

## BOARD NOTICE

### BOARD NOTICE 103 OF 2012

#### SECURITIES SERVICES ACT, 2004

#### PROPOSED AMENDMENTS TO THE JSE EQUITIES RULES

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 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, or at the following email address: [normanm@fsb.co.za](mailto:normanm@fsb.co.za), 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 2 July 2012 as the date on which the rules in the Schedule come into operation. If any objections are received, another commencement date may be determined by notice in the Gazette.

DP TSHIDI  
REGISTRAR OF SECURITIES SERVICES

#### SCHEDULE

#### PROPOSED AMENDMENTS TO THE JSE EQUITIES RULES

##### 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.

##### Section 1: Interpretation and definitions

- 1.10 Unless inconsistent with the context, the singular shall include the plural and the use of any one gender shall be interpreted as required to include any other.
- 1.20 The words defined in the Act bear the same meaning in the rules.
- 1.30 Chapter headings and sub-headings shall not be taken into account in the interpretation of any of the rules.
- 1.40 In the rules –

“Act”

...

“auction call session[period]” means a period of time during which orders for inclusion in an auction can be entered into and deleted from the central order book and there is no automated trading;

“auction matching” means the process of matching buy and sell orders according to a matching algorithm at the end of an auction call session[period];

“auction price” means the price of transactions resulting from [auction matching] an uncrossing at the end of an auction call session;

“auction trade” means a transaction matched automatically in the JSE equities trading system resulting from an uncrossing at the end of an auction call session[during auction matching];

"central order book"	means the order book of the JSE equities trading system in which automated <u>and auction</u> trades occur [ <b>according to price then time priority</b> ];
["contra trade"]	<b>[means a transaction to correct an erroneous central order book trade that is equal and opposite to that trade and which is entered on the same business day as the original trade;]</b>
"limit order"	<u>means an order where the quantity of equity securities and the price is specified;</u>
"market order"	means an order submitted to the central order book [ <b>during an auction call period</b> ]with no price limit, which is held on the central order book and may execute either in full or in part against eligible orders, at the price of a new order entered into the central order book or at the reference price;
"market order extension <u>session[period]</u> "	means an extension to an auction call <u>session[period]</u> which occurs when there would be unexecuted market orders on the central order book following auction matching;
"non-published off book trade"	<u>means in relation to an off book trade, a transaction which is not published to the market;</u>
"off book trade"	<u>means a transaction in equity securities negotiated off the central order book and submitted by a member to the JSE equities trading system;</u>
"on book trade"	<u>means a transaction in equity securities executed by a member on the central order book of the JSE equities trading system;</u>
["post contra trade"]	<b>[means a transaction to correct an erroneous central order book trade that is equal and opposite to that trade and which is entered on the business day following the original trade;]</b>
"price monitoring extension <u>[period]session</u> "	means an extension to an auction call [ <b>period</b> ] <u>session</u> which occurs when the indicative auction price is a specified percentage or more away from the reference price;
"published[publication]"	means, in relation to an <u>off book trade [transaction]</u> , the disclosure by the JSE of the price and quantity of equity securities traded;
"reference price"	means the last auction or automated trade price <u>or the previous closing price</u> , whichever is the most recent, or in the absence of a last auction[ <b>and</b> ] <u>or automated trade price or a previous closing price</u> , a price as determined by the JSE;
["reported transaction"]	<b>[means a transaction executed off the central order book and reported to the JSE equities trading system by a member;]</b>
["reported transaction correction"]	<b>[means a cancellation of a previously reported transaction;]</b>
"ring-fencing"	means the process in terms of which linked deliveries and receipts which emanate from <u>off book trades[reported transactions]</u> are separated and distinguished from deliveries and receipts which emanate from transactions in the central order book of the JSE equities trading system;
"trade cancellation"	<u>means the cancellation of an on book or off book trade on the same business day or the next business day;</u>
"volatility auction[period] call <u>session</u> "	means the auction call [ <b>period</b> ] <u>session</u> which occurs if an order is entered that would execute at a price that is <u>equal to or greater than [at least]</u> a percentage, as specified by the [ <b>JSE Executive</b> ] <u>Market Controller</u> , away from the reference price;

**Section 3: Authorisations and Approvals****3.50 Requirements to perform trading services**

- 3.50.1 An applicant for membership or a member may request authorisation to perform trading services provided that it can evidence to the satisfaction of the JSE that **[they are]it is** able to comply with the **[trading system]operational** requirements set out in the directives.
- 3.50.2 An authorised TSP must continue to comply with the **[trading system] operational** requirements set out in the directives on an ongoing basis in order to retain such authorisation.

**3.150 Members' duty to furnish information**

A member must immediately advise the JSE in writing of –

- 3.150.1 any change in the name of the member or address of any office of the member, and of any change in the member's telephone or facsimile numbers or electronic mailing addresses;
- 3.150.2 the granting of an application for, or the revocation of, any registration, authorisation or licence which may bear upon or be associated with its business as a member of the JSE;
- 3.150.3 any of the circumstances referred to in rule 3.130.1 arising;
- 3.150.4 the prosecution of or the conviction of the member for any offence under legislation relating to banking, other financial services, companies, insolvency, insurance and pension and provident societies, or for any offence involving fraud or dishonesty;
- 3.150.5 any change to the appointment of a compliance officer, a settlement officer or an alternate settlement officer or any person becoming or ceasing to be a director of a member;
- 3.150.6 any person ceasing to be a registered securities trader of a member;
- 3.150.7[6] any change to the appointment of a person in control of a place of business of a member as set out in rules 4.60.1 to 4.60.4;
- 3.150.8[7] any change in the name of a nominee company maintained in terms of rule 3.90 or the use of a new or different nominee company for the purposes of rule 3.90.
- 3.150.9[8] any event or circumstance which has or may have any bearing on whether an officer or a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of the member, fails to meet the fit and proper requirements as stipulated in rule 4.10; or
- 3.150.10[9] the dismissal of an employee for committing or attempting to commit an act which is dishonest or fraudulent.

**Section 6: JSE Equities Trading system****6.10 Use of the JSE equities trading system**

- 6.10.1 All transactions in equity securities by a member must **[only]**be conducted through the central order book of the JSE equities trading system, unless **[otherwise stipulated in the rules or directives]** the transaction meets the criteria set out in rule 6.40 for an off book trade.
- 6.10.2 The terms of an off book trade may be negotiated between the parties to the transaction and the purchase and sale legs of the transaction must then be submitted to the trading system by the member or members who are party to the transaction.
- 6.10.3 An off book trade negotiated off the trading system in terms of rule 6.10.2 is only deemed to be a valid transaction once the purchase and the sale legs of the transaction have been matched and confirmed by the trading system.
- 6.10.4 Orders entered into the central order book are matched based on the following order of priority:
- 6.10.4.1 price;
- 6.10.4.2 whether the order is visible to the market;
- 6.10.4.3 time of entry into the central order book.

- 6.10.5[2] A person who seeks to be registered with the JSE as a registered securities trader must satisfy the fit and proper requirements of rule 4.10 and must have obtained a pass in the registered securities trader examination prescribed by the JSE.
- [6.10.3 **The Market Controller and any one member of the JSE Executive may decide that the market in equity securities be closed if they are of the opinion that a fair and realistic market does not exist. A fair and realistic market may be deemed not to exist after consideration of the percentage of members not able to access the JSE systems and their contribution to price formation.]**
- 6.10.6[4] Despite any other provision of the rules or any directive and subject to rule 2.10, the [JSE Executive] Market Controller may –
- 6.10.6.1 decide that the market or segments of the market in equity securities be paused, suspended, halted or closed if he is of the opinion that a fair and realistic market does not exist. A fair and realistic market may be deemed not to exist after consideration of the percentage of members not able to access the JSE systems and their contribution to price formation and value traded;
- 6.10.6.2[4.1] reduce or extend the hours of operation of the JSE equities trading system for any particular business day;
- 6.10.6.3[4.2] without prior notice to any person, pause, suspend, halt or close the JSE equities trading system for trading at any time and for any period; and
- [6.10.4.3 **if there has been any failure of the JSE systems, for any reason, or if JSE systems have been closed, suspended or halted, declare that a transaction effected through or by the JSE equities trading system is void. Such declaration shall bind a member and a client of a member on behalf of or with whom the transaction was effected;]**
- [6.10.4.4 **exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of the rules and directives, and as may be necessary to resolve any issue which may arise from the closure, suspension, halt or failure of the JSE systems; and]**
- 6.10.6.4[4.5] take such other steps as may be necessary to ensure an orderly market.
- 6.10.7 Despite any other provision of the rules or any directive and subject to rule 2.10, the JSE Executive may –
- 6.10.7.1 if there has been any failure of the JSE systems, for any reason, or if the JSE systems have been paused, suspended, halted or closed, declare that a transaction effected through or by the JSE equities trading system is void. Such declaration shall bind a member and a client of a member on behalf of or with whom the transaction was effected; and
- 6.10.7.2 exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of the rules and directives, and as may be necessary to resolve any issue which may arise from the pausing, suspension, halt, closure or failure of the JSE systems.
- 6.10.8 In order to maintain orderly price formation, the JSE equities trading system may incorporate circuit breakers in one or more segments of the market which, when triggered, will either cause the suspension of continuous trading and the commencement of an auction call session or the extension at an auction call session for the affected security or securities. The circuit breakers will be triggered when price movements exceed defined levels based on defined static and dynamic reference prices, as determined by the JSE.
- 6.10.9[5] Each equity security is allocated to a segment [and functional sector] based on [trading] certain characteristics[. These trading characteristics include volatility,] including the instrument type, and the liquidity[,]of the security[price and country of issue].
- 6.10.10[6] Members accessing JSE systems must at all times –
- 6.10.10.1[6.1] maintain and enforce appropriate security procedures which are designed to prevent unauthorised persons from having access to any JSE systems, member trading applications or client applications; and

6.10.10.2[6.2] have the necessary resources to ensure that any data sent to or received from JSE systems does not interfere with the efficiency and integrity of the equities market or the proper functioning of the JSE systems.

6.10.11[7] The Market Controller may instruct a member to immediately discontinue using a member or client application or may restrict the usage by a member of any or all components of a member or client application.

## 6.20 Trading [capacity, trading periods and] times

6.20.1 Subject to rule 6.10.6,[T]the JSE equities trading system will operate on every business day [according to the following standard periods and] at the times as specified in the directives. [:]

- [6.20.1.1 market opening period 08h30 to 08h35;
- 6.20.1.2 opening auction call period: 08h35 to 09h00;
- 6.20.1.3 automated trading period: 09h00 to 16h50;
- 6.20.1.4 closing auction call period: 16h50 to 17h00;
- 6.20.1.5 runoff period: 17h00 to 18h00;
- 6.20.1.6 system close: 18h00;
- 6.20.1.7 intra-day auction call period for selected equity securities: 12h00 to 12h15.]

[6.20.2 Additional periods may occur under certain market conditions. These periods include:

- 6.20.2.1 volatility auction period;
- 6.20.2.2 market order extension period; and
- 6.20.2.3 price monitoring extension period.

A maximum of two of the auction extension periods referred to in 6.20.2.2 and 6.20.2.3 may occur after any auction call period, except for after a closing auction period when there may be up to a maximum of three. In this event, the closing auction period will be extended.]

[6.20.3 Orders submitted to the JSE equities trading system must specify the capacity in which the member is dealing, namely as principal or as agent.]

## 6.30 [Reported transactions]Off book trading

6.30.1 The [Reported] transactions listed in rule 6.40 do not have to be executed through the central order book and may instead be [reported] submitted to the JSE equities trading system as off book trades.

6.30.2 In the case of an [reported transaction]off book trade between two members, the members must agree on which member will initiate the [reporting] submission of the [transaction] trade to the JSE equities trading system.

6.30.3 Off book trades [Reported transactions] executed during trading hours must be [reported] submitted to the JSE equities trading system without delay.

6.30.4 Off book trades [Reported transactions] executed after trading hours must be [reported] submitted to the JSE equities trading system within [15] 45 minutes of the commencement of the [market opening period] off book trade reporting session on the next business day, with the exception of non-published off book trades [reported transactions] which must be [reported] submitted to the JSE equities trading system before 10h00 on the next business day.

6.30.5 The table below lists the [reported transaction] off book trade types and indicates –

- 6.30.5.1 ..;
- 6.30.5.2 ...

Transaction description	Trade type code	Single member	Two members	Published
Bookbuild Trade	BK	No	Yes	Yes
Block Trade	BT	Yes	<u>[No]Yes</u>	Yes
Corporate Finance Transaction	CF	Yes	Yes	Yes
Delta Trade	OD	No	Yes	No
Exercise of Options	OX	Yes	Yes	No
Exercise of Traded Options	TX	Yes	Yes	No
Exercise of Warrants	WX	Yes	Yes	No
Give-up Trade	GU	No	Yes	No
Late Trade	LT	Yes	No	Yes
Off Order Book Principal Trade	OP	Yes	No	Yes
Portfolio Transaction	PF	Yes	Yes	Yes
<u>[Post Contra] Next Day cancellation of On Book Trade</u>	PC	Yes	Yes	Yes
<u>Next Day cancellation of a published Off Book Trade</u>	<u>LC</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Next Day cancellation of a non-published Off Book Trade</u>	<u>NC</u>	<u>Yes</u>	<u>Yes</u>	<u>No</u>

#### 6.40 [Reported transaction] Off book trade criteria

##### 6.40.1 Bookbuild Trade

...

##### 6.40.2 Block Trade

...

##### 6.40.3 Corporate Finance Transaction

...

##### 6.40.4 Delta Trade

...

##### 6.40.5 Exercise of Options

...

##### 6.40.6 Give-up Trade

6.40.6.1 ...

6.40.6.2 The only [reported transactions]off book trades that may be the subject of a give-up trade are late trades executed in accordance with the provisions of rules 6.40.7.1, 6.40.7.3 or 6.40.7.4. The executing member and receiving member may give effect to these late trades by means of the executing member trading after hours with a foreign professional market participant and giving up that trade to the receiving member who is either acting on behalf of a client in terms of rules 6.40.7.1 or 6.40.7.3 or trading as a principal for its own account in terms of rule 6.40.7.4. The executing member must report the transaction with the foreign professional market participant as a late trade.

6.40.6.3 ...

**6.40.7 Late Trade**

A late trade is a transaction where a member trades after trading hours and where the transaction is -

- 6.40.7.1 ...
- 6.40.7.2 executed by a member for a professional market participant, in fulfilment of an order received prior to the end of the closing auction call **[period]session**, at a price which can only be established after the closing auction call **[period]session**; or
- 6.40.7.3 executed by a member acting on behalf of a professional market participant, in fulfilment of an order received after trading hours, where the counterparty is a foreign professional market participant; or
- 6.40.7.4 ...

**6.40.8 Off Order Book Principal Trade**

An off order book principal trade is a transaction where a member trades as a principal in a single equity security where the transaction -

- 6.40.8.1 ...
- 6.40.8.2 ...

**6.40.9 Portfolio Transaction**

6.40.9.1 A portfolio transaction is a transaction where a member trades as an agent or a principal in a list of equity securities which -

- 6.40.9.1.1 ...
- 6.40.9.1.2 ..

**6.40.10 [Post Contra]Next Day Cancellation of On Book Trade (PC)**

A **[post contra] next day cancellation of an on book trade** is a transaction where a member **[corrects] cancels** a trade executed in the central order book on the **previous business day [after that trade was executed]**, subject to the provisions of rule 6.50.

**6.40.11 Next Day cancellation of a published Off Book Trade (LC)**

A next day cancellation of a published off book trade is a transaction where a member cancels a published off book trade submitted to the JSE equities trading system on the previous business day.

**6.40.12 Next Day cancellation of a non-published Off Book Trade (NC)**

A next day cancellation of a non-published off book trade is a transaction where a member cancels a non-published off book trade submitted to the JSE equities trading system on the previous business day.

**6.50 Trade [corrections] cancellations**

- 6.50.1 Despite any other provision of the rules or any directive, the Director: Surveillance may, where in his opinion an **on book** trade has been matched as a result of a clear error by a member **[or reported in error]**, grant permission to or instruct the respective members to execute a **[contra trade, a post-contra trade or a reported transaction] trade cancellation**.
- 6.50.2 **[Contra and post-contra] Same day or next day cancellations of on book trades** may only be considered where the following criteria are met –
  - 6.50.2.1 the request is received by the Director: Surveillance within 20 minutes from the time of the first erroneous trade which has arisen as a consequence of an erroneous order; and
  - 6.50.2.2 the price of the trade or trades for which the **[contra]trade cancellation** is requested is 5% or more away from the reference price at the time that the erroneous order was placed; and
  - 6.50.2.3 ...
  - 6.50.2.4 ...

6.50.3 Same day and next day cancellations of off book trades must be submitted to the JSE equities trading system by the member who was the originator of the off book trade and do not require prior approval from the Director: Surveillance.

6.50.4[3] If, in the opinion of the Director: Surveillance, **[an automated] an on book or off book trade; auction trade or reported transaction** materially impacts the integrity or transparency of the market, or the correctness of the statistics, the Director: Surveillance may instruct members to enter a trade cancellation **[contra or a post contra trade or perform a reported transaction correction]** without having received a formal request to do so from any member.

## Section 7: Market Conduct

### 7.10 Manipulative or deceptive trading practices

7.10.1 ....

7.10.2 ...

7.10.3 ...

7.10.4 ...

7.10.4.1 Approving or entering on the JSE equities trading system –

7.10.4.1.1 ...;

7.10.4.1.4 an order to buy or sell any equity security during an auction call **[period]session** and cancelling such order immediately prior to the auction matching, for the purpose of creating or inducing a false or deceptive appearance of demand for or supply of such equity security;

7.10.4.1.5 an order to buy or sell an equity security which involves no change in the beneficial ownership of that equity security; or

7.10.4.1.6 **[a reported transaction]an off book trade** which would result in a contravention of rule 7.10.2;

## Section 8: Conduct of Business

### 8.90 Best execution

8.90.1 ...

8.90.2 To support the best execution principle, all transactions in equity securities by members must be conducted through the central order book of the JSE equities trading system, unless the execution of an off book trade**[a reported transaction]**, which qualifies as such in terms of rule 6.40 **[6.30]**, is in the best interests of the client.

## Section 10: Clearing and Settlement

### 10.20 Settlement assurance

10.20.1 ....

10.20.2 Subject to rule 10.20.3, a member must also ensure settlement of all **[reported transactions]off book trades** in equity securities entered into by it as agent on behalf of a client or as principal with a client.

10.20.3 Rule 10.20.2 is not applicable to off book trades **[reported transactions]** where either one or two members are involved and where the clients who are parties to such an off book trade**[reported transaction]** have, between themselves, concluded the terms of the transaction and instructed the member or members to report the transaction through the JSE equities trading system. A client will have no recourse against a member in respect of such transactions.

10.20.4 ...



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- 10.20.5 ...
- 10.30 Settlement principles for transactions in equity securities**
- 10.30.1 ...
- 10.30.2 In addition to rule 10.30.1, where ring-fencing of **[reported transactions]**off book trades occurs –
- 10.30.2.1 multiple settlement groups per equity security, per settlement date, per trade type will result;
- 10.30.2.2 a contract note per trade type will result, with each contract note settling in a settlement group per trade type; and
- 10.30.2.3 transactions which are ring-fenced may be linked to other transactions to indicate a settlement dependency.
- 10.40 Settlement Authority**
- 10.40.2 In order to perform its functions in terms of rule 10.40.1, the Settlement Authority may –
- 10.40.2.1 monitor the settlement obligations of members and their clients;
- 10.40.2.2 ....
- 10.40.2.11 manage the settlement of **[reported transactions]**off book trades where ring-fencing has occurred.
- 13.30 Settlement of open transactions in equity securities**
- 13.30.1 For the purpose of Section 13, open transactions in equity securities for settlement –
- 13.30.1.1 includes all transactions which have been concluded by the defaulting member through the central order book of the JSE equities trading system; and
- 13.30.1.2 excludes all **[reported transactions]**off book trades which have been **[reported]** submitted to the JSE equities trading system by the defaulting member.
- 13.30.3 Should a defaulting member have **[reported transactions]**off book trades which have not settled-
- 13.30.3.1 ...
- 13.30.3.2 ...
- 13.30.3.3 ....
-