|  |  |
| --- | --- |
| Simplification Ground Rules | |
| 1 | Testing regulatory relevance, is the requirement still current and does it serve a regulatory objective? |
| 2 | Converting complex language construction into plain language, whilst maintaining regulatory objective |
| 3 | Cutting red-tape a continuing focus |
| 4 | Articulating what is absolutely necessary by clearly expressing purpose |
| 5 | Removing ultra long sentences, legal jargon and archaic words |
| 6 | Maintaining the chain of thought through a sensible chronologic regulatory approach |
| 7 | Removing ambiguity, duplication and administrative matters |
| 8 | Harmonising outdated legal style drafting in a simplified uniform style to support issuers and sponsors |
| 9 | Amendments which are not considered simplification will be highlighted |

|  |
| --- |
| Key Amendments to Section 2 – Sponsors and Schedule 16 |

|  |  |  |
| --- | --- | --- |
|  | Text  *Note: Paragraph references refer to the current Requirements, unless otherwise stated* | Rationale |
| 1 | Scope of Section | Reduced significantly to deal with core listings requirements, being Sections, Schedules and Practice Notes. In terms of the existing and new definition of “*Listings Requirements*”, the Scope of Section does not form part of the Requirements. |
| 2 | JSE Forms Portal  Introduction of the JSE Forms Portal on the JSE website and removal of Schedule 2, in totality.  Schedule 2 will be removed and be replaced with a dedicated forms portal on the JSE website, due to the administrative nature of all forms in Schedule 2, and as identified in other schedules. All existing forms will be transferred to the JSE Form Portal and will be made available in word format, for easy completion. | Forms do not form part of the Requirements. |
| 3 | Schedules  The following amendments have been made to schedules:   * Schedule 16 dealing with sponsors will become the new Schedule 1; * Existing Schedule 13 (Directors Declaration) will be moved to the JSE Forms Portal as an administrative form; and * Existing Schedule 17 (Sponsor Declaration) will be moved to the JSE Forms Portal as an administrative form.   Following forms in Schedule 2 will be moved to the JSE Forms Portal:   * Sponsor Application Form – Schedule 2 Form D4 * Sponsor Annual Compliance Form – Schedule 2 Form D3 * First Submission Checklist – Schedule 2 Form F * Approved Executive Declaration to be created to mirror the Directors Declaration to cover items in Schedule 16 paragraph 16.5(v), so these provisions have been removed from Schedule 16. | All existing schedules will be reviewed, and number in sequence as they are encountered section by section.  Schedules form part of the Requirements, but are matters that may not necessarily be encountered on a regular basis, however do remain important. |
| 4 | Designated Advisers (“DA”)  Brought in the provisions relating to DAs from Section 21 to Section 2.  Consolidated appointment and responsibilities with that of sponsors, save as otherwise stated.  Removed the reference to IFRS in paragraph 21.20(f) and limited the reference to Companies Act as it applied to the responsibilities of the board and its sub-committees. | The application process and responsibilities of sponsors and DAs are almost identical and should therefore be addressed in one section.  The DA is not deemed the appropriate party to advise the board on the application of IFRS and the whole of the Companies Act. |
| 5 | Sponsor Independence  Provisions of Schedule 16 dealing with sponsor independence brought into Section 2.  Removed paragraph 16.5(d)(iii)(2):  “*the above will not apply to investment entities where the sponsor’s interest arises by virtue of the holdings of its non-managed discretionary clients;”*  *Amended paragraph moved to Schedule 1, see new paragraph 1.12:*  *“any director or employee of the sponsor that has a significant interest in an issuer, being 10% or more for purposes of this requirement, or is material to the director or employee, must not be involved in advisory activities of the sponsor in relation to such applicant issuer;”* | Independence provisions have been consolidated in one place in Section 2.  This can be evidenced to the JSE, no need for a specific requirement to that effect. Times this provision has been applied has been almost none, so removed based on limited to no regulatory relevance.  Interest linked to materiality. |
| 6 | Termination  Paragraph 2.7A(b)  The requirement for a SENS announcement has been removed when the services of a sponsor are terminated. | There is no announcement obligation with the resignation of a sponsor. Amendments are aimed to ensure consistency. |
| 7 | Responsibilities of sponsor  Paragraph 2.9(f)  As with competent persons for mineral companies, the sponsor must also satisfy itself on the credentials of qualified reserve evaluators for Oil and Gas Companies. | Amendment aimed at consistency in respect of mineral, and oil and gas companies. |
| 8 | Working capital statement  Paragraph 2.12  Removed the working capital statement provisions applicable to sponsors. | A working capital statement is the responsibility of the board, as such sponsor statement is removed. |
| 9 | Conflicts of interest  New paragraphs 2.16  Moved the existing conflicts of interest provisions from Schedule 16 to Section 2. | The provision is better addressed in Section 2. |
| 10 | VCC Regime  This tax incentive has expired and has been removed from the Requirements, and there were no applications or current listings. | No longer has regulatory relevance. |
| 11 | Schedule 16  Total new version. Based on current construction and repetition the mark-up would have been of no value.  The code of ethics and standards of professional conduct has been renamed as the “*Code of Conduct*” and has remained largely unchanged. | No material amendments, other as stated herein. |
| 12 | Schedule 16  Paragraph 16.23: Sponsor procedures manual  The sponsor procedures manual has been removed and replaced with certain sponsor controls for eligibility purposes in the new Schedule 1. See new paragraph 1.5. | The controls should be confirmed to the JSE and on an annual basis, no need for the JSE to require a sponsor procedures manual. |
| 13 | Schedule 16  Paragraphs 16.26 – 16.38: VCC Adviser  This tax incentive has expired and has been removed from the Requirements, and there were no applications or current listings. | No longer has regulatory relevance. |

*Drafting notes:*

* *Remove sponsor responsibilities from Schedule 12 – working capital*
* *Remove DA provisions from Section 21*