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| 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| 8 | Harmonising outdated legal style drafting in a simplified uniform style to support issuers and sponsors |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 |

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| General Amendments Schedule: Section 13: Property Entities |

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|  | 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. In terms of the existing and new definition of “*Listings Requirements*”, the Scope of Section does not form part of the Requirements. |
| 2 | Definitions  The JSE proposes to remove eighteen definitions which do not add regulatory value.  Please refer to Annexure A.  Minor amendments are proposed for the following definitions:  (b):  “Asset manager” the entity or individual providing management services by making recommendations regarding the strategy of the property entity including, inter alia, the structure of the property entity, further acquisitions and disposals and new property developments;[[1]](#footnote-1)  (k):  “Tax Act” means the South African Income Tax Act, 1962, Act 58 of 1962, as amended; [moved to main definitions section][[2]](#footnote-2)  (s):  “property” freehold and leasehold immovable property, being land and the things attached to the land that cannot be moved from one place to another without damage or change of form ;[[3]](#footnote-3)  (Technical Amendment (a))  (t):  “property entity” an entity primarily engaged in property activities:   1. the holding of property as an investment to earn rental and/or for capital appreciation; or 2. development of property to be held as an investment;[[4]](#footnote-4)   (y):  “rentable area” the total space of a property that can be rented and for a building it is as determined in accordance with the guidelines set out by the South Africa Property Owners Association; (Technical Amendment (a))  (z):  “rental revenue” group revenue received for the use of property, including rental guarantees and dividends received from aanother REIT that is not consolidated in the group accounts which is  (1) contracted, if the agreement has not expired (2) near-contracted, if the agreement has expired but there is a reasonable expectation of renewal  (3) uncontracted, if neither (1) nor (2) above applies (4) short-term, if the period specified in the agreement, excluding automatic renewals, is for a period less than 18 months | The definitions for Section 13 were unnecessary long at three pages, which added to complexity in reading the provisions. Removals are grouped into five categories:   1. No definition is required as word is no longer required, or the meaning is explained in the Requirements:   (i) CISCA, (ii) CISIP investor, (iii) CISIP manager, (iv) independent registered valuer, (v) registered valuer, (vi) material expenditure item, (vii) property yield and (viii) substantial property assets   1. Definitions were redundant as it is obvious what is meant: (i) property manager, (ii) REIT and (iii) revenue 2. Detailed rules around property summary valuation reports removed so the following definitions are redundant: (i) external property and (ii) market value 3. The word “promoter” is also used in the main body of the Requirement, so no need for an additional definition in Section 13 4. The REIT gearing requirements have been simplified so the following definitions have been removed: (i) adjusted GAV, (ii) GAV, (iii) new borrowings and (iv) nominal value of new debt 5. The asset manager cannot made decisions for the issuer, responsibility of the board 6. “Income Tax Act” now defined as “Tax Act” and moved to general definition section 7. Property definition has been made more generic to support the listing of infrastructure REITs 8. Rental area: more generic to accommodate infrastructure REITs 9. Rental revenue: consolidated the definitions of “contracted rental revenue”, “un-contracted rental revenue”, “near-contracted rental revenue” and “short-term rental; revenue” into the definition of “rental revenue”. |
| 3 | Application of Requirements to property entities  The JSE proposes the removing wording in various places which merely emphasized that property companies comply with section 13 and the rest of the requirements.  Please refer to Annexure B. | The requirements as a whole apply to all issuers irrespective of industry and this wording need not be repeated in section 13. |
| 4 | Definition “substantial property assets”  Paragraphs 13.1(ab)  The JSE proposes amending the definition of “substantial property assets” (which definition applies to non-property entities) from 25% to 50% as follows:  Previous definition, which will be removed:  *“substantial property asset” means property assets held (whether by way of leasehold or freehold title) of an applicant issuer that is not a property entity which asset/s represent, or will (post acquisition) represent, 25% or more of the total assets or generate 25% or more of the revenue or profits of that group as measured against the latest consolidated financial information of the applicant issuer”*  **The following provisions will be moved to their appropriate sections, dealing with property transactions by non-property entities:**  **Section 7 (Non-property entities)**  A valuation report must be prepared in terms of 13.16 on properties where, on an aggregated basis, they represent 50% or more of the total asset value of the applicant issuer measured against the pro forma statement of financial position, unless 13.15 applies.  **Section 9 (Non-property entities)**  A valuation report must be prepared in terms of 13.16 on properties where they represent 50% or more of total asset value measured against the statement of financial position of the subject matter for the category 1 transaction, unless 13.15 applies.  **(Key Amendment Item 8)** | In practice the JSE applied the 25% contained in the definition of “substantial property assets” to also apply to a “property transaction” and a “transaction involving property” in 13.20 (e) and (d).  Many non-property issuers hold properties for their own use. The worth to the business is not tied to a market value that they could obtain on disposal, but rather on the use of the assets within their operations (examples for this concept include factories, warehouses or hotels). The increase of the threshold from 25% to 50% provides a better level to distinguish between transactions of “property” and “businesses that use properties”.  The revenue test has also been removed in order to simplify the approach. |
| 5 | Repositioning of Requirements relating to non-property entities  The JSE proposes moving the following wording (as then amended for the revised valuation report obligations) to section 9 for transactions and section 7 for new listings.  Paragraph 13.2 (b)  *“A valuation report… must be obtained by…*  *Other issuers who own property or who conclude property transactions must comply with the valuation requirements set out in paragraphs 13.20 to 13.31”*  Paragraph 13.20(e)  *“A valuation report… must be obtained by…*  *an issuer, on the subject of any property transaction that is a Category 1 transaction, as defined in Section 9”*  Paragraph 13.20(e)  *“A valuation report… must be obtained by…*  *an applicant issuer with a substantial property asset preparing a pre-listing statement or revised listing particulars.”*  **(Key Amendment Item 8)** | The change makes section 13 a focussed property entity only section and makes it easier for non-property entities to navigate and understand their obligations |
| 6 | Criteria for listing  The JSE proposes to remove the text with the strike through:  The JSE proposes to remove the following text:  Paragraph 13.3(b) (short term rentals)  *“…and before any distributions to securities holders.”*  *“…and also take into consideration any pro forma adjustments arising from the listing…”*  Paragraph 13.3: Discussions with the JSE  *“Given the potential complexity of property listings, depending on the nature and structure of the applicant issuer, the requirements set out above may be modified or additional requirements may apply.”*  Other than the above, the criteria of listing has been simplified. | Wording is unnecessary, distributions to shareholders do not feature in pretax profit.  A forecast is still prepared for a short-term rental business and will already capture any listing adjustments. The objective of 13.3(b) is to obtain comfort that the assets produce stable rentals, despite the short-term nature of the leases.  This wording creates uncertainty and should be removed. |
| 7 | Special property forecast reporting accountants report  Paragraph 13.3(a) and 13.15  The JSE is proposing to remove the obligation for the reporting accountants report to issue a special property forecast report. Instead, they will apply the international auditing standards that apply to all forecasts and will use that standards and their professional judgement in determining the extend of assurance work to be undertaken.  (Key Amendment Item 2) | The special property forecast report was introduced by the JSE during 2005 when Section 13 was overhaled. This was before we introduced the auditor accreditation model (2009). As detailed in our explanatory memo of 2023, given the significant improvements in the auditor environment intern alias, the auditor accreditation model has been removed. Therefore, there is no need to direct the auditors’ assurance work. The international auditing standards are robust enough to guide the reporting accountant and coverage of 70% of the leases does not necessarily add value or strengthen their opinion. They will exercise their professional judgement through the application of the auditing standards and still provide the same level of assurance on the forecast. |
| 8 | Instances when a forecast is required  Paragraph 13.4(a)(i), (b)(i), and 13.12  The JSE proposes to remove the obligation to produce a forecast of comprehensive income if historical financial information is available. Therefore, a forecast will no longer be mandatory for a new listing/reverse takeover and for a category 1 acquisition, but can be provided on a voluntary basis.  (Key Amendment Item 2) | It is an onerous requirement to burden property entities with the obligation to produce a forecast when there is full historical financial information available. Shareholders are familiar with historical financial information, and it is acceptable to use historical financial information as basis for making investment and voting decisions for other entities. Property entities should therefore not be treated different.  The directors of the issuer can still choose to voluntarily produce a forecast if they believe it is necessary/ adds value to their investment proposition. |
| 9 | New listing - Historical and proforma financial information  Paragraph 13.4(a)  The JSE proposes removing the following:  *“other than the requirements regarding historical and pro forma financial information, which requirements are replaced with those set out below..”*  Paragraph 13.4(a)(iii)  The JSE proposes removing the following:  *“in respect of the property entity to be listed, the audited historical financial information prepared in accordance with paragraphs 8.2(a) and 8.3, but to the extent that there are no historical operations only a statement of financial position, accounting policies and notes thereto are required, for the most recent financial period ended. This historical financial information must comply with paragraphs 8.4 to 8.8 and paragraphs 8.11 to 8.13. The statement of financial position must also be prepared in accordance with paragraph 8*.3”  Paragraph 13.4(a)(iv)  The JSE proposes removing the following:  “*in the case of the applicant issue, qualifying for a listing in terms of paragraph 4.28(c), paragraph 13.4(c)(iii) will not apply and instead the information in terms of paragraphs 8.2 to 8.13 is required*”  Paragraph 13.4(b)  The JSE proposes removing the following:  *“in the case of revised listing particulars for a reverse takeover:*  *(i) a forecast statement of comprehensive income prepared in accordance with paragraphs 13.12 to 13.15; and*  *(ii) an aggregated pro forma statement of financial position, prepared in accordance with paragraph 13.16, showing the effects of any acquisition(s) and/or capital raising;”*  Paragraph 13.4(c)  The JSE proposes removing the following:  *“in the case of revised listing particulars for an existing issuer an aggregated pro forma statement of financial position, prepared in accordance with paragraph 13.16, showing the effects of any acquisition(s) and/or capital raising”* | Historical and pro forma financial information has always been required. The manner of presentation is merely adapted. Requirements have been reworded to achieve the same objective in a simpler manner.  The historical financial information must comply with Section 8. The current wording around historical financial information is unnecessarily complex. It is obvious and easy to explain in the basis of preparation that if the new applicant is a ‘shelf’ company that there will be no income statement.  The provision has been rewritten to only deal with a new listing where the issuer uses a forecast to qualify for a listing. Where an issuer qualifies on historical financial information, it then applies the Section 8 disclosure obligations. In such an instance there is also no need for any further special requirements, as such the provisions imposing the additional sign off in terms of 13.16(e) has been removed.  The same rules for a new listing apply for a reverse takeover. This will be addressed more wholistically in the body of the Requirements.  If the revised listing particulars arise from a category 1 transaction the application of 13.16 (pro forma statement of financial position) is pulled through under the Section 9 (Transactions) requirements (if necessary). In any other instance there would be no need for the additional pro forma information in terms of 13.16 and the normal pro forma provisions are adequate. |
| 10 | Transactions - Financial information  Paragraph 13.7  The JSE proposes removing the following:  *“A Category 1 acquisition circular must include:*  *(a) a forecast statement of comprehensive income on the subject matter of the acquisition, prepared in accordance with paragraphs 13.12 to 13.15; and*  *(b) a pro forma statement of financial position of the issuer, prepared in accordance with paragraph 13.16, showing the effects of the acquisition.”*  and replacing it as follows  “*An issuer can elect to present :*  *(a) historical and pro forma financial information in terms of [section 8]; or*  *(b) a forecast in terms of [13.12-13.13]; and for*  *(i) an acquisition, a pro forma statement of financial position in terms of [13.14]; or*  *(ii) a disposal, pro forma financial information in terms of [section 8]. “*  (Key Amendment Item 1) | Paragraph 13.7 detailed how to deal with the statement of financial position for an acquisition given that a forecast was mandatory. This wording is preserved to deal with voluntary forecasts  Flexibility has also been provided to allow an issuer to produce a forecast rather than historical income statement for a disposal. |
| 11 | Paragraph 13.8(a)  The JSE proposing to remove the need to repeated disclosures of relationship information for every circular and to only focus on new relationships/benefits arising from current relationships. | The is in line with the approach to the general approach to disclosures for transactions to only focus on the changes |
| 12 | Transaction announcements  Paragraph 13.11  The JSE is proposing increasing the threshold for a category 2 transaction involving property for a property entity from 5% to 10%.  Introduction of new paragraph 13.5:  *“ The percentage ratio in to trigger a category 2 transaction for a property transaction in [9.5(a)] is 10%”.*  (Key Amendment Item 8) | Whilst property entities will periodically dispose of/ acquire properties (in terms of managing their capital base) such transactions do not fit within the ambits of the JSEs ‘ordinary course of business’ test, which focusses on revenue/cost streams. Announcements of such smaller (arms- length) transactions are however not necessity price sensitive. (For example, if they involve an acquisition of a property in a sector/ geographical region that the issuer is already active in or the execution of a disposal discussed in a results announcement.)  The proposal to increase the category 2 threshold to 10% will provide relief to property entities where the transaction is not price sensitive information. Property entities must still consider the applicability of the general price sensitive information rules to such smaller transactions. |
| 13 | Pro forma statement of financial position  Paragraph 13.16 (a)  The JSE proposes removing the following obligation:  *…and the figures must then be adjusted to their fair values in terms of IFRS”*  The JSE proposes removing the following obligation:  *…* (*which must be audited if the subject matter is a …. or business)*  The obligation that remains is therefore as follows:  *…(which must be audited, if the subject matter is a company);*  Therefore, it is only in the instance of the acquisition of a company that the adjustment column must be extracted from an audited source.  (Key Amendment Item 3)  Paragraph 13.16 (b)  The JSE proposes removing the following:  *“properties acquired from the same vendor may be aggregated”*  Paragraph 13.16 (d)(ii)  The JSE proposes to remove paragraph 13.16(d)(ii) and clarifying that the IFRS 13 disclosures are only required if the fair value method is applied. | In terms of Section 8 pro forma financial information must be prepared in terms of the issuer’s accounting policies, which may include carrying the properties at cost or fair value. It is inappropriate for the JSE to request an issuer to fair value their properties in the pro forma financial information if this is not their accounting policy.  This exemption removes the onerous obliged to create a full set of carve out financial statements to then be audited when that information is not required for inclusion in the listing particulars/ circular. The 13.16(e) report provides assurance on the assets and liabilities involving a business acquisition.  The distinction of the acquisition of a business vs assets/liabilities does not warrant obtaining an audit opinion in one instances and not the other. The removal of an audit for a company acquisition remains as firstly companies produce financial statements in any event and secondly the legal nature of a company vs specified assets/ liabilities obligation necessitates the preservation of the assurance provided by an audit.  The normal pro forma information provisions of Section 8 apply.  In line with the above, fair valuing the properties and including the related IFRS 13 disclosures are only applicable if fair value is the issuers accounting policy. |
| 14 | Property portfolio information  Paragraph 13.18 and 13.37  The JSE proposes replacing the introductory sentence in 13.18 from  *“A property entity’s pre-listing statement/prospectus/listing particulars/ transaction circular must include the following additional information on the property portfolio as a whole”*  To this:  *“The following property portfolio information for each of the financial periods (historic and forecast) presented”*  Paragraph 13.18 (b)  The JSE proposing removing the following:  *“This sector profile should at a minimum distinguish between the following sectors: industrial, office, retail, residential, hotels and specialised sectors such as healthcare facilities, timber properties and auto dealerships”*  Replacing it with the following:  “*sectoral profile, reflecting the different characteristics of the properties*”  (Technical Amendment (b))  Paragraph 13.18 (c)  The JSE is proposing removing the hard coded details how the tenant profile must be presented. Instead, a more principle-based approach will be applied whereby the tenant profile is grouped into appropriate risk categories, together with the definition of and reason for the categories. The requirement to specify how many tenants feature in a profile is also removed.  Replacing it with the following:  “*tenant profile, grouped into appropriate risk categories, together with the definition of and reason for the categories*”  An additional disclosure on the grading of the building has also been added.  (Technical Amendment (c)) | The reference to the financial period provides clarity that there must be linkage between these disclosures and the information in the financial statements for items such as revenue and property yields.  The sector profile need not be specified, as they are non-exhaustive. This list needs to be constantly amended as the types of property sectors changes For example, there will be a number of different infrastructures sectors that would need to be added as these entities list. Instead, a more principle-based approach is applied whereby the issuer must ensure that the sectoral profile reflects the different characteristics of the properties.  The “A, B, C” grading approach to tenants is not necessarily appropriate for all property entities. Details of the number of tenants is also not necessarily meaningful. The objective of these disclosures is better achieved by requiring the issuer to group tenants into appropriate risk categories and explain why they have applied these risk categories.  The type of building will also determine the types of tenants and rental they can attract, so this disclosure obligation has been added |
| 15 | Relationship information  Paragraph 13.17 and 13.40  The JSE is proposing grouping the specific requirements and disclosures regarding asset managers and property managers in one section.  The wording has been largely simplified and any overlap with the aspects set out in the general listings requirement has been removed. | The proposed amendments make the requirements more user friendly and easier to apply. |
| 16 | Valuation reports  Paragraph 13.2(b), 13.5(d) and 13.20  The JSE proposes removing the obligation to produce a valuation report for the purposes of a listing/transaction if the property is not significant (measured as 3% of asset value/ revenue) or generates rental revenues in terms of arms-length lease agreements and has less than 10% vacancy levels.  (Key Amendment Item 4)  If a valuation is provided (even on a voluntary basis) that information must be provided to investors  (Key Amendment Item 4)  New listing entry criteria  A new requirement 13.4(a) is being proposed for new applicants to demonstrate to the JSE that they are in possession of the necessary legal title or ownership rights to the properties.  (Key Amendment Item 6)  Paragraph 13.20(d)  The JSE proposes to removing the following obligations  *“A valuation report… must be obtained by…*  *an issuer, on the subject of any related party transaction involving property, which transaction requires a circular to be prepared in terms of Section 10”*  (Key Amendment Item 6)  Paragraph 13.38  The JSE proposes to remove the following obligation  *“Even if a property entity has not adopted the fair value model for its property in terms of IFRS, it must obtain a valuation from a registered valuer (in terms of this Section 13) for its property portfolio. “*  Paragraph 13.39  The JSE proposes to remove the obligation to obtain an valuation report from a registered valuer for the purposes of the financial statements either annually or on a 3 year rolling basis.  (Key Amendment Item 7)  Paragraphs 13.22, 13.23(a) and 13.19(f) (summary valuation report)  The JSE proposes to expand the property specific disclosure requirements of 13.19 to incorporate the disclosures that were previously set out in the summary valuation report.  (Key Amendment Item 6)  Paragraphs 13.23 (d) to (h); 13.24 to 13.26; 13.28 to 13.29 and 13.31- summary valuation reports  Even for instances where a valuation has been performed the JSE proposes to remove the obligation to produce a summary valuation report.  (Key Amendment Item 5)  Paragraph 13.19 (f)(ii)  The JSE proposes including the following wording in 13.19(e)(ii):  *“(iii) a statement as to whether or not the valuer is independent per [13.24] and if not clearly disclosing their relationship to the issuer and whether or not they are a registered valuer, and if so with whom; “*  And including the following additional information wording:  *(iv) the valuation framework/s they applied; and*  *(v) the disclosure requirement of IFRS 13 for the valuation*  Paragraph 13.23(c): Date of valuation and valuation report  The JSE proposes to extend the time period between the effective date of the valuation and the submission of the PLS/circular from 6 to 9 months.  Paragraphs 13.27 and 13.29: Valuation methodology  The JSE proposes removing aspects of the requirement which direct a valuer as to valuation methodologies that they must apply. | Properties held to produce rental income are no different to other businesses that use their assets to create income and produce financial information which reflects those activities. Shareholders are familiar with, and it is acceptable to use financial information for making investment and voting decisions - property entities do not need to be treated any differently.  Furthermore, if the property is carried at fair value, advances in International Financial Reporting Standards (IFRS) are such that reporting around fair values has improved in terms of rigour and disclosures. IFRS 13 *Fair Value Measurement* became effective in 2013. This ensures that the measurement and disclosures are for the fair values of properties are of a high standard. The Requirements mandate that the IFRS 13 disclosures be included in the pro forma balance sheet.  An independent valuation for a properties that do not produce ‘independent’ rental income streams (e.g. vacant land for development or an own use building) adds value, produces useful information. Given the specialist nature of such an exercise it is in all likelihood something directors would seek to obtain in any event.  Issuers may decide that a valuation on properties is necessary/ useful (either through an internal process of through engaging an external service provider). In this case the information must be made available to investors in transparent manner.  The independent valuer would historically have inspected the title deeds. With the removal of a valuation report in most instances it is necessary to introduce this requirement, placing an obligation on the issuer to demonstrate to this fact to JSE. This wording/ approach also now aligns property entities with another specialist sector-mining entities.  It is an unnecessary burden to also require a valuation report when the subject matter of a related party transaction is property. A fairness opinion can adequately provide the necessary regulatory safeguards for a transaction involving property.  IFRS allows an accounting policy choice as to whether to carry property at fair value or cost. Directors would make this decision ensuring that the financial statements are appropriate for their business activities. Paragraph 13.38 adds no regulatory benefit.  Given the above-mentioned advances in IFRS there is no regulatory necessity for the JSE to intervene in this manner. Through its proactive monitoring process, the JSE monitors compliance with IFRS and the application of IFRS 13. Furthermore, the JSE has found that this requirement can cause confusion as to the responsibility (i) for and (ii) timing of valuations. It is the directors’ responsibility to ensure the accuracy of the values and for compliance with IFRS.  Even though there is no longer an obligation to obtain a valuation, it is believed that investors found the additional disclosure reports set out in the summary valuation report to be rather useful. These disclosure obligations have therefore been largely maintained. Only the disclosure requirements around leases (13.23(a)(ix) and (xi)) have been removed for practical reasons. The reference to 13.19 in paragraph 13.37 has been amended to ensure that the additional disclosure obligations have not been pulled through to the annual report disclosures (i.e. to preserve the status quo for annual reporting purposes).  Drafting a summary of a valuation in line with the specific disclosure obligations of the JSE creates an unnecessary administrative burden and creates time delays for issuers to effect transactions. Advances in technology as it relates to the access to information means that investors can easily access the detailed valuation reports and extract the information that is relevant to them  This amendment provides greater transparency for valuations undertaken by non-independent valuers.  This amendment provides for useful insights into valuations undertaken, be they, on either a mandatory or voluntary basis.  Section 8 requires that financial information included in a PLS/circular is not more than 9 months old. This timing period is well established and accepted by the market, so the effective date for the valuation report has been aligned with a 9 month period.  When a valuation report is required under the Requirement the valuer must be registered. In order to be registered, a valuer must have certain qualifications and expertise. It is unnecessary for the JSE to direct them as to how to perform their valuation functions. |
| 17 | Acceptability of the independent registered valuer  Paragraphs 13.41 to 13.45 and Form C1 and C2 (Independent Registered Valuer)  The JSE proposes removing the administrative/ form process applied to confirming the independence of appointed independent valuers. Prescribed independence indicators, similar to those applied to sponsors , whilst preserving the 20% fee income level) and been incorporated into the requirements and a statement must be made by the board on the independence if the valuer which must be included in the PLS/ category 1 circular.  (Key Amendment Item 9) | The directors have always signed-off on the independence of the valuers. Clear detailed criteria in the Requirements (aligned with those applicable to sponsors) and a public statement to this effect in the PLS/ circular is a more effective manner of regulating this aspect. Nothing prevents the JSE from requesting more detailed supporting information during its review process should a concern be identified. |
| 18 | Contents of PLS and circulars  Paragraph 13.4(d)  The JSE proposes to remove the following:  *“the historical and/or forecast financial information is the responsibility of the directors or the CISIP manager of the new applicant/issuer, and this fact is to be stated in the document* “  Paragraph 13.13  *“The forecast financial information is the responsibility of the directors or the CISIP manager of the new applicant/issuer, and this fact is to be stated in the circular.”* | A statement of responsibility for financial information is already covered under in section 8. |
| 19 | CISIP  Paragraphs 13.32 and 13.34 together with various CISIP related definitions  The JSE proposes amending rewording the provisions dealing with CISIPs. | The proposed changes provide clarity as to the application of the Requirements to CISIPs and make the requirements easier to understand and apply |
| 20 | Financial statements  Paragraph 13.36(d)  This paragraph has been removed.  Paragraph 13.37  The JSE proposes removing the following:  “*The issuer’s auditor shall modify the audit report as considered appropriate in cases of non-compliance with the disclosure requirements of this paragraph.*  The following sentence is added in the paragraph 13.37(a) (now renumbered to 13.31(a) in relation to annual financial statements and property portfolio information:  *“comparative information can be omitted if it was previously presented and is unaffected by any restatements”* | The forecast will be compared to the actual forecast at the interim period, not a proforma  The removal of the JSE accreditation model makes this provision unenforceable.  The amendments address where comparative information would have been provided already and therefore need not be duplicated. |
| 21 | REITs  Paragraph 13.46 to 13.54  The JSE proposes rewording the above provisions which deal with REITs to simplify the requirements. Whilst there are numerous styling and reference changes, other than as detailed below the provisions remain the same.  Paragraph 13.46(g), 13.49 (c) and related definitions (dealing with the gearing obligations)  The JSE proposes simplifying the gearing test for REITs by removing adjustments permitted by the “adjusted GAV” definition, capital repayments, and nominal value of new debt and linkage to the latest published results.  Instead, the obligations is proposed as follows :  *“ensure that any acquisitions or new borrowings (excluding amounts that replace existing liabilities) will not cause the gearing ratio to exceed 60%”*  With the new definition of gearing ratio:  *“gearing ratio” is total consolidated liabilities divided by total consolidated assets”*  (Key Amendment Item 11)  Paragraph 13.47(a): Distribution  The JSE proposes adding the words “in cash” to the distribution obligation:  *the company must distribute at least 75% in cash*  Paragraph 13.47(b): Distribution  The JSE proposes removing the reference to interim dividends.  Paragraph 13.46: Risk  The JSE proposes amending the risk management policy obligation wording from the below:  “*the applicant issuer must ensure that the audit committee or a separate risk committee of the board is,”*  to merely refer to the obligation belonging to the directors.  Paragraph 13.46(h): Risk  The JSE proposes removing the following disclosure obligation:  *“reporting in the annual report each year that they have monitored compliance with the policy and that the applicant issuer has, in all material respects, complied with the policy during the year concerned”*  and replacing it with the following  *“details of a REITs risk management policy per [13.34]”*  Paragraph 13.49(d): Compliance declaration  The JSE proposes removing reference to four months in respect of the following:  *“the directors of the REIT must submit a compliance declaration to the JSE within four months of the issuer’s financial year end”*  The new wording is as follows:  *“The issuer must submit a declaration with its annual report”*  The JSE proposes removing the reference in 13.49(d)(iii) to sign off by the sponsor/ designated advisor  Paragraph 13.50: Compliance declaration  The JSE proposes removing paragraph 13.50 in its entirely other than the following which has been reworded but preserved as follows:  *“the issuer’s REIT status will be removed by the JSE if it fails to submit the compliance declaration”*  Paragraph 13.53(c) read with 13.48(b) and (c)  The JSE proposes providing clarity and certainty as to the timing for reapplication of REIT status where this has been lost. The provision is as follow:  *Reapplication for REIT status can only be made after:*  *(a) 18 months from the date of removal if [13.54] applied; or*  *(b) 30 months from the date of removal if [13.55] applied.*  Where the removal in (a) is company initiated and (b) a JSE initiated .  (Key Amendment Item 12) | When the 60% level and the details of the required adjustments were drafted in 2013 the intention was to provide some flexibility to an issuer to cure temporary problems with its capital structure. Restrictions on excessive gearing are important to ensure a REIT is able to pay distributions. The wording creates practical challenges for both issuers and the JSE in application and does not necessarily achieve its objectives. The revised wording cures these problems and better addresses the objective of the obligation.  The investment proposition of a REIT is that it provides investors with a regular source of income. Whilst REITs may offer shareholders the ability to receive a script distribution, this should not be the default. The insertion of the word “cash” reenforces this principle.  The paragraph merely confirmed that interim dividends were not mandatory-the wording serves no regulatory purpose.  The previous wording was unnecessarily complex. Risk assessment is a responsibility for the board as a whole. Their ability to task a board subcommittee to address the detail remains.  The obligation to confirm compliance with the policy (in its annual declarations) to the JSE remains. What is more meaningful to investors is to provide details of the policy. This transparency will better achieve the objective that the policies should be in line with industry practice and in the normal course of business.  The intention of this requirement was that the compliance declaration must be submitted with the annual report. (Paragraph 13.49(d)(iv) stated this as well) The proposed change sets this out clearly.  The responsibility for compliance lies with the company  Paragraph 13.50(a) and (b) mirrored the JSEs steps that were followed for late submission of results. These steps are merely administrative in nature and were removed from section 3 in 2023.  The previous requirements spoke of a 24 month waiting period for a REIT to reapply for REIT status. The rules did not however deal wholistically with all the circumstances of REIT removal. The changes therefore firstly clarity and secondly provide an incentive to a good leaver (i.e. company initiated) as the waiting period to reply is less. |
| 22 | CISIP and REITs status  Paragraph 13.55 to 13.58  The JSE proposes rewording the above sections for ease of reading. No changes have been made to the principles. | The proposed amendments make the requirements easy to understand and apply |
| 23 | Foreign issuers and REIT status  Paragraph 13.59  The JSE proposes removing the following:  *“Any applicant issuer wanting to apply to receive a REIT status must, despite the provisions of Section 18, make application for a primary listing on the JSE”*  And replacing it with  *13.31 (b) have a primary listing on the JSE;* | The amendment simplifies the wording and moves the requirement to one central section, 13.31, which deals with the criteria needed to be granted REIT status. |
| 24 | Transitional requirements for REITs  Paragraphs 13.60 -to 13.61  The JSE proposes removing the transitional requirements relating to property entities listed before 2012 seeking REIT status | These requirements are no longer relevant |
| 25 | Guidance letter October 2012  The JSE proposes removing the guidance letter on fairness opinions for property and to expand the paragraph in the requirements to deal with the principles.  *“A valuation report can be used for the purposes of a small related party transaction instead of a fairness opinion provided the subject of the transaction is property and the consideration is cash. “*  This aspect has also been moved to Section 10. | Aspects have been incorporated into the requirements.  The repositioning of the rule into Section 10 is necessary given that it applies to all issuers and not just property entities |

***Drafting notes:***

* ***Remove form C1 and C2 from Schedule 2***
* ***Remove Guidance Letter: Fairness opinion: related party transactions in respect of property and mineral assets (25 October 2012)***
* ***Make insertions in Section 7, 9 and 10 dealing with the removal of non-property entity requirements from Section 13***

**Annexure A**

**Definitions to be removed:**

(a) “adjusted GAV” means GAV adjusted for the following events occurring after the reporting period of the latest published results:

(i) the addition of any increase in value of any existing properties, but only where any increase in value is supported by a valuation report prepared in terms of paragraph 13.20;

(ii) the addition of the nominal value of any new debt to the extent that the intended utilisation of that new debt is such that it results in an increase in GAV;

(iii) the addition of any amount of any capital raised through the issue of new securities to the extent that the intended utilisation of the capital raised is such that it results in an increase in GAV;

(iv) the deduction of any capital repayments that have been made on the liabilities; and

(v) the deduction of any amount of any capital returned to security holders through a repurchase of securities in terms of paragraphs 5.67 to 5.80 or through a payment to security holders in terms of paragraph 5.85;

(d) “CISCA” is the Collective Investment Schemes Control Act, No. 45 of 2002;

(f) “CISIP investor” is the holder of a participatory interest in a CISIP;

(g) “CISIP manager” is the person authorised in terms of the CISCA to administer the CISIP;

(h) “external property” is a property situated outside of the Republic of South Africa;

(j) “GAV” is the consolidated gross asset value as reflected in the applicant issuer’s latest published results which are prepared in terms of IFRS;

(l) “independent registered valuer” is an independent registered valuer, whose independence is to be justified in accordance with the disclosure to the JSE in terms of Schedule 2 Form C1;

(m) “market value” is the amount, as determined by the external valuer, that a property would realise if sold on the date of valuation in the open market by a willing seller to a willing buyer;

(n) “material expenditure item” is a category of expenditure included in the statement of comprehensive income that accounts for 10% or more of the total expenditure;

(o) “new borrowings” means

(i) the amount borrowed measured as the nominal value of the amount borrowed from a lender in respect of the new borrowing;

(ii) less, if applicable, the original nominal value of the borrowings which are being repaid or replaced by this new debt;

(iii) plus, any capital repayments that have been made on those original borrowings;

(p) “nominal value of the new debt” means the nominal value of new borrowings including derivative liabilities entered into;[[5]](#footnote-5)

(r) “promoter” means any person who is:

(i) involved in the facilitation and/or formation of a property portfolio to be listed or acquired by an existing issuer and who earns a fee therefrom, in cash or otherwise, other than a person acting in an advisory capacity; or

(ii) a material shareholder in the property entity prior to the listing date; or

(iii) about to, or has already, acquired securities in the property entity to be listed, at a discount of 10% or more to the price at which the property entity has issued securities to any other party; or

(iv) deemed to be a promoter by the JSE;

(u) “property manager” is the party responsible for the administration of individual properties, which duties include, inter alia, ensuring the properties are well maintained, collecting of rentals and filling of vacancies;

(v) “property yield” is the operational net income divided by the purchase/disposal price of the property, for the 12 months commencing on the acquisition/listing date or prior to the disposal;

(w) “registered valuer” is a property valuer, registered as a professional valuer or a professional associated valuer in terms of the Property Valuers Profession Act, No. 47 of 2000 and who practices as such;

(x) “REIT” means Real Estate Investment Trust and is defined as an applicant issuer which receives a REIT status in terms of the Listings Requirements;

(aa) “revenue” is the revenue (determined in accordance with IFRS) disclosed in the forecast or historical statement of comprehensive income, depending on which statement of comprehensive income the property entity is obliged to present in terms of this Section 13; and

(ab) “substantial property asset” means property assets held (whether by way of leasehold or freehold title) of an applicant issuer that is not a property entity which asset/s represent, or will (post acquisition) represent, 25% or more of the total assets or generate 25% or more of the revenue or profits of that group as measured against the latest consolidated financial information of the applicant issuer.

**Annexure B**

**Confirmation of application of the Listings Requirements to property entities:**

The following wording has been removed:

Paragraph 13.2(a)

1. *A listed property entity, or a property entity seeking a listing, must comply with the requirements contained in this section, in addition to all other applicable Listings Requirements.*

Paragraph 13.3

*“A property entity seeking a listing, must comply with all applicable Listings Requirements in order to qualify for a listing…”*

Paragraph 13.4

*“A property entity’s pre-listing statement/prospectus/listing particulars must include the information required by Section 6…”*

Paragraph 13.6

*“A property entity’s circular issued as a result of a Category 1 transaction must include all of the information required by Section 9…”*

Paragraph 13.9

*“A property entity’s circular issued as a result of a related party transaction must include all of the information required by Section 10…”*

Paragraph 13.11

*“In addition to complying with the requirements set out in Sections 9 and 10…”*

1. [↑](#footnote-ref-1)
2. [↑](#footnote-ref-2)
3. [↑](#footnote-ref-3)
4. [↑](#footnote-ref-4)
5. [↑](#footnote-ref-5)