

## APPROVED AMENDMENTS TO THE JSE EQUITIES 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

### Approved amendments to the JSE Equities rules

1.40 In the rules -

“reference price” means the last auction or automated trade price or the previous closing price, whichever is the most recent, or in the absence of a last auction or automated trade price or a previous closing price, a price as determined by the JSE;

### **6.10 Use of the JSE equities trading system**

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6.10.6 Despite any other provision of the rules or any directive, and subject to rule 2.10, the Market Controller may –

6.10.6.1 decide that the market or segments of the market in equity securities be paused, suspended, halted or closed if he is of the opinion that a fair and realistic market does not exist. A fair and realistic market may be deemed not to exist after consideration of the percentage of members not able to access the JSE systems and their contribution to price formation and value traded;

6.10.6.2 reduce or extend the hours of operation of the JSE equities trading system for any particular business day;

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6.10.1 amended with effect from 2 July 2012  
6.10.2 introduced with effect from 2 July 2012  
6.10.3 introduced with effect from 2 July 2012  
6.10.4 introduced with effect from 2 July 2012  
Old 6.10.2 renumbered 6.10.5 with effect from 2 July 2012  
Old 6.10.3 deleted with effect from 2 July 2012  
Old 6.10.4 renumbered 6.10.6 and amended with effect from 2 July 2012

- 6.10.6.3 without prior notice to any person, pause, suspend, halt or close the JSE equities trading system for trading at any time and for any period; and
- 6.10.6.4 take such other steps as may be necessary to ensure a fair and orderly market.

6.10.7 Despite any other provision of the rules or any directive, and subject to rule 2.10, the Market Controller, in consultation with the Director: Market Regulation, [the JSE Executive] may [-] exercise such powers and take such action as may be exercised or taken by the JSE in terms of the rules and directives, and as may be necessary to maintain a fair, transparent and orderly market or protect the interests of investors, in the event of any disruption, malfunction or failure in the operation of the JSE systems, or following the pausing, suspension, halt or closure of the JSE systems or markets. The necessary action may include declaring transactions effected through the JSE equities trading system to be void and, if deemed appropriate, replacing void trades with other trades, in terms of rule 6.60.

**[6.10.7.1 if there has been any failure of the JSE systems, for any reason, or if the JSE systems have been paused, suspended, halted or closed, declare that a transaction effected through or by the JSE equities trading system is void. Such declaration shall bind a member and a client of a member on behalf of or with whom the transaction was effected; and]**

**[6.10.7.2 exercise such further powers and take such further action as may be exercised or taken by the JSE in terms of the rules and directives, and as may be necessary to resolve any issue which may arise from the pausing, suspension, halt, closure or failure of the JSE systems.]**

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6.10.12 Members must have appropriate systems, procedures and controls to prevent the submission to the JSE equities trading system of –

6.10.12.1 erroneous orders; and

6.10.12.2 unreasonably low bids or unreasonably high offers submitted either as resting orders or as orders in an auction call session, and which appear to have the purpose, or are likely to have the effect, of –

6.10.12.2.1 taking advantage of significant errors that could be made by other market participants in the submission of orders to the JSE equities trading system; or

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6.10.7 introduced with effect from 2 July 2012

6.10.8 introduced with effect from 2 July 2012

6.10.5 renumbered 6.10.9 and amended with effect from 2 July 2012

6.10.6 renumbered 6.10.10. with effect from 2 July 2012

6.10.7 renumbered 6.10.11 with effect from 2 July 2012

6.10.12.2.2 taking advantage of the possibility of significant mispricing of auction trades due to how the auction algorithms match market orders and limit orders.

6.10.13 The Director: Market Regulation may request a member to suspend or cancel unreasonably low bids or unreasonably high offers submitted to the JSE equities trading system which, in the opinion of the Director: Market Regulation, have the purpose, or are likely to have the effect, specified in rule 6.10.12.2.

**6.20 Trading times**

**6.30 Off book trading**

**6.40 Off book trading criteria**

**6.50 Cancellation of error trades [Trade cancellations]**

6.50.1 Despite any other provision of the rules or any directive, the Director: Market Regulation may, where in his opinion an on book trade has been matched as a result of a clear error by a member, grant permission to or instruct the respective members to execute a trade cancellation.

6.50.2 Requests for same **[Same]** day or next day cancellations of on book trades will **[may]** only be considered by the Director: Market Regulation where the following criteria are met –

6.50.2.1 the trade or trades resulted from an order or orders being submitted to the trading system, the terms of which the person responsible for the order or orders clearly could not have intended to submit at the time of submission, with further reference to rule 6.50.4; and

6.50.2.2**[1]** the request is received by the Director: Market Regulation within 20 minutes from the time of the first **[erroneous]** error trade that has been executed **[which has arisen]** as a consequence of an erroneous order; and

6.50.2.3**[2]** the price of the trade or trades for which the trade cancellation is requested is **[5% or more]** away from the reference price **[at the time that the erroneous order was placed;]** by at least the percentage as prescribed in directive BT 7.8; and

6.50.2.4**[3]** the difference between the aggregate value of the trades that qualify in terms of rule 6.50.2.**[2]**3 and the value that would have resulted had such trades been executed at the reference price is **[R50 000]** R100 000 or more; or

6.50.2.5**[4]** the quantity of shares traded exceeds 5% of the equity security in issue.

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6.10.7 introduced with effect from 2 July 2012

6.20 amended and 6.20.2 and 6.20.3 deleted with effect from 2 July 2012

6.50.3 Regardless of whether the criteria in rule 6.50.2 have been met, in deciding whether error trades should be cancelled, the Director: Market Regulation will consider the potential adverse market impact of cancelling the trades or deciding that the trades will stand, and will only make the decision to cancel trades if, in his opinion, the cancellation is in the best interests of the market. In determining the potential market impact of a trade cancellation or a decision that trades will stand, and whether the cancellation of error trades is in the best interests of the market, the Director: Market Regulation may take into account various factors, including, but not limited to –

6.50.3.1 whether the circumstances enable the Director: Market Regulation to make a decision within a reasonable timeframe, given the information that the Director: Market Regulation would need to consider in the particular circumstances in making the decision and the need to make the decision timeously;

6.50.3.2 whether the trades can be cancelled by the affected members and the JSE within a reasonable timeframe and without causing significant disruption to the JSE's systems and operations; and

6.50.3.3 the impact on the overall market of either cancelling an erroneous auction price or maintaining an erroneous auction price, if the relevant trades were executed during an auction call session and a decision to cancel trades caused by an error would require all of the uncrossing trades in the relevant auction to be cancelled.

**[6.50.3 Same day and next day cancellations of off book trades must be submitted to the JSE equities trading system by the member who was the originator of the off book trade and do not require prior approval from the Director: Market Regulation.]**

6.50.4 In making a determination as to whether an order was clearly submitted in error in terms of rule 6.50.2.1, the Director: Market Regulation will consider various factors, including, but not limited to, the circumstances that caused the erroneous order to be submitted (such as manual input errors, or member trading application or other system malfunctions or disruptions) and the price at which the order was entered relative to the current or recent price for the relevant equity security. The fact that the price of a trade resulting from an order is away from the reference price by at least the percentage set out in the directives, in terms of rule 6.50.2.3, may not, in itself, be sufficient evidence that the person responsible for the order made a clear error in the price or order type when submitting the order. The Director: Market Regulation may take into account various factors in assessing whether the price or order type that was submitted is indicative of a clear error, including, but not limited to, market conditions, the release of news, and corporate actions, that may have impacted on the market price of the relevant equity security at, or recently prior to, the time that the order was submitted.

6.50.5 Where an error trade fails to meet one or more of the criteria for cancellation in terms of the rules, the member responsible for the error may request the Director: Market Regulation to initiate a voluntary contra trade request in accordance with the directives, provided that -

- 6.50.5.1 the initiating member has submitted a request in writing to the Director: Market Regulation within the timeframe prescribed in the directives, explaining the reason for the contra trade request;
- 6.50.5.2 the trade or trades resulted from an order or orders being submitted to the trading system, the terms of which the person responsible for the order or orders clearly could not have intended to submit at the time of submission;
- 6.50.5.3 the price of the trade or trades for which the contra trade is requested is away from the reference price by at least the percentage as prescribed in directive BT 8.4; and
- 6.50.5.4 the difference between the aggregate value of the trades executed in error and the value that would have resulted had such trades been executed at the reference price is R100 000 or more.
- 6.50.6 Regardless of whether the criteria in rule 6.50.5 have been met, the Director: Market Regulation will consider the potential operational impact on the JSE and the affected counterparties of facilitating a voluntary contra trade request, and may decline to facilitate such a request if he is of the opinion that facilitating the request will be materially disruptive to the JSE or the affected counterparties. In determining the potential operational impact of a voluntary contra trade request, the Director: Market Regulation may take into account various factors, including, but not limited to, the number of trades that the request relates to and the number of affected counterparties.
- 6.50.7 The JSE shall facilitate a contra trade request by contacting the counterparty and communicating the details of the request. Consent by a counterparty to a contra trade request shall be voluntary. Where a counterparty fails to provide a response to the JSE in the manner and timeframe prescribed in terms of directive BT 8.3, the relevant trade shall stand and shall no longer be eligible for a contra trade in terms of these rules.
- 6.50.8 Same day and next day cancellations of off book trades must be submitted to the JSE equities trading system by the member who was the originator of the off book trade and do not require prior approval from the Director: Market Regulation.

## **6.60 Transactions declared void or cancelled by the JSE**

- 6.60.1 Where, from a lack of clarity in the published information available at the time of the transaction, a member deals in a quantity or at a price which in the opinion of the Director: Market Regulation is unreasonable, the Director: Market Regulation may declare such transaction void. Such declaration shall be binding on the members who entered into such transaction and on the clients on behalf of, or with, whom the transaction was executed.
- 6.60.2 **[6.50.4]** If, in the opinion of the Director: Market Regulation, an on book or off book trade materially impacts the integrity or orderly operation **[transparency]** of the market, **[or the correctness of the statistics,]** or results from the matching of unreasonably low bids or unreasonably high offers

described in rule 6.10.12.2, the Director: Market Regulation may instruct members to enter a trade cancellation without having received a formal request to do so from any member.

6.60.3 In accordance with rule 6.10.7, the Market Controller, in consultation with the Director: Market Regulation, may, in the event of any disruption, failure or malfunction in the operation of the JSE systems, for any reason, or if the JSE systems or markets have been paused, suspended, halted or closed, declare that a transaction effected through the JSE equities trading system is void and, if deemed appropriate, replace a void transaction with another trade, if, in the opinion of the Market Controller and the Director: Market Regulation, such action is necessary to maintain a fair, transparent and orderly market or protect the interests of investors. Such action shall bind a member and a client of a member on behalf of or with whom the void transaction was effected.

## **[6.70 Unreasonable transactions]**

**[Where, from a lack of clarity in the published information available at the time of the transaction, a member deals in a quantity or at a price which in the opinion of the Director: Market Regulation is unreasonable, the Director: Market Regulation may declare such transaction void. Such declaration shall be binding on the members who entered into such transaction and on the clients for or on whose behalf the transaction was executed.]**

### **6.70 [6.60] Pre-issued trading**

6.70.1 **[6.60.1]** A member may only execute transactions in pre-issued securities during the period permitted by the JSE.

6.70.2 **[6.60.2]** If the listing in respect of which pre-issued trading has been approved commences, all transactions effected during the period of the pre-issued trading will settle on the same terms as all other transactions in equity securities.

6.70.3 **[6.60.3]** If the listing does not commence on the intended commencement date of official trading, every transaction effected under this rule will be void ab initio and neither the member nor a client will have recourse against the JSE or a member, as the case may be, in respect of such transactions.

## **6.80 Trading halt**

6.80.1 The Director: Market Regulation **[or his deputy]**, in conjunction with **[the Chief Executive Officer or acting Chief Executive Officer or, failing the Chief Executive Officer or acting Chief Executive Officer,]** the Director: Issuer **[Services] Regulation**, may declare a trading halt in an equity security in circumstances where the Director: Market Regulation determines that the trading activity in an equity security –

6.80.1.1 is being or could be undertaken by persons possessing unpublished price-sensitive information that relates to that security;

6.80.1.2 is being influenced by a manipulative or deceptive trading practice; or

6.80.1.3 may otherwise give rise to an artificial price for that equity security.

6.80.2 No member may trade that equity security for the duration of the trading halt but may delete orders from the central order book.

**Approved amendments to the JSE Equities Directive BT**

7. Trade Cancellations

- 7.1 A TSP seeking permission for a cancellation of an on book trade must, subject to rules 6.50.1 and 6.50.2, immediately upon becoming aware of the [erroneous] error trade, request permission from the Director: Market Regulation to cancel the trade by informing him of the original trade, giving details of such trade and the circumstances or reasons which resulted in the original trade.
- 7.2 The Director: Market Regulation shall, upon receipt of the request, without delay but after due consideration, either accept or decline the request.
- 7.3 Without delay after permission has been granted or an instruction has been issued by the Director: Market Regulation, a trade cancellation must be submitted to the JSE equities trading system by a TSP designated by the Director: Market Regulation.
- 7.4 If a TSP is unable to submit a trade cancellation to the JSE equities trading system on the same day as the erroneous on book trade, the TSP must submit the trade cancellation as a next day cancellation of an on book trade without delay on the following business day.
- 7.5 Where a TSP requests permission to cancel an on book trade and such request fails to meet the criteria described in rule 6.50.2, the TSP will be liable for payment of an administration fee of R2 000.
- 7.6 Whenever a trade cancellation of an on book trade is executed, the TSP responsible for the error that gave rise to the cancellation will be liable for payment of an administration fee of R10 000. The TSP who requested the trade cancellation must compensate the opposite TSP, who in turn must compensate its client, for any damages suffered due to the loss of price/time priority. The Director: Market Regulation will, on request, determine the amount of compensation.
- 7.7 A TSP may appeal to the JSE against a ruling given in terms of rule 6.60.2 **[6.50.4]** subject to –
  - 7.7.1 the appeal being lodged with the Director: Market Regulation before 12h00 on the business day following the ruling; and
  - 7.7.2 the payment of a fee of R2000 which, at the discretion of the JSE, may be refundable in whole or in part.
- 7.8 An alleged error trade will only be considered for treatment in terms of rule 6.50.2 if it is away from the reference price by at least the percentage set out in the table below. No rounding will be applied in determining whether the price at which a trade was executed is away from the reference price by at least the percentage set out in the table.

<u>Market Segment</u>	<u>ZA01</u>	<u>ZA02</u>	<u>ZA03</u>	<u>ZA04</u>	<u>ZA06</u>
	<u>5%</u>	<u>8%</u>	<u>30%</u>	<u>50%</u>	<u>8%</u>

8. Voluntary Contra Trade Requests

- 8.1 A TSP wishing to initiate a contra trade request shall submit details of the relevant trade to the Director: Market Regulation within 1 hour of the error trade or within 20 minutes of the TSP having received notification from the JSE that the trade does not qualify for cancellation in terms of rule 6.50.2, whichever is later. The TSP's submission shall include details of the circumstances which gave rise to the original error trade.
- 8.2 Provided the criteria in rule 6.50.5 are met and the Director: Market Regulation has not declined the request in terms of rule 6.50.6, the Director: Market Regulation shall, upon receipt of the request, contact the counterparty to inform them that a request for a contra trade has been received. The Director: Market Regulation may, where the initiator of the request has granted their consent, provide the counterparty with information contained in the submission received in terms of rule 6.50.5.1.
- 8.3 The counterparty shall endeavour to provide a response to the Director: Market Regulation, either accepting or declining the request, within 20 minutes of having received such request. The Director: Market Regulation will in turn inform the initiator that the contra trade request has either been declined or accepted, and in the event that the request is accepted, issue the necessary instructions to execute the contra trades.
- 8.4 An alleged error trade will only be considered for treatment as a contra trade in terms of rule 6.50.5 if it is away from the reference price by at least the percentage set out in the table below. No rounding will be applied in determining whether the price at which a trade was executed is away from the reference price by at least the percentage set out in the table.

	<b><u>NON-REVIEWABLE RANGE FOR CONTRA TRADE REQUESTS</u></b>				
<b><u>Market Segment</u></b>	<b><u>ZA01</u></b>	<b><u>ZA02</u></b>	<b><u>ZA03</u></b>	<b><u>ZA04</u></b>	<b><u>ZA06</u></b>
	<u>3%</u>	<u>5%</u>	<u>20%</u>	<u>30%</u>	<u>5%</u>

9. [8] . . . . .

9.1 [8.1] . . . . .

9.2 [8.2] . . . . .

10. [9.] . . . . .

11. [10] . . . . .

11.1 [10.1] . . . . .

11.2 [10.2] . . . . .

11.3 [10.3] . . . . .

11.4 [10.4] . . . . .

11.5 [10.5] . . . . .

11.6 [10.6] . . . . .

11.7 [10.7] . . . . .

12. [11.] . . . . .

13. [12.] . . . . .

14. [13.] . . . . .

15. [14.] . . . . .

16. [15.] . . . . .

16.1 [15.1] . . . . .

16.2 [15.2] . . . . .

16.3 [15.3] . . . . .