief executive officer in giving notice of the establishment of the liquidation trust account and calling for the submission of claims in respect thereof, including any costs incurred by the chief executive officer in the adjudication of such claims;
- D8.11.10.2 thereafter, in payment to any BTA member, or to the governing committee of any obligation incurred by the defaulting BTA member arising from the closing out of all or any of his proprietary positions as contemplated in this rule, or for taking over the defaulter's nett settlement position.
- D8.11.10.3 thereafter, in payment of liabilities of the defaulting BTA member arising from the closing out or expiry, prior to the assumption of such control by the governing committee, of proprietary positions of the defaulting BTA member undertaken on behalf of clients and not settled at the date of default;
- D8.11.10.4 thereafter, towards satisfaction of any fees due from the defaulting BTA member to any other BTA member or to the governing committee as a result of the closing-out of proprietary positions, or for taking over the defaulter's nett settlement position as contemplated in this rule; and
- D8.11.10.5 as to any surplus, by payment to the defaulting BTA member or the trustee, liquidator or judicial manager of the defaulting BTA member.

PART D - SECTION 9
SEGREGATION OF ASSETS

RESERVED

PART D - SECTION 10
RECORDS AND PRESCRIBED AGREEMENTS

D10.1 BTA member – client agreement

- D10.1.1 Prior to entering into a transaction with or on behalf of a client, a financial instrument trader must conclude a written agreement in respect of trading activities with the client concerned.
- D10.1.2 An agreement concluded in accordance with rule D10.1.1 must contain provisions in addition to the requirements of rule C10.4 to the effect that –
- D10.1.2.1 the client appoints the BTA member to enter into trades either with the client, on a principal to principal basis, or on the client's behalf on an agency basis, as instructed by the client;
- D10.1.2.2 the client must provide to the Bond Exchange or its recognised clearing house all client information required for the reporting of trades as prescribed by the governing committee;
- D10.1.2.3 before trades are concluded with or on behalf of the client the BTA member must indicate to the client whether the BTA member is acting as a principal or agent;
- D10.1.2.4 the BTA member must trade with or on behalf of a client only in accordance with the reasonable instructions received from the client and as required by the Rules;
- D10.1.2.5 if the client is unable to meet the obligations arising from a trade, the BTA member must perform all the obligations of the client in respect of that trade;
- D10.1.2.6 if the client is unable to meet the obligations arising from a trade with the BTA member, where the BTA member acts as a principal, the BTA member must bear the counterparty risk with the client;
- D10.1.2.7 if the BTA member is unable to meet the obligations arising from a trade entered into on a principal basis with the client, the client must bear the counterparty risk with the BTA member; and
- D10.1.2.8 the client undertakes in writing to pay such fees, levies, charges or commissions as may be agreed with the BTA member in respect of services provided by the BTA member.

D10.2 BTA member – service provider agreement

Prior to carrying on the business of buying and selling listed financial instruments, a BTA member must conclude a written agreement with a service provider for the provision of electronic trade reporting facilities to the BTA member.

D10.3 BTA member – settlement agent agreement

- D10.3.1 Prior to carrying on the business of buying and selling listed financial instruments, a BTA member must conclude a written agreement with a settlement agent for the provision of electronic settlement facilities to the BTA member.

D10.3.2 If a client does not settle trades through a BTA member, the client must conclude a written agreement with a settlement agent for the provision of electronic settlement facilities to the client.

D10.4 BTA member – employee agreement

A BTA member shall not employ any director, officer, trader or any person involved in the management or the administration of trading unless such person has entered into a written agreement with the BTA member in terms of which the person agrees to comply with the Act and the Rules.

**PART D - SECTION 11
DISPUTES**

D11.1 General

D11.1.1 Any dispute between users or between users and clients in respect of –

D11.1.1.1a trade or settlement;

D11.1.1.2the implementation or interpretation of any agreement concluded in terms of rule D10.1;
or

D11.1.1.3advice regarding a trade given by a user.

must be resolved by mediation, conciliation, recommendation, determination or arbitration and shall be reduced to writing by the parties thereto.

D11.1.2 Parties to the dispute or any person involved in the dispute resolution process shall report to the Registrar, matters that may be of interest to him.

D11.1.3 A user must notify his client in writing of the procedures being followed and of any action being taken in order to resolve the dispute.

D11.2 Mediation

D11.2.1 The appointment of a mediator, the procedures to be followed, and the settlement terms of the dispute must be agreed upon between the parties to the dispute: Provided that the parties to the mediation are jointly liable for the costs of the mediation, subject to an award by the mediator.

D11.2.2 Despite rule D11.2.1, where several disputes involving a user are based upon similar facts, the mediator appointed in terms of this rule may determine that such disputes be consolidated and treated as a single dispute in terms of the Rules.

D11.2.3 If the chief executive officer is not asked to mediate in the dispute, the parties must, as soon as possible after the settlement or otherwise of the dispute, inform the chief executive officer in writing of the result of the mediation.

D11.2.4 The chief executive officer must make facilities available to the parties for mediation if the parties so request, on terms determined by the chief executive officer.

D11.3 Arbitration

D11.3.1 The parties may agree to settle a dispute by means of an arbitration agreement in accordance with the provisions of the Arbitration Act, 1965 (Act No. 42 of 1965): Provided that the parties to the

arbitration are jointly liable for the costs of the arbitration proceedings, subject to an award by the arbitrator.

D11.3.2 Despite rule D11.3.1, where several disputes involving a user are based upon similar facts, the arbitrator appointed in terms of this rule may determine that such disputes be consolidated and treated as a single dispute in terms of the Rules.

D11.3.3 The parties must, as soon as possible after the settlement of the dispute, inform the chief executive officer in writing of the result of the arbitration agreement.

D11.4 Notice

D11.4.1 The chief executive officer may publish a notice to users setting out details of any dispute and the mediator's or arbitrator's decision with regard thereto.

D11.4.2 The chief executive officer may publish, or cause to be published, in any newspaper or other periodical, or permit or authorise the proprietor or publisher of such newspaper or other periodical to publish the notice referred to in rule D11.4.1.