

## JSE consults on proposals to reform its listings framework

**Johannesburg, 12 May 2022** – As part of ongoing efforts to ensure that the bourse is fair, efficient, transparent and competitive, the Johannesburg Stock Exchange (JSE) today released a further consultation paper, requesting stakeholders to comment on a raft of proposals.

*“In order to attract companies and securities to list on its exchange, the JSE must ensure that it remains relevant and competitive and has decided to review its listings framework to retain and attract more listings and capital markets activity. Through these proposals, we are collaborating with stakeholders to create a conducive capital markets environment while simultaneously protecting shareholders and investors,”* said Andre Visser, JSE’s Director for Issuer Regulation.

The JSE’s proposals support the primary function of a stock exchange, which is to enable companies to raise capital to expand their operations. This function is vital to boosting levels of investment, thereby helping to grow South Africa’s economy and to create jobs and support economic development. The JSE recognises that there are several legislative or regulatory issues outside of its control as a Listings Authority, that may reduce the incentives for companies to list or remain listed on an exchange. The JSE is actively involved in several initiatives for change around these issues. In the meantime, it will continue to play its part in stimulating the attractiveness, trustworthiness and competitiveness of South African financial markets.

Once the JSE has considered and processed input from the market on these proposals, it will engage with the Financial Sector Conduct Authority (“**FSCA**”) and to the extent that amendments to the Listings Requirements are required, engage the market through public consultation and obtain the approval from the FSCA.

In the consultation paper, the JSE is considering the following proposals:

**Market segmentation:** The JSE currently has a two-tiered equities market, namely: the Main Board and AltX. The proposal is to reposition these markets comprising, two segments at Main Board level and establishing a growth board. The latter segment is significant when considering the important role the SME sector can play in revitalising the economy and creating jobs. These new Main Board segments aim to provide an effective and appropriate level of regulation depending on the market cap and level of liquidity concerned. This proposition will afford mid/low-cap companies with much needed regulatory relief.

**Dual class shares:** Low or high voting shares are prohibited on the JSE. Considering developments in other leading international markets, the JSE is proposing the introduction of dual class shares. This proposal will be accompanied with appropriate safeguards to afford the necessary investor protection and will allow the JSE to remain competitive and to attract new listings.

**Technology Board:** Several start-up companies, that may not currently meet the JSE listing criteria, are classified as “small to medium enterprises” or companies in a growth phase with substantial capital needs.

Considering the proposal on dual class share structures above, the JSE is considering the establishment of a Technology Board, which may be a good addition to further lure tech companies to the JSE through more inclusive and adaptable listing rules to support technology and innovation enterprises.

**Free Float:** 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 is also considering whether the 20% free float threshold for a Main Board listing is still appropriate and whether a reduced level could advance the attractiveness of listings. The JSE is further reconsidering the public spread criteria as applied to institutional investors to better assist applicants meeting the free float requirement on listing. Institutional investors are key stakeholders in our market and often manage funds of retail investors, which we believe should be considered for public spread.

**Depository Receipts:** There is a window of opportunity for the JSE as a key player in the continent's most sophisticated market to gain traction in its own back yard, through depository receipts. The JSE is considering expanding its offerings by allowing African listed companies to obtain access to the JSE through depository receipts to create a far more attractive and flexible avenue to investors who wish to gain exposure to African listed securities.

**Simplification of the JSE Listings Requirements:** The complexity of the financial markets has significantly added to the volume of the Listings Requirements over the years. Although the JSE has made advancements to simplify the application of the Listings Requirements, the JSE is considering more progressive measures to simplify the Listings Requirements, using plain language to record concise regulatory principles and objectives with the aim to significantly reduce the volume of the Listings Requirements.

**Auditor Accreditation:** The auditor accreditation model was initially introduced by the JSE to ensure appropriate checks and balances with respect to the financial reporting obligations of issuers. Since then, significant changes and improvements have occurred within areas of governance, auditing standards and regulation. Accordingly, the JSE is considering removing the auditor accreditation model. One of the benefits of this proposal is that it will assist new applicants that have auditors that are regulated by the Independent Regulatory Board for Auditors ("IRBA"), but not accredited with the JSE, to save significant costs and time when seeking to list on the JSE. The JSE has engaged with IRBA and will continue to do so through the public consultation processes to proceed with amendments to the Listings Requirements.

**REIT Expansion:** Currently, only property entities are eligible to list as REITs. Some leading international markets have developed their REIT frameworks to expand beyond property and include infrastructure as a REIT asset class. The JSE is therefore considering expanding its REIT offering beyond property, to unlock more opportunities in the REIT environment and attract listings. The proposal will require engagements and approvals from National Treasury, the South African Revenue Service and the FSCA.

**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. The JSE's current SPAC offering is accessible and flexible, but the JSE is proposing further alignment with international leading markets to ensure the attractiveness and competitiveness of SPACs to issuers and investors.

**Financial Reporting Disclosures:** The financial reporting disclosure provisions are rather prescriptive and are expanded across various sections, appendices and practice notes in the Listings Requirements. The JSE is

undertaking a project to simplify the financial reporting disclosure provisions contained in the Listings Requirements.

**Actively Managed Certificates & Actively Managed Exchange Traded Funds:** The JSE is taking active steps to expand on its specialist securities offerings. These products are in advanced stages of being incorporated into the Listings Requirements, where Actively Managed Certificates is pending FSCA approval and Actively Managed Exchange Traded Funds is being prepared for the final public consultation process.

**Section 19 (Specialist Securities) - Rejuvenation Project:** The JSE is currently reviewing the appropriateness and composition of its specialist securities offering. The main focus areas for the rejuvenation project includes, (i) making the section easier to apply, in that similar products will have to apply the same framework, (ii) removing ambiguities, (iii) removing provisions that are administrative in nature, (iv) restructuring the section to make it easier to add new types of products in the future and (v) aligning the provisions with international best practice within the local regulatory framework.

**Repositioning of BEE Segment:** The JSE is undertaking a project to simplify its BEE listings requirements to ensure a more fit for purpose framework and to further expand its offering by allowing BEE operational companies to list on a stand-alone basis, where trading will only be allowed between eligible BEE participants.

**Review of Secondary Listings Framework:** In 2018, the JSE introduced an approved list of foreign exchanges to afford foreign companies more clarity on JSE eligibility when seeking a secondary listing. During November 2021, the JSE announced the expansion of its secondary listings' framework, to include companies with a primary listing on the Singapore Stock Exchange to seek a secondary listing on the JSE, additionally qualifying for the fast-track listing secondary route. The JSE is now building on this effort and undertaking a further project to expand on its list of approved and accredited exchanges. This approach will significantly enhance the JSE's attractiveness as secondary listings destination and afford more choice for investors.

Interested parties are invited to comment on the consultation paper on or before Monday, 20 June 2022. Comments can be sent via e-mail to [consultation@jse.co.za](mailto:consultation@jse.co.za).

To inform market participants and stakeholders of the outcomes of this consultation paper, the JSE will publish a response paper on or before 22 July 2022.

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**ENDS**

## **ABOUT THE JSE**

The Johannesburg Stock Exchange (JSE) has a well-established history operating as a marketplace for trading financial products. It is a pioneering, globally connected exchange group that enables inclusive economic growth through trusted, world class, socially responsible products, and services for the investor of the future.

It offers secure and efficient primary and secondary capital markets across a diverse range of securities, spanning equities, derivatives, and debt markets. It prides itself as being the market of choice for local and international investors looking to gain exposure to leading capital markets on the African continent.

The JSE is currently ranked in the Top 20 largest stock exchanges in the world by market capitalisation, and is the largest stock exchange in Africa, having been in operation for 130 years.

As a leading global exchange, the JSE co-creates, unlocks value & makes real connections happen.

[www.jse.co.za](http://www.jse.co.za)

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