

NOTICE 2803 OF 2004**FINANCIAL MARKETS CONTROL ACT, 1989
YIELD-X RULES OF THE JSE SECURITIES EXCHANGE 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 JSE Securities Exchange South Africa has applied to the Registrar of Financial Markets for approval of its Yield-X rules contained in the Schedule hereto.
2. In terms of section 17(3)(f) of the said Act all interested persons (other than members of the JSE Securities Exchange South Africa) who have any objections to the proposed rules 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

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1.10 Name

The name of the Association is the "JSE Securities Exchange South Africa" hereinafter referred to as "the JSE".

1.20 Corporate Body

- 1.20.1 The JSE shall be and continue to be a body corporate constituted separately from its members and shall have perpetual succession and be capable of acquiring rights and duties in law apart from those of its members.
- 1.20.2 Legal process issued against the JSE shall be validly served if served at the office of the JSE on a senior manager of the JSE.
- 1.20.3 The JSE shall not be dissolved or restructured except in the manner as provided for in the Constitution of the JSE.

1.30 Constitution of the JSE

- 1.30.1 The JSE has a Constitution, which, amongst other things, sets out the powers and authority of the JSE.
- 1.30.2 To the extent that matters are not required by the Act to be dealt with in these Yield-X rules, they shall be dealt with in the Constitution.
- 1.30.3 To the extent that the Constitution does not conflict with the Act, it shall prevail over these Yield-X rules and directives.

1.40 Powers exercisable by the controlling body

- 1.40.1 The management and control of the JSE shall be exercised by the controlling body which shall be the governing body managing the affairs of the JSE.
- 1.40.2 The controlling body may, in addition to the powers and authorities expressly conferred upon it by the Act, the Constitution and these Yield-X rules, exercise all such powers and do all such things as may be exercised or done by the JSE.
- 1.40.3 Without limiting the generality of 1.40.2:
 - 1.40.3.1 Subject to a superior court's inherent right of judicial review, any decision of the controlling body on a matter before it shall be final unless and until (in cases where an appeal to that body lies) the Appeal Board established under the Act shall have varied or reversed such decision;
 - 1.40.3.2 Any action, procedure, directive, instruction or decision of the controlling body in relation to the administration, management, control, conduct or procedures for the orderly functioning of the JSE as an efficient market for listed financial instruments which is in accordance with these Yield-X rules shall be binding upon members, their officers, employees, clients and other parties with whom members are permitted to deal.
 - 1.40.3.3 The controlling body may –
 - 1.40.3.3.1 decide on the hours of business of the Yield-X trading system and subject to the approval of the Registrar, to reduce or extend such hours as circumstances may dictate;
 - 1.40.3.3.2 close the Yield-X trading system for trading purposes at any time and for any period and shall cause the Registrar to be advised forthwith of any such closure; and
 - 1.40.3.3.3 declare, in exceptional circumstances, that a transaction effected by or through the Yield-X trading system is void and such a declaration shall bind a trading member and, if applicable, a client of such member with whom or for whom such transaction was effected.
- 1.40.4 The controlling body shall appoint an Executive Officer who shall have such powers, as the controlling body thinks fit, delegated to him or her by the controlling body in terms of Article 8.1.4.1 of the JSE Constitution. The controlling body may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as the controlling body thinks expedient. The terms and conditions of the appointment of the Executive Officer shall, inter alia, include his or her remuneration and a prohibition on the buying and selling of financial instruments on behalf of other persons.

1.41 Advisory Committees

- 1.41.1 The controlling body shall procure the appointment of advisory committees.
- 1.41.2 The function of the advisory committees will be to make recommendations to the JSE Executive on operational issues of principle relevance to the JSE.
- 1.41.3 The advisory committees shall consist of –
 - 1.41.3.1 a chairperson, who shall be the JSE executive member responsible for the area in question; and
 - 1.41.3.2 such persons as the chairperson, in consultation with the JSE Executive and the controlling body, shall appoint by reason of their knowledge of or experience in the Yield-X instruments or other relevant markets and which shall include representatives of members.
- 1.41.4 The advisory committees shall make recommendations by reasonable consensus.
- 1.41.5 In the event that an advisory committee is not able to reach reasonable consensus on any issue considered by it, the conflicting views on the issue in question shall be referred to the JSE Executive.

1.50 Rules and Directives

- 1.50.1 Purpose of rules and directives

The purpose of these Yield-X rules and directives is to achieve the objects of the JSE as set out in the Constitution by providing the procedures necessary to establish and regulate fair and efficient markets and to ensure that the business of the JSE is carried out in an orderly manner and with due regard to the interests of the public in general.
- 1.50.2 Yield-X rules and directives are binding
 - 1.50.2.1 The Yield-X rules, directives and any decisions or determinations made under the Yield-X rules are binding upon all Yield-X members, officers and their employees.
 - 1.50.2.2 Yield-X members shall ensure that their employees have entered into a written agreement with such member to comply with the Act, the Yield-X rules and directives and decisions made in terms of these Yield-X rules.
 - 1.50.2.3 The Yield-X rules shall be binding on any person using the services of a Yield-X member or who concludes a transaction with a Yield-X member in the course of that member's business.
 - 1.50.2.4 The Yield-X rules are binding on settlement agents.
 - 1.50.2.5 The controlling body shall notify Yield-X members of any decisions or determinations made under the Yield-X rules.

1.60 Transactions subject to provisions of the Act, Yield-X rules, etc

Notwithstanding anything contained in these Yield-X rules every transaction in Yield-X instruments entered into by a Yield-X member with or on behalf of another Yield-X member or a member of the public shall be concluded on the specific condition that the transaction is entered into subject to the provisions of the Act, these Yield-X rules and the directives in force at the time the bargain was struck.

1.70 Interpretation of the Yield-X rules

The interpretation and enforcement of the Yield-X rules, directives, listing requirements and decisions of the controlling body shall vest in the controlling body.

1.80 Proposals for amendments of the Yield-X rules

- 1.80.1 Any member of the controlling body may propose in writing any amendment of the Yield-X rules. The proposal shall be lodged with the JSE and shall be submitted to the controlling body for consideration at its next ordinary meeting.
- 1.80.2 The controlling body shall consider the proposed amendment of the Yield-X rules and notify members of its decision in regard thereto.
- 1.80.3 If, within ten days of the announcement of the controlling body's decision to adopt the proposal, 10 or more Yield-X members object to the decision, a ballot of Yield-X members shall be taken at a meeting of members convened for that purpose, called by not less than 14 days' notice.
- 1.80.4 If at such ballot a majority of votes be recorded against the adoption of the proposal, then the proposal will be deemed to have been rejected.
- 1.80.5 If a ballot is not demanded or if at such ballot a majority is recorded in favour of any proposal, the controlling body shall submit the accepted proposal to the Registrar for his approval.

1.90 JSE and members not liable for any losses

- 1.90.1 The JSE and SAFCOM shall not be liable to any person for any loss or damage resulting from –
- 1.90.1.1 negligence, on the part of the JSE, SAFCOM or on the part of any employee or agent of the JSE or SAFCOM;
 - 1.90.1.2 any act or omission on the part of any third party;
 - 1.90.1.3 incorrect, inaccurate, defective or misleading information furnished or supplied by the JSE, SAFCOM or any employee or agent of the JSE, SAFCOM or any third party;
 - 1.90.1.4 equipment breakdown or the breakdown, interruption, suspension, termination or failure of or defect in any system, including but not limited to any trading system, or service rendered by or on behalf of the JSE;
 - 1.90.1.5 computer system malfunction, the interruption or failure of communications links, power failure, the failure of or defect in any software or hardware, whether owned by, licensed or leased to the JSE, the loss or destruction of any data and natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause; and
 - 1.90.1.6 the termination, for any reason whatsoever, of any licence or other agreement to which the JSE is a party.
- 1.90.2 Yield-X members shall not be liable to any person for any loss or damage resulting from the instances set out in rule 1.90.1 except for rule 1.90.1.2 which shall not be applicable to Yield-X members.

1.100 Controlling body members and others indemnified

- 1.100.1 A member of the controlling body and an employee of the JSE shall be indemnified by the JSE out of the funds of the JSE against any liability, loss or, damage incurred suffered as a result of any *bona fide* or negligent, but not grossly negligent or wilful, act or omission in the execution of their duties as a member of the controlling body or an employee of the JSE, and whether performed in a capacity as a trustee of the Fidelity Fund, or director of any company representing the JSE. For the purposes of this rule such member or employee shall not be regarded as having been grossly negligent or having acted in wilful breach of duty or trust if the act or omission resulted from incorrect information supplied to such member or employee by a source from which the member or employee would normally accept the information as correct and which can be expected to provide the correct information.
- 1.100.2 No person mentioned in 1.100.1 shall be answerable for the acts, rights, neglects or defaults of any other such person or of any bankers or other persons with whom monies or effects of the JSE may, subject to the provisions hereof, be or have been lodged or deposited for safe custody, or for joining in any action for the sake of conformity or for the insufficiency or deficiency of any security accepted by the controlling body or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts or in relation thereto, accept as may happen by or through their own wilful breach of duty or breach of trust.

1.110 Appointment of clearing house

The JSE may acquire the services of a clearing house with the purpose of clearing Yield-X instruments on the JSE in accordance with the Yield-X rules and to provide any other services or facilities as may be required by the JSE. The JSE may delegate any function of the JSE to such clearing house.

1.120 Transitional Provisions

- 1.120.1 Anything done under or for the purposes of a provision of the derivative rules in respect of interest rate products previously listed under such rules shall be effective from the effective date as if done under or pursuant to the Yield-X rules and directives.
- 1.120.2 The disciplinary procedures set out in section 4 may, from the effective date and at the discretion of the JSE, be applied in the investigation and prosecution of any offence in terms of the derivative rules committed prior to the effective date in respect of transactions in interest rate products previously listed under such rules.
- 1.120.3 The coming into operation of these Yield-X rules and directives shall not affect the validity of anything done under or pursuant to the derivative rules.

SECTION
2

Section 2: Definitions and Interpretation

Scope of section

- 2.10 Definitions
- 2.20 Interpretation

2.10 Definitions

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

- "Act"** means the Financial Markets Control Act, 1989 (Act No. 55 of 1989) or any replacement Act;
- "additional margin"** means the margin paid to a clearing member by a non-clearing member over and above that required by SAFCOM or to a non-clearing member by a client over and above that required by the clearing member concerned;
- "advertisement"** means any written, printed, electronic or oral communication, including a communication by means of a public radio service, television broadcast or any other media by a Yield-X member, which communication is directed to the general public, or any section thereof, or to any client, and is intended to call attention to, or to market or promote, the services offered by a Yield-X member, and which does not purport to provide detailed information about such services; and "advertising" has a corresponding meaning;
- "advice"** means any recommendation, guidance or proposal of a financial nature furnished by a Yield-X member, by any means or medium, to any client or group of clients -
- (a) in respect of the purchase or sale of any listed financial instruments or other investments; or
 - (b) on any corporate action or other event affecting any rights or benefits in respect of any listed financial instruments or other investments; or
 - (c) on the exercise or lapse of any rights in respect of any listed financial instruments or other investments;
- and irrespective of whether or not such advice results in any transaction being effected, except that advice does not include -
- (d) factual advice given merely -
 - (i) on the procedure for entering into a transaction in respect of any listed financial instruments or other investments;
 - (ii) in relation to the description of any listed financial instruments or other investments;
 - (iii) in answer to routine administrative queries;
 - (iv) in the form of objective information about any listed financial instruments or other investments; or
 - (v) by the display or distribution of promotional material;
 - (e) an analysis or report on any listed financial instruments or other investments without any express or implied recommendation, guidance or proposal that any particular transaction in respect of the relevant product is appropriate to the particular investment objectives, financial situation or particular needs of a client;
- "affiliated officer"** means, in relation to any Yield-X member -
- a) a registered officer; or
 - b) a director, employee, associate, or a shareholder materially concerned in the management or administration of trading; or
 - c) a person who controls the Yield-X member or who is privy to information regarding the Yield-X member's or a client's trades or positions;
- "agent"** means a broking member who has traded on behalf of a client other than for its own account in terms of the Yield-X rules;
- "aggregate position"** means collectively all the proprietary positions in Yield-X instruments registered in the name of a trading member or, collectively, all the positions in Yield-X instruments registered in the name of a client;
- "allocation"** means a transfer of a trade or divided trade, or a transfer of aggregated trades, executed on the central order book of the Yield-X trading system or reported to the Yield-X trading system in an agency capacity, from a trading member's suspense account to a client at the price or the average price of the original trade or trades;

"Arbitration Act"	means the Arbitration Act, 1965 (Act No. 42 of 1965) and includes any regulations promulgated thereunder;
"arbitrator"	means the Executive Officer or the person or persons appointed by him to perform the functions of an arbitrator in terms of these Yield-X rules;
"assign"	means the exercise by SAFCOM of its right in terms of an option contract to buy or sell the underlying instrument of the option contract from or to a person holding a short position in the option contract;
"authorised bank"	means a branch of an authorised dealer which, in terms of Exchange Control Regulation 14, has been appointed to administer securities control;
"authorised dealer"	means, in relation to any transaction in respect of gold, a person authorised by the Treasury to deal in gold and, in relation to any transactions in respect of foreign exchange, a person authorised by the Treasury to deal in foreign exchange;
"broking member"	means a trading member who may trade in Yield-X instruments for its own account and for or on behalf of clients, and has the same meaning as a financial instrument trader as defined in the Act;
"business day"	means any day except a Saturday, Sunday, public holiday or any other day on which the JSE is closed;
"buy"	means in relation to Yield-X instruments to enter into either – (a) a purchase of a futures contract in terms of which the buyer is obliged to take delivery of the underlying instrument at the agreed price on the future date or to pay an amount of money if, on the future date, the price or value of the underlying instrument is less than the agreed price; or (b) a purchase of an option contract in terms of which the buyer obtains the right to buy or sell the underlying instrument of the option contract at the agreed price before or on the future date; or (c) a purchase of loan stock in terms of which the buyer is obliged to make payment for the loan stock and receive delivery of such loan stock at the agreed price on the settlement date;
"call option contract"	means a contract, in terms of which the holder of a long position in the call option contract has obtained the right to buy, and the holder of a short position shall, if the option is exercised, be obliged to sell, the underlying instrument of the option contract from or to SAFCOM on or before the future date at the strike price in accordance with these Yield-X rules and the contract specification of the option contract;
"capital adequacy requirement"	means the sum of the greater of a Yield-X member's initial capital or one quarter of its annual fixed operating costs plus its risk requirements as determined by the JSE in agreement with the Registrar;
"capital adequacy return"	means the submission by a Yield-X member of its capital adequacy requirement to the JSE in the manner and form specified by the JSE ;
"carry transaction"	means a buy/sell back transaction between two parties in terms of which one party agrees to buy loan stock from the other party while simultaneously agreeing to sell the loan stock back on an agreed future date at an agreed price;
"cash root"	means the source of the funds due by the ultimate buyer of the loan stock;
"cash settled futures contract"	means a futures contract contemplated in part (b) of the definition of futures contract in the Act;
"central order book"	means the order matching mechanism of the Yield-X trading system where orders are matched anonymously on the basis of price-time priority;

"clear"	means the process in terms of which SAFCOM becomes the buyer from the seller and the seller to the buyer in every matched transaction in a Yield-X instrument whereupon the clearing member guarantees to SAFCOM all obligations arising out of any position resulting from such transaction in terms of these Yield-X rules;
"clearing agreement"	means a written agreement entered into between a clearing member and a non-clearing member in terms of which the non-clearing member guarantees to the clearing member the performance of the obligations arising out of the positions of the non-clearing member and the clients of the non-clearing member;
"clearing house"	means SAFCOM or any other body corporate or unincorporated association or department of the JSE designated by the JSE as such and recognised by the Registrar as a clearing house in terms of the Act;
"clearing member"	means a company admitted by the JSE as a clearing member of the JSE and who has entered into a SAFCOM agreement with SAFCOM;
"client"	means a person – (a) who has been registered as a client of a broking member and with whom the broking member has concluded a client agreement; or (b) on whose instruction or authority other investments are bought, sold or safeguarded by a Yield-X member;
"client agreement"	means an agreement between a broking member and a client entered into before the broking member becomes entitled to trade for or on behalf of the client, the basic terms and formal requirements of which have been prescribed by the JSE;
"client application"	means an electronic system used by a client to submit orders to a broking member;
"close out"	means the cancellation of a position in one direction by an equal and opposite position (e.g. a long position in a Yield-X instrument is cancelled by a short position in the same Yield-X instrument);
"collateral"	means the cash provided to the Settlement Authority by a trading member or client as security for the due return of equivalent STRATE settled loan stock in terms of a lending transaction; or the STRATE settled loan stock provided to the Settlement Authority as security for the due return of the funds lent to a trading member or client, as the context may require;
"common monetary area"	means the Republic of South Africa, Lesotho, Namibia and Swaziland;
"company"	means a company as defined in Section 1 of the Companies Act, 1973 (Act No. 61 of 1973), and registered in terms of that Act;
"compliance officer"	means the person appointed by each Yield-X member, in terms of rule 3.120.2;
"contract specification"	means the standard terms and formal requirements of a futures or option contract contemplated in the definition of a standardised contract in section 1 of the Act, as determined by the JSE;
"contractual settlement"	means the market convention whereby the parties to a transaction in loan stock have a contractual obligation to cause such transaction to be settled on the settlement day;
"Constitution"	means the Constitution of the JSE as referred to in rule 1.30;
"controlling body"	means the board of directors of the JSE which is the governing body managing the affairs of the JSE;
"corporate action"	means any economic right or benefit flowing from ownership of STRATE settled loan stock;

"counterparty risk requirement"	means the risk requirement in relation to the unsettled obligations of third parties, as determined by the JSE in agreement with the Registrar;
"dealer "	means a person registered to trade for a trading member in terms of these Yield-X rules;
"default"	means a default by a client or Yield-X member as contemplated in Section 11;
"derivative rules"	means the rules and directives of the JSE applicable to the financial derivatives and agricultural products markets, as referred to in rule 1.120;
"directive"	means a directive as referred to in rule 1.50.2;
"discretionary basis"	in relation to the management of investments, means to trade, without it being necessary to obtain further authority or consent from the client involved, other than the discretionary client agreement;
"discretionary client agreement"	means the client agreement as prescribed by the JSE that entitles the broking member to trade for a client on a discretionary basis;
"discretionary financial services provider"	has the same meaning as that contained in section 2.1 of the Code of Conduct for Administrative Financial Services Providers issued by the Registrar of Financial Services Providers;
"dispute"	means any dispute arising between any of the persons bound by these Yield-X rules and which the JSE declares to be a dispute;
"effective date"	means the date of the coming into operation of these Yield-X rules;
"emigrant"	means a natural person who has emigrated from the common monetary area;
"emigrant client"	means an emigrant who has concluded a client agreement with a broking member and who has been registered by SAFCOM as an emigrant client of the broking member;
"emigrant's blocked account"	means the account of an emigrant to which exchange control restrictions have been applied;
"emigrant's blocked account clearance certificate"	means the certificate, the terms of which are determined by the JSE in agreement with the South African Reserve Bank and which confirms, to the authorised bank concerned, the details of the amount of the margin to be paid into or out of an emigrant's blocked account as a result of a position registered in the name of that emigrant client;
"employees"	means the persons employed by a Yield-X member within that area of business that operates as a Yield-X member;
"equities rules"	means the rules and the directives of the JSE issued pursuant to section 12 of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), or any replacement Act;
"equivalent STRATE settled loan stock"	means uncertificated financial instruments of an identical type, nominal value, description and amount to the loaned STRATE settled loan stock duly adjusted for any corporate action;
"Exchange Control Regulations"	means the Exchange Control Regulations, 1961, as promulgated by Government Notice R1111 of 1 December 1961, made in terms of Section 9 of the Currency and Exchanges Act, 1933 (Act No. 9 of 1933);

"executive director"	means in respect of a corporate entity a person appointed as a director of the corporate entity, whether with limited or unlimited liability, under the Companies Act, 1973, and who, in terms of a contract of employment with such corporate entity is in its full-time employ;
"Executive Officer"	means the person appointed by the controlling body as the Chief Executive Officer in terms of the Yield-X rules or, in that person's absence, that person's deputy;
"exercise"	means, in relation to the registered holder of a long position in an option contract, to exercise its right to buy or sell the underlying instrument of the option contract at the strike price on or before the future date;
"expire"	means the closing out of a position in a Yield-X instrument by way of a transaction generated by SAFCOM between the registered holder of a position and SAFCOM in terms of these Yield-X rules;
"expiry month"	means in relation to a futures or option contract, the month in which the positions in such Yield-X instruments expire on the date and at the time as contained in the contract specification of the futures or option contract;
"external company"	means an external company as defined in Section 1 of the Companies Act, 1973 (Act No. 61 of 1973), registered in terms of Section 322(2) of the said Companies Act;
"failed trade"	means a trade in loan stock which the Settlement Authority deems to be a failed trade on the basis that neither the client, the Yield-X member nor the Settlement Authority is able to ensure that such trade will settle on the settlement date;
"FAIS Act"	means the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002);
"Fidelity Fund"	means the JSE Fidelity Fund as required in terms of the Act;
"financial exchange"	has the same meaning as that contained in section 1 of the Act;
"financial instrument"	has the same meaning as that contained in section 1 of the Act;
"financial products"	has the same meaning as that contained in section 1 of the FAIS Act, and by definition includes listed financial instruments and other investments;
"financial services provider"	has the same meaning as that contained in section 1 of the FAIS Act;
"foreign exchange"	means a person authorised to function as an exchange in terms of the laws of a country other than the Republic;
"foreign exchange risk requirement"	means the risk requirement of a Yield-X member in relation to positions or client obligations which are exposed to changes in the value of foreign currencies relative to the Rand, determined by the JSE in agreement with the Registrar;
"futures contract"	has the same meaning as that contained in section 1 of the Act;
"in writing"	in relation to anything which, in terms of these Yield-X rules and directives, must be done in writing, includes any such thing done in electronic form, unless the context indicates otherwise; and "written" has a corresponding meaning;
"initial capital"	means the minimum capital as specified by the JSE in agreement with the Registrar;
"initial margin"	means the value determined by SAFCOM on the basis specified by the JSE and held in respect of the aggregate position of a trading member or a client;

"intermediary services"	has the same meaning as that contained in section 1 of the FAIS Act;
"investment manager"	means a Yield-X member who is authorised in terms of Section 10 to undertake the management of investments on a discretionary basis;
"JSE"	means the JSE Securities Exchange South Africa;
"JSE Executive"	means the Executive Officer and such other officials of the JSE as the Executive Officer may decide shall serve on the JSE's top management ;
"JSE systems"	means any system, device or network which is operated by or on behalf of the JSE for the purpose of providing a market;
"JSE right"	means a right as defined in article 7 of the Constitution;
"large exposure risk"	means the risk requirement of a Yield-X member in relation to large exposures to a third party or a connected group of third parties, as determined by the JSE in agreement with the Registrar;
"lender"	means the third party from which the Settlement Authority, as agent for the trading member or client as undisclosed principal, has borrowed the STRATE settled loan stock;
"lending fees"	means the fees due by the trading member or client in respect of loaned STRATE settled loan stock;
"lending margin"	means the amount or percentage by which the value of the collateral is required to exceed the initial loan value or the current ruling price value or the highest mark-to-market value during the loan period, whichever is the greatest, of the loaned STRATE settled loan stock or the amount or percentage by which the value of the collateral is required to exceed the value of the loaned funds, as the context may require;
"loaned funds"	means the funds borrowed by a trading member or client from the Settlement Authority;
"loaned STRATE settled loan stock"	means the uncertificated financial instruments borrowed by a trading member or client through the Settlement Authority;
"loan date"	means the date on which loaned STRATE settled loan stock is transferred by the Settlement Authority into the custody account of a trading member or client; or the date on which funds are transferred by the Settlement Authority into the funds settlement account of a trading member or client, as the context may require;
"loan fees"	means the interest and fees due to the Settlement Authority by a trading member or client in respect of loaned funds provided;
"loan period"	means the period of time expressed in days from the loan date to the return date;
"loan recall"	means a demand by the Settlement Authority for the return of equivalent STRATE settled loan stock in terms of a lending transaction;
"loan stock"	has the same meaning as that contained in section 1 of the Act;

"long position"	means a number of Yield-X instruments registered by SAFCOM in the name of a trading member or client in terms of which - (a) in relation to futures contracts, the trading member or the client is obliged to take delivery of the underlying instrument on a future date at the agreed price, or to pay an amount of money on a future date if the price or value of the underlying instrument on that future date is less than the agreed price; or (b) in relation to option contracts, the trading member or client has acquired the right to buy or sell the underlying instrument of the option contract before or on the future date at the agreed price; or (c) in relation to loan stock, the trading member or client is obliged to make payment for, and take delivery of, the loan stock on the settlement date at the agreed price;
"margin"	means either initial margin, settlement margin, variation margin, top-up margin, additional margin or retained margin as the context may require;
"margin category"	means the margin category, expressed as a percentage of the initial margin or settlement margin, which is allocated to a non-resident or emigrant client by the Yield-X member when the non-resident or emigrant client is registered;
"Market Controller"	means the person appointed by the JSE, to supervise, administer and control the daily operations of the Yield-X trading system;
"mark-to-market"	means the revaluation of a position in a Yield-X instrument to its current market value;
"match"	means the matching of a buy order with a sell order on the central order book or the matching of reported transactions executed by trading members;
"mediation"	means the process in terms of these Yield-X rules through which two parties to a dispute, facilitated by a mediator, resolve the dispute themselves;
"mediator"	means the Executive Officer or the person appointed by him in terms of rule 5.50 to assist the parties to a dispute to resolve the dispute between them;
"member application"	means an electronic system used by a trading member to submit orders to the Yield-X trading system;
"member settled client"	means a client who has appointed a broking member to settle transactions in loan stock on his behalf via the settlement agent of the broking member ;
"non-broking member"	means a trading member who may trade financial instruments with other trading members for its own account but not for or on behalf of clients, and has the same meaning as a financial instrument principal as defined in the Act;
"non-clearing member"	means a company admitted by the JSE to membership of the JSE and which is not a clearing member but which is either a broking member or a non-broking member;
"non-executive director"	means a person appointed under the Companies Act, 1973, as a director of a company, but who is not employed by such company;
"non-member settled client"	means a client other than a member settled client who has appointed his own settlement agent to settle transactions in loan stock on his behalf;
"non-resident"	means a person (i.e. a natural person or legal entity) whose normal place of residence or domicile or registration is outside the common monetary area;
"non-resident account"	means the account of a non-resident;
"non-resident account"	means the certificate the terms of which are determined by the JSE in agreement

"clearance certificate"	with the South African Reserve Bank and which is to confirm to the authorised bank concerned the monthly amount of interest on any margin held by SAFCOM, due to a non-resident;
"non-resident client"	means a non-resident who has concluded a client agreement with a broking member and who has been registered by SAFCOM as a non-resident client of such broking member;
"option contract"	has the same meaning as that contained in section 1 of the Act;
"order"	means a commitment to buy or sell a specified quantity of futures and option contracts or a specified nominal value of loan stock;
"other investments"	means: <ul style="list-style-type: none">(a) financial instruments listed on a financial exchange other than the JSE;(b) financial instruments listed on a foreign exchange;(c) participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and units or any other form of participation in a foreign collective investment scheme approved by the Registrar of Collective Investment Schemes in terms of section 65 of that Act;(d) units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and(e) funds intended for the purchase of such financial instruments, units or participation;
"own funds"	means the net financial worth of a Yield-X member calculated in the manner determined by the JSE in agreement with the Registrar;
"physically settled futures contract"	means a futures contract contemplated in part (a) of the definition of a futures contract in the Act;
"position"	means either a long position or a short position;
"position risk requirement"	means the risk requirement in relation to the Yield-X member's own positions in Yield-X instruments, other financial instruments, and securities, as determined by the JSE in agreement with the Registrar;
"prescribed agreements"	means the agreements, the basic terms and formal requirements of which have been specified by the JSE;
"price"	means price, rate or yield as the context may require;
"principal"	means a trading member who has traded with a client or another Yield-X member for its own account;
"principal assignment trade"	means the assignment of a trade or divided trade or aggregated trades, executed on the central order book of the Yield-X trading system for a broking member's principal assignment stock account to a client or clients as a separate trade at a price or at an average price which includes such broking member's profit;
"product supplier"	has the same meaning as that contained in section 1 of the FAIS Act;
"proprietary position"	means a position registered by SAFCOM in the name of a trading member for the trading member's own account;
"put option contract"	means a contract, in terms of which the holder of a long position in the put option contract has obtained the right to sell, and the holder of a short position shall, if the option is exercised, buy, the underlying instrument of the option contract to or from SAFCOM on or before the future date at the strike price in accordance with these Yield-X rules and the contract specification of the option contract;

"registered officer"	means a compliance officer, settlement officer or a dealer registered by the JSE as such in the name of the Yield-X member;
"regulation"	means any regulation which may be made by the Minister under section 37 of the Act;
"related Yield-X instruments"	means those Yield-X instruments which the JSE decides have such characteristics in common that the risk of loss in one of the Yield-X instruments may be reduced by an off-setting position in any of the other or a combination of the other Yield-X instruments in the group of related Yield-X instruments;
"reported transaction"	means a value eligible transaction in Yield-X instruments or such other eligible transactions that the JSE may determine, as set out in rule 7.120.1, which may be conducted off the central order book of the Yield-X trading system but must be reported through the Yield-X trading system;
"resident"	means a natural person who is resident in the common monetary area or a legal entity registered in such area, and includes a partnership or an external company;
"resident client"	means a resident who has concluded a client agreement with a broking member, and who has been registered by SAFCOM as a resident client of the broking member;
"resolution"	means any resolution adopted in terms of these Yield-X rules by the JSE to implement these Yield-X rules;
"retained margin"	means the margin paid by a client to a broking member for an intended transaction or margin due to a client which the broking member has retained in anticipation of a transaction as contemplated in rule 8.50.6;
"return date"	means the date on which a trading member or client returns equivalent STRATE settled loan stock or the loaned funds to the Settlement Authority, as the context may require;
"risk disclosure statement"	means the risk disclosure statement annexed to the client agreement;
"rolling settlement"	means a settlement environment where transactions become due to be settled a prescribed number of days after the trade date;
"SAFCOM"	means SAFEX Clearing Company (Proprietary) Limited, recognised by the Registrar as a clearing house in terms of the Act;
"SAFCOM agreement"	means a written agreement entered into between a clearing member and SAFCOM in terms of which the clearing member guarantees to SAFCOM all of the obligations arising out of its proprietary positions, the positions of its clients, the proprietary position of the non-clearing members with which it has entered into a clearing agreement and the positions of the clients of such non-clearing members;
"safeguard"	means in relation to listed financial instruments or other investments – (a) the holding of such investments in safe custody by a Yield-X member on behalf of a client; or (b) being accountable as a Yield-X member to a client for such investments held by another financial services provider;
"scrip root"	means the source of loan stock delivered by the ultimate seller of the loan stock;
"securities"	has the same meaning as that contained in section 1 of the Stock Exchanges Control Act, 1985, or any replacement Act;

"sell"	means in relation to Yield-X instruments, to enter into either – (a) a sale of a futures contract in terms of which the seller is obliged to make delivery of the underlying instrument at the agreed price on the future date; or to pay an amount of money if, on the future date the price or value of the underlying instrument is greater than the agreed price; or (b) a sale of an option contract in terms of which the seller grants the right to the buyer to buy or sell the underlying instrument of the option contract at the agreed price on or before the future date; or (c) a sale of loan stock in terms of which the seller is obliged to make delivery of the loan stock and receive payment for such loan stock at the agreed price on the settlement date;
"settlement agent"	means a person accepted by STRATE as a CSD participant to settle loan stock for a trading member or a client in terms of the STRATE rules
"Settlement Authority"	means the person or persons appointed by the JSE to manage the settlement of transactions in loan stock effected through the Yield-X trading system in terms of the Yield-X rules and directives and the STRATE rules;
"settlement commitment"	means an electronic undertaking by a settlement agent to settle a transaction in loan stock for a trading member or a client;
"settlement date"	means in respect of a transaction in loan stock, the date on which the transaction is due to be settled;
"settlement margin"	means the amount of money determined by SAFCOM on the basis specified by the JSE and held in respect of loan stock positions of a trading member or a client, for the purpose of providing for compensation payable in respect of a potential failed trade;
"settlement officer"	means the person appointed by each Yield-X member in terms of rule 3.120.3;
"short position"	means a number of Yield-X instruments registered by SAFCOM in the name of a trading member or client in terms of which – (a) in relation to futures contracts, the trading member or client is obliged to make delivery of the underlying instrument on a future date at the agreed price or to pay an amount of money on a future date if the price or value of the underlying instrument on that future date is greater than the agreed price; or (b) in relation to option contracts, the trading member or client has granted the right to another person to buy or sell the underlying instrument of the option contract before or on the future date at the agreed price; or (c) in relation to loan stock, the trading member or client is obliged to make delivery of, and receive payment for, the loan stock on the settlement date at the agreed price;
"STRATE"	means STRATE Limited, a registered central securities depository in terms of the Custody and Administration of Securities Act, 1992 (Act No. 85 of 1992,) or any replacement Act;
"STRATE rules"	means the rules and interim rules made, and directives issued by STRATE, in terms of the Custody and Administration of Securities Act, 1992, or any replacement Act;
"STRATE settled loan stock"	means loan stock which, in respect of transactions in such loan stock, qualify as eligible securities in terms of the STRATE rules and may only be settled electronically through STRATE;
"strike price"	means the price or yield at which the person in whose name a long position in an option contract is registered has the right to buy or sell the underlying instrument of the option contract;

"SWIFT"		means the Society for Worldwide Interbank Financial Telecommunication;
"SWIFT emigrant's blocked account notification"		means the notification, utilising the SWIFT network, from the SAFCOM nominated SWIFT agent to the authorised bank, instructing the authorised bank to make or accept payment of margin to or from an emigrant's blocked account in the amount specified in the notification;
"SWIFT non-resident account notification"		means the notification, utilising the SWIFT network, from the SAFCOM nominated SWIFT agent to the authorised bank, instructing the authorised bank to receive payment of interest into a non-resident account in the amount specified in the notification;
"the Registrar"		means the Registrar of Financial Markets appointed in terms of the Act;
"the Registrar of Banks"		means the Registrar of Banks designated under section 4 of the Banks Act, 1990 (Act No. 94 of 1990);
"top-up margin"		means the amount of margin payable as a result of an adverse mark-to-market of unsettled positions in loan stock;
"transaction"		means, in the context of Yield-X instruments, a trade executed on the central order book of the Yield-X trading system, an allocation, a principal assignment trade or a transaction reported to the Yield-X trading system;
"trading member"		means a company admitted to membership of the JSE to trade Yield-X instruments under the Yield-X rules;
"uncertificated financial instruments"		means financial instruments that are not evidenced by a certificate or written instrument and are transferable by electronic entry without a written instrument;
"underlying instrument"		means the corporeal or incorporeal thing, asset, index, currency, rate of interest or any other factor which is the subject matter of a futures contract or an option contract, or the futures contract that is the subject matter of an option contract;
"variation margin"		means the amount of margin payable as a result of the marking-to-market of positions in futures and option contracts;
"Yield-X"		means the market operated by the JSE in terms of the Act to facilitate trading in Yield-X instruments;
"Yield-X instrument"		means a financial instrument listed on the JSE, the financial terms of which are evidenced by a rate of interest and includes - <ul style="list-style-type: none"> (a) futures contracts in terms of which the expiry month is specified, (b) option contracts in terms of which the expiry month, the strike price, and whether it is a put option contract or a call option contract, is specified, and (c) loan stock in terms of which the periodic interest payment and the maturity date is specified;
"Yield-X lending and borrowing system"	and	means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a mechanism to record and settle lending and borrowing arrangements in loan stock;
"Yield-X member"		means a company admitted to membership of the JSE under these Yield-X rules;
"Yield-X rules"		means these Yield-X rules issued in pursuance of section 17 of the Act, including any alteration, addition or amendment thereof;
"Yield-X trading system"		means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of Yield-X instruments.

2.20 Interpretation

- 2.20.1 In these Yield-X rules, unless otherwise clearly indicated by, or inconsistent with the context -
 - 2.20.1.1 a reference to one gender includes a reference to all other genders;
 - 2.20.1.2 the singular includes the plural, and *vice versa*;
 - 2.20.1.3 all terms defined in the Act bear the same meaning as are assigned to them in the Act.
- 2.20.2 To the extent that the English version of these Yield-X rules does not conflict with the Act, that version shall prevail over any other language version.

SECTION**3**

Section 3: Membership**Scope of section***General*

- 3.10 Membership of the JSE
- 3.20 Classes and categories of membership
- 3.30 General requirements
- 3.40 Capital adequacy requirements
- 3.50 Applications for membership
- 3.60 JSE rights
- 3.70 Voluntary changes to, or termination of, membership
- 3.80 Involuntary termination of membership
- 3.90 Duty to furnish information
- 3.100 Fees, levies and charges
- 3.110 Notices

Registered officers

- 3.120 Member's obligation to ensure registration of officers
- 3.130 Registration and termination of officers by the JSE
- 3.140 Member remains responsible
- 3.150 Giving of advice by employees

Membership

3.10 Membership of the JSE

- 3.10.1 In order to qualify to be a Yield-X member, an applicant must -
- 3.10.1.1 register, hold and retain one JSE right. A right held in terms of any other JSE rule will suffice; and
- 3.10.1.2 comply with the requirements set out in this rule and such other requirements as the JSE may determine.
- 3.10.2 The JSE shall keep a register of Yield-X members and shall in such register indicate -
- 3.10.2.1 the number of JSE rights held by each such member; and
- 3.10.2.2 in which class or category of membership the member has been authorised to operate.

3.20 Classes and categories of membership

- 3.20.1 A Yield-X member admitted to membership of Yield-X shall be registered in one of two classes, namely, as a clearing or non-clearing member in such market and as a trading member in one of two categories, namely as a broking or non-broking member in such market.
- 3.20.2 A non-clearing member may only enter into a clearing agreement with one clearing member to clear and settle the transactions of that non-clearing member.
- 3.20.3 A broking member -
- 3.20.3.1 may be a clearing member or a non-clearing member;
- 3.20.3.2 may trade for and on behalf of clients and enter into client agreements with clients.
- 3.20.4 A non-broking member may not trade for or on behalf of clients or enter into client agreements with any client.

3.30 General requirements

- 3.30.1 A Yield-X member must, in the opinion of the JSE and at all times, be managed and controlled by persons with a good reputation and high business standing.
- 3.30.2 Officers of Yield-X members shall, subject to any waiver by the JSE -
- 3.30.2.1 be of full legal capacity;
- 3.30.2.2 comply with such criteria on good character and high business integrity as the JSE deems fit;
- 3.30.2.3 not be an unrehabilitated insolvent; and
- 3.30.2.4 not in the period preceding the application as the JSE in its discretion deems fit, have been -
- 3.30.2.4.1 convicted of a criminal offence, whether in South Africa or elsewhere;
- 3.30.2.4.2 the subject of a formal investigation by any regulatory or government agency;
- 3.30.2.4.3 expelled, whether as a member or otherwise, from any stock or financial exchange, whether in South Africa or elsewhere;
- 3.30.2.4.4 employed by or associated with a member of any stock or financial exchange, whether in South Africa or elsewhere, which member was expelled from that exchange and where the person or officer has, in the opinion of the JSE, contributed to the circumstances leading to the expulsion;
- 3.30.2.4.5 declared a defaulter on the JSE or any other stock or financial exchange, whether in South Africa or elsewhere;
- 3.30.2.4.6 refused entry to or expelled from any profession or vocation or been dismissed or requested to resign from any office or employment, or from any fiduciary office or position of trust; or
- 3.30.2.4.7 refused approval to operate as an investment manager in terms of the Act or any other act.
- 3.30.3 Any waiver by the JSE in terms of rule 3.30.2 may be for a limited period and may be withdrawn at any time: Provided the JSE gives the member one calendar month's notice of its intention to withdraw such waiver.

- 3.30.4 All Yield-X members shall at all times have and maintain the necessary administrative and other systems, facilities, resources and expertise to ensure that –
- 3.30.4.1 the management of their own and/or clients' funds is adequate and in accordance with the Yield-X rules relating to the management or separation of funds;
- 3.30.4.2 an accurate record of their own and/or clients' positions is kept at all times;
- 3.30.4.3 where a broking member transacts for or on behalf of clients, their clients' transactions, cash balances and any other information relating to their positions are timeously reported to the clients; and
- 3.30.4.4 it complies with all the financial resources requirements pertaining to the relevant category of membership as prescribed in these Yield-X rules.

3.40 Capital adequacy requirements

- 3.40.1 A Yield-X member shall at all times have own funds equal to the greater of –
- 3.40.1.1 the initial capital referred to in rule 3.40.3, 3.40.4, 3.40.5 or 3.40.6 as the case may be; or
- 3.40.1.2 thirteen weeks fixed operating costs; plus
- 3.40.1.3 the position risk requirement; and
- 3.40.1.4 the counterparty risk requirement; and
- 3.40.1.5 the large exposure risk requirement; and
- 3.40.1.6 the foreign exchange risk requirement;
- such that the following formula is satisfied –
- 3.40.1.7 $ONF \geq CAR$
- and
- $CAR = (\text{greater of } ICR \text{ or } AOC/4) + PRR + CRR + FXR + LPR$
- where
- ONF = Own funds
- CAR = Capital adequacy requirement
- ICR = Initial capital requirement
- AOC = Annual operating costs
- PRR = Position risk requirement
- CRR = Counterparty risk requirement
- FXR = Foreign exchange risk requirement
- LPR = Large position risk requirement
- 3.40.2 The following provisions shall apply to a Yield-X member that is an external company –
- 3.40.2.1 the own funds of the local branch of the external company shall at all times exceed the liabilities of the said local branch of the external company in the Republic by an amount equal to or greater than that provided for in rule 3.40.3, 3.40.4, 3.40.5 or 3.40.6 as the case may be;
- 3.40.2.2 the foreign parent of the local branch of the external company shall in writing confirm to the JSE that it is required to comply with capital adequacy requirements similar to those in the Republic, and that they are reporting such as required to an appropriate foreign regulator;
- 3.40.2.3 the thirteen weeks fixed operating costs requirement in rule 3.40.1.2 shall relate to the operating costs of the local branch of the external company in the Republic; and
- 3.40.2.4 an external company which operates as a branch by means of which a foreign institution conducts the business of a bank, shall submit its capital adequacy returns in terms of rules 3.90.4 and 3.90.5 to the Registrar of Banks, and shall at all times comply with the Banks Act, 1990 (Act No. 94 of 1990) and any Conditions published in terms of the said Banks Act.

- 3.40.3 A non-clearing, non-broking member that does not have clients in any other market shall have the initial capital as required by its clearing member.
- 3.40.4 A non-clearing, broking member who does not receive a client's margins or hold the client's margins or who does not receive any other assets of its client with respect to the client's buying and selling of financial instruments whether listed by the JSE or not, or with respect to the client's buying and selling of securities, shall have an initial capital of at least R200 000 (two hundred thousand Rand) or such other minimum amount that the JSE may, subject to the approval of the Registrar, decide.
- 3.40.5 A non-clearing, broking member who receives a client's margins or holds the clients' margins, or that receives any other assets of its client with respect to the client's buying and selling of financial instruments whether listed by the JSE or not, or with respect to the client's buying and selling of securities, shall have an initial capital of at least R400 000 (four hundred thousand Rand), or such other minimum amount that the JSE may, subject to the approval of the Registrar, decide.
- 3.40.6 A clearing member shall have own funds of R200 000 000 (two hundred million Rand), or such other sum as the JSE may determine: Provided that the JSE may, at its discretion, impose additional suretyship, guarantee or other requirement on a clearing member if –
- 3.40.6.1 the sum of the initial margin or settlement margin with respect to the positions of the clearing member, its clients, the non-clearing members with which the clearing member has entered into clearing agreements and the clients of such non-clearing members, reaches the limit as contemplated in rule 10.10.1; or
- 3.40.6.2 the own funds of the clearing member as specified in this rule 3.40.6 have decreased to the limit referred to in rule 10.10.1.
- 3.40.7 A clearing member shall provide, maintain and keep in force a suretyship in favour of SAFCOM by a financial or other institution acceptable to the JSE, in such form and upon such terms and conditions as the JSE may determine, for the due performance of all or any of its obligations to SAFCOM in terms of these Yield-X rules, jointly and severally, for an amount of not less than R10 000 000 (ten million Rand) or such other sum as the JSE may determine.
- 3.40.8 The JSE may suspend a Yield-X member if there is a deficiency in the capital adequacy requirement of the Yield-X member as prescribed in these Yield-X rules and directives.

3.50 Application for membership

- 3.50.1 An application for Yield-X membership shall be made to the JSE in the manner and in the form prescribed by the JSE and shall indicate in what class or category of membership the applicant wishes to apply.
- 3.50.2 Applicants shall include a signed copy of –
- 3.50.2.1 the memorandum and articles of association of the company;
- 3.50.2.2 a copy of any agreement entered into or proposed to be entered into between the shareholders of the company relative to the shares thereof; and
- 3.50.2.3 any other information as the JSE may require.
- The provisions of this rule shall apply *mutatis mutandis* to the amendment or substitution of the aforementioned documents.
- 3.50.3 The applicant shall include with its application, the following information:
- 3.50.3.1 the applications for registration as registered officers of the applicant;
- 3.50.3.2 the most recent financial statements of the applicant as well as a completed capital adequacy return;
- 3.50.3.3 the details of the applicant's auditor; and
- 3.50.3.4 a completed clearing agreement, in the case of a non-clearing member application, or a completed SAFCOM agreement, in the case of a clearing member application.
- 3.50.4 An external company shall, when submitting its application for membership, submit proof of compliance with the requirements of Section 322 of the Companies Act, 1973 (Act No. 61 of 1973) by furnishing the JSE with the certificate of registration as provided for in section 322(2) of the said Companies Act.
- 3.50.5 Notwithstanding any provision in these Yield-X rules and directives, the JSE may require the applicant to furnish further information, and may institute any investigation that it deems necessary, to verify information submitted by the applicant in support of an application. Such investigation may include without limitation, a request for the

applicant or one or more representatives of the applicant, to be interviewed by the Executive Officer or any person appointed by the JSE for that purpose.

- 3.50.6 The JSE shall have the sole discretion to accept or reject the application, or to accept an application subject to certain conditions to be fulfilled as determined by the JSE: Provided that the JSE shall reach a decision within 60 (sixty) days of the first meeting at which the application was considered.
- 3.50.7 The JSE shall notify the applicant in writing of its decision and of any conditions that are required to be fulfilled.
- 3.50.8 Any person aggrieved by the decision of the JSE to reject an application, shall have a right of appeal to the Appeal Board in terms of the Act.
- 3.50.9 If an application for membership has been refused, and the applicant did not exercise its right of appeal or if the appeal is unsuccessful, such applicant may not re-apply for membership for a period of 1 (one) year from the date of refusal, or such shorter period as the JSE may determine.
- 3.50.10 The JSE may refuse any applicant approval of membership, if the JSE deems the name under which the applicant proposes to operate, to be inappropriate or unacceptable for any reason.
- 3.50.11 The JSE shall notify all Yield-X members of the admission of a new Yield-X member.

3.60 JSE rights

- 3.60.1 Upon approval of the application, the Yield-X member shall be provisionally approved subject to the acquisition of the necessary JSE right.
- 3.60.2 The JSE shall not sell or create and issue a JSE right to a provisionally approved Yield-X member unless, for 14 days immediately prior to requesting the JSE to sell or create and issue a JSE right, the provisionally approved Yield-X member was unable to purchase such a JSE right.
- 3.60.3 The JSE shall sell or issue a JSE right to the provisionally approved Yield-X member for immediate payment at a price which is equal to the average price of the last three transactions in JSE rights.
- 3.60.4 The JSE may only sell or create and issue to each provisionally approved Yield-X member a JSE right required to be held by the Yield-X member who requires the JSE to issue such JSE right in terms of these Yield-X rules.
- 3.60.5 Upon registration of the necessary JSE right in the name of the Yield-X member, such Yield-X member shall –
 - 3.60.5.1 obtain membership and the status in such category or categories of membership as determined by the JSE; and
 - 3.60.5.2 be entitled to the rights enjoyed by JSE rights holders.

3.70 Voluntary changes to, or termination of, membership

- 3.70.1 A Yield-X member may apply to terminate its membership by giving 30 days notice to the JSE.
- 3.70.2 The JSE may accept the termination unconditionally or subject to such conditions as it may deem fit, or may refuse to accept the termination until it is satisfied that all outstanding contractual or other obligations of the Yield-X member have been met.
- 3.70.3 If a Yield-X member wishes to change its membership status or wishes to obtain authorisation to operate as a member in another category of membership, the provisions of rule 3.50 shall apply *mutatis mutandis*.
- 3.70.4 A Yield-X member undergoing any of the changes in name or corporate structure as set out below shall forthwith inform the JSE in writing of the change -
 - 3.70.4.1 in the case of a company changing its name, the notification shall be accompanied by the relevant certificate of name change;
 - 3.70.4.2 in the event that a trading member's trading business or infrastructure relating to trading in financial instruments listed on the JSE, is transferred to another legal entity in any manner, including but not limited to a merger, take-over, transfer of business or corporate restructuring, the trading member shall inform the JSE of the change at least one month before it takes effect, and the notification shall be accompanied by such information as would be required in the case of a new application for membership: Provided that the JSE may, at its discretion, request full particulars regarding the change and the reasons therefore, and provided further that the JSE may determine that a new application for membership must be made.
- 3.70.5 The JSE shall notify Yield-X members of the termination of or change in membership, and the termination shall become effective on the date and time of the notice, unless stated otherwise in the notice.

3.80 Involuntary termination of membership

- 3.80.1 Membership shall terminate when –
- 3.80.1.1 a Yield-X member is liquidated or placed under curatorship or judicial management, whether provisionally or finally;
 - 3.80.1.2 the Yield-X member compromises or attempts to compromise with its creditors;
 - 3.80.1.3 the Yield-X member fails to satisfy or to initiate steps to set aside a judgement, award or determination against it within the time periods provided for in the rules of the relevant body;
 - 3.80.1.4 the disciplinary tribunal has decided in terms of rule 4.60 that membership should be terminated;
 - 3.80.1.5 the Yield-X member defaults;
 - 3.80.1.6 a Yield-X member fails to hold at least one JSE right;
 - 3.80.1.7 a non-clearing member fails to enter into a clearing agreement with a clearing member within 30 days or such other period which the JSE may determine after the termination for whatever reason of its clearing agreement with a clearing member; or
 - 3.80.1.8 the controlling body has resolved to terminate the membership of the Yield-X member after taking into account the Yield-X member's representations in this regard.
- 3.80.2 The JSE shall publish the termination in a notice to Yield-X members, and the termination shall become effective on the date and time of the notice, unless stated otherwise in the notice.

3.90 Duty to furnish information

- 3.90.1 A Yield-X member shall forthwith advise the JSE in writing of –
- 3.90.1.1 the granting of an application for, or the revocation of, or the recognition under any statutory enactment of any registration, authorisation or licence which may bear upon or be associated with its business as a member of the JSE;
 - 3.90.1.2 conviction of the Yield-X member or any of its officers of any offence under legislation relating to banking, or other financial services, companies, insolvency, insurance and pension and provident societies or of any offence involving fraud or dishonesty;
 - 3.90.1.3 any person becoming or ceasing to be a director of the Yield-X member;
 - 3.90.1.4 any change in the name or address of any office of the Yield-X member, and of any change in the Yield-X member's telephone or facsimile numbers or electronic mailing addresses;
 - 3.90.1.5 any change in the particulars relating to an officer, and of the event that any officer is found guilty of any improper conduct by any licensed exchange, a previous or current employer, a professional association or a court of law; or
 - 3.90.1.6 the dismissal of an employee for committing or attempting to commit an act which is dishonest, fraudulent, dishonourable or disgraceful.
- 3.90.2 A Yield-X member shall in addition inform the JSE in writing –
- 3.90.2.1 of any person holding, or having a beneficial interest in, 20% (twenty percent) or more of any class of the share capital of a Yield-X member and of any change in such holding;
 - 3.90.2.2 if it or any affiliated officer thereof holds, or has a beneficial interest in, any class of the share capital of a client that is a company or in the membership interest of a client that is a close corporation.
- 3.90.3 A Yield-X member shall submit to the JSE, within four months after the end of its financial year, two copies of its audited financial statements, and the audit report prescribed by the Regulations, in respect of such period, irrespective of whether or not the Yield-X member is obliged in terms of any legislation to provide such audited financial statements.
- 3.90.4 Subject to rule 3.90.5, a Yield-X member shall submit the capital adequacy return monthly within seven business days of the end of the month or within such other period that the JSE may require: Provided that the Yield-X member shall at all times comply with the capital adequacy requirements referred to in these Yield-X rules, and provided further that the JSE may suspend a Yield-X member from trading, if the return is not submitted within a reasonable time after the Yield-X member was requested to do so.

- 3.90.5 A Yield-X member may apply in writing to the JSE for exemption from the requirement to submit the return referred to in rule 3.90.4, and the JSE may at its discretion grant such exemption: Provided that the Yield-X member confirms in writing that it shall submit a similar return to another exchange or to the Registrar of Banks and such other exchange or the Registrar of Banks confirms that it shall accept such returns and ensure compliance by the Yield-X member with its rules and any other requirements relating to the capital adequacy of the Yield-X member.

3.100 Fees, levies and charges

- 3.100.1 A Yield-X member which uses the services of the JSE shall pay to the JSE such subscription fees and charges as may be prescribed by the JSE.
- 3.100.2 The JSE may, in addition to the subscriptions, fees and charges prescribed by these Yield-X rules, impose upon every Yield-X member a levy which shall be paid to the JSE or any of its funds on such conditions as the JSE may decide. Such levy may be recovered from the clients of the Yield-X member.
- 3.100.3 Any subscription, fee, charge, contribution or levy to be paid or which may be imposed in terms of these Yield-X rules, shall be paid as determined by the JSE and any Yield-X member failing to make such payment when due shall, unless the same be paid within one month after written demand has been made by the JSE, cease to be a Yield-X member.

3.110 Notices

- 3.110.1 Notice to the JSE by Yield-X members
- Every Yield-X member shall notify the JSE of a business and postal address, and a secured electronic delivery mechanism address at which that Yield-X member shall accept the delivery of all notices issued by the JSE in terms of these Yield-X rules.
- 3.110.2 Notice to Yield-X members
- 3.110.2.1 Any notice given by the JSE in terms of the Yield-X rules and directives shall be in writing.
- 3.110.2.2 A notice may be delivered by means of an electronic delivery mechanism or by hand or by registered post.
- 3.110.2.3 Any notice delivered by the JSE by hand before 16h00 on a business day at the physical address of the Yield-X member, shall be deemed, unless the contrary is proved, to have been received on the date of delivery.
- 3.110.2.4 Any notice transmitted by an electronic delivery mechanism before 16h00 on a business day, shall be deemed, unless the contrary is proved, to have been received on the date of the transmission.
- 3.110.2.5 Any notice delivered by the JSE by registered post shall be deemed, unless the contrary is proved, to have been received within seven business days after being dispatched.

Registered officers

3.120 Yield-X member's obligation to ensure registration of officers

- 3.120.1 Each Yield-X member, whether broking or non-broking, clearing or non-clearing must ensure the registration by the JSE of a compliance officer and a settlement officer.
- 3.120.2 A compliance officer shall –
- 3.120.2.1 without relieving the Yield-X member from its responsibility to comply with the provisions of the Act and these Yield-X rules, be responsible for ensuring compliance by that Yield-X member with the provisions of the Act and these Yield-X rules;
- 3.120.2.2 have obtained such qualification as may be required by the JSE;
- 3.120.2.3 in the event of any breach of these Yield-X rules or problem or query arising in respect of any transaction or alleged transaction or position of the Yield-X member or any of its clients or any non-clearing member with which the clearing member has entered into a clearing agreement in terms of these Yield-X rules, immediately on the request of the JSE or SAFCOM or its clearing member, take such steps as may be necessary to rectify the breach or to eliminate the problem or to satisfy the query;

- 3.120.2.4 receive all notices to the Yield-X member from the JSE or SAFCOM or the clearing member and be responsible to ensure that all such notices are complied with; and
- 3.120.2.5 ensure compliance with all prescribed agreements set out in the directives to these Yield-X rules.
- 3.120.3 A settlement officer must –
 - 3.120.3.1 have obtained such qualification as may be required by the JSE;
 - 3.120.3.2 deal with all queries by the JSE in relation to settlement;
 - 3.120.3.3 ensure that all transactions are settled in terms of these Yield-X rules and directives;
 - 3.120.3.4 advise the JSE of any issue that may potentially impact on the settlement of a transaction; and
 - 3.120.3.5 cooperate with the Settlement Authority to ensure the efficient and timeous settlement of all transactions.
- 3.120.4 A Yield-X member shall not carry on business for more than two months in any continuous period of twelve months unless such member has registered a compliance officer and settlement officer in terms of rule 3.120.1: Provided that in the absence of a duly appointed compliance or settlement officer, or where the post has become vacant, a senior director shall temporarily assume the responsibility of the compliance or settlement officer as referred to in rule 3.120.2 and rule 3.120.3 respectively, for no longer than 2 months.
- 3.120.5 A trading member shall ensure the registration by the JSE of dealers who shall be the only persons entitled to trade for a Yield-X member own account and for and on behalf of clients and who shall have obtained such qualification that may be required by the JSE. A trading member may not trade without having at least one dealer present at the trading member's place of business unless the JSE has in writing granted temporary registration to a person nominated in writing by the trading member to trade for a period not exceeding 15 business days in the absence of such dealer. The JSE shall publish the name of such nominee in a notice to Yield-X members.
- 3.120.6 A Yield-X member shall ensure that no person is registered as a registered officer unless he has entered into a written agreement with such Yield-X member in terms of which he agrees to be bound by the Act and these Yield-X rules and directives.

3.130 Registration of officers by the JSE

- 3.130.1 An application for the first registration as a registered officer shall be made to the JSE in the manner and on the form prescribed by the JSE.
- 3.130.2 The JSE shall in a notice to Yield-X members publish the name of the applicant, and Yield-X members shall within ten business days of such notice notify the JSE in writing of objections to or comments on the application.
- 3.130.3 The JSE shall convene a meeting of the JSE Executive to consider the application referred to in rule 3.130.1 and any objection to or comment on it in order to recommend to the JSE to accept or reject the application.
- 3.130.4 An application to change the registration of a registered officer from one Yield-X member to another or from one office to another shall be made in writing to the Executive Officer by the Yield-X member intending to register the officer and the Executive Officer shall, in his discretion, decide to grant such change in registration or to refer the application to the JSE Executive for consideration at its next meeting: Provided that, if aggrieved by the decision of the JSE Executive, the Yield-X member concerned shall have the right of appeal to the appeal board.
- 3.130.5 The JSE may, in its discretion, for a period not exceeding 90 days, grant the temporary registration of a registered officer pending the attainment by him of the qualifications required for the office in question.
- 3.130.6 A Yield-X member shall notify the JSE in writing of its decision to terminate the registration of a registered officer in its name, in which event the JSE may request full details of the circumstances of the termination.
- 3.130.7 The registration, whether permanent or temporary, or termination of the registration of a registered officer in the name of a particular Yield-X member in a particular office shall become effective on the date and the time of the notice to Yield-X members by the JSE, unless stated otherwise in the notice.

3.140 Member remains responsible

The appointment or registration of any registered officer referred to in rules 3.120 and 3.130 shall not in any way relieve a Yield-X member from any of its duties and responsibilities in terms of the Act and these Yield-X rules, and the Yield-X member's liability to fulfil those duties and responsibilities shall remain a principal liability and shall not be accessory or subordinate to the liabilities of such officer.

3.150 Giving of advice by employees

A Yield-X member may, in the course of its business, give advice to its clients on the buying and selling of Yield-X instruments only through an affiliated officer who shall have obtained such qualification as may be prescribed in the directives.

SECTION**4**

Section 4: Disciplinary Matters**Scope of section**

- 4.10 Surveillance and investigation by the JSE's Surveillance Department
- 4.20 Use of information obtained by the JSE's Surveillance Department
- 4.30 Improper conduct
- 4.40 Disciplinary procedures
- 4.50 Procedure and evidence
- 4.60 Penalties
- 4.70 Urgent issues
- 4.80 Open transactions and positions
- 4.90 JSE's powers of publication

4.10 Surveillance and investigation by the JSE's Surveillance Department

4.10.1 Surveillance

The JSE's Surveillance Department may set up and maintain systems for-

- 4.10.1.1 monitoring compliance by members with the Act, the Yield-X rules and directives and any arrangements made with SAFCOM for the provision of services and facilities; and
- 4.10.1.2 the surveillance of any matter relevant for the objectives of the Act and these Yield-X rules.

4.10.2 Investigation

The Director: Surveillance, and any other person designated by him, may -

- 4.10.2.1 investigate any JSE related activities of any person who at the relevant time was a director, employee or officer of a Yield-X member;
 - 4.10.2.2 investigate whether that Yield-X member or any of its employees complies with the Act, these Yield-X rules, directives and controlling body decisions;
 - 4.10.2.3 investigate whether the trading member is trading in such a manner that there is a danger that such trading member may not be able to meet its commitments to clients, other members or SAFCOM;
 - 4.10.2.4 investigate whether a Yield-X member is conducting its business in a manner which could be detrimental to the interest, good name or welfare of the JSE or its members; and
 - 4.10.2.5 require any person who is subject to the jurisdiction of the JSE and who is believed to be able to furnish any information on the subject of any investigation or to have in his or her possession or under his or her control any book, document, tape or electronic record or other object which has a bearing on the subject of the investigation, to produce such book, document, tape or electronic record or other object or to appear at a time and place specified, to be questioned by the Director: Surveillance, to furnish such information or to produce such book, document, tape, electronic record or other object: Provided that the subject of the investigation has first been put to such person. Such person may, if he or she is not an executive director of the Yield-X member, request to be assisted by an executive director of the Yield-X member by which the person is employed.
- 4.10.3 The Director: Surveillance may delegate the power granted to him by rule 4.10.2 to any member of his staff.
- 4.10.4 Referral to another authority

If the JSE's Surveillance Department become aware of any possible contravention of law by a person over whom the JSE does not have jurisdiction, the JSE's Surveillance Department may refer such matter to the appropriate authority, whether outside or within the Republic.

4.20 Use of information obtained by the JSE's Surveillance Department

Any information, document, book, tape or electronic record or other object obtained by the JSE's Surveillance Department, whether by investigation or otherwise, may be used in evidence in any disciplinary proceedings contemplated in rule 4.40 and may be furnished by the JSE's Surveillance Department to any other body which may have jurisdiction over the matter under consideration, whether outside or within the Republic.

4.30 Improper conduct

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

- 4.30.1 committing or attempting to commit any act which is dishonest, fraudulent, dishonourable or disgraceful;
- 4.30.2 being a party to, or facilitating or conducting a transaction which is fictitious or has a dishonest or unlawful motive;
- 4.30.3 contravening, attempting to contravene, or failing to comply with any provision of the Act, a Yield-X rule, a directive or a controlling body decision;

- 4.30.4 negligently or recklessly conducting the business or affairs of the Yield-X member in such a way that actual or potential prejudice is, or may be, caused to the JSE, any other Yield-X member, a client of a Yield-X member or the general public. The failure by a Yield-X member to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may, depending on the circumstances, be either negligent or reckless;
- 4.30.5 committing or attempting to commit any act which is detrimental to the interest, good name or welfare of the JSE or its Yield-X members;
- 4.30.6 knowingly obstructing the business of the JSE or its Yield-X members;
- 4.30.7 failing, when requested, to assist the JSE's Surveillance Department in the exercise of its duties (which shall include failure without sufficient cause to provide information in accordance with rule 4.10.2.5).

4.40 Disciplinary procedures

- 4.40.1 Conclusion of investigation

On conclusion of any investigation in terms of rule 4.10 and if, after having considered all the relevant information in his possession, the Director: Surveillance is of the opinion that there are grounds for an allegation of improper conduct, the Director: Surveillance may -

 - 4.40.1.1 refer the matter for determination to a Disciplinary Committee; or
 - 4.40.1.2 if he considers that the alleged conduct is so serious that it might warrant the imposition of a fine in excess of the amount referred to in rule 4.40.2.4 or suspension or termination of membership or employment with a Yield-X member, prefer a formal charge against such person ("the respondent") setting out in a brief statement the facts constituting the alleged conduct. Such charge shall be referred to a disciplinary tribunal ("a Tribunal"), to be heard in terms of these Yield-X rules. Such charge may further, in the discretion of the Director: Surveillance, make provision for an admission of guilt.
- 4.40.2 Disciplinary Committee
 - 4.40.2.1 The Chairman of the JSE may appoint one or more Disciplinary Committees. Each Disciplinary Committee shall consist of three persons, as follows: any one of the Chairman of the JSE, Deputy Chairman of the JSE, Executive Officer or acting Executive Officer of the JSE, and at least one appropriate representative from each of two Yield-X members. The Chairman of the JSE, Deputy Chairman of the JSE, Executive Officer or acting Executive Officer who is a member of the Disciplinary Committee shall be the chairman. A Disciplinary Committee may co-opt additional members, when necessary and appropriate.
 - 4.40.2.2 A Disciplinary Committee may, subject to rule 4.40.2.3 -
 - 4.40.2.2.1 issue instructions to the person whose conduct is under consideration concerning action which must be taken, or not be taken, to remedy the matter referred to the Disciplinary Committee;
 - 4.40.2.2.2 warn, reprimand, censure or, subject to rule 4.40.2.4, impose a fine (with or without ordering that a contribution be made towards the JSE's costs) on any person who has, in the reasonable opinion of the Disciplinary Committee, been guilty of improper conduct;
 - 4.40.2.2.3 in relation to an officer or employee of a Yield-X member, direct the Yield-X member to conduct a disciplinary enquiry into the conduct of such person;
 - 4.40.2.2.4 direct a Yield-X member to ensure that any sanction imposed on an officer or employee of that Yield-X member is complied with by such officer or employee;
 - 4.40.2.2.5 direct a Yield-X member to prevent or relieve an officer or employee of that member from carrying out any specified activity, function or duty for such reasonable period as the Disciplinary Committee deems appropriate; or
 - 4.40.2.2.6 if at any stage it determines that the matter referred to it is sufficiently serious to be heard by a Tribunal, stop the proceedings, and refer the matter to a Tribunal.
 - 4.40.2.3 A Disciplinary Committee may not impose any penalty contemplated in rule 4.40.2 unless -
 - 4.40.2.3.1 the alleged improper conduct has first been put to the person who is alleged to have committed it. If such person is a director, the alleged improper conduct shall be put to an executive director or otherwise to a duly authorised employee of the Yield-X member; and

- 4.40.2.3.2 such person has been given an opportunity (orally or in writing) of explaining his or her conduct after being warned that any explanation furnished pursuant to these Yield-X rules may be used in evidence against him or her.
- 4.40.2.4 No fine imposed by a Disciplinary Committee may exceed R25 000 per contravention, or such other amount as the JSE may determine by directive. A Disciplinary Committee may direct that any action taken in terms of rule 4.40.2 be published in a JSE Gazette, other member publication or in the media.
- 4.40.2.5 Any person in respect of whom a Disciplinary Committee has imposed a reprimand, censure, or fine (but not a warning) may demand, within a period of three days after the imposition of such reprimand, censure, or fine, that the matter be heard *de novo* by a Tribunal. The Tribunal may, if it finds the person guilty of the conduct which forms the subject of the charge, impose a penalty more severe than that imposed by the Disciplinary Committee.
- 4.40.3 Preferring charges to be heard by a Tribunal
- 4.40.3.1 Where the Director: Surveillance has preferred a formal charge against a respondent, the charge sheet shall, in addition to the matters listed in rule 4.40.1.2, be in a form prescribed by the Director: Surveillance, be signed by the Director: Surveillance or his Deputy, and be served on the respondent in such manner as the Director: Surveillance may determine.
- 4.40.3.2 Where the Director: Surveillance has decided to make provision for an admission of guilt, he shall stipulate -
- 4.40.3.2.1 the amount of the fine payable pursuant to the admission of guilt and any required contribution towards the JSE's costs as well as the period within which such amounts must be paid. Where the respondent has benefited financially as a result of the alleged transgression, the Director: Surveillance shall take such benefit into consideration in determining the amount of such fine. The admission of guilt may, in particular, provide for the fine to be suspended for a period;
- 4.40.3.2.2 the manner and time in which the admission of guilt may be made, which time shall not be a period in excess of 50 business days from the date on which the charge sheet is served on the respondent; and
- 4.40.3.2.3 whether the terms of the admission of guilt should be published in a JSE Gazette or in the media or both.
- 4.40.3.3 A respondent -
- 4.40.3.3.1 may, if the respondent is given an opportunity to sign an admission of guilt, admit guilt to such charges within the period set out in the charge sheet; or
- 4.40.3.3.2 may within 20 business days after receipt of the charge sheet request particulars to the charges, to which the Director: Surveillance must respond within 20 business days after receipt of such request; and
- 4.40.3.3.3 shall, if the Director: Surveillance did not provide for admission of guilt or if the respondent decides not to admit guilt to the charges, file a defence to such charges on or before 50 business days after the date on which the charge sheet was served on the respondent or within 20 days after the date on which the Director: Surveillance has responded to the request for further particulars.
- 4.40.3.4 Thereafter the chairman of the Tribunal shall determine the date on which the charges shall be heard, which date shall not without good reason be later than six months after the charge sheet was served on the respondent.
- 4.40.3.5 No extension of the time periods set out in rule 4.40.3, including the date for the hearing of the charges shall be allowed without good reason. Furthermore no such extension shall be allowed unless the consent of the chairman of the Tribunal is obtained.
- 4.40.3.6 Tribunal
- 4.40.3.6.1 The Chairman of the JSE may appoint one or more Tribunals each comprised of three members.
- 4.40.3.6.2 The members of a Tribunal shall be:

- 4.40.3.6.2.1 a retired judge, or a practising or retired senior counsel, or a practising or retired attorney with not less than fifteen years experience. Such person shall act as chairman of the Tribunal;
- 4.40.3.6.2.2 a professional person appointed by reason of that person's knowledge of financial services as it relates to the matter under consideration; and
- 4.40.3.6.2.3 a person appointed by reason of that person's knowledge of or experience in the financial markets.

4.50 Procedure and evidence

- 4.50.1 Any charges preferred shall be decided on a balance of probabilities.
- 4.50.2 In a hearing before a Tribunal -
 - 4.50.2.1 the chairman of the Tribunal shall decide all matters of law which may arise during the hearing, and whether any matter constitutes a question of law or a question of fact, but all three members of the Tribunal shall by a simple majority decide all other matters arising during the hearing;
 - 4.50.2.2 the chairman of the Tribunal shall determine the procedure which the Tribunal shall follow both in respect of preliminary issues and in respect of the hearing itself, subject to these Yield-X rules and to the principles of natural justice;
 - 4.50.2.3 the JSE may instruct attorneys or counsel to prefer and prosecute the charges on behalf of the JSE, or the charges may be prosecuted by an employee of the JSE; and
 - 4.50.2.4 a lawyer may represent the respondent at the respondent's own cost and an executive director of the Yield-X member by which the respondent is employed may assist the respondent if the respondent is not an executive director of a Yield-X member.
- 4.50.3 If a respondent without good cause fails to attend a hearing before a Tribunal at the time and place stated in the charge sheet, the Tribunal may proceed with its consideration of the charge in the absence of the respondent.
- 4.50.4 If, at any stage during a hearing before a Disciplinary Committee or a Tribunal, one member of the body hearing the matter dies or retires or becomes otherwise incapable of acting or is absent, the hearing shall proceed before the remaining two members and, provided that the remaining two members are in agreement, their finding shall be the finding of the body concerned. In any other case, the matter shall be heard *de novo*.
- 4.50.5 If a Tribunal finds a respondent guilty of improper conduct, the Tribunal shall have the powers set out in and shall apply rule 4.60.
- 4.50.6 If the proceedings before a Disciplinary Committee or a Tribunal are recorded, any person charged shall be entitled to be supplied with a record of the hearing of such charges, and any person who has made oral representations shall be entitled to be supplied with a record of that portion of the proceedings which related to that person's oral representations.

4.60 Penalties

- 4.60.1 When any person has been found guilty of improper conduct by a Tribunal pursuant to these Yield-X rules, the Tribunal -
 - 4.60.1.1 may by a simple majority warn or impose a reprimand, censure or fine upon the respondent, which fine shall in respect of each contravention not exceed R1 million, or such other amount as may be stipulated in the Act or in any regulations promulgated in terms of the Act;
 - 4.60.1.2 shall in determining an appropriate penalty take into account -
 - 4.60.1.2.1 any previous conviction in terms of the rules of the JSE or in a court of law;
 - 4.60.1.2.2 the harm or prejudice which is caused by the improper conduct;
 - 4.60.1.2.3 any other aggravating or mitigating circumstances; and
 - 4.60.1.2.4 where it is possible that the membership of the respondent may be terminated, the representations of such person in this regard;

- 4.60.1.3 may on such conditions as the Tribunal may deem fit, suspend or terminate the membership of a Yield-X member who has been found guilty of improper conduct or in the case of an employee of a Yield-X member, require such Yield-X member to hold a disciplinary enquiry to consider terminating or suspending the employment of such person;
- 4.60.1.4 may direct a Yield-X member to ensure that any sanction imposed by the Tribunal on an officer or employee of that Yield-X member is complied with by such officer or employee;
- 4.60.1.5 may make a fair and reasonable order as to costs; and
- 4.60.1.6 may order that particulars of the improper conduct and/or finding of the Tribunal and/or the penalty imposed be published in a JSE Gazette or in the media: Provided that if publication is ordered, the respondent shall be given an opportunity to make representations to the Tribunal in this regard.
- 4.60.2 A Tribunal may impose any one or more of the penalties referred to in rule 4.60.1.
- 4.60.3 Any penalty or part thereof may be suspended on such conditions as the Tribunal may determine.
- 4.60.4 If an officer or employee of a Yield-X member fails to pay any fine imposed by a Disciplinary Committee or a Tribunal, within 7 days after being informed of the amount of the fine, the JSE may, after serving notice of not less than 3 days on such person -
- 4.60.4.1 recover such fine from such officer or employee, as the case may be, in a court of competent jurisdiction;
- 4.60.4.2 terminate or suspend (on such conditions as the JSE may deem fit) the membership of such Yield-X member, or in the case of an officer or employee of a Yield-X member, require such Yield-X member to hold a disciplinary enquiry to consider terminating or suspending the employment of such person; or
- 4.60.4.3 direct a Yield-X member to prevent or relieve an officer or employee of that Yield-X member from carrying out any specified activity, function or duty for such reasonable period as the JSE deems appropriate.
- 4.60.5 The amount of any fine paid to the JSE pursuant to these Yield-X rules shall be paid into the Fidelity Fund. Any costs paid to the JSE pursuant to an award made by a Disciplinary Committee or a Tribunal shall be paid into the general funds of the JSE.
- 4.60.6 A Tribunal may, upon good cause shown and subject to such conditions as the Tribunal may impose, vary or modify any penalty which it may have previously imposed on any person: Provided that in modifying or varying such penalty, the Tribunal shall under no circumstances increase such penalty.
- 4.60.7 If any termination of the membership of a Yield-X member be suspended as a result of an appeal being lodged in terms of the Act, such suspension may be made subject to such conditions as the JSE may determine. A Yield-X member whose membership has been terminated and who lodges an appeal in terms of the Act shall simultaneously inform the Director: Surveillance that an appeal has been lodged.

4.70 Urgent issues

- 4.70.1 In order to ensure that the business of the JSE is carried on with due regard to the public interest, the Chairman of the JSE may appoint one or more Urgent Issues Committees. The Executive Officer or the acting Executive Officer, the Chairman or a Deputy Chairman of the JSE and at least two other members of the controlling body shall constitute an Urgent Issues Committee.
- 4.70.2 An Urgent Issues Committee shall consider whether a Yield-X member is operating in such a manner that there is imminent danger that such Yield-X member may be unable to meet its commitments to clients, other Yield-X members or to a settlement system of the JSE or any other exchange, or that it is conducting business in a manner which could be directly detrimental to the interests of the JSE or to the interests of the Yield-X members of the JSE and the public.
- 4.70.3 If an Urgent Issues Committee resolves by a two-thirds majority that an investigation into the affairs of a Yield-X member in terms of these Yield-X rules has revealed that the Yield-X member is operating in such a manner that there is such imminent danger as is referred to in rule 4.70.2, the Urgent Issues Committee may call upon senior representatives of the Yield-X member to attend a meeting of the Urgent Issues Committee, which meeting may be called on not less than one hour's notice, to hear the concerns of the Urgent Issues Committee and to discuss how such concerns may be resolved.

- 4.70.4 With the agreement of the Yield-X member concerned or, should the outcome of such meeting fail to satisfy the Urgent Issues Committee with regard to rule 4.70.3, the Urgent Issues Committee may by a two-thirds majority and subject to this rule 4.70 -
- 4.70.4.1 prohibit such Yield-X member from trading;
- 4.70.4.2 restrict the trading activities of such Yield-X member in such manner as it deems fit, or by applying rule 4.70.5; or
- 4.70.4.3 give such Yield-X member such instructions as it may deem necessary in the interests of the Yield-X member's clients, other members, any settlement system of the JSE or any other exchange.
- 4.70.5 The Urgent Issues Committee may during the period of any order in terms of rule 4.70.4 appoint a registered public accountant and auditor or a Yield-X member or employee of the JSE to supervise and control the activities of the Yield-X member, at the Yield-X member's cost. Such Yield-X member may further be prohibited from entering into transactions without the prior consent of the person appointed as aforesaid to control and supervise the Yield-X member, which consent may be given upon such terms and conditions as the said appointee may determine.
- 4.70.6 Notice to the Yield-X member concerned of such prohibition, restriction or instruction shall be accompanied by particulars of any alleged contraventions of the Act, Yield-X rules, directives and special gazettes governing Yield-X members. Any requirements of the Urgent Issues Committee for the rectification of the alleged contraventions shall be stated so as to enable the Yield-X member in question to apply to the Urgent Issues Committee for the removal of the order once the requirements stated in the order have been met.
- 4.70.7 Any action taken by an Urgent Issues Committee in terms of this rule may continue until such time as that Committee is satisfied as to the financial position and business conduct of the Yield-X member in question: Provided that such action shall be reviewed by the Committee at least once every month and any order given shall thereafter only continue to the extent that such continuation is resolved by a two-thirds majority of the Committee.

4.80 Open transactions and positions

- 4.80.1 If any Yield-X member who is suspended or ceases to enjoy membership other than by expulsion or resignation, has open positions with another Yield-X member under these Yield-X rules, such transactions shall be dealt with in terms of the default rules.

4.90 JSE's powers of publication

- 4.90.1 The JSE may in such manner as it may deem fit, notify the public of any fact that the JSE considers to be in the public interest, including the name of a Yield-X member or any employee or officer of a member who has been found guilty of any charge and of the sentence imposed on such Yield-X member, employee or officer of a Yield-X member. The JSE shall inform the public that a particular Yield-X member or employee or officer of a Yield-X member has been expelled, suspended, declared a defaulter or that a Yield-X member has otherwise ceased to be a Yield-X member.
- 4.90.2 No action or other proceeding shall in any circumstances be taken by any Yield-X member or any employee or officer of a Yield-X member referred to in any notification referred to in rule 4.90.1 or in a JSE Gazette, against the JSE or any controlling body or committee member or employee thereof or any person publishing or circulating the same, and this rule shall operate as leave to any person to publish and circulate such notification and be pleadable accordingly.

SECTION**5**

Section 5: Dispute Resolution**Scope of section**

- 5.10 Resolution of Disputes
- 5.20 Reporting a Dispute
- 5.30 Powers of the JSE
- 5.40 Declaration of a Dispute
- 5.50 Mediation
- 5.60 Informal Arbitration
- 5.70 Formal Arbitration
- 5.80 Arbitrator
- 5.90 Costs
- 5.100 Arbitration Proceedings
- 5.110 Waiver

5.10 Resolution of disputes

- 5.10.1 Any dispute involving persons bound by these Yield-X rules and relating to any matter provided for in or relating to these Yield-X rules shall be resolved by arbitration or mediation in terms of this rule 5.
- 5.10.2 It is contrary to the policy and objectives of the JSE for persons bound by these Yield-X rules to engage in litigation against one another in relation to transactions in Yield-X instruments.
- 5.10.3 Save in so far as they may be contrary to these Yield-X rules, the provisions of the Arbitration Act, 1965 (Act No. 42 of 1965) shall apply to the arbitration proceedings provided for by these Yield-X rules.

5.20 Reporting a dispute

The compliance officer of a Yield-X member and any other party to a dispute shall report the dispute to the JSE in writing.

5.30 Powers of the JSE

- 5.30.1 The JSE may request any Yield-X member or client to furnish it with written particulars of a dispute to which such Yield-X member or client is a party or matters relating thereto or to confirm or reply to any report made to the JSE.
- 5.30.2 The JSE may call for additional information and material relating to a dispute from any Yield-X member or client as may be deemed necessary.
- 5.30.3 The JSE may require any party to a dispute to trade in the market or with the other party pending resolution of the dispute in order to prevent loss.

5.40 Declaration of a dispute

If, after considering the report and reply and any other information at its disposal, the JSE is of the opinion that there is a dispute, the dispute shall be referred to mediation or to informal arbitration or formal arbitration, subject to the Arbitration Act, 1965.

5.50 Mediation

- 5.50.1 A dispute may be referred to mediation only with the consent of the parties.
- 5.50.2 The JSE shall nominate a mediator who shall be acceptable to both parties and who shall endeavour to cause the parties to agree to the resolution of the dispute. Any agreement concluded between the parties shall be binding on them whether or not it is reduced to writing.
- 5.50.3 If at any time during formal or informal arbitration proceedings the parties agree to submit their dispute to mediation, the arbitration proceedings shall be suspended and the provisions of this rule shall apply. Should the mediation not resolve the dispute, the arbitration proceedings shall be resumed.

5.60 Informal arbitration

- 5.60.1 With the consent of the parties the JSE may refer a dispute to an arbitrator or arbitrators nominated by the JSE or may, after having considered the report and reply and such other evidence and information as may be presented to the JSE, make an award.
- 5.60.2 The arbitrator nominated in terms of this rule shall, after having considered the report and reply and such other evidence as may be presented to him, make his award immediately, unless the parties have otherwise agreed.
- 5.60.3 The arbitrator nominated in terms of this rule need not give reasons for his award, which shall be in writing.

5.70 Formal arbitration

- 5.70.1 In the event of either party not consenting to mediation or informal arbitration, the dispute shall be referred to formal arbitration by the JSE.
- 5.70.2 Within 7 days of being so required in writing by the JSE, the claimant shall submit a written statement of his claim that clearly states the subject matter of the claim and contains all the material facts and documents upon which the claim is based.
- 5.70.3 The JSE may require the claimant to expand upon his statement of claim or provide other evidence or particulars as may be deemed necessary.

- 5.70.4 Within 7 (seven) days of being so required by the JSE and receipt of the claimant's written statement of claim and evidence and particulars referred to in rules 5.70.2 and 5.70.3, the other party to the dispute, hereinafter called the defendant, shall respond in writing to the claim and shall attach to his response evidence and other particulars relating to the dispute and deliver such response with evidence and particulars to the JSE and the claimant.
- 5.70.5 The JSE may require the defendant to expand upon his response or provide other evidence or particulars and may require the claimant to reply to such response in writing.

5.80 Arbitrator

The JSE shall appoint an arbitrator or arbitrators: Provided that, if the arbitrator appointed by the JSE is not acceptable to both parties, the Chairman of the JSE shall, within 7 (seven) days, appoint an arbitrator who shall be accepted by both parties to resolve the dispute.

5.90 Costs

- 5.90.1 The parties to any arbitration shall be liable jointly for the costs of the arbitration, including the fee of the arbitrator, and shall be obliged to pay to the JSE such amount as the JSE may determine before the arbitration proceedings commence.
- 5.90.2 The JSE may at any time during the arbitration require each party to pay an additional amount to cover any further costs incurred in the arbitration proceedings.
- 5.90.3 Should any party fail or refuse to pay on demand any costs due in terms of this rule, an award dismissing his claim or defence with costs shall be made by the arbitrator.
- 5.90.4 The arbitrator may make an award directing a party to pay the costs of arbitration and in such an event, the successful party may recover his costs from the other party.

5.100 Arbitration proceedings

- 5.100.1 The arbitrator shall make his award within 30 (thirty) days of the conclusion of the arbitration proceedings.
- 5.100.2 The arbitrator shall not be bound to follow the general principles of law, but may decide the dispute in accordance with the principles of equity, and therefore the strict rules of law and evidence need not be observed or taken into account by the arbitrator in arriving at an award.
- 5.100.3 The arbitrator shall give due weight to the customs and practices of the JSE and shall have the right to request the Director: Surveillance to carry out investigations on his behalf.
- 5.100.4 The arbitrator shall not be bound to give reasons for his award.
- 5.100.5 The arbitration proceedings shall be conducted without legal representation by any of the parties, unless the arbitrator in his sole discretion decides otherwise.
- 5.100.6 The arbitrator may at his discretion decide that a number of disputes involving a particular party based on similar occurrences or similar facts shall be consolidated and treated as a single dispute.
- 5.100.7 Subject to rule 5.100.8, unless the JSE, the arbitrator and the parties to the dispute agree otherwise, the identity of the parties, the nature of the evidence and the details of the arbitrator's deliberations and finding, and all other information pertaining to arbitration proceedings shall be kept confidential by all parties.
- 5.100.8 If at any time the arbitrator is of the opinion that a contravention of the Yield-X rules may have occurred he may refer the matter to the JSE for its consideration in terms of rule 4.10.
- 5.100.9 If requested by either the JSE or SAFCOM to do so, the arbitrator may, in his sole discretion, decide on the relevance to the dispute of any evidence requested from the JSE or SAFCOM and he shall accordingly instruct the JSE or SAFCOM to supply the required evidence or relieve them of the obligation of doing so.

5.110 Waiver

No party shall have any claim against the mediator, arbitrator, the JSE, the JSE Executive, the Executive Officer or SAFCOM in respect of any decision made in good faith by such person or body pursuant to the performance of his functions in terms of these Yield-X rules.

SECTION**6**

Section 6: Listings**Scope of Section**

- 6.10 List of financial instruments
- 6.20 Contract specifications of futures and option contracts
- 6.30 Listing of futures and option contracts
- 6.40 Listing of loan stock
- 6.50 Listing Fees
- 6.60 Investigation or suspension of listing

6.10 List of financial instruments

The record of financial instruments which may be bought or sold on Yield-X shall be kept by the controlling body in the list of financial instruments in terms of section 14 of the Act.

6.20 Contract specifications of futures and option contracts

- 6.20.1 The contract specifications of futures and option contracts contained in the list of financial instruments kept in terms of these Yield-X rules shall be determined by the JSE Executive.
- 6.20.2 The JSE may conduct surveys and research, call for the views of Yield-X members and any committee and take such other steps as it may deem appropriate in determining the contract specifications of futures and option contracts listed by the JSE.
- 6.20.3 The JSE may decide which expiry months shall be specified for the futures and option contracts contained in the list referred to in rule 6.10 and it shall publish such futures and option contracts in a notice to Yield-X members: Provided that where the expiry date of a futures or option contract is longer than one year the JSE shall specify the expiry date.
- 6.20.4 Option contracts having strike prices as contained in the contract specification of the particular option contract may be traded when the expiry month of the underlying futures contract is specified as contemplated in rule 6.20.1.

6.30 Listing of futures and option contracts

- 6.30.1 The JSE may, subject to the approval of the Registrar -
 - 6.30.1.1 add futures and option contracts to, or remove futures and option contracts from, the list of financial instruments kept in terms of these Yield-X rules, or suspend futures and option contracts from such list;
 - 6.30.1.2 impose new conditions on or amend the existing conditions of such futures and option contracts.
- 6.30.2 The JSE shall notify all Yield-X members of any actions performed by the JSE in terms of rule 6.30.1, and shall stipulate a date for the coming into operation of an addition, removal or suspension of futures and option contracts or new or amended conditions relating to futures and option contracts.

6.40 Listing of loan stock

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

6.50 Listing Fees

The fees for the listing of loan stock shall be as prescribed by the JSE in the Listing Requirements which the JSE may issue.

6.60 Investigation or suspension of listing

It shall be a condition of a listing that -

6.60.1 the JSE may in such manner as it deems fit, notify the public that it has -

6.60.1.1 removed any Yield-X instrument from the list;

6.60.1.2 suspended the listing of any Yield-X instrument;

6.60.1.3 investigated dealings in any Yield-X instrument,

and it shall publish the reasons for such removal, suspension or investigation, as the case may be, and so much of its conclusions or findings as it may deem advisable;

6.60.2 the JSE may publish or cause, permit or authorise the proprietor or publisher of any newspaper or other periodical publication to publish any statement made in terms of rule 6.60.1.

SECTION 7

Section 7: Trading

Scope of section

- 7.10 Financial exchange
- 7.20 Yield-X trading system
- 7.30 Trading members' obligations
- 7.40 Market integrity
- 7.50 Manipulative or deceptive transactions
- 7.60 Orders
- 7.70 Trading capacity
- 7.80 Trading for or on behalf of clients
- 7.90 Affiliated officers and trading members trading as clients
- 7.100 Aggregation, division and allocation of trades
- 7.110 Principal assignment trades
- 7.120 Reported transactions
- 7.130 Correction trades
- 7.140 Emergency provisions

7.10 Financial exchange

The business of the buying and selling of Yield-X instruments as contemplated by section 8(2) of the Act must be conducted on the Yield-X trading system. Provided that -

- 7.10.1 a trading member may execute transactions in financial instruments on another licensed financial exchange as a member or as a client of a member of such financial exchange; or
- 7.10.2 transactions in Yield-X instruments for which meet the criteria set out in rule 7.120 may be conducted off the Yield-X trading system and reported to the Yield-X trading system.

7.20 Yield-X trading system

- 7.20.1 In accordance with the directives, other than in relation to the transactions exempted in terms of rule 7.10, a trading member must execute trades in Yield-X instruments, either for its own account or for the account of a client, on the Yield-X trading system.
- 7.20.2 The Yield-X trading system will operate on every business day according to standard periods and times as set out in the directives.

7.30 Trading members' obligations

- 7.30.1 Access to and utilisation of the Yield-X trading system
 - 7.30.1.1 Trading members may only access and utilise the Yield-X trading system with the required approval of the Market Controller and subject to such instructions as may be issued by the Market Controller.
 - 7.30.1.2 In order to utilise the services of, and access the Yield-X trading system a trading member must:
 - 7.30.1.2.1 enter into and sign such agreements; and
 - 7.30.1.2.2 adhere to such requirements and specifications as may be prescribed by the JSE Executive.
 - 7.30.1.3 Trading members accessing the Yield-X trading system must at all times –
 - 7.30.1.3.1 maintain and enforce appropriate security procedures which are designed to prevent unauthorised persons from having access to any JSE systems, member applications or client applications; and
 - 7.30.1.3.2 have the necessary resources to ensure that any data sent to or received from the Yield-X trading system does not interfere with the efficiency and integrity of Yield-X or the proper functioning of the JSE systems.
- 7.30.2 Data integrity
 - 7.30.2.1 A trading member is responsible for identifying the origin and the accuracy, integrity, and *bona fides* of all data submitted to the Yield-X trading system by or on behalf of that trading member. Any information received by the Yield-X trading system is deemed for all purposes under the Yield-X rules and directives to have been submitted to the Yield-X trading system by, and with the knowledge of, the trading member.
 - 7.30.2.2 Data from or submitted on behalf of trading members may only be submitted to the Yield-X trading system in a manner approved by the JSE.
- 7.30.3 Due fulfilment of transactions
 - 7.30.3.1 Subject to rule 7.30.3.2, a trading member shall guarantee the fulfilment of all transactions in Yield-X instruments, entered into by the trading member for its own account and for or on behalf of a client and executed on the Yield-X trading system or reported to and matched by the Yield-X trading system.
 - 7.30.3.2 Rule 7.30.3.1 shall not apply to reported transactions where only one broking member is involved and where the clients who are parties to such transaction have, between themselves, concluded the terms of the transaction and instructed the broking member to report the transaction through the Yield-X trading system. A client shall have no recourse against a broking member in respect of such transaction.

- 7.30.3.3 Except in the circumstances set out in rule 7.30.3.2, any action by a client in respect of a Yield-X transaction shall be against the broking member who entered into the transaction on the instruction of such client and not against any other broking member or a client of such broking member.
- 7.30.3.4 A broking member shall ensure that buyers and sellers of Yield-X instruments are aware of their material obligations in terms of the Act and these Yield-X rules.
- 7.30.4 Authorised personnel
- 7.30.4.1 A trading member represents and warrants to the JSE and to persons with or on behalf of whom the trading member executes transactions in Yield-X instruments, that any person employed by the trading member to deal with such persons in relation to such transactions, has full authority to act on the trading member's behalf.
- 7.30.4.2 A trading member must ensure that all registered dealers meet the requirements of rule 3.120.
- 7.30.5 Recording of transactions
- Every trading member must, as set out in rule 10.220.5, record, report and retain details of every transaction in Yield-X instruments entered into by it or on its behalf and it shall be the duty of every person executing a transaction on behalf of a trading member to ensure that these Yield-X rules are complied with.

7.40 Market Integrity

- 7.40.1 Where, from a lack of clarity in the published information available at the time of the transaction, a trading member trades in a quantity or at a price which in the opinion of the JSE Executive is unreasonable, the JSE Executive may declare such transaction void. Such declaration is binding on the trading members who entered into such transaction and on the clients for or on whose behalf the transaction was executed.
- 7.40.2 The JSE Executive may prohibit trading by trading members in any particular Yield-X instrument either for a specified or for an indefinite period.
- 7.40.3 If, in the opinion of the Director: Surveillance, an automated trade, auction trade or reported transaction materially impacts the integrity or transparency of Yield-X, or the correctness of the statistics, the Director: Surveillance may cancel such trade or reported transaction without having received a formal request to do so by any trading member. The Director: Surveillance may –
- 7.40.3.1 instruct the member or members to enter an equal and opposite correction trade on the trade date of the original trade; or
- 7.40.3.1 instruct the Settlement Authority to effect an equal and opposite correction trade on behalf of the member or members on the day after the original trade.
- 7.40.4 The Market Controller and any one member of the JSE Executive may decide that Yield-X be closed in the event that a fair and realistic market does not exist. A fair and realistic market will be deemed not to exist at the discretion of the Market Controller after consideration of the percentage of trading members not able to access the Yield-X trading system, the reasons for such lack of access and their contribution to price formation.
- 7.40.5 Notwithstanding any other provision of the Yield-X rules or any directive and subject to rule 1.40, the JSE Executive, in accordance with prevailing circumstances may –
- 7.40.5.1 reduce or extend the hours of operation of the Yield-X trading system for any particular business day;
- 7.40.5.2 without prior notice to any person, halt or close the Yield-X trading system for trading at any time and for any period;
- 7.40.5.3 without prior notice to any person suspend automated trading;
- 7.40.5.4 if there has been any failure of the Yield-X trading system, for any reason, or if the Yield-X trading system has been closed, suspended or halted, declare that a transaction executed through or by the Yield-X trading system is void. Such declaration is binding on the trading members who entered into such transaction and on the clients for or on whose behalf the transaction was executed;
- 7.40.5.5 exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of the Yield-X rules and directives, and as may be necessary to resolve any issue which may arise from the closure, suspension, halt or failure of the Yield-X trading system; and
- 7.40.5.6 take such other steps as may be necessary to ensure an orderly market.

- 7.40.6 Notwithstanding any other provisions of the Yield-X rules and directives –
- 7.40.6.1 the Market Controller may instruct a trading member to immediately discontinue using a member or client application; or
- 7.40.6.2 the Market Controller may restrict the usage by a trading member of any or all components of a member or client application; or
- 7.40.6.3 the Director: Surveillance or his deputy, in conjunction with the Executive Officer or acting Executive Officer or failing the Executive Officer or acting Executive Officer, the Director: Listings, may declare a trading halt in a Yield-X instrument. During a trading halt no trading members may trade that Yield-X instrument for the duration of the trading halt but may submit orders to and delete orders from the Yield-X trading system.

7.50 Manipulative or deceptive transactions

- 7.50.1 No trading members shall use, or knowingly participate in the use of any manipulative or deceptive method of trading in connection with the buying or selling of a Yield-X instrument, either for its own account or on behalf of clients, which creates or may create –
- 7.50.1.1 a false or misleading appearance of trading activity; or
- 7.50.1.2 an artificial value for such Yield-X instrument.
- 7.50.2 A trading member must give consideration to the circumstances of orders placed by clients before entering such orders and shall *prima facie* be responsible for the integrity of such orders.
- 7.50.3 Without in any way limiting the generality of the foregoing, the following shall be deemed to be manipulative or deceptive methods of trading:
- Approving or entering on the Yield-X trading system –
- 7.50.3.1 an order to buy or sell a Yield-X instrument with the knowledge that an opposite order of substantially the same size at substantially the same time and at substantially the same price, has been or will be entered by or for the same or different persons with the intention of creating a false or misleading appearance of active public trading of or an artificial market value of such Yield-X instrument;
- 7.50.3.2 orders to buy any Yield-X instrument at successively higher prices, or orders to sell any Yield-X instrument at successively lower prices for the purpose of unduly or improperly influencing the market price of such Yield-X instrument;
- 7.50.3.3 an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of such Yield-X instrument;
- 7.50.3.4 an order to buy or sell any Yield-X instrument during the pre-opening session and cancelling such order immediately prior to the market opening, for the purpose of creating or inducing a false or misleading appearance of demand for or supply of such Yield-X instrument; or
- 7.50.3.5 transactions which would result in a contravention of rule 7.50.1.

7.60 Orders

- 7.60.1 All orders received by a broking member must be recorded in price and then time priority by the broking member and be submitted to the Yield-X trading system in such order. Orders from clients will always be given time priority over such broking member's own account orders except where that broking member had already entered own account orders into the Yield-X trading system at the time that a client order was received by that broking member.
- 7.60.2 Orders received by a broking member after hours will have the time priority of entry of the order into the Yield-X trading system.
- 7.60.3 Orders entered individually will carry their own time priority.
- 7.60.4 The broking member must keep a record of the order for a period of not less than six months after the order was received, in terms of rule 10.220.5.

7.70 Trading capacity

- 7.70.1 A broking member may trade on behalf of a client as an agent or may trade with a client as a principal.
- 7.70.2 A broking member may only deal as principal with a client if the broking member has, prior to trading, obtained the consent of its client.
- 7.70.3 A broking member may not make a profit in respect of an agency transaction executed on behalf of a client other than commission or brokerage.
- 7.70.4 A broking member may trade for a client as principal by –
- 7.70.4.1 entering the client's order directly in the Yield-X trading system for the client's account and where such order matches with an opposite order entered in the Yield-X trading system for the broking member's own account; or
 - 7.70.4.2 entering the client's order in the Yield-X trading system for the member's principal assignment stock account and assigning the resultant trade or trades to the client, either with or without aggregating such trades, by reporting a principal assignment trade to the Yield –X trading system; or
 - 7.70.4.3 executing a principal trade with a client off the central order book and reporting such trade to the Yield-X trading system, provided such trade qualifies as a reported transaction in terms of rule 7.120.
- 7.70.5 A broking member may trade for a client as agent by -
- 7.70.5.1 entering the client's order directly in the Yield-X trading system for the client's account and where such order matches with an opposite order of another trading member or another client; or
 - 7.70.5.2 entering the client's order in the Yield-X trading system for the member's agency suspense account and allocating the resultant trade or trades to the client, after aggregating and/or dividing such trades; or
 - 7.70.5.3 executing an agency trade between two clients off the central order book and reporting such trade to the Yield-X trading system, provided such trade qualifies as a reported transaction in terms of rule 7.120.

7.80 Trading for or on behalf of clients

- 7.80.1 Client agreement
- A broking member may not trade for or on behalf of a client in Yield-X instruments unless the broking member has entered into a client agreement with the client, the minimum terms and conditions of which are prescribed in the directives.
- 7.80.2 Client acceptance, registration and maintenance procedures
- 7.80.2.1 A broking member must ensure that it obtains and maintains sufficient information on each client account so as to be able to identify the beneficiary of the account and the person or persons responsible for placing instructions on the account at all times, in accordance with the directives.
 - 7.80.2.2 Before undertaking to execute any transaction for a new client, a broking member must, as a minimum, authenticate the identity of such client and maintain a record of the means of such authentication.
 - 7.80.2.3 A broking member may not trade for or on behalf of a client in Yield-X instruments until registration of the client has been effected, in accordance with the directives.
 - 7.80.2.4 The JSE will maintain a record of the clients which are registered as clients of broking members and will keep a record of the particulars associated with each client as required under rule 7.80.2.3.
 - 7.80.2.5 A broking member must ensure that the particulars relating to its clients are correct and up to date at all times.
 - 7.80.2.6 The broking member must ensure that clients which have ceased trading with the broking member are removed from the register of clients of the broking member.

- 7.80.2.7 The client's registration will be retained by the JSE for as long as it deems necessary after the client has ceased trading.
- 7.80.3 Best execution
- When acting for a client in the buying or selling of Yield-X instruments, a broking member must at all times adhere to the best execution principle taking reasonable care to obtain the result which is the best available in the market for the client: Provided that the broking member must at all times act in accordance with the terms and conditions of the client agreement or mandate.
- 7.80.4 Notification of transactions
- 7.80.4.1 A broking member must ensure that clients are notified of all transactions executed on or reported to the Yield-X trading system, for or on behalf of such clients, in the manner and within the time period as set out in the directives.
- 7.80.4.2 The transaction notification referred to in 7.80.4.1 must set out –
- 7.80.4.2.1 the terms of the transaction;
- 7.80.4.2.2 the capacity in which the broking member acted;
- 7.80.4.2.3 if the transaction is in loan stock, whether the transaction was executed on the central order book; and
- 7.80.4.2.4 if the transaction is executed by the member in an agency capacity, the details of any commission charged by the broking member.

7.90 Affiliated officers and trading members trading as clients

- 7.90.1 An affiliated officer of a trading member may be a client of that trading member; provided that such client fulfils all his obligations in terms of these Yield-X rules.
- 7.90.2 Except with the written approval of the Director: Surveillance and subject to such conditions as he may impose-
- 7.90.2.1 an affiliated officer of a trading member may not have a beneficial interest in another trading member;
- 7.90.2.2 an affiliated officer of a trading member may not be a client of another trading member or have a beneficial interest in a client;
- 7.90.2.3 a trading member may not be a client of another trading member or have a beneficial interest in a client;
- 7.90.2.4 a broking member may not accept an affiliated officer of another trading member or a trading member as a client.

7.100 Aggregation, division and allocation of trades

- 7.100.1 When bulking or aggregating agency client orders, broking members are required to use designated agency suspense accounts, as specified in the directives, for the order entry, trading, consolidation, division or allocation of such orders and trades.
- 7.100.2 Broking members are precluded from trading on the designated agency suspense accounts for their own account or for any accounts in which affiliated officers have a direct or indirect beneficial interest.
- 7.100.3 A broking member may aggregate a number of trades that were executed on the Yield-X trading system for an agency suspense account and allocate such aggregated trades to a client at a price equal to the average price of the original trades: Provided that a broking member may not aggregate reported transactions with trades executed in the central order book of the Yield-X trading system.
- 7.100.4 A broking member may divide a trade that was executed on the Yield-X trading system for an agency suspense account: Provided the broking member allocates such subdivided trades to two or more clients at the price of the original trade.
- 7.100.5 Broking members are responsible for the time priority of allocations of the trades in respect of which orders have been bulked.
- 7.100.6 All trades on the designated agency suspense accounts must be allocated to the relevant clients on the day of the trading and no positions must remain on such suspense accounts overnight.

- 7.100.7 A broking member may allocate a trade in futures or option contracts executed on the Yield-X trading system for an agency suspense account to another broking member, provided that the trade is pursuant to a tripartite agreement, as set out in the directives, and that the trade is allocated to the other broking member at the price of the original trade.

7.110 Principal assignment trades

- 7.110.1 When filling a client's order as principal through a principal assignment trade, broking members are required to use designated principal assignment stock accounts, as specified in the directives, for the order entry, trading, consolidation, division and assignment of such orders and trades.
- 7.110.2 A broking member may aggregate a number of trades that were executed on the Yield-X trading system for a principal assignment stock account and assign the resultant aggregated trades to a client as a separate trade at a price which includes such broking member's profit: Provided that a broking member may not aggregate reported transactions with trades executed in the central order book of the Yield-X trading system.
- 7.110.3 A broking member may divide a trade that was executed on the Yield-X trading system for a principal assignment stock account and assign the resultant subdivided trades to two or more clients as separate trades at a price which includes such broking member's profit.
- 7.110.4 Broking members are responsible for the time priority of principal assignment trades in respect of which orders have been bulked.
- 7.110.5 A broking member may assign a trade in futures or option contracts executed on the Yield-X trading system for a principal assignment stock account to another broking member as a separate trade, provided that the trade is pursuant to a tripartite agreement, as set out in the directives, and the assignment trade may include the assigning member's profit.
- 7.110.6 All trades on the principal assignment stock accounts must be assigned to the relevant clients or member on the day of the trade.

7.120 Reported transactions

- 7.120.1 Reported transactions do not have to be executed through the central order book. The following transactions may be validly reported to the Yield-X trading system –
- 7.120.1.1 value eligible reported transactions, where the nominal or contract value of the transaction is equal to, or greater than the value determined by the JSE, as set out in the directives;
 - 7.120.1.2 expiry of physically settled futures contracts, as instructed by the Market Controller, in terms of rule 8.30.7;
 - 7.120.1.3 principal assignment trades; and
 - 7.120.1.4 carry transactions where the transaction has been effected to prevent a trade from failing.
- 7.120.2 Reported transactions must be reported immediately, by the trading member, to the Yield-X trading system. Where two trading members are involved, both trading members must immediately report the transaction.

7.130 Correction trades

- 7.130.1 Notwithstanding any other provision of the Yield-X rules or any directive, the Director: Surveillance may, where in his opinion a trade has been matched as a result of a clear error by a trading member or reported in error, grant permission to the relevant trading member or members to cancel the trade and may –
- 7.130.1 instruct the member or members to enter an equal and opposite correction trade on the trade date of the original trade; or
 - 7.130.1 instruct the Settlement Authority to effect an equal and opposite correction trade on behalf of the member or members on the day after the original trade.
- 7.130.2 Equal and opposite correction trades will only be considered in exceptional circumstances and provided the trade meets at least the following requirements –
- 7.130.2.1 the request is received by the Director: Surveillance within 20 minutes from the time of the erroneous trade;

- 7.130.2.2 the consideration or contract value of the trade or trades for which the correction trade is requested is 5% or more away from the consideration or contract value immediately before the erroneous trade occurred, or, if there were no automated or auction trades on that day, the consideration or contract value per the previous day's closing price; and
- 7.130.2.3 the difference between the aggregate consideration or contract value of the trades that qualify in terms of 7.130.2.2 and the consideration or contract value that would have resulted had such trades been executed at the reference price is R50 000 (fifty thousand Rand) or more.

7.140 Emergency provisions

- 7.140.1 In order that the business of the JSE be carried out with due regard to the interests of the public in a fair and orderly market the JSE Executive may, in addition to the powers given in terms of the Act, with the prior consent of the Registrar, in circumstances of emergency restrict or suspend trading in any or all of the instruments kept by it in its list of financial instruments.
- 7.140.2 Circumstances of emergency shall include but are not limited to the closing of any other exchange, a state of war or threatening hostilities, acts of state affecting the market or the due performance of transactions or any position, any change in the law affecting the market or the due performance of transactions or positions and any other situation or circumstances affecting, in the opinion of the JSE Executive, a fair and orderly market for the trading in financial instruments listed by the JSE.
- 7.140.3 If the trading in any security, commodity or financial instrument on any exchange or market ceases, the JSE Executive shall consider the cessation of trading in all financial instruments listed by the JSE for which such security, commodity or financial instrument comprises the underlying instrument of the financial instrument concerned.
- 7.140.4 In the event of any of the circumstances contemplated in this rule 7.140 occurring, the Executive Officer shall notify the Registrar of such circumstances and the JSE shall co-operate with the Registrar to restore and maintain a fair and orderly market.

SECTION 8

Section 8: Clearing**Scope of Section**

- 8.10 Applicability of Section 8
- 8.20 Clearing
- 8.30 Opening and closing-out a position
- 8.40 Mark-to-market
- 8.50 Margin payments
- 8.60 Interest payments
- 8.70 Trading, clearing and settlement fees
- 8.80 Settlement procedures
- 8.90 Exercise and assignment of option contracts

8.10 Applicability of Section 8

Section 8 shall apply to all Yield-X instruments, unless the context clearly indicates otherwise.

8.20 Clearing

- 8.20.1 SAFCOM shall clear and ensure the performance of -
- 8.20.1.1 trades in Yield-X instruments executed on the central order book of the Yield-X trading system;
 - 8.20.1.2 principal assignment trades in Yield-X instruments reported to the Yield-X trading system;
 - 8.20.1.3 reported transactions in futures and option contracts reported to and matched by the Yield-X trading system; and
 - 8.20.1.4 reported transactions in loan stock reported to the Yield-X trading system, where the respective clearing members accept the reported transactions for risk management purposes.
- 8.20.2 Upon the transaction being cleared, SAFCOM shall replace the buyer and become the counterparty to the seller and it shall replace the seller and become the counterparty to the buyer.

8.30 Opening and closing-out a position

- 8.30.1 When there is no position in a futures or option contract prior to a transaction in the futures or option contract being cleared, a position in the futures or option contract shall be opened and registered in the name of the trading member or its client when the transaction is cleared.
- 8.30.2 The futures or option contracts comprising a transaction which has been cleared, shall be added to or off-set against an existing position registered in the name of the party concerned and the position shall be increased, decreased, closed out or a position in the opposite direction shall be opened, as the case may be.
- 8.30.3 On the expiry of an option contract of which the strike price is not better by a certain amount determined by the JSE, as set out in the directives, than the expiry price of the underlying instrument of the option contract -
- 8.30.3.1 the person in whose name a long position in the option contract is registered by SAFCOM shall be deemed to have sold the number of the futures contracts equal to the number comprising the position, to SAFCOM; and
 - 8.30.3.2 the person in whose name a short position in the option contract is registered by SAFCOM shall be deemed to have bought a number of the futures contracts equal to the number comprising the position, from SAFCOM.
- 8.30.4 The price of the futures contract which shall apply to the sale contemplated in rule 8.30.3.1 and the purchase contemplated in rule 8.30.3.2 shall be the expiry price determined in the manner prescribed in the contract specification of the futures contract in question and the price of an option contract which shall apply to such purchase or sale shall be zero.
- 8.30.5 Rule 8.30.2 shall apply *ipso facto* to the futures or option contracts comprising the purchases and sales referred to in rule 8.30.3.
- 8.30.6 Where the strike price of an option contract is, on expiry, better by a certain amount determined by the JSE, as set out in the directives, than the expiry price of the futures contract underlying the option contract, the person in whose name a position in the futures or option contract is registered shall be deemed to have exercised the option contract in terms of rule 8.90.3.
- 8.30.7 On the expiry of a physically settled futures contract and on instruction from the Market Controller, the holder of a long position in the futures contract shall, through the Yield-X trading system, report a purchase of the underlying loan stock and the holder of a short position shall, through the Yield-X trading system, report a sale of the underlying loan stock at the price equal to that referred to in rule 8.30.4 and the purchase, sale, delivery and receipt of the underlying loan stock shall take place in accordance with rule 9.

8.40 Mark-to-market

- 8.40.1 At 17h30 on each business day, or such other time as SAFCOM may determine on a particular business day, the positions in each Yield-X instrument of all trading members and their clients shall be marked-to-market on such basis as SAFCOM may determine.

- 8.40.2 SAFCOM may at any time on any business day mark-to-market the position in any Yield-X instrument of any trading member or client if, in its sole discretion, the conditions in the market for the Yield-X instrument or its underlying instrument warrants such additional mark-to-market.

8.50 Margin payments

8.50.1 Initial margin

Initial margin shall be paid by a trading member or client whenever the risk of loss, as determined by SAFCOM, changes with respect to the aggregate Yield-X instrument positions of such trading member or client.

8.50.2 Settlement margin

Settlement margin shall be paid by a trading member or client where the trading member or client has unsettled loan stock positions which can be set-off against positions in related futures and option contracts, for the purpose of providing for compensation payable in respect of a potential failed trade.

8.50.3 Variation margin

Variation margin shall be paid to or by a trading member or client in whose name a position in a futures or option contract is registered as the result of the marking-to-market of a position in terms of rule 8.40 or the closing out of a position or part thereof as contemplated in rule 8.30.2 or the closing out of a position as contemplated in rule 8.30.3.

8.50.4 Top-up margin

Top-up margin shall be paid by a trading member or client in whose name a position in loan stock is registered as the result of an adverse mark-to-market of a position in terms of rule 8.40.

8.50.5 Additional margin

8.50.5.1 A clearing member may require a non-clearing member with whom it has entered into a clearing agreement to deposit with it, with respect to the proprietary position of the non-clearing member or the position of any of the clients of the non-clearing member, an amount of additional margin equal to a factor of the initial margin or settlement margin kept by SAFCOM with respect to such position as agreed to in writing between the clearing member and the non-clearing member.

8.50.5.2 A broking member may require a resident client to deposit with it, with respect to the resident client's position, an amount of additional margin equal to a factor of the initial margin or settlement margin kept by SAFCOM, with respect to the said positions, as agreed to in writing between the broking member and the client.

8.50.6 Retained margin

A broking member, with respect to a resident client, may with the client's prior written agreement -

8.50.6.1 require the client to deposit an amount of money with such broking member to be used to furnish initial margin, settlement margin or additional margin before the broking member shall trade with the client; and/or

8.50.6.2 retain initial margin, settlement margin, variation margin or top-up margin payable to the client, or interest accruing in terms of rule 8.60.3, in anticipation of future transactions:

Provided that the money so deposited or retained shall be repaid to the client if the client has not traded with the broking member within thirty days.

8.50.7 Maintenance margin level

A broking member may agree, where a client has additional margin deposited with such broking member, that the client shall pay an amount of money to restore the additional margin when the additional margin has been used to meet payments of variation margin.

8.60 Interest payments

- 8.60.1 SAFCOM shall manage and invest all margins held by it in terms of rule 10.50 and it shall no later than the second day of the month following the month in which interest was received or accrued, remit such interest, net of the interest consideration referred to in rule 10.50.2, to each clearing member in relation to the margin held in respect of the positions of the clearing member, its clients and non-clearing members and the clients of such non-clearing members for the previous month.

- 8.60.2 Monthly in arrears a clearing member may remit the interest received in terms of rule 8.60.1, or any part thereof, to the non-clearing members with whom it has entered into clearing agreements in relation to the positions of the non-clearing member and their clients.
- 8.60.3 Subject to rule 8.50.5.2, monthly in arrears a broking member may remit the interest received in terms of rules 8.60.1 or 8.60.2, or any part thereof, to its clients in relation to the positions of such clients at any time during the preceding month.

8.70 Trading, clearing and settlement fees

- 8.70.1 The JSE shall levy trading, clearing and settlement fees on a clearing member in respect of the trades of the clearing member, its clients and the non-clearing members with whom the clearing member has entered into clearing agreements, in an amount and in a manner as decided by the JSE Executive, and such fees may be recovered from the clearing member on behalf of the JSE by SAFCOM.
- 8.70.2 A clearing member may levy such fees and charges as it deems fit on non-clearing members with whom it has entered into a clearing agreement: Provided that such fees and charges shall be in accordance with the schedule of fees which shall form part of the said clearing agreement.
- 8.70.3 A broking member may levy such fees and charges as it deems fit on clients with whom it trades: Provided that such fees and charges shall be in accordance with the schedule of fees and charges which shall form part of the client agreement.
- 8.70.4 A broking member shall not levy a fee or any other charge on a client in respect of a transaction in terms of which it has traded as a principal with the client without the prior written agreement of the client having been recorded in the client agreement.

8.80 Payment procedures

- 8.80.1 With respect to its proprietary positions, the positions of its clients, the positions of the non-clearing members with whom it has entered into clearing agreements and the positions of the clients of such non-clearing members, the clearing member shall pay to or receive from SAFCOM the net amount of -
- 8.80.1.1 subject to rule 10.130.1 in respect of non-resident and emigrant clients, the sum of the initial margin, settlement margin and top-up margin;
- 8.80.1.2 the variation margin ; and
- 8.80.1.3 the trading, clearing and settlement fees.
- 8.80.2 An amount due from a clearing member in terms of rule 8.80.1 shall be paid to SAFCOM not later than 12h00 on the business day following the day on which such payment accrued or such other time as SAFCOM may in its sole discretion determine.
- 8.80.3 With respect to any proprietary position, the position of any of its clients, the position of a non-clearing member with whom it has entered into a clearing agreement and the position of a client of such non-clearing member which SAFCOM has marked-to-market in terms of rule 8.40.2, the clearing member shall pay to SAFCOM the amount of variation margin or top-up margin at the time stipulated by SAFCOM when the clearing member is notified by it of the mark-to-market.
- 8.80.4 With respect to its proprietary positions and the positions of its clients, a non-clearing member shall pay to or receive from the clearing member the net amount of -
- 8.80.4.1 subject to rule 10.130.2 in respect of non-resident and emigrant clients, and read together with rule 8.50.4.1, the initial margin, settlement margin and top-up margin;
- 8.80.4.2 the variation margin ; and
- 8.80.4.3 the trading, clearing and settlement fees.
- 8.80.5 An amount due to or from a clearing member in terms of rule 8.80.4 shall be paid not later than 12h00 on the business day following the day on which such payment accrued, or at such other time as the non-clearing member and the clearing member have specifically agreed upon with respect to a particular payment.
- 8.80.6 With respect to any proprietary position or the position of any of its clients, which SAFCOM has marked-to-market in terms of rule 8.40.2, the non-clearing member shall pay to the clearing member the amount of variation margin or top-up margin by the time referred to in rule 8.80.3, as stipulated by SAFCOM and as notified to the non-clearing member by the clearing member, and no relaxation shall be given to a non-clearing member without the prior approval of SAFCOM.

- 8.80.7 Subject to rule 10.130.1 in respect of non-resident and emigrant clients, with respect to his positions a client shall pay to or receive from the broking member with whom he traded to open such positions the net amount of -
- 8.80.7.1 the total of the initial margin, settlement margin, top-up margin and additional margin for all his aggregate positions: Provided that any amount so due from the resident client shall be off-set against any retained margin;
 - 8.80.7.2 the variation margin ; and
 - 8.80.7.3 the trading, clearing and settlement fees.
- 8.80.8 An amount due to or from a broking member in terms of rule 8.80.7 shall be paid not later than 12h00 on the business day following the day on which such payment accrued or such other time as the broking member and the client have specifically agreed upon with respect to a particular payment.
- 8.80.9 With respect to the position of any client, which SAFCOM has marked-to-market in terms of rule 8.40.2, the client shall pay to the broking member the amount of variation margin or top-up margin by the time referred to in rule 8.80.3 stipulated by SAFCOM and notified to the client by the broking member and no relaxation shall be given without the prior approval of the JSE.

8.90 Exercise and assignment of option contracts

- 8.90.1 Exercise
- 8.90.1.1 A client in whose name a long position in an option contract is registered may exercise the option at any time until the expiry of the option contract by either verbal or written notice to the broking member with whom he dealt in order to open the long position.
 - 8.90.1.2 A trading member who has a proprietary long position in an option contract registered in its name may exercise the option at any time until the expiry of the option contract, and shall exercise such options, or options registered in the name of a client which are exercised on the instruction of the client, by executing the exercise on the Yield-X trading system in the manner prescribed by the JSE or as set out in the directives.
- 8.90.2 Upon the exercise of an option in terms of rule 8.90.1.2 the person in whose name the long position in the option contract was registered shall be deemed to have bought or sold the underlying instrument of the option contract in question at the strike price from or to SAFCOM.
- 8.90.3 Assignment
- When an option is exercised in terms of rule 8.90.1.2 or when an option is deemed to have been exercised in terms of rule 8.30.6, SAFCOM shall in turn exercise its option to buy or sell the underlying instrument in question to or from the holder of a short position in the option contract in question: Provided that -
- 8.90.3.1 SAFCOM shall in its sole discretion assign the exercise of the option contract or contracts to the registered holders of short positions in the option contract; and
 - 8.90.3.2 the person to whom the exercise of the option contract is assigned in terms of rule 8.90.3.1 shall be deemed to have bought or sold the underlying instrument of the option contract.

SECTION 9

Section 9: Settlement

Scope of Section

- 9.10 Applicability of this Section 9
- 9.20 Settlement principles for STRATE settled loan stock
- 9.30 Settlement Authority
- 9.40 Trading in STRATE settled loan stock
- 9.50 Borrowing, lending or use of clients' loan stock
- 9.60 Recording of loan stock
- 9.70 Settlement of STRATE settled loan stock
- 9.80 Non-member settled client settlement obligations
- 9.90 Member settled client settlement obligations
- 9.100 Trading Member settlement obligations
- 9.110 Obligations in the event of an application for the provisional or final sequestration of a trading member
- 9.115 Obligations in the event of an application for the provisional or final sequestration of a non-member settled client
- 9.120 Margin on loan stock transactions
- 9.130 Failed trades
- 9.140 Borrowing of loan stock to prevent a transaction from failing
- 9.150 Lending of funds to prevent a transaction from failing
- 9.160 Carry transaction in loan stock to prevent a transaction from failing
- 9.170 Penalties and fees

9.10 Applicability of this Section 9

Section 9 shall apply to STRATE settled loan stock.

9.20 Settlement principles for STRATE settled loan stock

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

- 9.20.1 trade by trade;
- 9.20.2 between the scrip root and the cash root;
- 9.20.3 rolling and contractual; and
- 9.20.4 on a net basis per client or trading member, per settlement date, per listed loan stock whereby individual transactions are consolidated and offset into net amounts of loan stock and funds for settlement.

9.30 Settlement Authority

- 9.30.1 In order to ensure that the principles set out in rule 9.20 are adhered to, SAFCOM has appointed the Settlement Authority to manage –
 - 9.30.1.1 the settlement of transactions in loan stock executed on the central order book of the Yield-X trading system as referred to in rule 8.20.1.1;
 - 9.30.1.2 the settlement of principal assignment trades in loan stock reported to the Yield-X trading system as referred to in rule 8.20.1.2;
 - 9.30.1.3 the settlement of transactions in loan stock reported to the Yield-X trading system, where the respective clearing members accept the reported transactions for risk management purposes as referred to in rule 8.20.1.4; and
 - 9.30.1.4 the risks associated with the settlement of the transactions referred to in rules 9.30.1.1 to 9.30.1.3.
- 9.30.2 The Settlement Authority may –
 - 9.30.2.1 monitor the settlement obligations of trading members and their clients;
 - 9.30.2.2 ensure that the settlement obligations of trading members and clients are met on the settlement date;
 - 9.30.2.3 monitor uncommitted settlements and take appropriate action in respect of such settlements to ensure settlement;
 - 9.30.2.4 take action when the settlement of a transaction in loan stock is unlikely to take place on settlement date;
 - 9.30.2.5 enter into a carry transaction through the Yield-X trading system on behalf of a trading member or client to meet any obligations arising from the management of the settlement process and the risks associated with such process;
 - 9.30.2.6 borrow, as agent, on behalf of a trading member or client as undisclosed principal, loan stock from third parties to facilitate the management of the settlement process and the risks associated with such process;
 - 9.30.2.7 levy fees, as prescribed by directive, on trading members for the loan of loan stock or funds to trading members or clients in order to facilitate the settlement process;
 - 9.30.2.8 impose penalties, as prescribed by directive, on trading members for any action or omission by a trading member which is potentially disruptive or has the effect of disrupting the settlement process and the functions of the Settlement Authority;
 - 9.30.2.9 instruct a trading member or a client (via the trading member) to close a purchase or sale transaction at a price and on the basis set out in rule 9.130; and
 - 9.30.2.10 if at any stage it becomes aware of a transaction not being able to settle which may, in its sole discretion, cause systemic risk, defer the settlement of such transaction by notifying STRATE accordingly and extending the times referred to in rules 9.70, 9.80, 9.90, 9.100 and 9.130.

9.40 Trading in STRATE settled loan stock

- 9.40.1 A client shall only place an order in respect of STRATE settled loan stock with a broking member if –
- 9.40.1.1 the client has directly or indirectly appointed a settlement agent; and
 - 9.40.1.2 in respect of a sell order –
 - 9.40.1.2.1 the loan stock to be sold is lodged with a settlement agent as uncertificated financial instruments; or
 - 9.40.1.2.2 another transaction has been concluded through the Yield-X trading system which provides for an equivalent amount of loan stock being available for settlement on settlement date; or
 - 9.40.1.2.3 a satisfactory borrowing arrangement reported through the Yield-X lending and borrowing system is in place which provides for an equivalent amount of STRATE settled loan stock being available for settlement on settlement day.
- 9.40.2 A trading member shall only place an order or report a transaction in respect of STRATE settled loan stock on the Yield-X trading system if such member has appointed a clearing member and a settlement agent as prescribed by directive and has taken reasonable steps to satisfy itself that –
- 9.40.2.1 if a client with whom or on whose behalf the broking member is trading is not a member settled client, the client has appointed a settlement agent and the appointed settlement agent has confirmed, in the manner determined by the JSE, that the details of that client held by the settlement agent correspond with and match the details of the client held by the broking member; and
 - 9.40.2.2 in respect of a sell order –
 - 9.40.2.2.1 the loan stock to be sold is lodged with a settlement agent as uncertificated financial instruments; or
 - 9.40.2.2.2 another transaction has been concluded through Yield-X which provides for an equivalent amount of loan stock being available for settlement on settlement date; or
 - 9.40.2.2.3 a satisfactory borrowing arrangement reported through the Yield-X lending and borrowing system is in place which provides for an equivalent amount of STRATE settled loan stock being available for settlement on settlement day.

9.50 Borrowing, lending or use of clients' loan stock

With regard to the borrowing, lending or use of any loan stock referred to in rule 9.60 or 10.90, a broking member may –

- 9.50.1 deliver such loan stock to the client on whose behalf they are being held or to his order; or
- 9.50.2 satisfy a sale made on behalf of the client concerned; or
- 9.50.3 sell the loan stock being held on behalf of a client, under any of the circumstances set out in rule 9.100; or
- 9.50.4 otherwise deal with the loan stock, including the borrowing, lending or use of such loan stock, in a manner set out in the mandate signed by the client and held by the broking member in terms of rule 10.90.4.

9.60 Recording of loan stock

All loan stock received which has been purchased on behalf of member settled clients shall be recorded in the member's accounting records on that day, so as to establish the identity of the client entitled thereto.

9.70 Settlement of STRATE settled loan stock

- 9.70.1 All transactions in STRATE settled loan stock shall only be settled electronically through STRATE in accordance with the principles set out in rule 9.20.
- 9.70.2 A trade conducted in loan stock by a trading member shall –

- 9.70.2.1 be allocated to a client or a trading member's proprietary account on the trade date: Provided that where a trade has not been allocated on the trade date, in contravention of this rule, to ensure that the trade still settles on settlement date late allocations may be made up to 10h00 on the business day after the original trade. All late allocations will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5;
- 9.70.2.2 if the trade is effected through a principal assignment stock account, be assigned to a client on the trade date: Provided that where a trade has not been assigned on the trade date, in contravention of this rule, to ensure that the trade still settles on settlement date late principal assignment trades may be effected up to 10h00 on the business day after the original trade. All late principal assignment trades will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment trades shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5;
- 9.70.2.3 be communicated to a client on the trade date, subject to rules 9.70.2.1 and 9.70.2.2;
- 9.70.2.4 in the absence of notification from the client to the contrary by no later than 12h00 on the business day after the original trade, be deemed to have been accepted by the client;
- 9.70.2.5 be committed to by the settlement agent of the trading member or client by no later than 12h00 on the second business day after the trade date; and
- 9.70.2.6 be settled on the third business day after the trade date in accordance with the settlement timetable as prescribed by directive.
- 9.70.3 Notwithstanding rules 9.70.2.1 to 9.70.2.3 -
- 9.70.3.1 allocation corrections may be effected up to 10h00 on the business day after the trade if they have not been effected on the trade date. All such late allocation corrections will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5;
- 9.70.3.2 principal assignment corrections may be effected up to 10h00 on the business day after the trade if they have not been effected on the trade date. All such late principal assignment corrections will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the settlement agent of the client to comply with rule 9.70.2.5.
- 9.70.4 If a settlement agent has not committed to settle a transaction by 16h00 on the second business day after the trade date, in accordance with the settlement timetable as prescribed by directive, the transaction shall be a failed trade and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130.
- 9.70.5 If a trading member advises the Settlement Authority at any stage that the settlement agent of the trading member or the settlement agent of a client will not be in a position to settle a transaction on settlement day and the Settlement Authority is not able to procure that the settlement of the transaction will take place on settlement day, the transaction shall be declared a failed trade by no later than 09h00 on the next business day and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130.

9.80 Non-member settled client settlement obligations

- 9.80.1 A non-member settled client shall, by no later than 12h00 on the business day after the transaction, give instructions to his settlement agent to settle the transaction.
- 9.80.2 A non-member settled client shall, by no later than 12h00 on the second business day after the trade date, ensure and procure that his settlement agent has committed to settle the transaction on his behalf.
- 9.80.3 A commitment by a settlement agent to settle a transaction on behalf of a non-member settled client in terms of rule 9.80.2 shall become unconditional as at 12h00 on the second business day after the trade date, subject to rule 9.115.
- 9.80.4 In the event that a non-member settled client fails to comply with rule 9.80.2, the broking member which effected the transaction -

- 9.80.4.1 is obliged in terms of rule 9.100.8 to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of loan stock or funds or entering into a carry transaction on such non-member settled client's account; and
- 9.80.4.2 may proceed in the manner set out in rule 9.80.5.
- 9.80.5 Subject to any agreement between the broking member and the client to the contrary and the action of the Settlement Authority in terms of rule 9.100.11 or 9.100.12, in the event that a non-member settled client fails to comply with the provisions of rule 9.80.2, the broking member may -
 - 9.80.5.1 in respect of a sale transaction, buy such loan stock for the account of the client; or
 - 9.80.5.2 in respect of a purchase transaction, sell such loan stock for the account of the client.
- 9.80.6 The non-member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the broking member as a result of the member acting in accordance with rule 9.80.4 or 9.80.5 or any action taken by the Settlement Authority in terms of rule 9.130.

9.90 Member settled client settlement obligations

- 9.90.1 A member settled client shall, by no later than 12h00 on the business day after the transaction, ensure that the broking member which effected the transaction for or on behalf of such client will be in a position to settle the transaction on settlement day.
- 9.90.2 In the event that a member settled client fails to comply with the provisions of rule 9.90.1, the broking member which effected the transaction -
 - 9.90.2.1 is obliged in terms of rule 9.100.4 to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of loan stock or funds or entering into a carry transaction on such member settled client's account; and
 - 9.90.2.2 may proceed in the manner set out in rule 9.90.3.
- 9.90.3 Subject to any agreement between the broking member and the client to the contrary and the action of the Settlement Authority in terms of rule 9.100.11 or 9.100.12, in the event that a member settled client fails to comply with the provisions of rule 9.90.1, the broking member may -
 - 9.90.3.1 in respect of a sale transaction, buy such loan stock for the account of the client; or
 - 9.90.3.2 in respect of a purchase transaction, sell such loan stock for the account of the client.
- 9.90.4 The member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the broking member as a result of the broking member acting in accordance with rules 9.90.2 or 9.90.3 or any action taken by the Settlement Authority in terms of rule 9.130.

9.100 Trading member settlement obligations

- 9.100.1 A trading member shall at all times endeavour to ensure that the settlement of a transaction in STRATE settled loan stock effected by the member takes place.
- 9.100.2 The settlement officer of a trading member must immediately inform the Settlement Authority when any transaction in a STRATE settled loan stock is unlikely to settle.
- 9.100.3 No trading member may, on settlement day, alter or stop payment in respect of a STRATE settlement.
- 9.100.4 If a member settled client fails to comply with the provisions of rule 9.90.1 the broking member must take the necessary steps to ensure that the transaction settles on settlement day, which may include the borrowing or lending of loan stock or funds or entering into a carry transaction on the said client's account.
- 9.100.5 A trading member shall endeavour to ensure that by no later than 12h00 on the second business day after the trade date, the settlement agent of that trading member has committed to settle the transactions in respect of member settled clients and the proprietary transactions of that trading member.
- 9.100.6 A commitment by a settlement agent to settle a transaction in respect of a member settled client and the proprietary transactions of a trading member in terms of rule 9.100.5 shall become unconditional as at 12h00 on the second business day after the trade date, subject to rule 9.110.
- 9.100.7 If a member settled client remains unable to settle a transaction by 12h00 on the second business day after the trade date, the broking member shall continue to take the necessary steps to ensure that, by no later than 14h00 on the second business day after the trade date, the settlement agent of the broking member commits to settle any transactions in respect of that member settled client.

- 9.100.8 If a non-member settled client fails to comply with rule 9.80.2 the broking member must take the necessary steps to ensure that the transaction settles on settlement day, which may include the borrowing or lending of loan stock or funds or entering into a carry transaction on the said client's account.
- 9.100.9 If a non-member settled client remains unable to procure that his settlement agent commits to settling a transaction by 12h00 on the second business day after the trade date, the broking member shall continue to take the necessary steps to ensure that, by no later than 14h00 on the second business day after the trade date, the settlement agent of the non-member settled client commits to settling the transaction.
- 9.100.10 If a client, at any stage, advises a broking member or the broking member otherwise becomes aware, that the client is not able to settle a transaction, the broking member shall endeavour to enter into an arrangement to ensure that the transaction settles on settlement day. If the broking member is unable to enter into such an arrangement, the broking member shall immediately notify the Settlement Authority.
- 9.100.11 If the Settlement Authority receives notification in terms of rule 9.100.10 and is able to procure the settlement of the transaction by means of the borrowing of loan stock or funds or effecting a carry transaction, the broking member shall by no later than the close of business on the next business day –
- 9.100.11.1 in respect of a sale transaction, buy such loan stock for the account of the client and advise the Settlement Authority accordingly; or,
- 9.100.11.2 in respect of a purchase transaction, sell such loan stock for the account of the client and advise the Settlement Authority accordingly.
- 9.100.12 If the Settlement Authority receives notification in terms of rule 9.100.10, and is either able to close the transaction in terms of rule 9.30.2.9 or declares the transaction to be a failed trade in terms of rule 9.70.4, the broking member shall act in accordance with the instructions received from the Settlement Authority in terms of rule 9.130.
- 9.100.13 A broking member shall not use a client's loan stock balances to settle the obligations of –
- 9.100.13.1 another client; or
- 9.100.13.2 the broking member.
- 9.100.14 A contravention of rule 9.100.13 by a broking member may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.2.

9.110 Obligations in the event of an application for the provisional or final sequestration of a trading member

- 9.110.1 At the discretion of the Settlement Authority, in consultation with the relevant settlement agent and clearing member, the lifting of settlement commitments by a settlement agent on net loan stock transactions will be permitted after 12h00 on the second business day after the trade date and prior to settlement on settlement day, if an application for the provisional or final sequestration of a trading member on whose behalf the commitment was given has been made or is about to be made to court. The settlement agent who requests the Settlement Authority to allow it to lift its settlement commitment must confirm in writing that such trading member is in the process of being placed in provisional or final liquidation. A copy of the application, stamped by the court, is to be lodged with the Settlement Authority by the settlement agent who requested permission to lift its settlement commitment within two business days of the request.
- 9.110.2 The settlement agent who has been given permission to lift a settlement commitment in terms of rule 9.110.1 may be required by the Settlement Authority to lift their settlement commitment on all loan stock transactions entered into by the relevant trading member, which have been committed to by the settlement agent but have not yet settled.
- 9.110.3 If a settlement commitment is lifted in terms of rule 9.110.1 or 9.110.2, the transactions making up the net settlement of the relevant trading member will be dealt with as follows:
- 9.110.3.1 The Settlement Authority shall use its best endeavours to procure that all open transactions between the relevant trading member and other trading members and clients making up the net settlement to which rules 8.20.1.1, 8.20.1.2 and 8.20.1.4 apply are settled, by taking such steps as may reasonably be necessary;
- 9.110.3.2 In procuring settlement of these open transactions, the Settlement Authority shall require clients of the relevant trading member to meet their settlement obligations in respect of the open transactions executed for or on their behalf;

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