
MARKET NOTICE

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Stock Exchange

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Number: 61A/2017
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives

Date: 15 February 2017

SUBJECT: **PROPOSED AMENDMENTS TO THE DERIVATIVES RULES – JSE CONFLICTS OF INTEREST ARRANGEMENTS**

Name and Surname: Shaun Davies
Designation: Director: Market Regulation

Members are advised that the proposed amendments to the JSE Derivatives Market Rules, attached as Annexure A, were adopted by the JSE Executive Committee on 8 February 2017.

The amendments relate to certain of the measures that the JSE is required to implement to comply with the conflicts of interest requirements imposed on market infrastructures in the Financial Markets Act No. 19 of 2012.

Section 62 of the Financial Markets Act read with the Conflicts of Interest Board Notice No. 1 of 2015 issued by the FSB require that market infrastructures take the necessary steps, where applicable, to avoid, eliminate, disclose and otherwise manage the possible conflicts of interest that could arise between their regulatory functions and commercial services. In order to address potential conflicts of interest relating to the JSE's market regulation functions, the JSE has adopted a Market Regulation Conflicts of Interest Policy ("the COI policy") which has been approved by the Registrar in terms of the Board Notice.

Giving effect to the COI policy requires that certain of the current arrangements relating to the JSE's market regulation functions be revised. In particular, consideration had to be given to the role of the Executive Committee and certain senior officers of the JSE in making decisions of a regulatory nature, given that the Executive Committee is the body responsible for the commercial activities of the JSE. These revised arrangements require certain rule changes in order for them to come into effect, as follows:

- Approval and implementation of the JSE rules – the proposed amendments replace the existing requirement that the JSE Executive adopt all new and proposed amendments to the rules and directives with the requirement that the JSE's SRO Oversight Committee appoint a Rules Committee for the consideration and sign-off of all proposed amendments to the rules and directives;

- Approval of membership or the provision of additional regulated services – the proposed amendments replace the existing requirement that “the JSE” (which in practice is the Executive Committee) consider and either accept or reject applications for membership or the provision of regulated services (and the termination of membership and the withdrawal of the authority to perform regulated services) with the requirement that the SRO Oversight Committee appoint a Membership Committee to consider and make such decisions; and
- Exercise of enforcement powers – the proposed amendments adapt the current process that is followed on conclusion of an investigation in which, if the Director: Market Regulation determines that there are grounds for an allegation of improper conduct, he refers the matter to either a Disciplinary Committee or a Disciplinary Tribunal depending on the seriousness of the offence. Although the current Disciplinary Tribunal is independent in its composition, the current Disciplinary Committee lacks sufficient independence in making enforcement decisions as it comprises the Chairman or CEO of the JSE and two current practitioners (who could potentially be competitors of the respondent). Therefore, to address any potential conflicts of interest and to streamline the enforcement process, the proposed amendments dispense with the need for two forums for the referral of enforcement matters. The Disciplinary Committee (in its current form) has been removed and it is proposed that all matters that require determination be referred to a single disciplinary body with a similar composition and process to the current Disciplinary Tribunal. This single enforcement body will be called the Disciplinary Committee and will be appointed from time to time by the Director: Market Regulation.

Unless written objections are lodged within 10 days of this notice, in terms of rule 1.80.3, the proposed amendments to the rules will be submitted to the registrar for his approval.

Should you have any queries regarding this notice, please contact Paul Hartzenberg on (011) 520 7584 or at paulh@jse.co.za

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