

APPROVED AMENDMENTS TO THE JSE EQUITIES DIRECTIVES

General explanatory notes:

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

Proposed amendments to the JSE Equities Directives

BI Client Accounts, Suspense Accounts and Misdeal Accounts

1. **Client accounts**

- 1.1 A separate account shall be maintained for each client. The use of sundry accounts is not permissible except –
 - 1.1.1 by prior arrangement with the Director: Market Regulation in respect of new issues or similar instances; or
 - 1.1.2 to maintain the balances in securities held on behalf of clients where the securities have been delisted or where the listing of the securities has been suspended.
- 1.2 All sundry accounts utilised in terms of BI 1.1 shall be supported by appropriate records identifying the clients on whose behalf transactions on the accounts have been executed or on whose behalf securities in the accounts are held.

2. **Suspense accounts**

- 2.1 For the purpose of this directive, a suspense account and an allocation account shall be synonymous.
- 2.2 All purchases and sales executed with or on behalf of clients shall be allocated to clients by the close of business on the date of the transaction. The allocation of a transaction to a suspense account dedicated to a particular client shall be deemed to be an allocation to a client.
- 2.3 Transactions shall not be allocated from suspense accounts to accounts of interested parties, unless the member can demonstrate that no client is prejudiced as a result thereof.
- 2.4 Adequate controls to prevent the prejudice of clients when utilising suspense accounts shall include, but not be limited to, the following –
 - 2.4.1 the use of separate suspense accounts for interested party trades, such as employee suspense, principal suspense and stock suspense;
 - 2.4.2 the use of separate suspense accounts dedicated to specified clients;
 - 2.4.3 the use of separate suspense accounts where the trading instruction and allocation instruction vests with one person, such as a portfolio manager; **[and]**
 - 2.4.4 an adequate segregation of duties over accounts managed with full discretion on behalf of employees to ensure that the employee has no influence over either the trading instruction or the allocation instruction[.]; and
 - 2.4.5 the control and monitoring of trades allocated from a client suspense account to a stock account in circumstances where, subsequent to the trades on the client suspense account being executed on the client's instruction, the member either –
 - 2.4.5.1 transacts with the client in a listed or unlisted derivative instrument, hedged by the allocated trades; or

2.4.5.2 reports a delta trade to the JSE trading system to facilitate another member transacting with the client in a listed or unlisted derivative instrument, which is effectively hedged by the allocated trades through the delta trade.

to ensure that the client is not prejudiced as a result of the allocation of trades on the client suspense account to a stock account.

- 2.5 For the purposes of this directive, an interested party trade is a trade in which the member or employee of the member has a direct or indirect beneficial interest.
- 2.6 Reserved.
- 2.7 At no time shall a member realise a profit or loss in a suspense account.
- 2.8 Separate contract notes shall be issued for each day's transactions in a particular security for a particular client. This applies whether or not such deals have been booked through a suspense account. Contract notes and the member's accounting records shall reflect the actual date on which the deal was originally effected.

3. **Misdeals**

- 3.1 A separate misdeals account or accounts shall be maintained in which all error transactions and missed deals shall be recorded.
- 3.2 All error transactions with or on behalf of clients shall be transferred into a misdeals account. Transactions out of misdeals accounts shall only be effected through the JSE equities trading system.
- 3.3 Transactions placed into a client account resulting from a missed deal shall be booked via the on-line backdating facility in the BDA system using the deal code MD to ensure, *inter alia*, that the contract note issued to the client reflects that the member traded as principal with the client to correct the missed deal.
- 3.4 A member must ensure that –
- 3.4.1 misdeals accounts are only used for the purpose of correcting error transactions or missed deals; and
- 3.4.2 transactions recorded in misdeals accounts are appropriately controlled to avoid any potential prejudice to clients affected by such transactions.

4. **Arbitrage**

A separate arbitrage account or accounts shall be maintained through which all arbitrage deals shall be routed.

5. In order to distinguish clearly between client's positions in suspense accounts and various stock accounts of members and to identify the nature of certain accounts, the following account type codes and account identification codes shall be loaded on the various accounts:

<i>Account Description</i>	<i>Account Type Code</i>	<i>Account Identification</i>
Overseas agent – in which no member has a financial interest	A or C	FNI
Overseas agent – in which any member has a financial interest	A or C	FMI
Stock accounts of member's principals in their client's ledger	C	SBP
Client's agency allocation/suspense accounts	DA	CAS
Client's deal adjustment accounts	DA	CDA
Stock accounts – arbitrage	S or C	ARB

Stock accounts – investment	S or C	INV
Stock accounts – jobbing	S or C	JOB
<u>Stock accounts – matched principal</u>	<u>S or C</u>	<u>MPT</u>
Stock accounts – misdeals	S or C	MIS
Stock accounts – suspense	S or C	SUS

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 - 7.1.4

8. Stock accounts for matched principal trading

8.1 To facilitate effective monitoring of matched principal trading and effective trade surveillance in general by the JSE Market Regulation Division –

8.1.1 if a member reports a matched principal trade with a client to the JSE trading system, the member must **[include the words “Matched Principal” in the name of the stock account used]** use an account designated as a Matched Principal stock account in terms of Directive BI 5 for the matched principal trade; and

8.1.2 if a member trades for its own account on the central order book of the JSE equities trading system for the purpose, and with the intention, of subsequently reporting a matched principal trade with a client to the trading system of another exchange in the Republic, the member must **[include the words “Matched Principal”]** use an account designated as a Matched Principal stock account in terms of Directive BI 5 for the trades on the central order book, and include the name of the client in the name of the relevant Matched Principal stock account**[used for the trades on the central order book].**