**Memorandum**

**Subject**: Proposed changes to JSE Listings requirements - *Negative Control*

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**Background**

Paragraph 4.28 (d) of the Listing Requirements (“LRs”) states that companies must control the majority of its assets. The JSE also issued guidance in 2004 to make it clear that any negative control will result in a company being in breach of the LRs.

Paragraph 4.28 (d) of the Listing Requirements (“LRs”) states that companies must control the majority of its assets. The JSE also issued guidance in 2004 to make it clear that any negative control will result in a company being in breach of the LRs. Following discussions on the matter and several requests from the market, the JSE has decided to review the LR relating to negative control on funding arrangements.

The JSE is therefore, considering amendments to the Listings Requirements to make provision for requirements with regards to funding arrangements that include negative control.

***The Listings Requirements will be amended as follows;***

***Definitions section***

***Negative control*** *- any contractual arrangement, whether verbally or in writing, binding the applicant issuer and/or any of its subsidiaries –*

*(i) to obtain the prior consent from a third party to undertake certain specified events; and/or*

*(ii) to require the voting support of certain shareholders or a group of shareholders at a general meeting in favour of certain specified events,*

*failure of which, the specified event may be vetoed at the election of the third party, shareholder or group of shareholders, as the case may be.*

***Rights between holders of securities***

***Section 3 – Continuing Obligations***

*Miscellaneous Obligations*

*Funding Arrangements including negative control*

* 1. *Funding arrangements, being the provision of any financial resources to an issuer and/or its subsidiaries order to finance any commercial undertakings or commitments, which include negative control provisions, must be disclosed as a material contract in accordance with paragraph 7.F.1 of the Listings Requirements.*
  2. *Each and every negative control provision must be clearly disclosed and to the extent necessary explained.*
  3. *Funding arrangements concluded with related parties must be voted on by shareholders as a related party transaction in accordance with Section 10 of the Listings Requirements. Disclosure as a material contract must also be provided as envisaged in terms of paragraph 3.90 above.*

***Section 5 - Methods and procedures of bringing securities to Listing***

*Funding Arrangements including negative control*

*5.128 Any funding arrangements undertaken by an issuer and/or its subsidiaries that contain negative control provisions must comply with paragraphs 3.90, 3.91 and 3.92 where applicable.*

***Section 9 - Transactions***

*Funding Arrangements including negative control*

*9.35 Any funding arrangements undertaken by an issuer and/or its subsidiaries that contain negative control provisions must comply with paragraphs 3.90, 3.91 and 3.92 where applicable.*