# APPROVED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY DERIVATIVES RULES

## General explanatory notes:

1.  Words underlined with a solid line (___) indicate the insertions in the existing rules

2.  Words in bold and in square brackets (**[ ]**) indicate deletions from the existing rules

## 2.10   Definitions

In these rules, unless otherwise clearly indicated by, or inconsistent with the context, the following terms shall have the meanings that are assigned to them hereunder, namely –

| | |
|---|---|
| **"central securities depository"** | has the same meaning as that contained in section 1 of the Act. For the purposes of these rules, any reference to "the central securities depository" means a central securities depository as identified by the JSE in the directives; |
| **"CSD"** | means a central securities depository; |
| **"Settlement Authority"** | means the person or persons appointed by the JSE to manage the settlement of transactions in bonds effected through the JSE trading system in terms of these rules and directives and the **[Strate]** central securities depository rules; |
| **["Strate"]** | **[means Strate Limited, a public company licensed as a central securities depository in terms of the Act;]** |
| **"[Strate] central securities depository rules"** | means the rules made, and directives issued by **[Strate]** the central securities depository, in terms of the Act; |

## 9.10   Applicability of Section 9

Section 9 shall apply to the settlement of transactions in bonds**.**

## 9.30   Settlement Authority

9.30.2   In order to perform its functions in terms of rule 9.30.1, the Settlement Authority may –

9.30.2.11   if at any stage it becomes aware of a transaction not being able to settle which may, in its sole discretion, cause systemic risk, defer the settlement of such transaction by notifying **[Strate]** the central securities depository accordingly and extending the times referred to in rules 9.70, 9.80, 9.90, 9.100, 9.130 and 9.135.

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**9.70 Settlement of bonds**

9.70.1 All transactions in bonds shall only be settled electronically through **[Strate]** the central securities depository in accordance with the principles set out in rule 9.20.

9.70.2 A trade in bonds by a trading member shall –

    9.70.2.1 . . . . .

        9.70.2.1.1 . . . . .

        9.70.2.1.2 . . . . .

        9.70.2.1.3 . . . . .

    9.70.2.2 . . . . .

        9.70.2.2.1 . . . . .

        9.70.2.2.2 . . . . .

        9.70.2.2.3 . . . . .

    9.70.2.3 . . . . .

    9.70.2.4 . . . . .

    9.70.2.5 . . . . .

    9.70.2.6 if there is a direct or indirect dependency on the settlement of an off market transaction for which an exception applies in terms of the **[Strate]** central securities depository Directives, be committed to by the CSDP of the trading member or client as soon as possible on the settlement date but no later than 13h00;

**9.100 Trading member settlement obligations**

9.100.1 . . . . .

9.100.2 . . . . .

9.100.3 No trading member may, on settlement day, stop payment in respect of a **[Strate]** central securities depository settlement.

**9.125 Rolling of settlement**

9.125.1 The rolling of settlement will be carried out in the following manner:

    9.125.1.1 The Settlement Authority will obtain a list of failed settlements from **[Strate]** the central securities depository, which will include the failed trade leg, as well as the opposite trade leg and any other trades that may be linked to the failed settlement;

    9.125.1.2 The Settlement Authority will advise the failing and non-failing trading members that the transaction will be rolled to a revised settlement date determined by the Settlement Authority;

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9.70.2 amended with effect from 9 May 2011
9.70.2.5 amended with effect from 9 May 2011
9.70.2.5 amended with effect from 17 July 2018
9.70.2.6 amended with effect from 9 May 2011
New 9.70.2.6 introduced with effect from 17 July 2018

Old 9.70.2.6 amended and changed to 9.70.2.7 with effect from 17 July 2018

9.100.3 amended with effect from 9 May 2011
9.125 introduced with effect from 9 May 2011
9.125.1 to 9.125.5 introduced with effect from 12 July 2010
9.125.1 amended with effect from 26 September 2017

9.125.1.3      The failing and non-failing trading members will be instructed to re-book the original transaction at the original yield for settlement on the revised settlement date.

9.125.2      If settlement does not take place on the revised settlement date, the transaction may, at the discretion of the Settlement Authority, either be rolled to another revised settlement date, under exceptional circumstances, or be declared to be a failed trade, and the affected trading members must act in accordance with the instructions received from the Settlement Authority in terms of rule 9.135.

## 9.135   Failed trade procedure applicable to transactions in bonds

9.135.1      A failed trade arising out of a transaction in bonds shall be dealt with in the following manner:

9.135.1.1      the Settlement Authority will obtain a list of failed settlements from **[Strate]** <u>the central securities depository</u>, which will include the failed trade leg as well as the opposite trade leg and any other trades that may be linked to the failed settlement;

9.135.1.2      the transactions selected in terms of rule 9.135.1.1 shall be closed at a price to be determined by the Settlement Authority in accordance with principles set out in the directives. This price may differ from the original transaction price and will include compensation for the trading members or clients whose transactions are being closed;

9.135.1.3      the non-failing trading member shall claim any losses and compensation resulting from the close out of the transaction from the failing trading member. Failure by the failing trading member to pay such funds shall be in contravention of these rules and directives, and may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.

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9.125.1.3 amended with effect from 17 July 2018
9.125.3 deleted with effect from 17 July 2018
9.125.4 deleted with effect from 17 July 2018
9.125.5 deleted with effect from 17 July 2018
9.125.2 amended with effect from 1 January 2023
9.135 introduced with effect from 9 May 2011
9.135.1 introduced with effect from 9 May 2011
9.135.1 amended with effect from 26 September 2017

**APPROVED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY DERIVATIVES 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

**EA**     **Applicability of Section E**

Section E applies to the settlement of transactions in bonds.

**EB**     **Operation of accounts of a trading member at its CSDP**

A trading member must as a minimum open and maintain the following accounts at its CSDP –

1          a custody account;

2          a funds settlement account; and

3          if the trading member has custody of client bonds, a separate custody account must be opened with **[Strate]** the central securities depository for those bonds.

**EC**     **Information to be submitted to the Settlement Authority**

No trading member may conduct a transaction in bonds unless the following information has been advised in writing to the Settlement Authority –

1          the name of the trading member's CSDP;

2          the trading member's **[Strate]** central securities depository client account code;

3          the trading member's **[Strate]** central securities depository settlement account reference;

4          the custody account number at the trading member's CSDP;

5          the funds settlement account number at the trading member's CSDP;

6          the custody account number at the trading member's CSDP for their trading member settled clients; and

7          the name and contact details of the trading member's settlement officer and its alternate.

**ED**     **[Reserved]** Appointment of the central securities depository

1          The central securities depository currently appointed by the JSE is Strate Limited.

**EE**     **Client account opening procedures**

1          A trading member may not place an order to trade in bonds on behalf of a client unless the trading member has opened a trading account for the client on the trading system, and -

1.1     in the case of a non-member settled client, has verified the account details against the client's details on the **[Strate]** central securities depository system and has obtained authorisation to open the account from the client's CSDP, in terms of this directive; or

1.2     in the case of a trading member settled client, has opened an account for the client on the **[Strate]** central securities depository system and has obtained authorisation to open the account from the trading member's CSDP, in terms of this directive.

2          A trading member may only open a trading account on behalf of a client on receipt of a client agreement and registration form from the client, duly completed and signed.

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EA amended with effect from 9 May 2011
EB 3 amended with effect from 9 May 2011
EE amended with effect from 9 May 2011
EE 1 amended with effect from 9 May 2011
EE 2 amended with effect from 9 May 2011

3 Reserved

4 To register a member settled client on the **[Strate]** <u>central securities depository</u> system for the settlement of bonds transactions, the trading member must record on the client's trading account on the trading system that the client is a trading member settled client.

5 Upon the loading of a client as a trading member settled client in terms of EE 4, the trading member must contact the Settlement Authority, who will obtain the **[Strate]** <u>the central securities depository</u> client account code and **[Strate]** <u>the central securities depository</u> settlement account reference and notify the trading member to update the trading system accordingly.

6 To register a non-member settled client on the **[Strate]** <u>central securities depository</u> system for the settlement of bonds transactions, the trading member must record the following information on the non-member settled client's trading account –

    6.1 the non-member settled client's custody account number at its CSDP;

    6.2 the non-member settled client's cash account number at its CSDP;

    6.3 the non-member settled client's CSDP's BPID;

    6.4 the non-member settled client's **[Strate]** <u>central securities depository</u> client account code; and

    6.5 the non-member settled client's **[Strate]** <u>central securities depository</u> settlement account reference.

7 Upon the loading of a client as a non-member settled client in terms of EE 6, the trading member must contact the Settlement Authority, who will obtain the **[Strate]** <u>central securities depository</u> client account code and **[Strate]** <u>central securities depository</u> settlement account reference and notify the trading member to update the trading system accordingly.

**EI Penalties**

1 The penalties set out in EI 3 will be levied by the JSE in respect of transgressions relating to the settlement of transactions in bonds.

2 Despite the provisions of this directive, further disciplinary action may be taken by the JSE in appropriate circumstances in terms of section 4 of the rules, in relation to the transgressions set out in EI 3.

3 The following penalties will apply:

| Transgression | Penalty |
|---|---|
| 3.1 Pre-trade:<br><br>Trading in bonds where – | |
|   3.1.1 a trading member has not opened a custody and funds settlement account with a CSDP and has not been set up on the trading system, **[Strate]** <u>central securities depository</u> system and CSDPs system; | R10 000 |
|   3.1.2 where a transaction has been booked to a client's account that has not been registered in terms of directive EE. | R10 000 |
| 3.2 T<br><br>Where a trading member has failed to allocate a trade in terms of rule 9.70.2.1 or assign a trade in terms of rule 9.70.2.2 on the date of the trade. | R1 000 |

EE 3deleted with effect from 9 May2011
EE 4 amended with effect from 9 May 2011
EE 5 amended with effect from 9 May 2011
EE 5 amended with effect from 26 September 2017
EE 6 deleted with effect from 26 September 2017
EE 7 to 8 renumbered EE 6 to 7 with effect from 26 September 2017
EE 8 amended with effect from 9 May 2011
EI 3.1 amended with effect from 9 May 2011
EI 3.1.1 amended with effect from 9 May 2011
EI 3.4 amended and replaced with EI 3.2 with effect from 17 July 2018

| | | |
|---|---|---|
| 3.3 | T<br><br>Where a trading member has failed to correct an allocation in terms of rule 9.70.3.1 or failed to correct a principal assignment in terms of rule 9.70.3.2. | R1 000 |
| 3.4 | Commitments to settle<br><br>3.4.1 T+1, T+2 and T+3 trades: | |
| | 3.4.1.1  Where a trading member is unable to place the CSDP of the trading member or a non-member settled client, as the case may be, in a position to commit to settle the T+1, T+2 or T+3 transactions of the trading member or its clients by 19h00 on the business day preceding the settlement date in terms of rule 9.100.5; | R5 000 per occurrence which, notwithstanding the failure to commit to settlement by 19h00 on the business day preceding the settlement date in breach of rule 9.100.5, will be levied in respect of transactions for which the commitment to settle has still not been provided by 09h00 on the settlement date |
| | 3.4.1.2  In addition to 3.4.1.1, where a trading member is still unable to place the CSDP of the trading member or a non-member settled client in a position to commit to settle the T+1, T+2 or T+3 transactions of the trading member or its clients by 13h00 on settlement date in terms of rules 9.100.7 and 9.100.8. | R 5000 per occurrence |
| | 3.4.2 Same day trades<br><br>Where a trading member is unable to place the CSDP of the trading member or a non-member settled client in a position to commit to settle the same day transactions of the trading member or its clients by 13h00 on settlement date in terms of rule 9.100.5. | R 5000 per occurrence |
| 3.5 | Where a trading member introduces a trade for which settlement is rolled in terms of rule 9.125. | R1 000 plus 20 basis points on the nominal value up to a maximum of R100 000 |
| 3.6 | Where a trading member introduces a proprietary or client trade which is declared a failed trade in terms of rule 9.70.5 | R1 000 plus 30 basis points on the nominal value up to a maximum of R100 000 |

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EI 3.5 amended and replaced with EI 3.3 with effect from 17 July 2018
EI 3.6 amended and replaced with EI 3.4 with effect from 17 July 2018
EI 3.4.1 introduced with effect from 17 July 2018
EI 3.4.1.1 introduced with effect from 17 July 2018
EI 3.4.1.2 introduced with effect from 17 July 2018
EI 3.4.2 introduced with effect from 17 July 2018
EI 3.7 deleted with effect from 17 July 2018
Old EI 3.8 amended and changed to 3.5 with effect from 17 July 2018
Old EI 3.9 amended and changed to 3.6 with effect from 17 July 2018