



MARKET NOTICE

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Number: 677/2020

Relates to: Equity Market
 Equity Derivatives Market
 Commodity Derivatives Market
 Currency Derivatives Market
 Interest Rate Market
 Bond Market
 Bond ETP Market

Date: 17 December 2020

SUBJECT: ARGON SECURITIES (PTY) LTD AND THAPELO MAGORO - ENFORCEMENT ACTION BY THE JSE

Name and Surname: Shaun Davies

Designation: Director - Market Regulation

1. The JSE has proffered charges to a disciplinary committee of the JSE in terms of its Equities Rules against Longmark Securities (Pty) Ltd, previously known as Argon Securities (Pty) Ltd ("Argon Securities" or the firm), a member of the Equities Market of the JSE, and Mr. Thapelo Magoro ("Mr. Magoro"), Chief Executive Officer of Argon Securities.
2. The transgressions which resulted in charges involved:
 - a. Argon Securities' acceptance of orders and executing of trades for non-controlled clients which attracted a counterparty risk requirement in excess of the firm's available regulatory capital on 10 November 2017, 3 October 2018 and 21 December 2018;
 - b. Argon Securities' delayed processing of accounting journals in respect of historical expenses in the firm's financial records that reduced the firm's available regulatory capital and resulted in a regulatory capital shortfall during the period 29 March 2019 to 12 April 2019;
 - c. Argon Securities' incorrect and impermissible use of deposits received to unlawfully create the impression that the firm had sufficient available regulatory capital as required by the rules in circumstances where the firm had a material capital shortfall on 23 May 2018 and 24 May 2018;
 - d. Argon Securities' not having the required principles and procedures of risk management in place to monitor the capital to ensure compliance with the minimum capital adequacy requirements imposed by the rules on all the instances and dates as mentioned;
 - e. Argon Securities' conducting business without a compliance officer for more than two months after the position having become vacant.

3. Rule 3.30.3 deals with financial resources and provides that:
 - a. Rule 3.30.3.1 – A member must on admittance and at all times ensure it maintains adequate financial resources to meet its business commitments and to withstand the risks to which its business is subject;
 - b. Rule 3.30.3.2 – A member must on admittance and at all times thereafter hold adjusted liquid capital which complies with the minimum requirements calculated in accordance with directive DC 2, sufficient to meet its base requirement and its risk requirement.

4. Rule 4.30 deals with Compliance Officers and provides that:
 - a. Rule 4.30.1 – A member must appoint a compliance officer to assist the board of directors of the member in ensuring compliance by the member with the Act, the rules and the directives.

5. Rule 4.70 deals with Internal control and risk management and provides that:
 - a. Rule 4.70.4 – The principles and procedures of risk management must be designed to ensure that the records of the member are maintained in such a manner as to promptly disclose financial and business information that will enable the member or the management of the member to...
monitor the capital of the member to ensure compliance with the capital adequacy requirements imposed in terms of the rules (Rule 4.70.4.4).

6. Rule 12.30 enumerates certain acts and practices that constitute improper conduct:
 - a. Rule 12.30.3 – Provides that any act or practice that results in the contravention or attempting to contravene, or failing to comply with any one or more provision of the Act, a rule or a directive constitutes improper conduct;
 - b. Rule 12.30.4 – Provides that improper conduct includes any conduct of the business or affairs of a member that results or may result in actual or potential prejudice caused to the JSE, any other member, a client of a member or the general public. The failure by a member to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may be treated, where appropriate, as constituting either negligence or recklessness.

7. Directive DC 9.14.1.2.2 provides that, where a member has executed transactions in securities on behalf of a non-controlled client and where the Central Securities Depository Participant of the client has not yet committed to settling a transaction, the unsettled and uncommitted transaction shall attract a counterparty risk requirement which shall be calculated as 2% of the greater of the aggregate value of the uncommitted purchases and sales in each security on each client's account. These uncommitted exposures shall attract this risk requirement on the trade date.

8. The JSE charged Argon Securities with 17 counts, alternatively with 16 consolidated counts, of contraventions of the JSE's capital adequacy requirements as contained in JSE Equity Rules 3.30.3.1, 3.30.3.2, 4.70.4, 4.70.4.4 and Directive DC 9.14.1.2.2. Furthermore the JSE charged Argon Securities with 1 count of a breach of rule 4.30.1 in that it conducted business without an appointed compliance officer.

9. In terms of Rule 12.40.3.2, the Director: Market Regulation made provision for an admission of guilt. Argon Securities has admitted guilt to all the charges as set out in the charge sheet and summarised in this Market Notice.
10. The JSE has considered all the facts and information at its disposal, including, but not limited, the nature of the transgressions and Argon Securities' admission of guilt, and has decided to impose a fine of R450 000.00 as a result of these transgressions on Argon Securities.
11. The JSE charged Mr. Magoro with 2 counts, alternatively 1 consolidated count, of contraventions of JSE Equity Rules 12.30.3 and 12.30.4.
12. In terms of Rule 12.40.3.2, the Director: Market Regulation made provision for an admission of guilt. Magoro has admitted guilt to all the charges as set out in the charge sheet and summarised in this Market Notice.
13. The JSE has considered all the facts and information at its disposal, including, but not limited, the nature of the transgressions and Mr. Magoro's admission of guilt, and has decided to impose a fine of R150 000.00 as a result of these transgressions on Mr. Magoro.
14. In addition to the nature of the transgressions and the admissions of guilt, the JSE also specifically considered the following factors in determining appropriate fines:
 - a. the amount of brokerage earned by the firm as a direct consequence of these breaches;
 - b. the financial impact of the fine on the respondents, taking into account their financial resources;
 - c. the extent to which the breaches were accidental or deliberate and / or reckless;
 - d. the full and unfettered co-operation of the respondents, and their disciplinary records; and
 - e. the importance placed by the JSE on the capital adequacy requirements and the need to ensure that all members are aware of the importance thereof and the consequences of a breach of these requirements.

Should you have any queries regarding this notice, please contact Thapelo Mohapi in the JSE Market Regulation Division at ThapeloMo@jse.co.za

This Market Notice will be available on the website at <https://clientportal.jse.co.za/communication/jse-market-notices>