

Simplification Project

March 2024

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JSE

Introduction

- In May 2022, as part of its ongoing efforts to ensure that the bourse is fair, efficient, transparent and competitive, the JSE released a consultation paper, requesting stakeholders to comment on a raft of proposals.
- One such proposal was the Simplification Project for which overwhelming support was received.
- The Listings Requirements (the “**Requirements**”), in its current form, has been in place for more than 20 years and comprises 20 Sections, 18 Schedules and 3 Practice Notes spanning 600 pages.
- The aim of the project is to reposition the Requirements in its entirety in accordance with the ground rules, using plain language to record concise regulatory objectives with the ultimate aim of significantly cutting the complexity of the Requirements. An additional benefit of simplification is the significant reduction in the volume of the Listings Requirements.
- To make the Simplification Project more palatable, the JSE will be hosting quarterly webinars with the market to provide updates and field questions.

Simplification Ground Rules

- Testing regulatory relevance, is the requirement still current and does it serve a regulatory objective?
- Converting complex language construction into plain language, whilst maintaining regulatory objective.
- Cutting red-tape a continuing focus.
- Articulating what is absolutely necessary by clearly expressing purpose.
- Removing ultra long sentences, legal jargon and archaic words.
- Maintaining the chain of thought through a sensible chronologic regulatory approach.
- Removing ambiguity, duplication and administrative matters.
- Harmonising outdated legal style drafting in a simplified uniform style to support issuers and sponsors.
- Amendments which are not considered simplification will be highlighted.

Simplification Workflow

- The following advisory bodies assist the JSE with the drafting process behind the Simplification Project, specialising in various areas of practice within the corporate finance industry:
 - **Issuer Regulation Advisory Committee:** Representing seasoned corporate financiers. Their expertise range from accounting, corporate governance, investment management, corporate law and corporate finance;
 - **The CFO Forum:** Representing the Chief Financial Officers of South Africa's largest listed companies, with membership drawn mainly from boardrooms of the JSE Top 40, tasked with the development of South African and international policy and practice on matters that affect the business of listed companies;
 - **The Cosec Forum:** Representing a listed company secretary viewpoint with its focus area being corporate governance and corporate reporting;
 - **Corporate Finance Experts:** Two seasoned industry experts, who have availed themselves through extra time to assist with the Simplification Project; and
 - **The Simplification Steering Committee:** The Simplification Steering Committee consists of senior staff members in Issuer Regulation comprising its management committee, which have been co-opted as a Simplification Steering Committee responsible for reviewing simplification drafting and proposed reforms to the Requirements.

Simplification Workflow

- A staggered and open JSE public consultation process is being followed, which commenced in September 2023.
- Dedicated public consultation portal has been created on JSE website, to create a centralised portal for new releases and updates.
- Released Sections 1, 2, 9 and 10 for public consultation on 20 September 2023.
- Released Sections 4 and 5 for public consultation on 16 November 2023.
- New Sections to be announced and released during March 2024, which would place the project at almost the 50% mark.
- All Sections to remain open for public consultation until process is complete, in order to ensure that (i) any cross-referencing issues are addressed, and similar themes are under the correct Sections.
- The main objective is to keep the consultation process fluid.
- The FSCA is updated on a regular basis on the project developments, recognising the magnitude of the project and that all the Sections are also subject to an FSCA public consultation process (once the JSE public consultation process has been completed).

Project Status: Released

Project to date

- **Release 1**

- The JSE launched first four Sections, being Section 1 (General Powers of the JSE), Section 2 (Sponsors), Section 9 (Transactions) and Section 10 (related Party Transactions).

**Public Consultation
Commence**

20 September 2023

**Public Consultation
Closed**

23 October 2023

- **Release 2**

- The JSE released a further two Sections, being Section 3 (Continuing Obligations) and a new Section 4 (Corporate Governance).

**Public Consultation
Commence**

16 November 2023

**Public Consultation
Closed**

31 January 2024

Project Status: Released

- **Release 3**

- Version 2 of all the Sections of Release 1 and 2 have been released again to reflect public comments, which will again be open for further public consultation.

Public Consultation Commence	5 March 2024	Public Consultation Closed	8 April 2024
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Project Status: Next Up

- **Release 4**

- The JSE will release a further three Sections in March 2024, being Section 5 (Methods and procedure of bringing securities to listing), Section 11 (Circulars, pre-listing statements/prospectuses and announcements) and Section 16 (Documents to be submitted to the JSE).

Public Consultation Commence	20 March 2024	Public Consultation Closed	30 April 2024
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- **Release 5**

- The JSE aim to release a further three Sections in April 2024, being Sections 6 (Pre-Listing Statements), Section 7 (Listing Particulars) and Section 12 (Mineral Companies).

- **Release 6**

- The JSE aim to release a further three Sections in May 2024, being Sections 4 (Conditions of Listing), Section 21 (Alternate Exchange) and Section 18 (Dual Listings).
- We will update the Next Up as we progress forward.
- This will put the project at a public consultation release percentage of 79%, being 15 Section of a total of 19 Sections.



Next Up: Reforms

- The proposed simplification and reforms proposed for Release 4, being Section 5 (Methods and procedure of bringing securities to listing), Section 11 (Circulars, pre-listing statements/prospectuses and announcements) and Section 16 (Documents to be submitted to the JSE), include the following.
 - Creation of a new Corporate Actions Section, being a “one stop shop” for all corporate actions through the following sequencing: (i) specific requirements, (ii) announcements, (iii) contents of circular and (iv) documents to be submitted to the JSE. Currently one corporate action can span across up to 4 Sections.
 - Issue for cash and repurchase authorities:
 - Reduction in shareholders’ approval threshold from 75% to 50%;
 - Removal of fairness opinions involving related parties;
 - Removal of pro forma financial information; and
 - On a specific repurchase, removal of prohibition of obtaining a closed period repurchase authority from shareholders.
 - Indications are that there will be at least a 50% reduction in Release 4, in both word and page count.

Simplification Stats

- Although not the primary focus, the project has so far resulted in a significant reduction, by volume, in the Requirements:
 - **Section 1:** Powers of the JSE (word count -30% page count -13%)
 - **Section 2:** Sponsors (word count -25% and removal of 1 schedule)
 - **Section 3:** Continuing Obligations (word count -62% page count – 56%)
 - The significant reduction must be seen in the context of the creation of a new Corporate Governance Section (New Section 4)
 - **Section 9:** Transactions (word count -38% page count -40%)
 - **Section 10:** Related Parties (word count - -48% page count – 33%)
 - It should also be noted that two Sections will be removed in totality from the Requirements:
 - **Section 19:** Specialist Securities (in process through the creation of the DSS Requirements); and
 - **Section 22:** Auditor Accreditation (removed with effect December 2023)

Conclusion

- Participation and support for the Simplification Project has been very positive and well received.
- The type of comments received evidence that the amendments have been well read and that there is clear support for the proposed reforms, save for one concern raised with the proposed removal of fairness opinions for related party transactions requiring shareholders' approval.
- The Simplification Project aims to stay true to the ground rules, which include -
 - Testing regulatory relevance, is the requirement still current and does it serve a regulatory objective?
 - Cutting red-tape a continuing focus
 - Articulating what is absolutely necessary by clearly expressing purpose

Conclusion

- We wish to ask that all market participants embrace the Simplification Project as the JSE believes that the proposed reforms are significant and meaningful in support of an effective and appropriate level of regulation for issuers listed on the JSE.
- Please make your voice heard through participating actively in the public consultation processes.
- Any questions please reach out to Alwyn Fouchee on AlwynF@jse.co.za.

Questions?



Thank you

Send queries to Simplification@jse.co.za

<https://clientportal.jse.co.za/communication/issuer-regulation-simplification-project>

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