

PROPOSED AMENDMENTS TO THE JSE DERIVATIVES RULES

General explanatory notes:

1. Words underlined with a solid line (___) indicate the insertions in the existing rules and directives
2. Words in bold and in square brackets ([]) indicate deletions from the existing rules

Section 2: Interpretation and definitions

"additional margin"

means the margin paid, or securities pledged to the JSE in accordance with section 39 of the Act, as collateral by clearing members to the Default Fund for the due performance of clearing members' obligations as set out in the rules or the margin paid to a clearing member over and above that required by the clearing house or to a trading member over and above that required by the clearing member concerned;

"initial margin"

means the amount of money paid, or securities pledged to the JSE in accordance with section 39 of the Act, determined by the clearing house on the basis specified by the JSE and held in respect of the aggregate position of a member or a client;

Section 8: Positions

8.60 Margin payments

8.60.1 Initial margin

Initial margin shall be paid to or by a member or client whenever the risk of loss, as determined by the JSE, changes with respect to the aggregate position of such member or client. Initial margin shall be paid in cash and/or may be posted by pledging securities to the JSE in accordance with section 39 of the Act, subject to the policies and procedures of the JSE.

Section 12: Defaults

12.40 Consequences of a default by a clearing member

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12.50 Securities pledged to the JSE

12.50.1 Securities pledged by trading members and clients to the JSE in accordance with rule 8.60.1 are pledged in accordance with these rules, the applicable agreements and the JSE's policies and procedures and on the basis that *parate executie* is expressly permitted. The securities pledged by defaulting trading members and clients shall be sold by the JSE within three business days from the date of default, without the intervention of the courts. The JSE shall sell the pledged securities at a market related price at the time of such sale.

12.50.2 Securities pledged by a clearing member to the JSE as payment of additional margin to the Default Fund are pledged in accordance with these rules, the clearing house agreement and the JSE's policies and procedures and on the basis that *parate executie* is expressly permitted. The securities pledged by defaulting clearing members shall be sold by the JSE within three business days from the date of default,

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without the intervention of the courts. The JSE shall sell the pledged securities at a market related price at the time of such sale.

12.[5]60 JSE liquidity facility

12.[5]60.1 Without limiting or detracting from the other remedies and rights which a member or client or the clearing house or the JSE may have against a clearing member, the JSE may, in order to ensure the efficient functioning of the JSE's markets by effecting prompt payment to market counterparties, decide to apply the JSE liquidity facility provided for in this section and settle the obligations in terms of a trade or a position of:

12.[5]60.1.1 clients and trading members whose payments are processed by a clearing member; and/or

12.[5]60.1.2 a clearing member who has acquired positions as a result of the default provisions provided for in these Derivative rules vis-à-vis another market participant on the relevant clearing member's behalf in circumstances where such clients, trading members or clearing members have been unable to satisfy their obligations in terms of a trade or a position as provided for in these Derivative rules[.],and/or

12.60.1.3 defaulting clients, trading members and/or clearing members that have pledged securities to the JSE in accordance with the Derivatives Rules, the JSE has sold the pledged securities pursuant to a default and the JSE is awaiting the proceeds of the sale of such pledged securities.

12.[5]60.2 The JSE will, for the avoidance of doubt, be able to apply the JSE liquidity facility referred to in 12.50.1 if:

12.[5]60.2.1 a clearing member is unable to fulfil its obligations in terms of a trade or a position as a result of technical issues which preclude the clearing member from processing payments; and/or

12.[5]60.2.2 a clearing member is in default and the JSE has initiated the default procedures provided for in these Derivative Rules[.], and/or

12.60.2.3 a client, trading member and/or clearing member is in default, the JSE has sold the pledged securities pursuant to a default and the JSE is awaiting the proceeds of the sale of securities pledged to the JSE in terms of the Derivatives Rules.

12.[5]60.3 In order to place the JSE in a financial position to exercise the discretion to apply the JSE liquidity facility contemplated in 12.[5]60.1 in circumstances where, following a default, a clearing member is unable to satisfy its obligations in terms of a trade or a position towards its market counterparty, the amount that the JSE will pay on behalf of the clearing member to a market counterparty will be limited to:

12.[5]60.3.1 the amount that the clearing member has paid to the JSE as margin for its obligations as set out in these Derivatives Rules; and / or

12.[5]60.3.2 the amount of the initial margin paid by the market participants for which the clearing member clears.

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- 12.60.4 In order to place the JSE in a financial position to exercise the discretion to apply the JSE liquidity facility contemplated in 12.60.1 in circumstances where, following a default, a client, trading member or clearing member's securities pledged have been sold and the JSE is awaiting the proceeds of such sale, the amount that the JSE will pay on behalf of the defaulting market participant will be limited to the price at which the securities were sold, less any costs and fees incurred as a result of such sale.
- 12.~~5~~60.~~4~~5The JSE will have the power and authority to set off any amount that it pays on behalf of a clearing member or on behalf of any other market participant to a counterparty in terms of the JSE liquidity facility against that clearing member's margin or another market participants' initial margin and/or any amount received pursuant to the sale of any securities pledged to the JSE.
- 12.~~5~~60.~~5~~6For purposes of these Derivative Rules, the amount that the JSE may decide to pay on behalf of a clearing member, trading member or client in settlement of such clearing member~~'s~~ , trading member or client's obligations in terms of a trade or position in terms of the JSE liquidity facility provided for in these Derivative Rules and JSE Clear [the clearing house] and/or the JSE's obligation to return initial margin and/or any amount received pursuant to the sale of any securities pledged to the JSE to the clearing member, trading member and/or client constitute debts that are capable of being set off against one another.