

BOARD NOTICE 136 OF 2008**SECURITIES SERVICES ACT, 2004****PROPOSED AMENDMENTS TO THE RULES OF THE JSE LIMITED**

1. In terms of section 61(5) of the Securities Services Act, 2004 (Act No. 36 of 2004), it is hereby notified that the JSE Limited ("JSE") 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, Dube Tshidi, hereby determine 24 December 2008 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.

D P TSHIDI
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.

EQUITIES RULES

1.40 In the rules –

"agricultural derivatives"

means those commodity securities which are derivative instruments and the financial terms of which are determined by an underlying agricultural product which is physically settled in terms of the derivatives rules;

"bonds"

means those Yield-X securities which create or acknowledge indebtedness of the issuer;

"commodity securities"

means those JSE listed securities traded on the JSE commodities trading system;

"currency derivatives"

means those Yield-X securities which are derivative instruments and the financial terms of which are determined by a rate of exchange;

"derivative securities"

means those JSE listed securities traded on the JSE derivatives trading system;

"foreign commodity derivatives"

means those commodity securities which are cash settled derivative instruments and the financial terms of which are determined by an underlying foreign referenced commodity;

"interest rate derivatives"

means those Yield-X securities which are derivative instruments and the financial terms of which are determined by a rate of interest;

"JSE commodities trading system"	<u>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 commodity securities;</u>
"JSE derivatives trading system"	<u>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 derivative securities;</u>
"Yield-X securities"	<u>means those JSE listed securities traded on the Yield-X trading system;</u>
"Yield-X trading system"	<u>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 securities.</u>

4.50 Qualifications to manage investments and provide investment advice

[4.50.1 No employee of a member may manage JSE authorised investments on behalf of clients or advise on any transaction in JSE authorised investments on behalf of a member unless such person -

- 4.50.1.1 is a stockbroker; or**
- 4.50.1.2 has obtained a pass in the following modules of the Registered Persons Examination of the South African Institute of Financial Markets –**
 - 4.50.1.2.1 an introduction to international capital markets;**
 - 4.50.1.2.2 regulation of South African financial markets; and**
 - 4.50.1.2.3 international equity markets; or**
- 4.50.1.3 has qualified as a Regular Member of the Chartered Financial Analyst Institute; or**
- 4.50.1.4 has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers Board examinations; or**
- 4.50.1.5 has been accustomed to giving investment advice on transactions since prior to 1 December 2000 and has continued to give investment advice since such date.**

4.50.2 Any person other than a stockbroker who qualifies to manage investments or provide investment advice in terms of rule 4.50.1 and who ceases to manage investments or advise on transactions for a period of more than three years, must pass the examinations referred to in rules 4.50.1.2, 4.50.1.3 or 4.50.1.4 prior to managing investments or advising on transactions again.]

No employee of a member may exercise discretion in the management of JSE authorised investments on behalf of clients or provide investment advice to clients on the buying or selling of JSE authorised investments unless the employee has obtained such qualification as may be prescribed in the directives.

...

6.30 Reported transactions

...

6.30.5 A corporate finance transaction is a reported transaction which -

- 6.30.5.1 must be entered into in writing;**
- 6.30.5.2 requires public notification in the press; and**
- 6.30.5.3 complies with the requirements of transaction categories [1, 2 or 3] 1 or 2 of Section 9 of the Listing Requirements of the JSE.**

DERIVATIVE RULES

2.10 Definitions

In these derivatives 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 –

<u>"agricultural derivatives"</u>	<u>means those commodity securities which are derivative instruments and the financial terms of which are determined by an underlying agricultural product which is physically settled in terms of the derivatives rules;</u>
<u>"agricultural [commodity] product"</u>	<u>[means an agricultural product as defined] has the same meaning as contemplated in the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996);</u>
<u>"[agricultural commodity contract]"</u>	<u>[means an agricultural commodity futures contract or an agricultural commodity option contract;]</u>
<u>"[agricultural commodity futures contract]"</u>	<u>[means a futures contract, the underlying instrument of which is an agricultural commodity;]</u>
<u>"[agricultural commodity option contract]"</u>	<u>[means an option contract, the underlying instrument of which is an agricultural commodity futures contract;]</u>
<u>"[agricultural products market]"</u>	<u>[means the market operated by the JSE in terms of the Act to facilitate trading in agricultural commodity contracts;]</u>
<u>"authorised bank"</u>	<u>means a branch of an [authorised dealer] Authorised Dealer which, in terms of Exchange Control Regulation 14, has been appointed to administer securities control;</u>
<u>"[authorised dealer]" "Authorised Dealer"</u>	<u>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;</u>
<u>"bonds"</u>	<u>means those Yield-X securities which create or acknowledge indebtedness of the issuer;</u>
<u>"clearing member"</u>	<u>means a sub-category of authorised user of the JSE, registered to perform clearing in the equity derivatives market or the [agricultural products] commodities market or both and who has entered into a clearing house agreement with the clearing house;</u>
<u>"commodities market"</u>	<u>means the market operated by the JSE in terms of the Act to facilitate trading in commodity securities;</u>
<u>"commodity securities"</u>	<u>means those JSE listed securities traded on the JSE commodities trading system;</u>
<u>"currency derivatives"</u>	<u>means those Yield-X securities which are derivative instruments and the financial terms of which are determined by a rate of exchange;</u>
<u>"equity securities"</u>	<u>means those JSE listed securities traded on the JSE equities trading system;</u>
<u>"foreign commodity derivatives"</u>	<u>means those commodity securities which are cash settled derivative instruments and the financial terms of which are determined by an underlying foreign referenced commodity;</u>
<u>"interest rate derivatives"</u>	<u>means those Yield-X securities which are derivative instruments and the financial terms of which are determined by a rate of interest;</u>
<u>"international derivatives"</u>	<u>means those derivative securities the financial terms of which are determined by a security listed on an external exchange;</u>

<u>"JSE commodities trading system"</u>	<u>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 commodity securities;</u>
<u>"JSE equities trading system"</u>	<u>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 equity securities;</u>
<u>"manage"</u>	<u>in relation to JSE authorised investments, means any arrangement entered into between a client and a member which authorises the member to buy or sell JSE authorised investments on behalf of the client, either with full discretion or with prior reference to the client;</u>
<u>"trading member"</u>	means a sub-category of authorised user of the JSE, registered to trade in the equity derivatives market or the [agricultural products] commodities market or in both under the derivatives rules;
<u>"Yield-X securities"</u>	<u>means those JSE listed securities traded on the Yield-X trading system;</u>
<u>"Yield-X trading system"</u>	<u>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 securities.</u>

3.10 General Membership of the JSE

- 3.10.1 In order to qualify to be a member, an applicant must:
- 3.10.1.1 Reserved;
 - 3.10.1.2 comply with the general requirements set out in this rule; and
 - 3.10.1.3 comply with any specific requirements applicable to members who participate in the **[agricultural products] commodities** market and in the equity derivatives market.

4.10 Categories of authorised users

- 4.10.1 A derivatives member is a category of authorised user of the JSE and may be authorised by the JSE to operate in one of two sub-categories, either as a clearing member or a trading member, or **[in]** both.
- 4.10.2 A trading member may be authorised to trade in the equity derivatives market or the **[agricultural products] commodities** market, or both, and a clearing member may be authorised to perform clearing in the equity derivatives market or the **[agricultural products] commodities** market, or **[in]** both.

7.90 Trading times

- 7.90.1 ...
- 7.90.2 The Market Controller and any one of the JSE Executive may decide that the **[agricultural products] commodities market** or equity derivatives market 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 after consideration of the percentage of members not able to access the ATS, their contribution to price formation and the reasons for such lack of access.

7.170 Rules of trading that are particular to the physical delivery of agricultural **[commodity contracts] products**

- 7.170.1 The contract specification of an agricultural **[commodity] derivatives** futures contract may provide for performance by means of physical delivery and may set out the conditions and terms under which physical delivery shall be effected.

- 7.170.2 The JSE may issue directives in respect of delivery procedures, settlement and delivery agents, delivery locations, inspections of **[commodities] agricultural products** sold and delivered and other matters relating to trading in agricultural **[commodity futures] derivatives** and may appoint settlement agents on such terms as it may deem fit to facilitate performance of agricultural **[commodity futures] derivatives**.
- 7.170.3 Unless otherwise specified in the contract, the holder of every short position in an agricultural **[commodity] derivatives** futures contract shall on expiry have an obligation to make delivery of the underlying agricultural **[commodity] product** at the expiry price, and the holder of every long position on expiry shall have an obligation to take delivery of the underlying agricultural **[commodity] product** at the expiry price.
- 7.170.4 ...
- 7.170.5 In the event of a default by a party to an agricultural **[commodity] derivatives** futures contract, the contract may be closed out by the non-defaulting party by booking the quantity in default back to the defaulting party at a market price determined by the JSE.

8.40 Opening and closing-out a position

- 8.40.1
- 8.40.7 On the expiry as contemplated in rule 8.40.3 of a physically settled futures contract the holder of a long position in the exchange contract shall buy the underlying instrument and the holder of a short position shall sell the underlying instrument at the price equal to that referred to in rule 8.40.4 and the purchase, sale, delivery and receipt of the underlying instrument shall take place pursuant to the contract specification applicable to such futures contract: Provided that a physically settled agricultural **derivatives** futures contract shall be regulated by rule 7.170.

10.40 Speculative position limits

- 10.40.1 This rule applies only to trading members authorised to trade **[on the agricultural products market] in agricultural derivatives**. For the purposes of this rule, the following definitions are applicable -

“hedging positions” means positions in futures or options on the JSE, where such positions normally represent a substitute for positions to be made or positions to be taken at a later time in **[a physical commodity] an agricultural product**, and where they are **[economically]** appropriate to the reduction of risks in the conduct and management of a commercial enterprise. The primary purpose for hedging positions must be to offset price risks incidental to the commercial cash or spot operations. These risks may arise from: -

- (a) potential changes in the value of assets which a person owns, produces, processes, manufactures or anticipates owning, producing, processing or manufacturing; or
- (b) potential changes in the value of liabilities which a person owns or anticipates incurring; or
- (c) potential changes in the value of services which a person provides, purchases or anticipates providing or purchasing.

For the purposes of this definition, hedging positions include, but are not limited to, the following specific positions:

-
- (a) Sales for future delivery, purchases of any put options on futures contracts and/or sales of any call options on futures contracts, which do not exceed in quantity –
 - (i) Ownership of the same **[cash commodity]** agricultural product by the same person; and
 - (ii) Fixed-price purchases of the same **[cash commodity]** agricultural product by the same person;
 - (b) Purchases of any **[commodity]** agricultural product for future delivery, sales of any put options on futures contracts and/or purchases of any call options on futures contracts, which do not exceed in quantity fixed-price sales of the same **[cash commodity]** agricultural product by the same person;
 - (c) Short-hedging positions of unsold anticipated positions or anticipated production of the same **[commodity]** agricultural product by the same person;
 - (d) Long-hedging positions of unfilled anticipated requirements of the same **[cash commodity]** agricultural product by the same person for processing, manufacturing or feeding;

YIELD-X RULES

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 –

<u>"agricultural derivatives"</u>	<u>means those commodity securities which are derivative instruments and the financial terms of which are determined by an underlying agricultural product which is physically settled in terms of the derivatives rules;</u>
<u>"authorised bank"</u>	means a branch of an [authorised dealer] <u>Authorised Dealer</u> which, in terms of Exchange Control Regulation 14, has been appointed to administer securities control;
<u>["authorised dealer"] "Authorised Dealer"</u>	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;
<u>"commodity securities"</u>	<u>means those JSE listed securities traded on the JSE commodities trading system;</u>
<u>"derivative securities"</u>	<u>means those JSE listed securities traded on the JSE derivatives trading system;</u>
<u>"equity securities"</u>	<u>means those JSE listed securities traded on the JSE equities trading system;</u>
<u>"foreign commodity derivatives"</u>	<u>means those commodity securities which are cash settled derivative instruments and the financial terms of which are determined by an underlying foreign referenced commodity;</u>
<u>"JSE commodities trading system"</u>	<u>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 commodity securities;</u>
<u>"JSE derivatives trading system"</u>	<u>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 derivative securities;</u>
<u>"JSE equities trading system"</u>	<u>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 equity securities;</u>
<u>"manage"</u>	<u>in relation to JSE authorised investments, means any arrangement entered into between a client and a member which authorises the member to buy or sell JSE authorised investments on behalf of the client, either with full discretion or with prior reference to the client;</u>

[7.85 Transactions in currency derivatives]

- 7.85.1 Trading and holding positions in currency derivatives**
This rule sets out the compliance obligations applicable to members in relation to trading and holding positions in currency derivatives, as approved in terms of Exchange Control Circular 10/2007 of 21 February 2007.
- 7.85.2 Qualifying clients**
For the purposes of this rule, the following categories of clients are permitted to trade and hold positions in currency derivatives and are referred to as "qualifying clients":
- 7.85.2.1** A non-resident;
 - 7.85.2.2** A resident, who is a natural person; or
 - 7.85.2.3** A resident, who is not a natural person and who has a valid Exchange Control Approval in place.
- 7.85.3 Qualifying members**
- 7.85.3.1** A trading member who is an authorised dealer and has been granted specific approval by the Exchange Control Department of the South African Reserve Bank to act as a market maker in the trading of currency derivatives is referred to as a "qualifying member".
 - 7.85.3.2** A qualifying member may trade in currency derivatives –
 - 7.85.3.2.1** with or on behalf of qualifying clients; or
 - 7.85.3.2.2** for its own account; and
 may hold proprietary positions in currency derivatives.
- 7.85.4 Non-qualifying members**
- 7.85.4.1** A trading member who is not a qualifying member, in terms of rule 7.85.3.1, is referred to as a "non-qualifying member".
 - 7.85.4.2** Subject to rule 7.85.4.3, a non-qualifying member may trade in currency derivatives –
 - 7.85.4.2.1** with or on behalf of qualifying clients; or
 - 7.85.4.2.2** for its own account intra-day.
 - 7.85.4.3** A non-qualifying member may not hold proprietary positions in currency derivatives and any positions held must be closed prior to the end of the day.
 - 7.85.4.4** A non-qualifying member must report, by 09h00 on the following business day, any positions held at the end of the day to the Settlement Authority, with the reason for the breach of this rule, where that member has not –
 - 7.85.4.4.1** allocated trades in currency derivatives to qualifying clients or another member in terms of rules 7.100.6 or 7.100.7;
 - 7.85.4.4.2** assigned trades in currency derivatives to qualifying clients or another member in terms of rule 7.110.6; or
 - 7.85.4.4.3** closed out a proprietary position in currency derivatives by the end of the day.
 - 7.85.4.5** The JSE will report the positions and the reasons provided by the member to the Exchange Control Department of the South African Reserve Bank on a daily basis.
- 7.85.5** In addition to the client acceptance, registration and maintenance procedures provided for in rule 7.80.2, a trading member must undertake the following additional procedures when trading in currency derivatives with or on behalf of a client:
- 7.85.5.1** Verify that the client is a qualifying client in terms of rule 7.85.2 and obtain a copy of a valid Exchange Control Approval where applicable;
 - 7.85.5.2** Ensure that the client registration form for a new or an existing client is accurately completed and specifically that –
 - 7.85.5.2.1** the category of qualifying client is clearly indicated;
 - 7.85.5.2.2** the identity number or company or close corporation number is accurately recorded;

- 7.85.5.2.3 the Exchange Control Approval number and expiry date, where applicable, are accurately recorded; and
- 7.85.5.2.4 the Exchange Control Approval has not expired.
- 7.85.5.3 A copy of the Exchange Control Approval, where applicable, must be forwarded to SAFCOM, together with the completed client registration form.]