JSE

Progress update on other JSE listing reforms

In May 2022, and as part of its ongoing efforts to ensure that the bourse is fair, efficient, transparent and competitive, the Johannesburg Stock Exchange (JSE) released a consultation paper, requesting stakeholders to comment on a raft of proposals.

In August 2022, the JSE released a response paper outlining the feedback received from market participants, which showed favourable support from an overwhelming majority of commentators. The JSE further mentioned that it would take a phased approach in implementing the amendments.

As previously communicated to the market, the JSE prioritised the following amendments to its listing requirements and debt listing requirements, which came into effect on or before 17 July 2023.

Actively Managed Certificates & Actively Managed Exchange Traded Funds: The JSE took active steps to expand on its offerings in specialist securities, through the introduction of Listings Requirement to cater for the listing of AMCs and AMETFs.

Weighted Voting Shares: Considering developments in other leading international markets, the JSE introduced weighted voting shares for applicants seeking a listing on the Main Board. The proposed amendments are accompanied with appropriate safeguards to afford the necessary investor protection and will allow the JSE to remain competitive and to attract new listings.

Free Float – New Listings: The UK and EU have reconsidered the level of free float required on listing, which has been identified as a deterrent to listing. In line with these developments, the JSE reduced the 20% free float threshold to 10%.

Free Float Assessment: Currently one type of holdings of securities which does not qualify as free float on listing, is any holdings of 10% or more in the securities of an issuer, irrespective of such shareholder's relationship with the company. The JSE removed the 10% holdings free float exclusion, however introducing a minimum number of shareholders and introducing a more appropriate exclusion for controlling shareholders, to align with certain peer exchanges.

Review of Special Purpose Acquisition Companies: During 2020 and 2021 the pandemic raised volatility levels, making traditional listings riskier. This resulted in a SPAC boom, especially in the US, although interest may have tapered recently. The JSE's current SPAC offering is accessible and flexible, but the JSE made amendments to align with international leading markets to ensure the attractiveness and competitiveness of SPACs to issuers and investors.

Financial Reporting Disclosures: Following on its "*cutting red tape*" initiatives, the JSE removed the obligation to produce an abridged report when the issuer has published its audited annual financial statements on the issuer's website. The JSE further simplified the financial reporting requirements and removed provisions that does not provide regulatory value. These changes will save time and costs for companies and provide investors with relevant and appropriate information to make informed investments decisions.

Debt Listings Requirements

Annual Improvement Project 2022: The Annual Improvement Project is aimed at amendments, where the JSE has determined that (i) certain provisions in the Debt Requirements require more clarity/context and/or (ii) there is ambiguity in the interpretation which needs to be remedied.

Work in Progress

The following matters are in the final phases of public consultation and is aimed to become effective this year:

Removal of Auditor Accreditation Model:

The JSE is proposing the removal of the Auditor Accreditation Model. In line with this support from the market, the JSE consulted with the Independent Regulatory Board for Auditors and formulated these proposed amendments to the Listings Requirements and Debt Listings Requirements. These amendments are in the final stages of public consultation, whereafter the JSE will seek approval from the Financial Sector Conduct Authority (the "**FSCA**").

Section 19 Rejuvenation Project:

The JSE is proposing to remove Section 19 from the Listings Requirements (the "**Equity Requirements**") and to combine the provisions dealing with Specialist Securities, with the Debt Listings Requirements. The Debt Listings Requirements will now include Specialist Securities, and this combined set of listings requirements will now be known as the Debt and Specialist Securities Listings Requirements ("**DSS Requirements**"). The Equity Requirements will now be limited to equity securities and the DDS Requirements will focus on debt securities and specialist securities.

The aim of the project is to (i) remove duplication and potential regulatory arbitrage between the existing Debt Requirements and Section 19 (Specialist Securities) of the Listings Requirements with regard to structured products and asset-backed debt securities; (ii) standardise the ongoing obligations between the debt securities and the specialist securities; (iii) provide regulatory relief for issuers who have both debt and equity securities listed on the JSE and (iv) to ensure that that the DSS Requirements are fit for purposes aimed at an effective and appropriate level of regulation. We believe that the revised DDS Requirements will be easier to understand and apply for both issuers and sponsors. To this end, all amendments have been clearly identified and the rationale explained.

BEE Segment

The JSE further proposes to introduce a bespoke BEE section to the Requirements. This section consolidates the requirements applicable to the current BEE segment. These requirements take into account the existing framework and applicable principles to list a BEE SPV based on current asset-backed securities regime. The existing BEE regime has been maintained and incorporated into the new section, including the BEE SPV provisions.

The amendments to Section 19 and the BEE Segment were released at the same time and are also in the final stages of public consultation, whereafter the JSE will seek approval from the FSCA.

Expansion of REIT Offering

The JSE has expanded its REIT offering beyond traditional property, to unlock more opportunities in the REIT environment and attract listings. The JSE is now able to list infrastructure REITS provided they meet the definition of property as contained in the Listings Requirements.

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