

Market Notice

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FUNCTIONALITY TO ENABLE REGISTERED CLIENT ACCOUNTS TO SEPARATE POSITIONS ONTO SUB ACCOUNTS FOR INTERNAL MANAGEMENT PURPOSES

The JSE has been testing for some time new trading and clearing functionality that will allow a preauthorized client account registered with a member firm to operate sub accounts under the same registered legal entity. This functionality has always been available to member firms in order for them to manage their own proprietary positions within the same account structure and where initial margin required is then based on the net open position.

With regards to the process going forward, registered clients in terms of 7.60 of the derivative rules, will not automatically have access to this new functionality, however they will be required to provide the following confirmation in writing to the Commodities Operations Team for consideration:

- Member firms that request the JSE to enable a specific individual client code to access the sub account functionality are required to provide the following in writing:
 - Initial approval from their Clearing Member that they comfortable the member firm can accommodate clients with this additional functionality including signoff that they are comfortable with all downstream reporting provided by the Clearing Member
 - They are required to confirm the following details of the client that is applying:
 - Client Code, Name, Registration Number/ID Number, Key contact persons details
 - The member firm will also have to acknowledge that all trading activity undertaken on behalf of the client will be done in the same legal capacity as the registered client entity. The member firm is responsible to ensure that the client sub accounts are not misused and that all activity refers to the registered legal client entity.
- The Client of the registered member firm that requests access to the client sub account functionality will also be required to submit supporting documentation via the member firm with the following details:
 - Master Client Code to be flagged for sub accounts
 - Request must be signed off by a director of the company and provided on the appropriate letterhead confirming the company registration details,
 - In terms of an individual requesting this functionality, this must be requested from the individual together with a copy of the ID
 - In the motivation document, the client must describe in detail their core business and their motivation for the use of the new functionality



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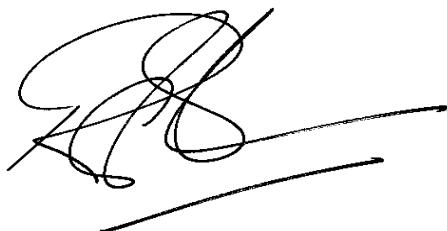
- o In the written request the client must also acknowledge that all positions held on the sub accounts are for the registered legal entity and that under no circumstances may any positions be held on behalf of another legal entity

Upon receiving the above once off application per registered client, the JSE will be able to review and activate the identified client account in order for sub accounts to be loaded directly by the member firm. This will then allow the registered client to operate multiple positions under various sub accounts in order to better manage their own internal allocations. The client sub account functionality must always reflect positions of the legal entity of the registered client account on the exchange, any abuse of this will result in immediate deactivation at the exchange level.

This functionality will allow those registered clients who prefer to operate multiple trading strategies under a single registered client account the ability to achieve this. All trading activity on Nutron will remain the same however within the deal management functionality the main client account eg ABC112 will be flagged as the "Master Client" whilst the client sub accounts will appear under the "Prin" field eg 562MEH. All sub positions will be visible under the APD View Con Positions File. Please take note in terms of physical delivery, this remains on a net level. So the client will have to be net short to make delivery and net long position to take delivery.

In order to better understand the client sub account loading processes please refer to the attached document.

All above requests are to be submitted to the commodities@jse.co.za email group, if there are any further questions regards the new functionality contact the Division on 011 520 7535.



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