

## BOARD NOTICE RAADSKENNISGEWING

### BOARD NOTICE 17 OF 2007

#### SECURITIES SERVICES ACT, 2004

#### AMENDMENT TO THE RULES OF THE BOND EXCHANGE OF SOUTH AFRICA

1. In terms of section 61(5) of the Securities Services Act, 2004 (Act No. 36 of 2004), it is hereby notified that the Bond Exchange of South Africa has applied to the Registrar of Securities Services for approval of proposed amendments of its rules, which amendments are set out in the Schedule.
2. In terms of section 61(5) of the said Act, all interested persons who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Securities Services, PO Box 35655, Menlo Park, 0102, within a period of 14 days from the date of publication of this notice.
3. In terms of section 61(6) of the said Act, I, Rob Barrow, hereby determine 19 March 2007 as the date on which the rules in the Schedule come into operation. If any objections are received, another commencement date will be determined by notice in the Gazette.

**RJG BARROW**  
Registrar of Securities Services

#### SCHEDULE

General explanatory notes:

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

#### PART C - SECTION 13 SERVICE PROVIDERS

##### **13.1 Inter-dealer brokers**

For the purposes of this rule, unless the context otherwise indicates -

"IDB authorised user" means an authorised user who is registered only to act as a matched principal or name give-up inter-dealer broker to facilitate transactions in listed securities between -

- (i) authorised users; or
- (ii) between authorised users and their clients, as approved by the relevant market association council.

"IDB authorised user services" means the services an IDB authorised user offers to facilitate transactions in listed securities;

"matched principal" means an IDB authorised user that does not disclose to the market the identities of the parties to a trade facilitated by that IDB authorised user;

"name give-up" means an IDB authorised user that discloses the identity of each party to the other when the trade price is agreed;

"settlement of  
differences"

means, where an IDB authorised user inadvertently ends up with a position, the profit or loss that results from closing out that position.

C13.1.1 Eligibility to be registered as an IDB authorised user

C13.1.1.1 To register with the Bond Exchange as an IDB authorised user, an applicant must comply with the following requirements-

C13.1.1.1.1 the main feature of its business is that it acts as an intermediary to facilitate transactions in listed securities between authorised users or between authorised users and their clients, as approved by the relevant market association council;

C13.1.1.1.2 its directors are all at least 21 years of age and of full legal capacity;

C13.1.1.1.3 its directors are all of good character and high business integrity;

C13.1.1.1.4 it complies with the financial resources requirements stipulated by directive at all times;

C13.1.1.1.5 it has the necessary administrative systems and resources stipulated by directive;

C13.1.1.1.6 its officers and traders comply with the requirements for registration under the Rules; and

C13.1.1.1.7 it is approved as an IDB authorised user by a particular market association council to be a member of that market association and to offer its services to members of that market association.

C13.1.1.2 An applicant for registration as an IDB authorised user –

C13.1.1.2.1 that is not ordinarily resident in the Republic of South Africa;

C13.1.1.2.2 that is a juristic person not incorporated in the Republic of South Africa,

must register as an external company or incorporate a public company in South Africa, as required by the Companies Act, 1973 (Act No. 61 of 1973) before it may apply for registration as an IDB authorised user.

C13.1.2 Application procedure for approval as an IDB authorised user

C13.1.2.1 An applicant must submit an application to the Bond Exchange, in the manner stipulated by directive from time to time.

C13.1.2.2 When making an application each applicant must agree in writing to be bound by the Act, the Rules and the Directives.

C13.1.2.3 An applicant must submit written proof of approval in terms of rule 26.1.1.1.7 by the relevant market association council.

C13.1.2.4 The Bond Exchange must publish the name and address of an applicant in a notice to the relevant market association members, who may, in terms of rule C13.1.2.5, object to such applicant's application.

C13.1.2.5 A market association member who wishes to object to an application must do so in writing to the Bond Exchange within 4 days from when the notice under rule C13.1.2.4 was issued stating the reasons for the objections

C13.1.2.6 The Bond Exchange may require -

C13.1.2.6.1 an applicant to furnish further information and may, with the applicant's consent, institute an investigation to verify the information submitted by the applicant;

C13.1.2.6.2 an applicant or its representatives to be interviewed by the governing committee, the chief executive officer or another person identified by the Bond Exchange for that purpose.

C13.1.2.7 The applicant must bear the reasonable costs incurred to verify the information under rule C13.1.2.6.

C13.1.2.8 The Bond Exchange must make its decision on an application on the later of 21 days from the date on which all requirements for registration have been satisfied by the applicant or 7 days after the date on which any investigations contemplated in rule C13.1.2.6 have been completed.

C13.1.2.9 The Bond Exchange must notify the applicant in writing of its decision to grant or refuse the applicant, and must publish its decision in a notice to members of the relevant market association.

C13.1.2.10 If an application is refused by the Bond Exchange -

C13.1.2.10.1 it must furnish an applicant and the relevant market association with written reasons for the refusal; and

C13.1.2.10.2 an applicant may appeal the decision in terms of the Act.

C13.1.2.11 The Bond Exchange must maintain a register of IDB authorised users open for inspection by the public at its registered office.

### C13.1.3 Granting of IDB authorised user registration

C13.1.3.1 The approval by the Bond Exchange confers formal IDB authorised user registration on the successful applicant.

C13.1.3.2 IDB authorised user registration cannot be granted to a nominee or agent of the applicant and must be reflected in the register in the name of the successful applicant.

### C13.1.4 Transfer of IDB authorised user approval

C13.1.4.1 An IDB authorised user- cannot transfer or assign the rights, title or interest in or to that IDB authorised user registration to another person without the prior written approval of the Bond Exchange;

C13.1.4.2 If the Bond Exchange does not provide written approval to the IDP authorised user in terms of rule C13.1.4.1, the IDB authorised user may appeal the decision in terms of the Act.

C13.1.5 *Obligations of an IDB authorised user*

C13.1.5.1 An IDB authorised user must -

C13.1.5.1.1 satisfy the IDB authorised user registration requirements stipulated by directive;

C13.1.5.1.2 comply with all initial and other capital required to be held by an IDB authorised user as stipulated by the Rules and Directives;

C13.1.5.1.3 enter into written agreements with members of a market association who receive that IDB authorised user's services, which must stipulate all the material terms of the services which the IDB authorised user offers to any particular market association member;

C13.1.5.1.4 comply with the reporting requirements stipulated by the Rules and Directives for trades facilitated by that IDB authorised user;

C13.1.5.1.5 comply with the settlement requirements stipulated by the Rules and Directives for trades facilitated by that IDB authorised user;

C13.1.5.1.6 ensure that for all trades being facilitated by that IDB authorised user, the trade information is displayed in the manner stipulated by directive;

C13.1.5.1.7 report any suspicion of market abuse to the Bond Exchange. Failure to do so will render the IDB authorised user- liable to a penalty stipulated by directive;

C13.1.5.1.8 provide a description, as stipulated by directive, to the Bond Exchange of the services it offers to authorised users, which information may be published by the Bond Exchange;

C13.1.5.1.9 hold fidelity cover for fraud and misappropriation by a director, officer, trader or other person involved in the management or administration of trading, that the IDB authorised user, deems appropriate for the level of business undertaken by it;

C13.1.5.1.10 submit to the Bond Exchange within three months after the end of the IDB authorised user's financial year, and at any other time when requested to do so by the Bond Exchange -

C13.1.5.1.10.1 two copies of the IDB authorised user's audited annual financial statements;

C13.1.5.1.10.2 two copies of an audited certificate certifying -

(a) that the IDB authorised user has complied with the financial requirements of the Act and the Rules; and

- (b) that the IDB authorised user's board of directors has instituted procedures that the board deems appropriate to review the IDB authorised user's level of fidelity insurance cover held in accordance with rule C13.1.5.1.2

C13.1.5.1.11 notify the Bond Exchange immediately of any change in auditor;

C13.1.5.1.12 allow the Bond Exchange, on reasonable notice, to conduct an on-site review or investigation into the IDB authorised user's activities, which are subject to regulation in terms of the Act, the Rules and the Directives, at the request of the Bond Exchange; and

C13.1.5.1.13 comply with the Act, the Rules, the Directives and any decisions of the Bond Exchange,

#### C13.1.6 Restrictions on an IDB authorised user

C13.1.6.1 An IDB authorised user may not take a trading position in listed securities.

C13.1.6.2 An IDB authorised user may not maintain an infrastructure, whether internal or external, separate from the Bond Exchange for matching and confirming trades.

C13.1.6.3 If an IDB authorised user wishes to operate as an authorised user in addition to being an IDB authorised user, it must establish a separate legal entity for this purpose, which must -

C13.1.6.3.1 be a member of a market association;

C13.1.6.3.2 be registered with the Bond Exchange as an authorised user;

C13.1.6.3.3 be separately capitalised; and

C13.1.6.3.4 have separate traders registered with the Bond Exchange.

C13.1.6.4 A matched principal IDB authorised user must always keep the identity of authorised users using its services anonymous.

C13.1.6.5 A name give-up IDB authorised user must keep the identity of the authorised users using its services anonymous until the counterparty to the trade has accepted all remaining terms of the trade.

C13.1.6.6. An IDB authorised user may not operate or offer its services unless it has appointed a compliance and representative officer which have both been registered with the Bond Exchange, provided that the Bond Exchange may grant a dispensation to an IDB authorised user in respect of this rule for a period of a maximum of three months or for a longer period with the approval of the Registrar.

#### C13.1.7 Access to services offered by an IDB authorised user

C13.1.7.1 An IDB authorised user may only offer IDB authorised user services -

C13.1.7.1.1 to the relevant market association's members; and to

C13.1.7.1.2 clients disclosed to and approved by the relevant market association council.

C13.1.7.2 An IDB authorised user -

C13.1.7.2.1 must maintain a list of the parties to whom it may offer its services;

C13.1.7.2.2 may not offer its services to parties not included on the list; and

C13.1.7.2.3 must provide this list to the Bond Exchange, which list must at all times be current.

C13.1.8 Registration and functions of officers of an IDB authorised user

C13.1.8.1 An IDB authorised user must register a compliance officer and a representative officer with the Bond Exchange in the manner stipulated by directive.

C13.1.8.2 The compliance officer and representative officer must each -

C13.1.8.2.1 be an employee of the IDB authorised user;

C13.1.8.2.2 be at least 21 years of age and of full legal capacity;

C13.1.8.2.3 be of good character and high business integrity; and

C13.1.8.2.4 comply with the minimum requirements with regard to training and experience and the passing of any examinations as stipulated by directive.

C13.1.8.3 The compliance officer -

C13.1.8.3.1 may simultaneously hold office as the representative officer of the IDB authorised user;

C13.1.8.3.2 must monitor compliance by the IDB authorised user concerned with the Act, the Rules, the Directives and any decision or determination of the Bond Exchange;

C13.1.8.3.3 must monitor compliance by the IDB authorised user with the financial resources requirements stipulated by directive and ensure that the required return is submitted to the Bond Exchange as stipulated by directive;

C13.1.8.3.4 must ensure compliance by the IDB authorised user in question with all agreements required to be entered into by the IDB authorised user in terms of rule C13.1.5.1.3;

C13.1.8.3.5 will be the Bond Exchange's main contact at the IDB authorised user and must receive all notices from the Bond Exchange and must ensure that the IDB authorised user complies with the requirements of these notices;

C13.1.8.3.6 must report to the Bond Exchange any apparent breaches by the IDB authorised user, its officers and employees of the Act, the Rules, the Directives and any decision or determination of the Bond Exchange;

C13.1.8.3.7 must take steps to rectify a breach or to eliminate an error reardina any trades facilitated by the IDB authorised user, if requested to do so by the Bond Exchange; and

C13.1.8.3.8 must submit to the Bond Exchange a compliance report as stipulated by directive.

C13.1.8.4 The representative officer -

C13.1. 8.4.1 may simultaneously hold office as the compliance officer of the IDB authorised user; and

C13.1. 8.4.2 must represent the IDB authorised user in all other matters for which the compliance officer is not responsible.

C13.1.8.5 An IDB authorised user must register with the Bond Exchange an alternate compliance officer and alternate representative officer in the manner stipulated by directive.

C13.1.8.6 The Bond Exchange can accept or refuse an application to register an officer and, if requested by the applicant, must furnish the reasons for its decision.

C13.1.8.7 If an IDB authorised user is not satisfied with the Bond Exchange's decision reardina an application for registration of its officers, it may appeal the decision as contemplated in the Act.

C13.1.8.8 The Bond Exchange must maintain a register of registered officers open for inspection by the Public at its registered office.

C13.1.8.9 The IDB authorised user must notify the Bond Exchange in writing as soon as reasonably practicable of any change in the particulars of an officer in the manner stipulated by directive.

C13.1.8.10 The appointment of any officer does not relieve the IDB authorised user from the duties and responsibilities it has under the Act, the Rules, the Directives and any decision or determination of the Bond Exchange.

C13.1.8.11 An IDB authorised user must notify the Bond Exchange in writing if any of its officers have been found guilty of any improper conduct by any exchange, by any current or previous employer, by a professional association, including the relevant market association, or by a court or if it has been censured by a supervisory or regulatory authority.

#### C13.1.9 Registration of traders

C13.1.9.1 An IDB authorised user -

C13.1.9.1.1 must register all traders with the Bond Exchange in the manner stipulated by directive and must, at all times, have at least one trader so registered;

C13.1.9.1.2 cannot offer IDB authorised user services without at least one trader being registered with the Bond Exchange.

C13.1.9.2 The Bond Exchange may accept or refuse an application to register a trader and must furnish reasons for its decision if requested to do so by the applicant.

C13.1.9.3 If an IDB authorised user is not satisfied with the Bond Exchange's decision regarding an application for re-registration of its traders, it may appeal as contemplated in the Act.

C13.1.9.4 The Bond Exchange must maintain a register of registered traders open for inspection by the Public at its registered office.

C13.1.9.5 An IDB authorised user must notify the Bond Exchange in writing of any change in the particulars of a registered trader in the manner stipulated by directive.

C13.1.9.6 An IDB authorised user must notify the Bond Exchange in writing as soon as reasonably practicable if any of its traders have been found guilty of any improper conduct by an exchange, by a current or previous employer, by a professional association, including the relevant market association, or by a court or if any of its traders have been censured by a supervisory or regulatory authority.

#### C13.1.10 Fees and levies

C13.1.10.1 The Bond Exchange must notify IDB authorised users in writing of any proposed fees and levies they must pay to the Bond Exchange, at least 14 days before the fees or levies are imposed.

C13.1.10.2 The Bond Exchange must notify an IDB authorised user that has failed to pay any fees or levies within 30 days of such fees or levies becoming payable.

C13.1.10.3 If the IDB authorised user does not pay the arrears within seven days from receipt of the notice, or any extended period granted in writing by the Bond Exchange, the Bond Exchange may, despite the provisions of PART C – Section 12, suspend the IDB authorised user until the IDB authorised user has paid all monies owed to the Bond Exchange.

C13.1.10.4 The arrears may include interest calculated from the due date to the date of actual payment at a rate determined by the Bond Exchange.

#### C13.1.11 Adherence to Act and Rules

C13.1.11.1 The Bond Exchange may require an IDB authorised user to instruct its auditor to -

C13.1.11.1.1 examine an IDB authorised user's business procedures and transactions relating to the Bond Exchange; and

C13.1.11.1.2 verify that the IDB authorised user has adhered to the Act, the Rules, Directives or a decision or determination of the Bond Exchange.

C13.1.11.2 The auditor must submit the report to the Bond Exchange which will bear the costs of the audit unless it is ascertained as a result of the audit that the IDB authorised user contravened or did not comply with the Act, the Rules, Directives or a decision or determination of the Bond Exchange, in which case the IDB authorised user will bear the costs of the audit.

C13.1.11.3 The Bond Exchange may submit the auditor's report to the Disciplinary Tribunal.

C13.1.12 Termination of IDB authorised user approvalC13.1.12.1 An IDB authorised user's registration terminates when -C13.1.12.1.1 terminated voluntarily by the IDB authorised user in terms of rule C13.1.12.2;C13.1.12.1.2 the IDB authorised user is placed under curatorship;C13.1.12.1.3 there is an order placing the IDB authorised user into provisional or final liquidation;C13.1.12.1.4 the IDB authorised user is expelled from the Bona Exchange or the relevant market association orC13.1.12.1.5 judgement for the payment of debts has been granted against the IDB authorised user by a court and the IDB authorised user has failed to take reasonable steps within 30 days of judgement to satisfy the judgement or have it set aside.C13.1.12.2 An IDB authorised user may terminate its registration voluntarily in accordance with this rule C13.1.12.2.C13.1.12.2.1 An IDB authorised user must give one calendar month's written notice to the Bond Exchange of its intention to terminate its IDB authorised user registration.C13.1.12.2.2 The Bond Exchange must immediately notify members of the relevant market association of the IDB authorised user's intention to terminate its registration voluntarily,C13.1.12.2.3 After having notified the members of the relevant market association in rule C13.1.12.2.2 and before the intended date of termination, the Bond Exchange must consider the notice of termination and may -C13.1.12.2.3.1 accept the resignation unconditionally or on the conditions it deems fit; orC13.1.12.2.3.2 refuse to accept the resignation until it is satisfied that the IDB authorised user has complied with its outstanding obligations under the Rules.C13.1.12.2.4 An IDB authorised user cannot withdraw the notification in terms of rule C13.1.12.2.1 to terminate IDB authorised user registration without the Bond Exchange's written consent.C13.1.12.3 The Bond Exchange must publish -C13.1.12.3.1 the name of any IDB authorised user whose registration has terminated; andC13.1.12.3.2 the date from which the termination has taken effectto members of the relevant market association.

**PART D - SECTION 13****SERVICE PROVIDERS****D13.1 Obligations of an IDB authorised user****D13.1.1 An IDB authorised user must -**

**D13.1.1.1 in order to ensure transparency, if its services are screen based, publish on the screen, or if its services are not screen based, disclose through other methods the -**

**D13.1.1.1.1 identity of thesecurity;**

**D13.1.1.1.2 price for the transaction; and**

**D13.1.1.1.3 size of the resultant transaction**

**regardless of whether the transaction is as a result of a screen or voice order;**

**D13.1.1.2 maintain recordings of all telephonic transactions for a period of at least 90 days;**

**D13.1.2 An IDB authorised user may not trade with another IDB authorised user.****D13.2 Data**

**D13.2.1 All data, as specified by directive from time to time, relating to trades facilitated by an IDB authorised user may only be distributed in accordance with the requirements as set out in the Directives from time to time.**

**D13.2.2 An IDB authorised user may not show any prices or trade related information to parties who are not included in the list in rule C13.1.7.2.1.**

**D13.2.3 IDB authorised users must ensure that they report trades facilitated by them correctly and timeously to ensure the integrity of the data flow from the Bond Exchange.**

**D13.2.4 The Bond Exchange may request details of a bid or offer that was placed on the screen and the details of the related trade from the IDB authorised user.**

**D13.3 Guarantee Fund****D13.3.1 A name give-up IDB authorised user -**

**D13.3.1.1 is not liable for default in a trade it facilitates;**

D13.3.1.2 cannot claim against the Fund; and

D13.3.1.3 is not required to contribute to the Fund.

D13.3.2 Where there is a default by an authorised user in a trade facilitated by a matched principal IDB authorised user, the provisions of Part C section 8 and Part D section 8 will apply.