

# PROPOSED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY DERIVATIVES RULES AND DIRECTIVES

## General explanatory notes:

1. Words underlined with a solid line (\_\_\_) indicate the insertions in the existing rules and directives
2. Words in bold and in square brackets ([ ]) indicate deletions from the existing rules

## Proposed amendments to the JSE Interest Rate and Currency Derivatives 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 –

<b>["emigrant"</b>	<b>means a natural person who has emigrated from the common monetary area;]</b>
<b>["emigrant client"</b>	<b>means an emigrant who has concluded a client agreement with a trading member and who has been registered by JSE Clear as an emigrant client of the trading member;]</b>
<b>["emigrant's blocked account"</b>	<b>means the account of an emigrant to which exchange control restrictions have been applied;]</b>
<b>["emigrant's blocked account clearance certificate"</b>	<b>means the certificate, the terms of which are determined by the JSE in agreement with the South African Reserve Bank and which confirms, to the authorised bank concerned, the details of the amount of the margin to be paid into or out of an emigrant's blocked account as a result of a position registered in the name of that emigrant client;]</b>
<b>"margin category"</b>	means the margin category, expressed as a percentage of the initial margin or settlement margin, which is allocated to a non-resident <b>[or emigrant]</b> client by the member when the non-resident <b>[or emigrant]</b> client is registered;
<b>["SWIFT emigrant's blocked account notification"</b>	<b>means the notification, utilising the SWIFT network, to the authorised bank, instructing the authorised bank to make or accept payment of margin to or from an emigrant's blocked account in the amount specified in the notification;]</b>

### 8.80 Payment procedures

- 8.80.1 . . . . .
- 8.80.1.1 subject to rule 10.130.1 in respect of non-resident **[and emigrant]** clients, the sum of the initial margin, settlement margin and top-up margin;
- 8.80.1.2 . . . . .

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"effective date" deleted with effect from 9 May 2011

"SWIFT emigrant's blocked account notification" amended with effect from 9 May 2011

8.80.1.3	.....	
8.80.2	.....	
8.80.3	.....	
8.80.4	.....	
8.80.4.1		subject to rule 10.130.2 in respect of non-resident <b>[and emigrant]</b> clients, the initial margin, settlement margin and top-up margin referred to in rule 8.50;
8.80.4.2	.....	
8.80.4.3	.....	
8.80.4.4	.....	
8.80.5	.....	
8.80.6	.....	
8.80.7		Subject to rule 10.130.1 in respect of non-resident <b>[and emigrant]</b> clients, with respect to his positions a client shall pay to or receive from the trading member with whom he traded to open such positions the net amount of –
8.80.7.1	.....	
8.80.7.2	.....	
8.80.7.3	.....	
8.80.7.4	.....	

#### **10.90 Trading members' control of client holdings in bonds**

10.90.1	.....	
10.90.2	.....	
10.90.3	.....	
10.90.4	.....	
10.90.5	.....	
10.90.6		A trading member shall be precluded from controlling or having custody over the holdings of its non-resident <b>[or emigrant]</b> clients in bonds unless it is an authorised bank.

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8.80.1.3 amended with effect from 9 May 2011

8.80.4.1 amended with effect from 12 December 2009

Existing 8.80.4.2 renumbered 8.80.4.3 and amended with effect from 12 December 2009

8.80.4.3 renumbered 8.80.4.4 and amended with effect from 12 December 2009

8.80.4.4 amended with effect from 9 May 2011

8.80.7.1 amended with effect from 12 December 2009

New 8.80.7.2 introduced with effect from 12 December 2009

Existing 8.80.7.2 renumbered 8.80.7.3 and amended with effect from 12 December 2009

8.80.7.3 renumbered 8.80.7.4 and amended with effect from 12 December 2009

8.80.7.4 amended with effect from 9 May 2011

10.90.4 amended with effect from 9 May 2011

10.95 introduced with effect from 25 April 2014

## **Non-Resident [and Emigrant] Clients**

### **10.110 Bank accounts**

Before a trading member trades with a non-resident **[or emigrant]** client, the non-resident client shall open a non-resident account at an authorised bank **[or, in the case of an emigrant client, an emigrant's blocked account and a non-resident account, both with the same authorised bank,]** to be used for the purposes of trading in IRC securities.

### **10.120 Margins payable**

The initial margin, settlement margin or top-up margin payable with respect to the open futures and option contract positions or unsettled bonds positions, as the case may be, of a non-resident **[or emigrant]** client shall be the initial margin, settlement margin or top-up margin that would otherwise have been payable by or to a member or a resident client in relation to equivalent positions, adjusted by the margin category assigned by the member in question to the non-resident **[or emigrant]** client, and a trading member may not hold any retained or additional margins in relation to the positions of any non-resident **[or emigrant]** client.

### **10.130 Settlements**

- 10.130.1 With respect to his open futures and option contract positions or unsettled bonds positions a non-resident client shall pay from his non-resident account to, or receive into his non-resident account from, **[or an emigrant client shall pay from his emigrant's blocked account to, or receive into his emigrant's blocked account from,]** the client trust account of the trading member with whom he traded to open such positions, the net amount of the initial margin, settlement margin, variation margin and top-up margin: Provided that –
- 10.130.1.1 the initial margin, settlement margin or top-up margin to be paid in terms of this rule 10.130.1 shall be the initial margin, settlement margin or top-up margin that would otherwise be required to be paid to JSE Clear in respect of equivalent positions of a trading member or a resident client adjusted by the margin category assigned by the trading member to the non-resident **[or emigrant]** client in question;
  - 10.130.1.2 . . . . .
  - 10.130.1.3 . . . . .
  - 10.130.1.4 a trading member may not hold any retained or additional margin with respect to the positions of a non-resident **[or an emigrant]** client.
- 10.130.2 The confirmation contained in the SWIFT non-resident account notification **[or the SWIFT emigrant's blocked account notification]** to the authorised bank shall confirm the net settlement amounts to be paid or received in terms of rule 10.130.1 or 10.130.2, and shall require the authorised bank to release or accept this amount to or from the trading member concerned.
- 10.130.3 The clearing member or JSE Clear, as the case may be, may off-set amounts due to it against amounts due by it to or from a trading member: Provided that it can be ascertained from the statements passing between them that no margins or other monies of a non-resident **[or an emigrant]** client are being held by either JSE Clear or the clearing member.
- 10.130.4 A trading member may not off-set the amounts due to a non-resident client **[or an emigrant client]** against any amount due from any other non-resident client **[or emigrant client, nor may a trading member off-set any amount due to an emigrant client for credit of that emigrant client's emigrant's blocked account against any amount due from that emigrant client from that emigrant's non-resident account, or vice versa]**.
- 10.130.5 A trading member shall not retain any interest paid to it by JSE Clear or its clearing member with respect to the open futures and option contract positions or unsettled bonds positions of a non-resident **[or an emigrant]** client, and on the second business day following the end of each month during which a non-resident client **[or emigrant client]** had a position registered in his name, the trading member shall pay to the authorised bank concerned for the credit of that non-resident client's **[or emigrant client's]** non-resident account an amount

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10.110 amended with effect from 1 August 2005

10.120 amended with effect from 9 May 2011

10.130.1.1 amended with effect from 9 May 2011

equal to the amount received by it from its clearing member or JSE Clear, as the case may be, in respect of interest on margins: Provided that a clearing member who has a clearing agreement with the trading member concerned shall pay to the trading member an amount equal to that which it received in respect of the non-resident client's **[or emigrant client's]** position from JSE Clear.

10.130.6 A trading member may not off-set amounts due to be paid from a non-resident client's non-resident account **[or, in the case of an emigrant client, amounts due to be paid from the emigrant client's blocked account]** against amounts to be paid into that non-resident **[or emigrant]** client's non-resident account.

10.130.7 . . . . .

#### **10.140 Trading, clearing and settlement fees**

The trading member shall be entitled in terms of rule 8.70,3 to claim payment for trading, clearing and settlement fees in respect of transactions with a non-resident **[or emigrant]** client from the authorised bank concerned out of that non-resident client's non-resident account **[or, in the case of an emigrant client, out of the emigrant client's blocked account]**: Provided that—

10.140.1 a trading member shall not be entitled to off-set such fees against margin due by it to a non-resident client **[or emigrant client]** contemplated in rule 10.130.1 or 10.130.2 or against any balance due to the non-resident client **[or emigrant client]** as contemplated in rule 11.30.5; and

10.140.2 the authorised bank concerned shall compare the transactions referred to in the non-resident account clearance certificate **[or emigrant's blocked account clearance certificate]** against the transactions referred to in the member's statement claiming such fees in respect of such transactions and may inform the JSE of any discrepancy.

#### **[10.150 Trading restriction**

**An emigrant client who is also a non-resident client, or who has a beneficial interest in a non-resident client, shall not open a futures and option contract position or unsettled bonds position, the effect of which aggregate position is opposite to an aggregate position that is or that shall be registered in the name of such non-resident client, nor shall a non-resident client who is also an emigrant client or a non-resident client in which such an emigrant client has a beneficial interest open a position, the effect of which aggregate position is opposite to an aggregate position that is or shall be registered in the name of such emigrant client concerned, and no trading member shall knowingly trade with a client in contravention of this rule.]**

## **Proposed amendments to the JSE Interest Rate and Currency Derivatives Directives**

### **CI Transactions in inward listed securities and currency derivatives – Exchange Control**

1. This directive sets out the compliance obligations applicable to members in relation to trading in inward listed securities and currency derivatives, as specified in terms of Exchange Control Circular 7/2008 of 20 February 2008.
2. For the purpose of this directive, “inward listed securities” means securities issued by foreign issuers, which have been listed on the JSE in terms of the South African Reserve Bank’s exchange control regulations.
- [3. A trading member may not trade in inward listed securities or currency derivatives for a non-resident blocked rand account (emigrant client). In the event that the Settlement Authority identifies a transaction for or on behalf of an emigrant client, the Settlement Authority will instruct the member to transfer the transaction from the client’s account to the member’s misdeals account and the member will assume responsibility for the transaction.]**
- 3[4].** A trading member who is an authorised dealer and has been granted specific approval by the Exchange Control Department of the South African Reserve Bank to act as a market maker capacity in the trading of currency derivatives may hedge currency derivative positions with foreign currency.

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CI introduced with effect from 24 December 2008 and amended with effect from 9 May 2011

CI 1 amended with effect from 9 May 2011

CI 2 amended with effect from 9 May 2011