JOHANNESBURG STOCK EXCHANGE
Currency Derivatives & Interest Rates

Market Notice

Number: Y556
Date: 27 October 2010

AMENDMENT TO THE YIELD-X RULES

Members are referred to market notice Y286, dated 26 February 2009, setting out the amendment to the yield-x rules and the motivation therefore.

The Registrar of Securities Services has, in terms of Section 61 of the Securities Services Act, No 36 of 2004, approved the rule amendment, which is attached as Annexure A.

The amendment to the yield-x rules will take effect on the date on which the Financial Intelligence Centre Amendment Act, 2008 ("FICAA"), together with the amendments to the Schedules thereto comes into operation (1 December 2010).

The background to the amendment is as follows:

The Securities Services Act (SSA) was amended by the Financial Services Laws General Amendment Act 22 of 2008 with effect from 1 January 2009. Section 18 of the SSA contains the requirements with which exchange rules must comply. Section18 (2) (bb) of the SSA was substituted with the following paragraph:

"The exchange rules must provide –

...

(bb) for the supervision by an exchange of compliance with the duties imposed on its authorised users by the Financial Intelligence Act, 2001, the reporting of any non-compliance of these duties to the registrar and the assistance to be provided to the registrar in enforcing that Act, if the authorised users of that exchange are listed as accountable institutions in Schedule 1 to the Financial intelligence Act, 2001."

The JSE is a supervisory body in terms of the Financial Intelligence Centre Act ("FICA") and the JSE's authority to supervise compliance by its members with the requirements of FICA is provided for in FICA and the SSA. However, the JSE has no authority to enforce FICA. In other words, the JSE can monitor compliance by its members with FICA but it does not have the power to take disciplinary action against its members if there is a breach of the FICA requirements. This is the same supervisory and enforcement structure as is provided for in the SSA in relation to compliance by members with the provisions of the SSA. The JSE monitors compliance by its members with the provisions of the SSA but it does not take enforcement action if there is a breach of the SSA. The FSB institutes enforcement action against a JSE member if there is such a breach. The JSE only takes enforcement action if there is a breach of the JSE rules and directives.

The amendment to the SSA is a consequence of the pending amendments to FICA (i.e. FICAA) which provides the FSB with the authority to enforce FICAA in respect of authorised users of an exchange, thereby achieving the same supervisory and enforcement structure as the SSA.

The amendment to the yield-x rules simply gives effect to the revision of Section 18(2)(bb) of the SSA. The new rule indicates to members that the JSE will report any breaches of FICAA by a member to the FSB and that the JSE will assist the FSB in any enforcement action that the FSB may take.

Should you have any queries in respect of the above, please do not hesitate to contact the undersigned.

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Annexure A

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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 omissions from the existing rules.

4.15 Reporting and assistance by the JSE Surveillance Department – Financial Intelligence Centre Act

The Director: Surveillance will report to the Registrar any non-compliance by a member or its employees with the duties imposed on the member and its employees in terms of the Financial Intelligence Centre Act if the Director: Surveillance becomes aware of such non-compliance through the surveillance and investigation procedures undertaken in terms of rule 4.10. The JSE Surveillance Department will also assist the Registrar in any enforcement action that may be taken by the Registrar against a member or its employees in relation to non-compliance with the Financial Intelligence Centre Act.