

JSE EQUITIES MARKET

Explanatory Memorandum

Date:- August 2024

Subject:- Proposed rule amendment – Off book Bookbuild Trades

An off book Bookbuild Trade (trade type code “BK”) is currently defined in JSE equities rule 6.40.1 as a transaction where a member trades in a single equity security as an agent or a principal with another member in order for the second member or the second member’s clients to participate in a bookbuild.

Furthermore, the table in JSE equities rule 6.30.5 currently states that a BK trade is a two-member trade. In other words, a BK trade can only be reported to the JSE trading system when two members are involved in the trade, being a member acting as the bookbuild manager and a second member who is participating in the bookbuild, either for its own account or on behalf of one or more clients.

Bookbuilds typically involve the bookbuild manager soliciting demand for a particular equity security either through other member firms or from their own institutional clients. However, the wording of the current rules do not contemplate a circumstance where the bookbuild manager approaches its own institutional clients to participate in the bookbuild, which would culminate in one or more single-member BK trades being reported to the JSE trading system.

We are therefore proposing the amendments to JSE equities rules 6.30.5 and 6.40.1 as set out in Annexure A, in order to permit single-member bookbuild trades, thereby allowing clients of a bookbuild manager to also participate in a bookbuild trade.
