

**Public consultation process on proposed changes to JSE Listings Requirements in relation to schedule 18 as it relates to fractional entitlements**

**14 January 2015**

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It was brought to our attention during the T+3 Corporate Actions Project that the fraction principle as is currently provided for in the Listings Requirements is outdated; not in accordance with international best practice; an administrative issue for most listed companies; and service providers (CSDPs and JSE members). In addition, shareholders with less than 0.5 entitlements are disenfranchised, as their holdings are rounded down with no benefit, whereas shareholders with more than 0.5 entitlements gain due to the rounding up. We have therefore decided to amend the Listings Requirements to make provision for fractional entitlements.

Currently the Listings Requirements provides that all allocations of securities will be rounded up or down based on the standard rounding convention (i.e. allocations will be rounded down to the nearest whole number if they are less than 0.5 and will be rounded up to the nearest whole number if they are equal to or greater than 0.5) resulting in allocations of whole securities and no fractional entitlements.

The new fraction principle will result in all allocations of securities being rounded down to the nearest whole number and a cash payment will be paid for the fraction at beneficial level. This would also be a lot more equitable to shareholders as currently anyone with an entitlement of 0.50 or less loses everything whereas if we make the changes everyone will be paid cash for fractions.

The following market convention was agreed to by the market:

- The VWAP on LDT+1 less 10% is used as the cash value which will be updated to the systems. The CSDPs and/or brokers will then sell the surplus shares in the open market which could result in the CSDPs and/or brokers making a minor profit or loss.

It is important to note that the CSDP's and/or brokers will hold the shares until it can be sold in the market.

With regards to the amendments to the Listings Requirements:

- The JSE will only need to amend Schedule 18 of the Listings Requirements. RDS and the BDA system have both been updated to accommodate the change. Once this amendment has been approved the change will be driven as a normal operation project with the market.
- The amendment to Schedule 18 of the Listings Requirements will result in the JSE having to regulate the application of the new fraction principle only at the listed company level.

Please refer to **Annexure 1** for the proposed amendments to the Listings Requirements.

## Annexure 1

### Schedule 18

#### Corporate Action Timetables

##### Principles applicable to all corporate actions

18.1 The following principles apply to all corporate actions:

- (o) ~~all allocations of securities will be rounded up or down based on standard rounding convention (i.e. allocations will be rounded down to the nearest whole number if they are less than 0,5 and will be rounded up to the nearest whole number if they are equal to or greater than 0,5) resulting in allocations of whole securities and no fractional entitlements;~~  
In respect of fractional entitlements that arise, all allocations of securities will be rounded down to the nearest whole number resulting in allocations of whole securities and a cash payment for the fraction. The VWAP on LDT+1 less 10% must be used as the cash value.