

## APPROVED AMENDMENTS TO THE JSE INTEREST RATE AND CURRENCY 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.

### Section 9 Settlement

#### 9.20 Settlement principles for bonds

Settlement of bonds shall be effected in accordance with the following principles –

9.20.1 trade by trade;

9.20.2 between the scrip root and the cash root; and

9.20.3 rolling and contractual.]; **and]**

**[9.20.4 on a net basis per trading member, per settlement date, per listed bond whereby individual transactions are consolidated and offset into net amounts of bonds and funds for settlement by Strate.]**

#### 9.30 Settlement Authority

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#### 9.40 Trading in bonds

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#### 9.50 Borrowing, lending or use of clients' bonds

With regard to the borrowing, lending or use of any bonds referred to in rule 9.60 or 10.90, a trading member may –

9.50.1 deliver such bonds to the client on whose behalf they are being held or to his order; or

9.50.2 satisfy a sale made on behalf of the client concerned; or

9.50.3 sell the bonds being held on behalf of a client, under any of the circumstances set out in rule 9.100; or

9.50.4 otherwise deal with the bonds, including the borrowing, lending or use of such bonds, in a manner set out in the mandate signed by the client and held by the trading member in terms of rule 10.90.4.

#### 9.60 Recording of bonds

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#### 9.70 Settlement of bonds

9.70.1 All transactions in bonds shall only be settled electronically through Strate 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 in accordance with rule 7.100, be allocated to a client or a trading member's proprietary account on the trade date: Provided that where a trade on a suspense account dedicated to a particular client has not been allocated on the trade date to underlying accounts under the control of that client, to ensure that the trade still settles on settlement date, allocations to the underlying accounts may be made \_

9.70.2.1.1 up to [17h00 on the second business day after the original trade.]15h00 on trade date for trades due to settle on the first business day after the trade date;

9.70.2.1.2 up to 15h00 on the first business day after the trade date for trades due to settle on the second business day after the trade date; or

9.70.2.1.3 up to 18h00 on the first business day after the trade date for trades due to settle on the third business day after the trade date.

All late allocations **[after 17h00 on the second business day after the trade date,]**, in contravention of this rule, will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;

9.70.2.2 if the trade is effected through a principal assignment stock account, be assigned to a client on the trade date in accordance with rule 7.110: Provided that where a trade has not been assigned on the trade date in contravention of rule 7.110, to ensure that the trade still settles on settlement date, late principal assignment trades must be effected by the trading member -

9.70.2.2.1 up to **[17h00 on the second business day after the original trade.]**15h00 on the trade date for trades due to settle on the first business day after the trade date;

9.70.2.2.2 up to 15h00 on the first business day after the trade date for trades due to settle on the second business day after the trade date; or

9.70.2.2.3 up to 18h00 on the first business day after the trade date for trades due to settle on the third business day after the trade date.

All late principal assignment trades **[after 17h00 on the second business after the trade date], in contravention of this rule,** will be effected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment trades shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;

9.70.2.3 be communicated to a client on the trade date, subject to rules 9.70.2.1 and 9.70.2.2;

9.70.2.4 in the absence of notification from the client to the contrary by no later than 12h00 on the business day after the original trade, be deemed to have been accepted by the client;

9.70.2.5 be committed to by the CSDP of the trading member or client by no later than **[11h00]**17h00 on the business day preceding the settlement date;

9.70.2.6 with the exception of trades referred to in rules 9.70.2.7 and 9.70.2.8, be settled on the third business day after the trade date in accordance with the settlement timetable as prescribed by directive;

9.70.2.7 if the counterparties to a reported trade agree thereto, be settled on the trade date or on the first or second business day after the trade date and must be committed to by the CSDP appointed by the trading member or client -

9.70.2.7.1 by no later than 15h00 on the settlement date for trades due to settle on the trade date; or

9.70.2.7.2 by no later than 17h00 on the business day preceding the settlement date for trades due to settle on the first or second business day after the trade date; and

9.70.2.8 if the trade is a carry transaction or a forward transaction, be settled on such date as may be agreed to by the counterparties to the transaction and shall be committed to by the CSDP appointed by the trading member or client by no later than 17h00 on the business day preceding the settlement date.

9.70.3 Notwithstanding rules 9.70.2.1 to 9.70.2.3 –

9.70.3.1 allocation corrections in respect of trades due to settle on the third business day after the trade date or a later settlement date may be effected up to **[17h00]**18h00 on the **[second]** first business day after the trade date if they have not been effected on the trade date. All late allocation corrections after **[17h00]**18h00 on the **[second]** first business day after the trade date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;

9.70.3.2 principal assignment corrections in respect of trades due to settle on the third business day after the trade date or a later settlement date may be effected up to [17h00]18h00 on the **[second] first** business day after the trade date if they have not been effected on the trade date. All late principal assignment corrections after [17h00]18h00 on the **[second] first** business day after the trade date will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5;

9.70.3.3 allocations corrections and principal assignment corrections in respect of trades due to settle on the first or the second business day after the trade date may be effected -

9.70.3.3.1 up to 15h00 on the trade date for trades due to settle on the first business day after the trade date; or

9.70.3.3.2 up to **[17h00]15h00** on the first business day after the trade date for trades due to settle on the second business day after the trade date.

All late allocation corrections and late principal assignment corrections **[after 17h00 on the business day preceding the settlement date]** will be corrected by the Settlement Authority subject to the payment of the fee as prescribed by directive. Any late allocation corrections or late principal assignment corrections shall be communicated to and accepted by the client within sufficient time to allow for the CSDP of the client to comply with rule 9.70.2.5.

9.70.4 If a CSDP has not committed to settle a transaction by 10h00 **[11h00 (for transactions due to settle in the first settlement run) or by 14h30 (for transactions due to settle in the second settlement run)]** on the settlement date, in accordance with the settlement timetable as prescribed by directive, and the Settlement Authority is unable, as a result, to perform in terms of rules 9.140, 9.150, 9.160 or 9.125 by 12h00, the transaction shall be a failed trade and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130 or 9.135, unless the Settlement Authority rolls the settlement of the transaction to a subsequent date as set out in rule 9.125.

9.70.5 If a trading member advises the Settlement Authority at any stage that the CSDP of the trading member or the CSDP of a client will not be in a position to settle a transaction on settlement day and the Settlement Authority is not able to procure that the settlement of the transaction will take place on settlement day, or the Settlement Authority does not roll the settlement to a subsequent date, the transaction shall be declared a failed trade by no later than 09h00 on the next business day and shall be dealt with in terms of the failed trade procedure as set out in rule 9.130 or rule 9.135.

## 9.80 Non-member settled client settlement obligations

9.80.1 A non-member settled client shall, in respect of reported transactions, give instructions to his CSDP to settle the transaction[.]-

9.80.1.1 by no later than 13h00 on the trade date for trades due to settle on the trade date;

9.80.1.2 by no later than 16h30 on the trade date for trades due to settle on the first business day after the trade date; or

9.80.1.3 by no later than 12h00 on the business day after the transaction for trades due to settle on the second or third business day after the trade date.

9.80.2 A non-member settled client shall, in respect of reported transactions, ensure and procure that his CSDP is in a position to commit to settle the transaction on his behalf on the settlement date -

9.80.2.1 by no later than 14h30 on the trade date for trades due to settle on the trade date; or

9.80.2.2 by no later than **[16h30]15h00** on the business day preceding the settlement date[, **ensure and procure that his CSDP is in a position to commit to settle the transaction on his behalf on the settlement date.**] for trades due to settle on the first, second or third business day after the trade date.

9.80.3 A commitment by a CSDP to settle a transaction on behalf of a non-member settled client in terms of rule 9.80.2 shall become unconditional as at **[11h00]10h00** on the settlement date.

- 9.80.4 In the event that a non-member settled client fails to comply with rule 9.80.2, or is advised by the Settlement Authority that the transaction may not settle **[at 11h00]** on the settlement date, the trading member which effected the transaction –
- 9.80.4.1 is obliged in terms of rule 9.100.8 to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on such non-member settled client's account; and
- 9.80.4.2 may proceed in the manner set out in rule 9.80.5.
- 9.80.5 Subject to any agreement between the trading member and the client to the contrary and the action of the Settlement Authority in terms of rule 9.100.11 or 9.100.12, in the event that a non-member settled client fails to comply with the provisions of rule 9.80.2, the trading member may –
- 9.80.5.1 in respect of a sale transaction, buy such bonds for the account of the client; or
- 9.80.5.2 in respect of a purchase transaction, sell such bonds for the account of the client.
- 9.80.6. The non-member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the trading member as a result of the member acting in accordance with rule 9.80.4 or 9.80.5 or any action taken by the Settlement Authority in terms of rule 9.130 or rule 9.135.

### **9.90 Member settled client settlement obligations**

- 9.90.1 A member settled client shall, **[by no later than 12h00 on the business day after the transaction]** in respect of reported transactions, ensure that the trading member that effected the transaction for or on behalf of such client will be in a position to settle the transaction on settlement day[.]-
- 9.90.1.1 by no later than 13h00 on the trade date for trades that are due to settle on the trade date;
- 9.90.1.2 by no later than 15h00 on the trade date in respect of trades that are due to settle on the first business day after the trade date; or
- 9.90.1.3 by no later than 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.
- 9.90.2 In the event that a member settled client fails to comply with the provisions of rule 9.90.1, the trading member which effected the transaction –
- 9.90.2.1 is obliged in terms of rule 9.100.4 to take the necessary steps to ensure that the transaction settles on settlement day, including the borrowing or lending of bonds or funds or entering into a carry or repurchase transaction on such member settled client's account; and
- 9.90.2.2 may proceed in the manner set out in rule 9.90.3.
- 9.90.3 Subject to any agreement between the trading member and the client to the contrary and the action of the Settlement Authority in terms of rule 9.100.11 or 9.100.12, in the event that a member settled client fails to comply with the provisions of rule 9.90.1, the trading member may –
- 9.90.3.1 in respect of a sale transaction, buy such bonds for the account of the client; or
- 9.90.3.2 in respect of a purchase transaction, sell such bonds for the account of the client.
- 9.90.4 The member settled client shall remain liable for any losses, costs and charges incurred, or charges imposed, by the trading member as a result of the trading member acting in accordance with rules 9.90.2 or 9.90.3 or any action taken by the Settlement Authority in terms of rule 9.130 or rule 9.135.

### **9.100 Trading member settlement obligations**

- 9.100.1 A trading member shall at all times endeavour to ensure that the settlement of a transaction in bonds effected by the member takes place.
- 9.100.2 The settlement officer of a trading member must immediately inform the Settlement Authority when any transaction in a bond is unlikely to settle.
- 9.100.3 No trading member may, on settlement day, stop payment in respect of a Strate settlement.

- 9.100.4 If a member settled client fails to comply with the provisions of rule 9.90.1 the trading member must take the necessary steps to ensure that the transaction settles on settlement day, which may include the borrowing or lending of bonds or funds or entering into a carry transaction on the said client's account.
- 9.100.5 A trading member shall, in respect of reported transactions, endeavour to ensure that **[by no later than 16h30 on the business day preceding the settlement date,]** the CSDP of that trading member is in a position to commit to settle the transactions in respect of member settled clients and the proprietary transactions of the of the trading member on the settlement date[.] -
- 9.100.5.1 by no later than 14h30 on the trade date for trades due to settle on the trade date; or
- 9.100.5.2 by no later than 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.
- 9.100.6 A commitment by a CSDP to settle a transaction in respect of a member settled client and the proprietary transactions of a trading member in terms of rule 9.100.5 shall become unconditional as at **[11h00]10h00** on the settlement date.
- 9.100.7 If by **[16h30] 17h00** on the business day preceding the settlement date, a member settled client remains unable to settle a reported transaction that is due to settle on the first, second or third business day after the trade date **[on the settlement date]**, the trading member shall 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 transactions in respect of that member settled client.
- 9.100.8 If a non-member settled client fails to comply with rule 9.80.2, or is advised by the Settlement Authority that **[the] a reported transaction that is due to settle on the first, second or third business day after trade date** may not settle at **[11h00]10h00** on the settlement date, the trading member must take the necessary steps to ensure that the transaction settles on settlement day, which may include the borrowing or lending of bonds or funds or entering into a carry transaction on the said client's account.
- 9.100.9 If 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 settling a reported transaction that is due to settle on the first, second or third business day after the trade date, **[on the settlement date,]** the trading member shall continue to take the necessary steps to ensure that, by no later than **[11h00]10h00** on the settlement date, the CSDP of the non-member settled client commits to settling the transaction.
- 9.100.10 If a client, at any stage, advises a trading member or the trading member otherwise becomes aware, that the client is not able to settle a transaction, the trading member shall endeavour to enter into an arrangement to ensure that the transaction settles on settlement day. If the trading member is unable to enter into such an arrangement, the trading member shall immediately notify the Settlement Authority.
- 9.100.11 If the Settlement Authority receives notification in terms of rule 9.100.10 and is able to procure the settlement of the transaction by means of the borrowing of bonds or funds or effecting a carry or repurchase transaction, the trading member shall by no later than the close of business on the next business day –
- 9.100.11.1 in respect of a sale transaction, buy such bonds for the account of the client and advise the Settlement Authority accordingly; or;
- 9.100.11.2 in respect of a purchase transaction, sell such bonds for the account of the client and advise the Settlement Authority accordingly.
- 9.100.12 If the Settlement Authority receives notification in terms of rule 9.100.10, and either rolls the settlement in terms of rule 9.125 or is able to close the transaction in terms of rule 9.30.2.9 or declares the transaction to be a failed trade in terms of rule 9.70.4, the trading member shall act in accordance with the instructions received from the Settlement Authority in terms of rule 9.130 or 9.135 respectively.
- 9.100.13 A trading member shall not use a client's bonds balances to settle the obligations of –
- 9.100.13.1 another client; or
- 9.100.13.2 the trading member.
- 9.100.14 A contravention of rule 9.100.13 by a trading member may, in the discretion of the JSE, be deemed to constitute an act of default in terms of rule 11.10.2.

**9.110 Reserved**

**9.115 Reserved**

**9.120 Margin on bond transactions**

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**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 [excluded for settlement by the CSDPs], 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;
  - 9.125.1.3 The failing and non-failing trading members will be instructed to re-book the original transaction 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 9.130 or rule 9.135.
- 9.125.3 The failing trading member or non-failing trading member must, before the close of business on the business day following that on which the rolling of settlement has been completed, submit a statement, in writing, to the Settlement Authority detailing any expenses incurred or income foregone by the member or the client as a consequence of the rolling of settlement, including interest.
- 9.125.4 The non-failing trading member shall in respect of a reported transaction, claim any losses and compensation resulting from the rolling of settlement 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.
- 9.125.5 In the case of transactions which are cleared by JSE Clear in terms of rule 8.20.1, any margin taken on the original transaction will be retained by the Settlement Authority until payment of any claims on the rolled settlement has been made.

**9.130 Failed trade procedure applicable to trades cleared by JSE Clear**

- 9.130.1 A failed trade arising out of a transaction which is cleared by JSE Clear in terms of rule 8.20.1, shall be dealt with in the following manner-
  - 9.130.1.1 the Settlement Authority will obtain a list of failed settlements from Strate [excluded for settlement by the CSDPs], 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;
  - 9.130.1.2 Reserved
  - 9.130.1.3 the transactions selected in terms of rule 9.130.1.1 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;
  - 9.130.1.4 the difference between the original value of the trade that failed and the value based on the close out price as established in rule 9.130.1.3 shall be paid by the Settlement Authority to the CSDP of the trading member or client who effected the failed trade, to enable the CSDP to commit to the failed trade settlement in terms of the procedures as set out in the directives;
  - 9.130.1.5 the settlement margin and top-up margin held by JSE Clear in respect of the relevant trading member or non-member settled client will be applied by the Settlement Authority to pay the amount referred to in rule 9.130.1.4 to the CSDP of the trading member or client whose transactions failed;

- 9.130.1.6 the clearing member of the trading member who effected the failed trade will pay any resultant shortfall between the margin referred to in rule 9.130.1.5 and the amount referred to in rule 9.130.1.4 to the Settlement Authority and may claim such shortfall from the trading member. Any resultant surplus between the margin referred to in rule 9.130.1.5 and the amount referred to in rule 9.130.1.4 will be paid by the Settlement Authority to the clearing member of the trading member who effected the failed trade; and
- 9.130.1.7 If the failed trade was effected by the trading member on behalf of a client, the shortfall owed by the trading member to the clearing member in terms of rule 9.130.1.6 may be claimed by the trading member from the client.

9.130.2 This rule 9.130 shall be binding on JSE Clear, clearing members, trading members, clients and CSDPs.

#### **9.135 Failed trade procedure applicable to reported transactions not cleared by JSE Clear**

- 9.135.1 A failed trade arising out of a reported transaction not cleared by JSE Clear shall be dealt with in the following manner:
  - 9.135.1.1 the Settlement Authority will obtain a list of failed settlements from Strate [excluded for settlement by the CSDPs], 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.

#### **9.140 Borrowing of bonds to prevent a trade from failing**

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#### **9.150 Lending of funds to prevent a trade from failing**

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#### **9.160 Carry and repurchase transactions in bonds to prevent a trade from failing**

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#### **9.170 Penalties and fees**

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