

PROPOSED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY DIRECTIVES

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.

ED Settlement timetable

This directive contains the key obligations imposed on members and their clients in relation to the settlement of transactions in bonds in terms of Section 9 of the rules, together with certain additional specific obligations not contained in Section 9 of the rules, presented in the format of a timetable covering the period prior to a transaction to settlement on T+3.

Timing	Description	Activity	Rule
	Pre-trade	<p>Trading Member’s pre-trade obligations</p> <p>...</p> <p>Trading Member’s general settlement obligation</p> <p>...</p> <p>Settlement Authority’s general actions</p> <p>...</p>	
T	Trade day	<p>Allocation or assignment of transactions by a trading member</p> <p>...</p> <p>Reporting to a client</p> <p>...</p>	

T+1	First business day after trade day	<p>Late allocation or late assignment of transactions by a member</p> <p>6 A trading member must-</p> <p>6.1 in respect of late allocations, notify the Settlement Authority by [17h00]15h00 on the second business day after the original trade of the details of the relevant allocation account and the client's account to which the transaction must be allocated. All late allocations will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ;</p> <p>6.2 in respect of late assignment of transactions effected through a principle assignment stock account, notify the Settlement Authority by [17h00]15h00 on the second business day after the original trade of the details of the relevant principle assignment stock account and the client's account to which the transaction must be assigned. All late assignment transactions will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ.</p> <p>Reporting to a client on late allocation or late assignment of a transaction by a member</p> <p>7 Any late allocation or late assignment of a transaction by a trading member should be notified to the client forthwith in sufficient time to allow for the CSDP of the client or the member to commit by no later than [11h00]17h00 on the <u>business day preceding the settlement date</u>.</p>	9.70.2.1 9.70.2.2
		<p>Late allocation corrections or late assignment corrections of transactions by a member</p> <p>8. A trading member must-</p> <p>8.1 in respect of late allocation corrections, notify the Settlement Authority by [17h00]18h00 on the [second] first business day after the original trade of the details of the client's account to which the transaction was erroneously allocated and the correct client's account to which the transaction should be allocated. All late allocation corrections will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ;</p> <p>8.2 in respect of late assignment corrections of transactions effected through a principle assignment stock account, notify the Settlement Authority by [17h00]18h00 on the [second] first business day after the original trade of the details of the client's account to which the transaction was erroneously assigned and the correct client's account to which the transaction should be assigned. All late assignment corrections will be effected by the Settlement Authority subject to the payment of the fee as prescribed in directive EJ.</p>	9.70.3.1 9.70.3.2

		<p>Reporting to a client on late allocation corrections or late assignment corrections by a member</p> <p>9. Any late allocation correction or late assignment correction by a trading member should be notified to the client forthwith in sufficient time to allow for the CSDP of the client or the member to commit by no later than [11h00]17h00 on the <u>business day preceding the settlement date.</u></p> <p>Client's obligations</p> <p>10. The client will be deemed to have accepted the transaction unless he notifies the trading member to the contrary by 12h00 on the business day after the original trade date, subject to ED 6 and ED 7.</p> <p>11. A non-member settled client must provide settlement instructions to its CSDP immediately upon acceptance of a <u>reported</u> transaction, but by no later than –</p> <p>11.1. <u>13h00 on the trade date for trades due to settle on trade date;</u></p> <p>11.2. <u>16h30 on the trade date for trades due to settle on the first business day after the trade date; or</u></p> <p>11.3. <u>12h00 on the business day after the original trade date for trades due to settle on the second or third business day after the trade date.</u></p> <p>12. A member settled client must [by no later than 12h00] ensure that the trading member is in a position to settle [the] reported transactions on settlement day, <u>by no later than -</u></p> <p>12.1. <u>13h00 on the trade date for trades that are due to settle on the trade date;</u></p> <p>12.2. <u>15h00 on the trade date for trades that are due to settle on the first business day after the trade date; or</u></p> <p>12.3. <u>12h00 on the business day after the transaction for trades that are due to settle on the second or third business day after the trade date.</u></p>	<p>9.70.3.1, 9.70.3.2 and 9.70.2.5</p> <p>9.70.2.4</p> <p>9.80.1</p> <p>9.90.1</p>
T+1	First business day after trade day	<p>Member's obligations</p> <p>13. In the event that a member settled client fails to comply with ED 12, the trading member will be obliged in terms of rule 9.100.4 to take the necessary steps to ensure that the transaction settles on settlement day and may proceed in terms of rule 9.90.3.</p>	9.90.2
S-1	Business day	CSDP commitment	

	preceding the settlement date	<p>14. A non-member settled client must [by no later than 16h30] ensure and procure that his CSDP is in a position to commit to settle [the] reported transactions on his behalf on the settlement date, by no later than -</p> <p>14.1. <u>14h30 on the trade date for trades that are due to settle on the trade date; or</u></p> <p>14.2. <u>15h00 on the business day preceding the settlement date for trades due to settle on the first, second or third business day after the trade date.</u></p> <p>15. Reserved</p>	9.80.2
		<p>16. A trading member must [by no later than 16h30] ensure that his CSDP is in a position to commit to settle [the] reported transactions in respect of member settled clients and the proprietary transactions of that trading member on the settlement date, by no later than -</p> <p>16.1 <u>14h30 on the trade date for trades due to settle on the trade date; or</u></p> <p>16.2 <u>15h00 on the business day preceding the settlement date for trades due to settle on the first, second or third business day after trade date.</u></p> <p>17. Reserved</p>	9.100.5
		<p>18. In the event that by [16h30] 17h00, a member settled client remains unable to settle a <u>reported transaction [on the] that is due to settle on the first, second or third business day after the trade date [settlement date]</u>, the trading member must continue to take the necessary steps to ensure that, by no later than [11h00]10h00 on the settlement date, the CSDP of the trading member commits to settle any transaction in respect of that member settled client.</p> <p>19. In the event that a non-member settled client fails to comply with ED 14, the trading member is obliged in terms of rule 9.100.8 to take the necessary steps to ensure that the transaction settles on settlement day and may proceed in terms of rule 9.80.5.</p> <p>20. In the event that by [16h30] 17h00 on the business day preceding the settlement date, a non-member settled client remains unable to ensure and procure that his CSDP will be in a position to commit to settle a <u>reported transaction that is due to settle on the first, second or third business day after trade date [settlement date]</u>, the trading member must continue to take the necessary steps to ensure that, by no later than [11h00]10h30 on settlement date, the CSDP of the non-member settled client commits to settling the transaction.</p>	9.100.7 9.80.4, 9.80.5 and 9.100.8 9.100.9
S	Settlement day	<p>21. A commitment by a CSDP to settle a transaction in respect of a member settled client and the proprietary transactions of a trading member shall become unconditional as at [11h00]10h00 on the settlement date, unless a transaction is subject to an on-exclusion.</p>	9.100.6

		22. A commitment by a CSDP to settle a transaction on behalf of a non-member settled client shall become unconditional as at [11h00] 10h00 on the settlement date.	9.80.3
[11h00] 10h00- [14h30] 12h00	Settlement Authority's actions	23. Where a trading member has acted in terms of ED 18 in respect of a member settled client and is unable to procure settlement by his CSDP by [11h00]10h00 on the settlement date or has acted in terms of ED 20 in respect of a non-member settled client and is unable to procure settlement by the CSDP of the non-member settled client, the Settlement Authority will endeavour by [14h30]12h00 –	
	23.1	in respect of a sale transaction, to borrow, as agent, on behalf of the trading member or client as undisclosed principal, the bonds required by the trading member or client to comply with its obligations to settle the transaction; or	9.140.1
	23.2	in respect of a purchase transaction, to lend to the trading member or client the funds required by the trading member or client to comply with its obligations to settle the transaction; or	9.150.1
	23.3	in respect of a sale or a purchase transaction where the Settlement Authority is unable to perform in terms of ED 23.1 or ED 23.2, in its sole discretion and under exceptional circumstances, to roll the settlement of the transaction in terms of rule 9.125; or	9.125
	23.4	in the event that the Settlement Authority is unable to enter into a securities borrowing transaction in terms of ED 23.1 or a funds lending transaction in terms of ED 23.2 or does not roll the settlement of a transaction in terms of ED 23.3, as the case may be, to enter into a carry or repurchase transaction to enable the trading member or client to comply with its obligations to settle the transaction; or	9.160.1
	23.5	in respect of a sale or a purchase transaction where the Settlement Authority is unable to perform in terms of ED 23.1, ED 23.2, ED 23.3 or ED 23.4, [invite] instruct a trading member or a client (via the trading member) to close the purchase or sale transaction at a price and on the basis set out in rule 9.130 or rule 9.135, and directive EG.	9.30.2.9
	Failed trade procedures	24 Where the Settlement Authority is unable by [14h30]12h00 to perform in terms of ED23, it will at [14h30]12h00 declare the said transaction to be a failed trade in terms of rule 9.70.4 and will –	
	24.1	match such failed trade against an equal but opposite transaction which is a terminating transaction; or	9.70.4
	24.2	if there is no transaction or more than one transaction of the type set out in ED 24.1, in terms of the failed trade procedures as laid down from time to time, select such transactions the failing of which will be least disruptive to CSDPs, members and clients.	9.130. and 9.135

		25 ... 26 ... 27 ... 28 ... 29 ... Member's sell-out or buy-in procedures 30 ...	
		Instances where sell-out or buy-in is not required 31 ...	
		Settlement 32 ... 33 ...	
		If the Settlement Authority becomes aware at any stage of a transaction not being able to settle which may, in its sole discretion, cause systemic risk, it may defer the settlement of such transaction by notifying Strate accordingly and extending the times referred to in rules 9.70, 9.80, 9.90, 9.100, 9.130 and 9.135.	

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 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 member settled client, has opened an account for the client on the Strate system and has obtained authorisation to open the account from the 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.
- 3 Reserved
- 4 To register a member settled client on the Strate 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 member settled client.
- 5 Upon the loading of a client as a member settled client in terms of EE 4, the **[trading system will automatically generate a message to the Strate system which will automatically respond by generating a]** member must contact the Settlement Authority, who will obtain the Strate client account code and Strate settlement account reference and notify the member to update the trading system accordingly.
- 6 **[Upon receipt of the account details in EE 5, the trading member must contact their CSDP and request that they authorise the opening of the member settled client's account on the Strate system.]**
- [7]6 To register a non-member settled client on the Strate system for the settlement of bonds transactions, the trading member must record the following information on the non-member settled client's trading account –
 - [7.1]6.1 the non-member settled client's custody account number at its CSDP;
 - [7.2]6.2 the non-member settled client's cash account number at its CSDP;

- [7.3]6.3 the non-member settled client's CSDP's [code] BPID;
- [7.4]6.4 the non-member settled client's Strate client account code; and
- [7.5]6.5 the non-member settled client's Strate settlement account reference.

[8]7 Upon the loading of a client as a non-member settled client in terms of EE 7, the **[trading system will automatically generate a message to the Strate system requesting verification of the non-member settled client's information. The Strate system's response will update and validate the client's account on the trading system]** member must contact the Settlement Authority, who will obtain the Strate client account code and Strate settlement account reference and notify the member to update the trading system accordingly.

[9] **[If the details in EE 8 do not match, the trading member will receive a rejection message from the trading system and will be required to verify the client's information and then repeat the process.]**

EF **Carry and repurchase transactions by the Settlement Authority**

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EG **Failed trade principles and procedures**

1 ...

2 A trading member or client that has complied with its obligations to settle a transaction in terms of the rules (the "non-failing party"), whose transaction will not settle as a result of a failed trade executed by another party, must, through its funds settlement account at its CSDP, [-]

[2.1] receive a monetary payment placing the non-failing party in a monetary position equivalent to that in which the non-failing party would have been had the transaction settled in accordance with the rules.[: and]

[2.2] **receive monetary compensation based on a percentage (as determined by the JSE from time to time) of the price as determined in EG 3.2.]**

3 In determining the monetary payment referred to in EG 2.1, the Settlement Authority will calculate the difference between –

3.1 the price at which the bonds in question were purchased or sold, as the case may be, (the "transaction price"); and

3.2 a price determined by the Settlement Authority, in consultation with the Market Controller, with reference to the ruling price and the volume weighted average price (the "determined price"). The overriding objective in ascertaining the determined price will be to place the non-failing party in the same or equivalent position it would have been in had the transaction settled in accordance with the rules. For the purpose of this directive, "volume weighted average price" means, in respect of the period between 09h00 and 11h00 on the **[second] third** business day after the trade date, the price determined by aggregating the volume multiplied by the price of each trade, divided by the total volume.

4 In the event that there is a differential of greater than a percentage, as determined by the JSE from time to time (which percentage is dependent on the liquidity of the relevant bonds), between the ruling price and the volume weighted average price, and the Settlement Authority, in consultation with the Market Controller and the Director: Surveillance, forms the opinion that the ruling price of the said bonds may have been artificially manipulated to the benefit of the non-failing party, the Settlement Authority may elect [-]

[4.1] **not to proceed in terms of EG 2.1 and to proceed only in terms of EG 2.2; or**

[4.2] to have the original trade corrected in accordance with the correction trade procedure as set out in rule 7.130.

5 Subject to EG 4–

5.1 if the determined price has moved to the detriment of the non-failing party, the non-failing party must be paid the difference between the transaction price and the determined price; or

[5.2] **[subject to EG 5.3, if the determined price has moved to the benefit of the non-failing party, the non-failing party must only be paid compensation in terms of EG 2.2; or]**

5.[3]2 if the determined price has moved to the benefit of the non-failing party, at the discretion of Settlement Authority the non-failing party will pay any differential between the price movement and the compensation to the failing party,

unless the failing party has been declared to be in default, in which case the non-failing party **[to such an extent that the movement exceeds any compensation determined in terms of EG 2.2]** must pay the relevant amount to the Guarantee Fund.

6 For the purpose of this directive, a non-failing party will be entitled to receive only cash compensation in terms of EG 2.1 **[and EG2.2]**. The non-failing party will not be entitled to receive bonds as compensation equivalent to the bonds which were the subject of the failed trade.

7 In respect of trades cleared by JSE Clear, the settlement margin and top-up margin held by JSE Clear in respect of the failed trade will be applied by the Settlement Authority to pay the amount in terms of EG 2.1 **[and EG2.2]**.

8 ...

9 ...

10 ...

EH Margin on bonds trades

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EI Penalties

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EJ Settlement Authority fees

1 The following fees will be levied by the JSE in relation to action taken by the Settlement Authority.

Service	Fee
1.1 Reserved	
1.2 Reserved	
1.3 Provision by the Settlement Authority of bonds lending facilities to a member for a proprietary trade or to a client to enable settlement	R1 000 administration fee plus the greater of R1 000 or 5% p.a. <u>above the lending rate obtained by the Settlement Authority of the initial value of the loaned bonds over the loan period</u>
1.4 Provision by the Settlement Authority of funds to a member for a proprietary trade or to a client to enable settlement	R1 000 administration fee plus an interest charge of 5% p.a. above the Prime Overdraft Rate at FirstRand Bank Limited
1.5 Facilitation of a carry or repurchase transaction by the Settlement Authority on behalf of a member or a client to enable settlement	R5 000
1.6 Execution by the Settlement Authority of the rolling of settlement process in terms of rule 9.30.2.10	R5 000 administration fee payable by the member who introduced the trade which resulted in the execution of the process in terms of 9.30.2.10
1.7 Execution by the Settlement Authority of the give up process in terms of rule 9.30.2.9	R5 000 administration fee payable by the member who introduced the trade which resulted in the execution of the process in terms of 9.30.2.9
1.8 Execution by the Settlement Authority of the failed trade process in terms of rule 9.130 and rule 9.135.	R10 000 administration fee payable by the member who introduced the failed trade

1.9 Resolution by the Settlement Authority of an interest entitlement resulting from a bonds lending arrangement, rolling of settlement or failed trade procedure.	R1 000 administration fee payable by the member who introduced the failed trade
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2. Payment of Fees

A member must pay any fees charged by the Settlement Authority within 5 business days of the date of the invoice.