

**STAKEHOLDER REPORT**

**INTEGRATED ANNUAL REPORT OF THE JSE LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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## STAKEHOLDER ENGAGEMENT

The JSE and its stakeholder groups have a symbiotic relationship. Our experience is that, by working to create and contribute to an environment in which its stakeholders may be able to flourish, the Exchange supports its own long-term ability to continue creating value for these stakeholders.

Stakeholder and key interest	What the JSE engages about	Issues and solutions
<b>JSE Limited shareholders and analysts</b>  JSE financial performance and how we create value	<ul style="list-style-type: none"> <li>Performance</li> <li>Growth areas</li> <li>Company sustainability</li> <li>Costs</li> <li>Dividend policy</li> <li>Share schemes</li> <li>Prospects</li> </ul>	<ul style="list-style-type: none"> <li>Requests for a capex roadmap for the year ahead and guidance regarding the total ITaC spend were dealt with during the announcement of the interim results 2015, which provided shareholders with total capex spend on ITaC by 2017</li> </ul>
<b>JSE regulator</b>  Areas of mutual and regulatory interest	<ul style="list-style-type: none"> <li>Investment policy</li> <li>Regulatory issues</li> <li>Development of products and services</li> <li>Surveillance</li> <li>Investor and market protection mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>The JSE continues to engage the regulator on the progress being made towards the implementation of T+3 settlement in the local equities market</li> <li>The JSE continues to engage the FSB and SARB on anticipated changes to the regulatory framework following on from the anticipated implementation of the twin peaks regulatory model later in 2016</li> </ul>
<b>Clients – Issuers</b>  Requirements to bring traded products on market	<ul style="list-style-type: none"> <li>Listings Requirements</li> <li>Additional capital raising</li> <li>Ongoing disclosure obligations</li> <li>Sustainability (environment, social and governance) issues and assessments</li> </ul>	<ul style="list-style-type: none"> <li>Issues relate primarily to the flexibility around specific transaction structures, corporate actions and disclosure requirements and these are addressed through one-on-one engagement with issuers and their sponsors and through formal channels such as advisory committees</li> </ul>
<b>Clients – Members</b>  Ensuring the JSE understands member needs	<ul style="list-style-type: none"> <li>Customer service, including trading systems, contract specifications and rules and directives</li> <li>Customer expectations, including fee models, market practices, market and new product development</li> </ul>	<ul style="list-style-type: none"> <li>Significant project spend under way, including the transition to T+3 settlement in the Equities Market and the implementation of the ITaC technology migration</li> <li>Regular sessions are held with all stakeholders to provide updates and to obtain feedback. These issues are also addressed at the JSE's trading advisory committees, of which there is one for each main asset class</li> </ul>
<b>Clients – Investor community</b>  Understanding the range of investment products available through the JSE and how to invest in them	<ul style="list-style-type: none"> <li>Financial literacy and investor education</li> <li>JSE markets and products</li> <li>Aspects of JSE business</li> <li>Responsible investing and the importance of understanding and factoring ESG matters into investment analysis and decision-making</li> </ul>	<ul style="list-style-type: none"> <li>A challenge faced in pursuing the aim of including sustainability into investment decision-making is how to understand what companies are doing and how to assess these actions with regard to their impact on sustainability. The JSE attempts to bridge that gap by creating platforms for engagement between issuers and investors to foster better dialogue and understanding</li> <li>SA Inc. is an issue for investors. We address this by exposing them to South African government and corporate leaders</li> </ul>

Stakeholder and key interest	What the JSE engages about	Issues and solutions
<b>Clients – Sponsors and designated advisors (DAs)</b>  Ensuring up-to-date Listing Requirements changes	<ul style="list-style-type: none"> <li>• General market conditions</li> <li>• Changes to the JSE Listings Requirements</li> <li>• Service levels and general conduct of staff</li> <li>• Feedback provided on performance and interaction with investor relations officers</li> </ul>	<ul style="list-style-type: none"> <li>• Issues relate primarily to the flexibility around specific transaction structures, corporate actions and disclosure requirements. These are addressed through one-on-one engagement with issuers and their sponsors and through formal channels, such as advisory committees</li> </ul>
<b>Employees</b>  Company strategy, values and policies, enhancement of skills, retention and motivation of talent	<ul style="list-style-type: none"> <li>• Development and training</li> <li>• Wellness programmes</li> <li>• Employee assistance programme</li> <li>• Remuneration, benefits</li> <li>• Employment equity</li> <li>• Personnel and company financial performance</li> <li>• Code of conduct and ethics</li> <li>• Employee engagement</li> <li>• Career options</li> </ul>	<ul style="list-style-type: none"> <li>• The JSE encourages divisions to send employees on training monthly</li> <li>• Wellness programmes build a sense of camaraderie with co-workers</li> <li>• There are various associated benefits with regard to remuneration, which are currently being benchmarked with the industry</li> <li>• Awareness of JSE employment equity position and diversity sensitivity: Action list in progress</li> <li>• Engagement survey used to measure engagement levels: Sharing survey results and creating action plans involving all employees to raise awareness and engagement levels</li> </ul>
<b>Potential employees</b>  The JSE as an employer of choice	<ul style="list-style-type: none"> <li>• BBBEE</li> <li>• Career opportunities</li> <li>• JSE values</li> </ul>	<ul style="list-style-type: none"> <li>• Full disclosure regarding the JSE’s BBBEE status is available on the JSE website</li> <li>• Vacancies in the JSE are displayed on a JSE web page as well as on LinkedIn and many other websites</li> <li>• The JSE values are displayed and unpacked on the Working at the JSE web page</li> </ul>
<b>Suppliers</b>  Performance feedback  Future requirements of company	<ul style="list-style-type: none"> <li>• Monitor performance</li> <li>• Evaluations – products and services</li> <li>• Cost assessments</li> <li>• Growth expectations and product and service developments</li> <li>• Contractual agreements</li> <li>• BBBEE vendor evaluations</li> </ul>	<ul style="list-style-type: none"> <li>• The JSE is working on an endorsed affirmative procurement policy. This will be published in early 2016</li> </ul>

## STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholder and key interest	What the JSE engages about	Issues and solutions
<p><b>National and local government</b></p> <p>Areas of mutual interest (stakeholders include the National Treasury; the Department of Agriculture; the Department of Minerals and Energy; the South African Reserve Bank and the South African Revenue Service)</p>	<ul style="list-style-type: none"> <li>Financial sector legislative and regulatory framework</li> <li>CPSS-IOSCO compliance, G-20 and Financial Stability Board matters</li> <li>Exchange control matters</li> <li>Tax issues as they impact capital markets and clients e.g. tax-free savings accounts</li> <li>Financial Intelligence Act (FICA) matters</li> <li>Market structure considerations, particularly in relation to new products, where regulatory support is critical</li> </ul>	<ul style="list-style-type: none"> <li>The JSE has made formal submissions to the National Treasury regarding concerns relating to twin peaks and the Financial Market Act regulations. The JSE's engagements with the National Treasury have been constructive and the JSE expects to find a positive way forward</li> </ul>
<p><b>Media</b></p> <p>To create awareness of investment products and to promote financial literacy</p>	<ul style="list-style-type: none"> <li>Performance</li> <li>Growth areas</li> <li>Company sustainability</li> <li>Dividend policy</li> <li>Share schemes</li> <li>Prospects</li> <li>Financial literacy and investor education</li> <li>JSE markets and products</li> <li>Aspects of JSE business</li> </ul>	<ul style="list-style-type: none"> <li>Issues relate to the accessibility of senior leadership, the complexity of the JSE's business and the timing of results. The JSE regularly tries to address these ongoing issues</li> </ul>
<p><b>External panels and associations</b></p> <p>Areas of mutual interest</p>	<ul style="list-style-type: none"> <li>Various ongoing initiatives during the year, dealing with service, expectations, prospects, strategies, sustainability and regulation</li> </ul>	<ul style="list-style-type: none"> <li>The JSE focuses on issues specific to enhancing the business environment and engages with political parties and other interest groups about South Africa and Africa as a whole</li> </ul>
<p><b>Community</b></p> <p>Corporate social investment</p> <p>Education and awareness</p>	<ul style="list-style-type: none"> <li>Education initiatives including: <ul style="list-style-type: none"> <li>JSE Investment Challenge</li> <li>Financial literacy initiatives (JEF)</li> </ul> </li> <li>Healthcare and community development</li> <li>Sponsorships and donations</li> <li>JSE Benevolent Fund</li> </ul>	<ul style="list-style-type: none"> <li>As the Investment Challenge is the JSE flagship CSI initiative, the JSE wishes every high school learner in the country to participate. The JSE is working closely with the Department of Education to achieve this</li> </ul>

## Shareholders and analysts

JSE Limited's shareholders provide the listed Group with equity capital that funds its operations and capital spending. Investors assist the Group in its drive for long-term growth. The Board has worked hard to get close to the JSE's shareholders and analysts.

The Investor Relations division is known to major investors and its contact details are available on the Company website: <https://www.jse.co.za/>. Information is distributed through various channels. The website continually addresses queries from analysts, investors and potential shareholders. The security and integrity of the information is carefully maintained, while ensuring all critical information reaches shareholders simultaneously.



The JSE's chief executive officer (CEO), chief financial officer (CFO) and head of Investor Relations engage shareholders through regular communication sessions, meetings and other processes. They regularly meet investors and analysts to foster dialogue and communicate the JSE's strategy and performance.

The directors are encouraged to attend all general meetings. Shareholders are encouraged to be present and to ask questions. Shareholders are also afforded the opportunity, when they wish, to meet with directors and management.

## Media

The JSE has a robust media engagement strategy and has established close and integral media relationships to manage its reputation and audience perceptions about the Exchange. The media and public relations function forms part of the Marketing and Corporate Affairs division. The team continuously engages with the media using various communication platforms. Spokespeople also engage with the media at various conferences and events hosted by the JSE.



All media releases are publicly available on the JSE's media portal on its website: <https://www.jse.co.za/media-centre/press-releases>.

The ways in which society consumes media and information are changing. Therefore the JSE maintains a presence on various social media channels, which it uses to constantly engage the media and the public on a plethora of topics while providing information about the JSE.

Please follow the JSE on:

Twitter: [https://twitter.com/JSE\\_Group](https://twitter.com/JSE_Group)

Facebook: <https://www.facebook.com/Johannesburg.Stock.Exchange>

LinkedIn: <http://www.linkedin.com/company/jse-limited>

## Clients

As the JSE operates largely in the services industry, it forms part of a complex ecosystem engaging with a number of stakeholders. The JSE consistently focuses on building a sustainable, broad and deep business model. Its emphasis is on products, staying close to customers and giving them the services that they require.

The Exchange continues to grow its product range and trading volumes while constraining costs and fees to customers. This is achieved despite a fairly fixed cost infrastructure and a significant investment in technology, enabling the JSE to remain competitive. The JSE's website, [www.jse.co.za](http://www.jse.co.za), gives customers access to detailed information on the JSE.

## Issuers

The JSE focuses on attracting top quality issuers and ensures their quality by setting and enforcing high-quality Listings Requirements.

The JSE operates a fully automatic electronic central order book for its Equity Market. The JSE provides issuers with visibility to local and international investors every year through investor showcases and roadshows. The JSE also lists a number of exchange-traded fund products, as well as futures and options.

## Members

The JSE interacts with its members through:

- account management;
- broker forum sessions;
- *ad hoc* meeting requests;
- one-on-one training sessions;
- on-site support at members' offices;
- communication sessions;
- technical workgroups;
- advisory committees; and
- other communication.

## STAKEHOLDER ENGAGEMENT (CONTINUED)

Finally, the JSE interacts with its clients through its client-support helpdesk, which provides business support and application functional support to clients as well as equity members' front, middle and back-office operations.

The client-support helpdesk also provides the following services:

- First level support to all JSE paying subscribers on all JSE services to which they subscribe;
- Ensuring that all new equity members are enabled for production and test services;
- User training;
- Client incident management. The JSE helpdesks and business teams communicate with the Exchange's clients, using various communication channels (email, SMS, broadcast messages); and
- First-line technical support for the Equity Derivatives, Commodity Derivatives and Interest Rate markets' clients.

The JSE has enhanced its client management activities through several initiatives. Among them are a dedicated client coverage unit in Capital Markets, the continued development of the client service centre, and an enhanced focus on formal structures, including the trading advisory committees. The focus for the year has been on innovation, simplification of the fees and billing models and overall enhancement of the customer experience to position the JSE competitively. Market innovations included the launch of the interest rate swap futures contract, the launch of the FTSE/JSE Responsible Investment Index Series and the official launch of the Empowerment Segment on the Equities Main Board. These and the other initiatives were launched following intense stakeholder engagement in the development process. Fee and billing models were reviewed and a new fee model has been introduced for the Currencies Market. The objectives of the fee model review include the objective of aligning and simplifying the fee structures across asset classes.

### Investor community

The JSE values its relationship with both institutional and private investors and adopts a positive and proactive approach to ensure that communication is handled appropriately. There is regular two-way communication with the investor community. The JSE engages in financial literacy initiatives proactively and on request.

### Sponsors and designated advisors (DAs)

Although the JSE is the first line regulator, it is dependent on sponsors and designated advisors to provide advice to listed companies with regard to compliance with the JSE's Listings Requirements. Sponsors and designated advisors need to be well versed in the Listings Requirements as well as their interpretation. The JSE also needs to ensure that any new requirements released by the Issuer Regulation division are well understood and that the advisors receive ongoing training. Advisors are seen as an extension of the JSE's regulatory mandate to ensure that listed companies understand the Listings Requirements. Each issuer needs to appoint a sponsor or designated advisor upon listing.

## Employees

### Philosophy

The JSE uses its enhanced and formalised integrated talent management framework and processes to achieve results through people. These tools optimise its ability to effectively attract, engage, develop and reward talent to create a high performance culture.

### Culture

The JSE encourages a culture that is focused on high performance, supports professional growth and development, and values diversity. The Group seeks to treat each person as an individual and to create a climate of openness and trust, respect and dignity. High performance and values alignment are measured and rewarded through the incentive and retention scheme.

### Staff profile

The employee complement of the JSE as at 31 December 2015 was as follows, on a divisional basis:

	Permanent	Fixed-term contract
Capital Markets	47	2
CEO's office	8	1
Finance	18	–
Governance, Risk and Compliance	13	2
Human Resources	14	1
IT	154	8
Issuer Regulation	33	
Market Regulation	33	
Marketing and Corporate Affairs	30	
Post-Trade and Information Services	74	
Trading and Market Services	50	1
Learners 2015		17
<b>Total</b>	<b>474</b>	<b>32</b>

The JSE's employment equity policy aims to eradicate all forms of discrimination and to create opportunities for all employees, with a special emphasis on the business's demographic profile.

#### **Staff turnover and recruitment**

The JSE's staff turnover for 2015 was 17.49%. Of the terminations of employment in 2015, 67 were owing to resignations, two to dismissals and three to retirement. A further nine were for various other reasons.

#### **Training and development**

The JSE is committed to supporting the development of its people to ensure that its employees have the skills and competencies required to deliver against the business strategy.

The JSE also promotes a culture of learning among its employees, as it relies on their knowledge and skills to provide the best service to its clients and stakeholders.

In 2015, the JSE spent R4.3 million on training and developing employees, including JSE-sponsored qualifications.

The JSE also has a formal internal and external learnership programme aimed at further developing employees' capabilities to meet future business needs and to facilitate transformation. In total, 12 employees are currently in the process of completing the programme and 17 external African learners have been placed on a one-year contract to complete a formal learnership and gain valuable working experience.

In 2015, the JSE spent R4.3 million on funding the learnership for external learners.

#### **Health and wellness**

There are eight dimensions of wellness: occupational, emotional, spiritual, environmental, financial, physical, social, and intellectual. Each dimension of wellness is interrelated with another. Each dimension is equally vital in the pursuit of optimum health. One can reach an optimal level of wellness by understanding how to maintain and optimise each of the dimensions of wellness.

The JSE strives to increase the wellbeing and productivity of all its employees by enhancing all aspects of health. The JSE's health and wellness plan seeks to increase awareness of positive health behaviours, to motivate employees to voluntarily adopt healthier behaviours and to provide opportunities and a supportive environment to foster positive lifestyle changes. The JSE also seeks to aid wellness in its communities by encouraging employees to give back through periodic sponsored charitable activities and programmes.

#### **Health and safety**

The JSE has several services in place to enhance employee health and safety and to provide early warning signals in accordance with international standards for building infrastructures and ensuring safety. The Exchange adheres to the Occupational Health and Safety Act, 85 of 1993, and the relevant regulations. Safety issues are the responsibility of the building management team, which reports to the Group Company Secretary, a member of the JSE's executive management. There have been no fines, accidents or other significant social incidents in the period under review.

The JSE commits itself to creating and maintaining an environment free from all forms of unfair discrimination, including discrimination against people living with HIV/Aids and other life-threatening illnesses. The JSE acknowledges that the HIV/Aids pandemic will affect its workplace. It has a policy in place for handling this pandemic.

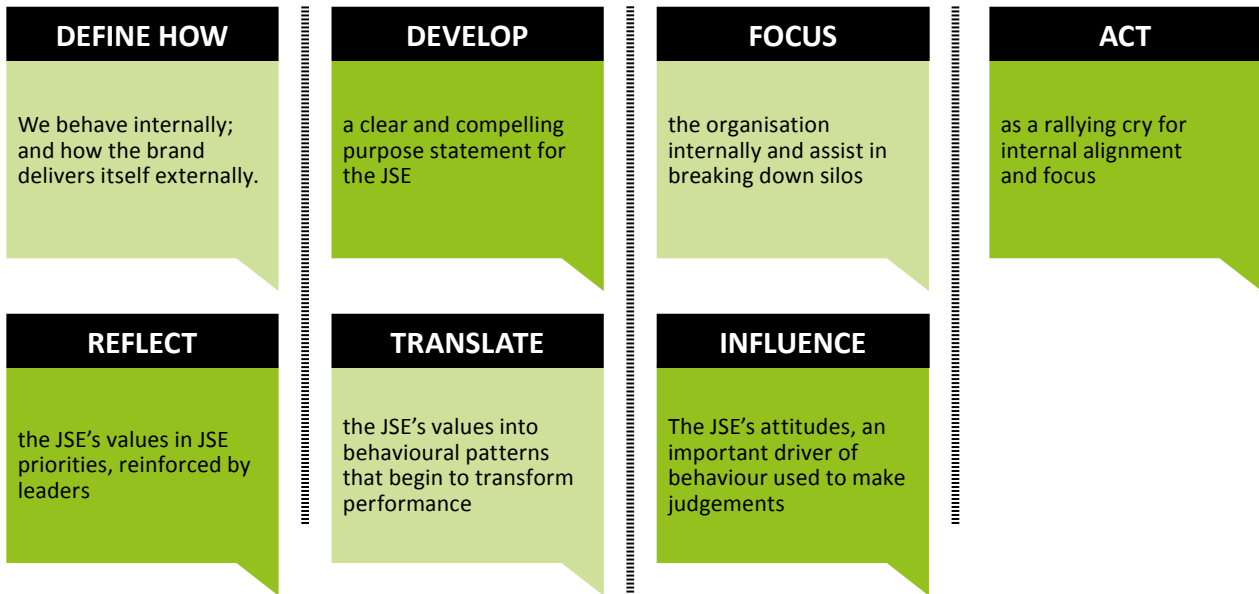


## STAKEHOLDER ENGAGEMENT (CONTINUED)

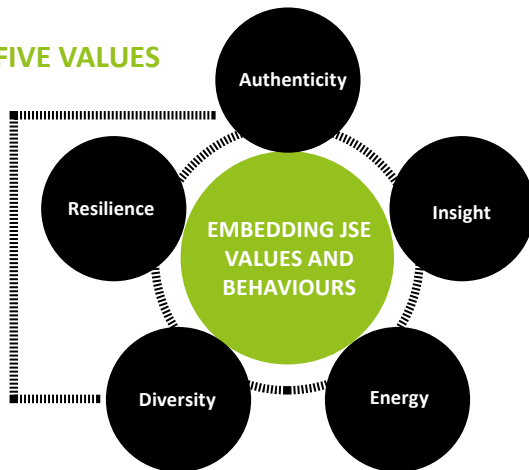
### Culture of ethics

The Board is mindful that JSE management and employees' work ethic and performance must adhere to high standards. It is also aware that the JSE's reputation is built on management and employee interactions with all stakeholders. When management and employees display the expected behaviour and values, the JSE reputation is strengthened and a healthy workplace is promoted where original and innovative thinking occurs. This embeds a robust culture of ethics and integrity at the JSE.

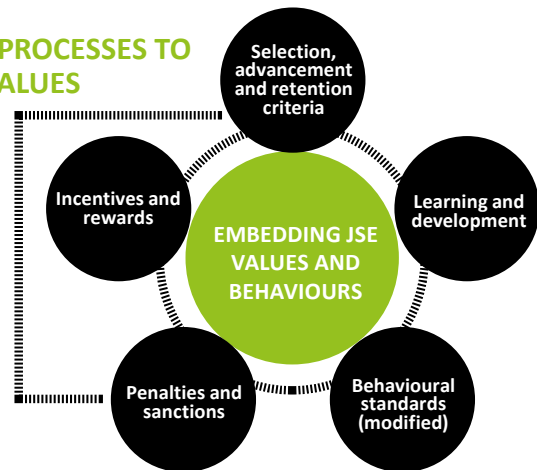
The current value system was launched to all JSE staff in 2013 and is based on the following model:



### OUR FIVE VALUES



### PEOPLE PROCESSES TO DRIVE VALUES



### Whistle-blower facility

Contributing to this culture, an independent service provider operates a 24-hour toll-free hotline 365 days a year. Employees are encouraged to participate by reporting any unethical behaviour identified, anonymously, confidentially, and in a choice of five languages.

During the year under review, no incidents were reported.

### Policy Steering Committee

The Policy Steering Committee's function is to drive policy awareness across the JSE. This means that any new or amended internal policies across the JSE's divisions will be tabled, discussed and approved at a central committee, made up of representatives from each division of the JSE. This will ensure due diligence and appropriate governance and will also allow for increased engagement across all business areas. Below is a summary of some of the interventions in place and compliance with these:

Intervention	Status	Compliance
Code of ethics	Policy in place	No incidents reported
Code of conduct	Policy in place	No incidents reported
Whistle-blower facility	Fully implemented	No incidents reported
Fraud and illegal acts	Policy in place	No incidents reported
Interest in contracts	Policy in place	No incidents reported
Dealing in JSE Limited securities and other listed securities	Reviewed policy in place	No incidents reported

### Potential employees

The JSE is a diverse and highly competitive organisation. The JSE's success depends on its ability to attract and retain the best talent, both internally and externally. Its sourcing approach strives to hire the best possible talent that demonstrates the skills, aptitude and capabilities to advance and support the JSE in meeting its strategic and transformational objectives.

Working at the JSE offers a unique opportunity to work not only in a diversified organisation, but also in an organisation that is small enough for every individual to make a difference. Specialist and managerial career paths are being developed to provide a rich, full career within the confines of a relatively small organisation. The power of the unique culture of the JSE is evident in the number of people returning to the JSE after venturing into other organisations.

### Suppliers

Suppliers are selected by applying the appropriate JSE supplier selection process. This best practice aligned process aims to ensure that the appropriate service or product is obtained at the right price. This process is then supported by formal contracting, ensuring that appropriate terms and service levels are in place. The supplier financial approval and payment process is tightly controlled and overseen by the Procurement department. Suppliers are managed against contractually defined service levels appropriate to the type of product or service provided and performance is measured through formal service level meetings and periodic forums. Key suppliers are especially closely managed, not only on a service level basis, but also on a strategic level to ensure appropriate continuity for the JSE. The JSE has a number of partners that are strategic to the business and acknowledges the importance of their services to the effective and efficient running of the JSE.

### National and local government

The JSE's engagement with government authorities occurs mainly at an executive level and takes place not only in relation to the local legislative and regulatory framework for financial markets but also in relation to global regulatory reform (G20, Basel, CPMI, IOSCO) that has direct implications for South Africa and the JSE. In terms of the latter, regulatory reform in the JSE's major competitor market places includes requirements for pre- and post-trade reporting, the regulation of alternative execution venues and over-the-counter (OTC) products. In terms of G20 requirements, the National Treasury has released a policy framework for the resilience, recovery and resolution of financial institutions, including market infrastructures, and has also released draft regulations under the Financial Markets Act (FMA) that introduce requirements for OTC derivatives and capital pertaining to central counterparties. In terms of other local developments, the twin peaks legislation, envisages the introduction of a new prudential authority housed within the SA Reserve Bank and the transformation of the Financial Services Board into a market conduct authority. Both authorities will have the power to issue standards in terms of financial markets. The JSE not only participates in the various debates surrounding this legislation, but also takes the necessary steps to implement strategies to best position the JSE once the policy directions are clear.

### JSE regulator

The JSE is regulated under the Financial Markets Act (FMA), 19 of 2012, by the Financial Services Board (FSB). The FSB is the regulatory authority tasked with ensuring that the JSE operates its securities markets in the public interest and in accordance with the legislation governing the operation of an exchange in South Africa. The FSB is invited to attend all Board and Board committee meetings.

## STAKEHOLDER ENGAGEMENT (CONTINUED)

The Issuer Regulation division and the Market Regulation division interact with the FSB in the following ways:

- The FSB has a permanent seat on the JSE's Issuer Regulation Advisory Committee and the Bonds and the Debt Issuer Advisory Committee. Through these committees, the FSB participates actively in the consultation process when changes to the Listings Requirements are proposed;
- The JSE regularly meets with the FSB to advise it of new developments and projects that the teams are developing. This includes proposed rule changes and also the listing of new products;
- The FSB is invited to the Self-Regulatory Organisation (SRO) Oversight Committee meetings, where the JSE's SRO activities are discussed and assessed; and
- The JSE regularly meets with the FSB to discuss matters pertaining to provisions contained in sections 78 to 81 of the FMA. These provisions deal with insider trading, prohibited trading practices and false and misleading statements;
- South Africa, as a member of the International Organisation of Securities Commissions (IOSCO), is, through the FSB, one of 106 countries (out of 130) that are current signatories to the IOSCO multilateral memorandum of understanding (MMoU) with other developed markets. This allows the FSB the option of cross-border cooperation and information exchange with other securities markets;
- The MMoU sets an international benchmark for cross-border cooperation. Established in 2002, it has provided securities regulators with the tools for combating cross-border fraud and misconduct that can weaken global markets and undermine investor confidence;
- The MMoU represents a common understanding among its signatories as to how they should consult, cooperate, and exchange information for the purpose of regulatory enforcement regarding securities markets. It specifically sets out requirements for:
  - what information can be exchanged and how it is to be exchanged;
  - the legal capacity to compel information;
  - the types of information that can be compelled;
  - the legal capacity for sharing information; and
  - the permissible use of information.

### External panels and associations

There are many other industry players, both domestic and international, with whom the JSE interacts regularly: the Financial Markets Advisory Board (FMAB), the Takeover Regulation Panel, the King Committee, Business Unity South Africa (BUSA), Business Leadership South Africa (BLSA), the World Federation of Exchanges (WFE), the Committee of SADC Stock Exchanges (COSSE), and various industry committees and lobby groups.

Specifically enhancing the business environment, the JSE supports the following initiatives:

<b>Institute of Chartered Secretaries and Administrators R72 408</b>	This sponsorship is aimed at encouraging excellence in producing annual reports to promote transparent and comprehensive disclosures to stakeholders. This is an important aspect for the JSE's Issuer Services division, which monitors compliance with regard to listed companies' continuing obligations in terms of meeting the Listings Requirements.
<b>Institute of Directors (IoD) R114 000</b>	The JSE's director of Issuer Regulation is a director of, and chairs, the Audit Committee of the IoD. The JSE's involvement is aimed at uplifting the standards required of directors in South African companies.
<b>Business Leadership South Africa R287 143 (membership fees)</b>	Business Leadership South Africa (BLSA) is an independent association of CEOs, chairs and major multinational investors in South Africa. BLSA aims to provide leadership on economic and societal issues of national importance, and to facilitate business dialogue with the government. Further information is available at <a href="http://www.businessleadership.org.za/home/?&amp;re=1">http://www.businessleadership.org.za/home/?&amp;re=1</a> . Zeona Jacobs, director of Marketing and Corporate Affairs, has attended the meetings since the JSE joined after mid-2015.
<b>Nepad Business Foundation R57 000 (membership fees)</b>	The purpose of the Nepad Business Foundation is to promote sustainable private sector development on the African continent in pursuit of the Nepad ideal of alleviating poverty. Nepad is an African Union initiative. The JSE's new head of Government and International Affairs attended an introductory meeting with the CEO and the meeting on "African cities" that the foundation co-hosted with Nedbank in 2015. The JSE's corporate membership will continue into 2016 and a JSE representative will attend events that are of relevance to the JSE.



## Community

The JSE is committed to making a difference in the lives of South Africans by investing time, effort and money in various initiatives. The JSE also believes that this difference should be sustainable and should ensure that individuals benefit directly through positive and meaningful contributions.

The JSE's corporate social investment (CSI) strategy will focus the JSE's activities into areas believed to be relevant to the country in which it operates as well as the business activities of the JSE. These activities may be of broader benefit to society in a way in which the Company believes it is best able to make a meaningful contribution.

The JSE's main focus in this regard is on the following areas:

- National priority issues, such as poverty alleviation, job creation and youth and community development, as indicated by the National Development Plan and the Financial Sector Codes, among other key policy and development papers or legislation.
- Strategically aligned causes (areas that relate to the JSE's business) where the JSE is hence better suited to make meaningful contributions (such as enterprise development and financial literacy).

The JSE will also be growing its emphasis on staff participation in CSI initiatives, thereby encouraging active citizenship.

The process of re-aligning the JSE's CSI spend to mirror the identified priority areas is an ongoing effort and is evolutionary in nature. The Company continues to prioritise its activities, which are focused on education (see the following sections). This is reflected by the significant amount spent on related activities.

A summary of these initiatives is shown below:

	2014 R'm	2015 R'm
Financial education – schools and universities	5.1	3.7
Education for students in the field of finance – JEF	3*	3.2*
Community development and healthcare	2.8	4.4
Benevolent Fund	5.6*	9.3*

\*Does not affect JSE cash flow.

Community investment and relations as well as all sponsorships and contributions are the responsibility of Zeona Jacobs, director of Marketing and Corporate Affairs.

### Education

The JSE's educational initiatives are aimed at increasing understanding of the financial markets (particularly among high school learners and university students), encouraging investment among South Africans and growing the pool of potential employees in the financial markets. The JSE believes that this assists in growing the number of people who might become investors or businesses that might list.

#### JSE Investment Challenge – community investment

Now in its 42nd year, the challenge is a focused and far-reaching educational programme aimed at introducing South African high school learners and university students to the world of finance. The challenge coaches learners in the fundamentals of investment strategy and encourages them to research and strategise around the trading of JSE-listed shares by managing a virtual portfolio of R1 million.

	2015	2014
<b>School challenge</b>		
Number of schools (number of Adopt-a-School* schools)	405 (*100)	320 (*80)
Number of learners	9 742	6 276
Number of teams	2 472	1 569
<b>University challenge</b>		
Number of universities and private colleges	74	38
Number of students	2 774	2 750
Number of teams	1 006	1 035

\* The Adopt-a-School initiative aims to assist schools with few resources. The schools are adopted by stock broking firms, listed companies and other institutions. Schools are given funds or fees to enter the game are waived, and they receive daily newspapers and business publications.

### Social impact assessment of the JSE

The JSE is a low-impact company as determined by the JSE SRI Index and its business activities do not directly affect any South African community, thus it is not imperative for the JSE to conduct any formal social impact assessment. However, the Company is proud of the following outcomes of the financial literacy activities in which it engages with the South African youth, which show the JSE's commitment to contributing to their financial literacy and having a positive impact on them:

- Enhancing the South African youth's understanding of the securities market and its role in wealth generation:
  - Equipping the South African youth with financial skills that will assist them in realising employment opportunities and/or contributing to and participating in the country's economy in future;
  - Driving financial literacy in the youth market by educating them about the value of investing and exposing the learners/ students to the investment fundamentals through the simulated trading of shares on the JSE; and
- Equipping students, who will eventually feed into the financial sector.

### Retail market development

The JSE started the implementation of the revised retail development strategy, which was adopted in late 2014. The key deliverables for the 2015 year were to continue with investor education, launch the new tax-free savings account and collaborate with the broking community in activities that would increase the retail investor base.

The new online learning modules have been developed and they offer potential investors access to learning material conveniently through a website or online access. The learning management system housing the modules is an effective tool that enables learner progress tracking and thus provides critical information that can be used to introduce learners to new products as and when they have acquired information or learning about them.

In a quest to address the low levels of investment culture in the country, the National Treasury issued new regulations that make it possible for individual investors to invest tax free on the exchange. This allows investors to gain access to approved exchange traded funds. More than 14 member firms have helped their clients to open accounts. Most of the investors who opened these accounts were investing on the JSE for the first time. More than 10 000 accounts have been opened thus far and about R56 million rand has been invested through these accounts. The marketing campaigns led by the JSE increased traffic to the member firms' websites and helped to create more awareness for the JSE in the South African market.

The JSE partnered with the member firms/brokers to engage potential new investors at exhibitions and more people have opened brokerage accounts following the engagements with both the JSE and brokers. Thought leadership sessions in the form of Power Hour presentations were run in Sandton, Durban and Cape Town as a continuation of the well-run and successful thought-leadership platform for the JSE aimed at retail investors.

### JSE Empowerment Fund (JEF) Trust

The JEF Trust provides academically deserving African students with the finance and support to acquire the appropriate qualifications and the opportunity to enter the financial services sector on completion of their university training.

Through the dividends received as a result of its JSE shareholding, the JEF Trust is able to provide the financial assistance reflected in the table below and this financial assistance does not affect the JSE's cash flow.

In 2015, progress was as follows:

Institution	Students	Amount paid including allowance	Progress/Comments (as per the 2015 JEF Trustees' Report)
Thuthuka	3	R100 000	Three students studying towards their CA qualification were funded in 2015. The funds provided by JEF go into a pool, which is then made available to students who are deserving and financially needy. This means that there is no direct contact with any of the students who benefit from the JEF bursary, but regular reports on the general performance of the students funded is provided.
Reunert	5	R230 000	Reunert College provides a bridging programme for students who did not perform well in grade 12. Five learners were sponsored in 2015, with the intention to further their studies at tertiary institutions in 2015. The awards ceremony was held in October 2015.
University of Johannesburg	4	R409 486	Four students were sponsored in 2015. The students are studying towards a BCom Accounting and the university continues to provide us with regular feedback on the progress of the students.
University of Pretoria	18	R2 433 280	Altogether 18 students were sponsored in 2015. Regular feedback is received regarding the students' academic performance.
<b>Total</b>	<b>30</b>	<b>R3 172 765</b>	

### Community development and healthcare

The JSE supports a number of worthy charities over and above its community efforts in education and financial literacy. Each of these addresses important social and environmental issues. The JSE also sponsors and donates money to initiatives that it believes directly and indirectly improve the lives of ordinary South Africans and that contribute to constructively advancing the general business environment, both in South Africa and on the African continent.

In 2015, the JSE invested R4.4 million (2014: R2.8 million) in initiatives, including some the following:

Initiative (spend)	Description of initiative
Afrika Tikkun (R1 355 000)	Afrika Tikkun was started in 1994, with a vision to alleviate poverty. The leadership of Afrika Tikkun determined in 1996 that the biggest need in the newly democratic South Africa was to create a society capable of catering for the needs of future generations as well as the current generation. To deliver this vision, it adopted a model that seeks to develop the competencies of South Africans living in townships and uses these competencies to deliver much-needed developmental services to children and the youth. The model invests in the development of children from early infancy into young adulthood and into the world of work. This approach is referred to as Cradle to Career.
Mike Thomson Change a Life Trust (R431 692)	The Change a Life Cycle, a fundraising vehicle for the Mike Thomson Change a Life Trust, is committed to raising more than R3 million each year for anti-crime projects through participation in a four-day cycle tour run by Computershare, one of the JSE's stakeholders. The aim is to tackle crime at grassroots level, and part of the programme includes youth development in underprivileged areas, as well as a DNA project that promotes the development of the use of DNA evidence in crime detection and conviction. Further details can be found at <a href="http://www.computersharecares.com/Projects/southafrica/Pages/MikeThomsonTrust.aspx">http://www.computersharecares.com/Projects/southafrica/Pages/MikeThomsonTrust.aspx</a> .
Business Against Crime South Africa (R350 000)	Business Against Crime South Africa (BACSA) was established in response to a call from Nelson Mandela, during his time as President of South Africa, for the business community to join the fight against crime. BACSA has two distinct roles. The first is to get business' own house in order by eliminating crime-enabling processes, systems and approaches, and improving crime prevention measures within the control of business. The second is to partner with the government, when invited, by sharing expertise, information, processes and technologies resident in business.  These roles are fulfilled primarily by mobilising business skills and resources in government-defined areas of need, and the strategic alignment and coordination of the anti-crime strategies and priorities of business.  BACSA is totally reliant on the commitment and generosity of companies. Further information can be found at <a href="http://www.bac.org.za/about.html">http://www.bac.org.za/about.html</a> .
NECT – National Education Collaboration Trust (R679 863)	The National Education Collaboration Trust (NECT) is an organisation dedicated to strengthening partnerships among business, civil society, the government and labour in order to achieve the education goals of the National Development Plan. It strives to support and influence the agenda for the reform of basic education.
Alexandra Education Committee (R142 103)	The primary goal of the Alexandra Education Committee is to fund each student for five years at high schools outside Alexandra. Currently, 178 boys and girls are receiving bursaries for their high school education. Bursaries include academic fees and all approved extras. School fees are payable in January each year and are a tax-deductible expense. The next goal is to guide students towards obtaining funds for tertiary education.
Adopt-a-School Foundation (R55 000)	The foundation strives to address the inequalities and inadequacies in South Africa's rural and disadvantaged schools, in order to ensure positive learning experiences that will lead to greater opportunities for South Africa's youth. Over the past 10 years, Adopt-a-School has inspired businesses and individuals in the private sector to invest effectively in education in South Africa through its whole-school development model.
Buffelshoek Trust (R740 000)	Constituted in 2001 by Sidney Frankel, one of the JSE's long-term stakeholders, to uplift the Manyeleti villages, the Buffelshoek Trust focuses on two needs of this poverty-stricken, rural community – education and healthcare. Located in Mpumalanga, adjacent to the Kruger National Park, this community has been identified as one of 23 rural and urban nodes by the South African government. These nodes represent the largest concentrations of poverty in the country. This municipal area has the smallest economy; a limited resource base; and contributes the least to the district and the provincial GDP. Growth of the agricultural and tourism sectors can make a meaningful contribution to the local economy. The area has great potential in creating economic growth and reducing unemployment. However, resources to initiate such growth are not easily accessible. The trust has contributed significantly toward improving healthcare and education in the community.
EACH (R275 000)	Eesterust Association for Community Health (EACH) is a non-profit organisation established in 1992. EACH is the only hospice in the area that provides both hospice and home-based care for HIV/Aids, cancer and other terminally ill patients in the communities of Eersterust, Silverton, Jan Niemand Park, Kilner Park and Sunvalley (Mamelodi). Pretoria Academic Hospital and Steve Biko Hospital also refer their patients that are outside of their catchment area to EACH.



### The Benevolent Fund

The Benevolent Fund, managed by the JSE, was set up by JSE stockbrokers and member firms to assist unemployed persons employed by the broking community and the JSE before November 1995 and who find themselves in dire financial circumstances because of their inability to find new employment.

At present, an aggregate of R778 387 (2014: R665 926) is distributed among about 179 beneficiaries per month. Beneficiaries are also offered non-financial assistance. The financial assistance described above does not affect the JSE's cash flow.

Recent policy changes have introduced more generous levels of assistance.

### Stakeholder engagement through JSE advisory committees

Through the JSE's advisory committees, stakeholders are able to discuss and influence JSE activity, including trading on all markets, clearing and settlement, indices and Listings Requirements. The committees consider and advise on principle and operational matters and, where appropriate, propose amendments to the JSE Rules, directives and Listings Requirements.

The appointment of all advisory committee members is approved by the JSE Board to ensure the correct combination of stakeholders from the industry and JSE representation. Mandates are also approved by the Board.

### JSE Clear Advisory Committee

#### Purpose

- The primary purpose of the committee is to advise the JSE on all elements of the operations and risk framework of JSE Clear and to provide guidance to the JSE Clear board on how changes should be implemented, as well as their impact.
- The committee also reviews any proposed amendments to the JSE Rules and directives relating to the clearing and settlement of derivatives.

#### Approach

- The committee typically meets at least once a quarter, but more regular meetings can be requested as matters arise.
- The JSE representative responsible for the overall management of JSE Clear (the Responsible Officer) chairs the session and is responsible for establishing the agenda for each meeting. Currently, Leila Fourie, director of Post-Trade and Information Services, fills this role.
- Matters of interest are presented to the Board and its Risk Committee for debate. Any discussions and decisions are duly noted and recorded. Where necessary, formal recommendations are put forward, either to the JSE Clear Risk Committee or directly to the Board.

The JSE Clear Advisory Committee met three times in 2015.

### Material developments for the JSE Clear Advisory Committee in 2015

- JSE Clear liquidity lines: As part of its assessment of JSE Clear's IOSCO compliance, the FSB highlighted the need for JSE Clear to secure external liquidity support to be used in times of market distress. In an effort to diversify risk and move away from a dependency on local banks, the JSE in 2015 successfully secured an additional liquidity line from a foreign bank (which will exist alongside the current liquidity lines established with three local banks).
- JSE Clear margin methodology: In the second quarter of 2015, the JSE completed the implementation of the new methodology for calculating contract-level initial margin requirements (IMRs) for all derivative markets. The IMRs for all futures contracts cleared through JSE Clear are now calculated using a historic value-at-risk methodology, with a 99.7% confidence interval, two-day close-out and a look-back period of a rolling three years supplemented with a one-year stressed period. The next step in this process was to introduce a framework for addressing concentration risk. This proposal and approach was approved by the JSE Clear board in March 2015, and was achieved with the introduction of two concentration risk initial margin add-ons.
- JSE Clear ESMA recognition: In July of 2015, JSE Clear's application for recognition from the European Securities and Markets Authority (ESMA), to enable it to continue to provide services to local clearing members, was suspended because of a dependency on an oft-delayed equivalence decision (regarding South Africa's regulatory framework) from the European Commission (EC). In mid-November the JSE received word that the EC had delivered a positive decision in respect of South Africa. At time of writing, the JSE was still awaiting clarity from ESMA as to when the suspension would be lifted.
- Integrated trading and clearing: During 2014, the project to replace the trading and clearing systems of JSE Clear was initiated. This is a multi-phase programme of work and will enable the JSE to improve its service offering to clearing members, trading members and clients in the derivative markets in terms of its trading, operations and risk management capability.
- Concentration risk: In March 2015 the JSE Clear Board approved a framework for calling for a higher level of initial margin from portfolios presenting large and concentrated exposures. This framework captures the concentration risk of portfolios that elude the J-SPAN initial margin framework. For the Equity Derivatives market, the framework was implemented over the 10-week period from 1 June 2015 to 3 August 2015, after an extensive period of market consultation.
- Default insurance: The JSE was asked to investigate obtaining insurance for losses greater than the pre-funded waterfall of the initial margin and the JSE Clear Default Fund. After a lengthy process of analysis, the findings were presented to the committee, which advised that the costs involved would not justify the level of protection provided to members, given the current exposures and risk assessment.

### The Africa Advisory Committee

The year has been a busy and productive one and the JSE has continued to establish itself in both Nigeria and Kenya. The Africa Advisory Committee has continued to assist with this process both in-country and in South Africa.

#### Purpose

- To facilitate JSE access to other African market stakeholders.
- To advise the JSE on new listing opportunities for the Main Board, AltX and the Interest Rate Market.

#### Approach

- Regular teleconferences with committee members to keep abreast of developments in other African markets.
- Assistance and advice on country events.
- Meetings and events in South Africa.

The JSE has continued to work closely with the Nigerian Stock Exchange and with the Nairobi Securities Exchange during the course of 2015. The aim is to cross-list ETFs between the Nigerian and South African markets, and the Kenyan and South African markets. This will be followed by equity listings and debt listings. The JSE has facilitated many visits from other African market stakeholders, such as exchanges, regulators and central bank staff. The JSE team has taken the opportunity during trips to Nigeria and Kenya to continue extending the company's relationship base in these markets.

The JSE's increased presence in these two key markets has translated into very good relationships and has also meant that the JSE is now starting to get referrals for listings from the advisors in these markets. As a consequence of this, the pipeline of possible listings is very healthy.

The JSE has taken part in many significant continental events this year, such as the IFC's East African Capital Markets Conference, held in Rwanda, and the AfDB AGM, held in Abidjan. The JSE's presence at events like this is much noticed and appreciated, and assists in its bid to be recognised as a world-class African market.

The JSE team has continued to engage in quarterly conference calls with the Africa Advisory Committee. These discussions have encompassed the macroeconomics, regulation, legislation, and other topical matters of the target countries. The advice and active participation of the committee continues to be of great value. The committee members all have a deep knowledge of their markets, the stakeholders active in those markets and upcoming events in those markets. The assistance of the Africa Advisory Committee members, including the chairman, Mr Nathan Mintah, continues to play a key role in the progress of the JSE on the continent.

### Agricultural Derivatives Advisory Committee

#### Purpose

Discuss and advise on issues pertinent to the agricultural products traded on the commodity derivatives market. In many instances, this involves issues that extend to the physical grain market, such as quality standards, storage and origins accepted for delivery.

#### Approach

Endeavour to ensure extensive consultation on relevant topics with the market participants; agricultural industry representatives and registered members, who provide feedback on behalf of their customers.

JSE executive management remains the ultimate decision-maker, should the committee not be able to reach agreement on any item discussed.

Meetings are scheduled every second month, but the committee meets only as and when required.

The committee met three times in 2014.

#### Material developments for the Agricultural Derivatives Advisory Committee in 2015

- Progress on the integrated trading and clearing (ITaC) project was reported.
- The error trade rules and directive changes were finalised.
- Proposed changes to the extended price limits were approved.
- Changes to the random allocation algorithm were adopted to ensure allocations were more efficiently allocated in 100-ton parcels for all contracts that trade a standard contract size of 50 tons.
- A number of changes to the Randfontein wheat contract were discussed, but the committee decided to leave the contract specifications unchanged.
- The committee requested more work regarding the reporting of hedge versus speculative positions, similar to the Commitment of Traders report in the US. This work will be undertaken in 2016.
- A number of new product opportunities were discussed, including items like hominy chop and various beef contracts.
- In 2015, the committee was chaired by Chris Sturgess, director of Commodities and Key Client Management.



## Currency Derivatives Advisory Committee

### Purpose

Structure and enhance the JSE's Currency Derivatives Market for the benefit of the greater financial markets.

### Approach

- The committee confirms or agrees on an approach, which is presented to the JSE executive management for discussion.
- If need be, any unresolved issues are taken to JSE executive management for further comment and, where necessary, discussed with the FSB, the SARB and the National Treasury.
- Meetings are arranged quarterly and ad hoc, as and when required. The committee met three times in 2015. The final meeting took place on 5 October 2015.

### Material developments for the Currency Derivatives Advisory Committee in 2015

- The JSE implemented changes to the initial margin requirements. The committee was not against these changes, but raised a few concerns about how they were implemented.
- The amendment to the 201 rule went live on 20 January 2015. Members are no longer obliged to trade 201 contracts on screen if the trade in question is one of the specified exemptions agreed to.
- The continuing concern regarding high open interest leading up to close-out was discussed at the Forex Markets Liaison Group (FMLG). Previously, banks were allowed to close out currency futures by communicating with each other to mitigate the risk in accordance with the SARB dispensation.
- New close-out process: The JSE proposed an auction methodology, which allows the banks to unwind long/short (\$/R) positions by submitting the quantity that they are willing to unwind to the JSE by email. The auction methodology received approval from the FMLG and the SARB.
- The currency derivatives billing model was reviewed. Members were split into two categories: providers (authorised by the SARB to make prices) and users (all other participants taking prices). The user model was implemented on 1 June 2015 and the provider model on 1 July 2015. The market maker (provider) fee rebate was removed. Members are now required to meet the predefined qualifying criteria to benefit from discounted fees.
- The Integrated Trading and Clearing (ITaC) project continues to be discussed and members are informed of progress.
- Two software releases upgrading functionality for the IRC Market were delivered during 2015. The second release was implemented on 7 December 2015.
- The committee discussed the JSE's Listings Requirements for new currencies. It was unanimously agreed that one market maker will suffice to list a new contract. The risk team will perform an analysis of the liquidity of the underlying instruments and set the appropriate limits and initial margin requirements accordingly.
- The subject of taking a turn/give-up trades was brought to the attention of the committee. The implementation of this rule will have many implications, including raising legal, VAT and operational issues for the affected brokers. It was agreed that a forum will be formed to facilitate further discussion.
- The committee is chaired by Warren Geers, head of Currencies and Interest Rates.

## The Equity Derivatives Advisory Committee

### Purpose

- Ensure strategic communication and agreement between the JSE and Equity Derivative (ED) Market participants to ensure an efficient, transparent Equity Derivative Market with true price discovery and best execution.
- Create a forum where relationships are built between the JSE and market participants to grow the ED market together in the interest of the South African Derivatives market as a whole.

### Approach

- Three meetings were held in 2015. The committee was chaired by Donna Oosthuyse, director of Capital Markets.

### Material developments for the Equity Derivatives Advisory Committee in 2015

- The concept and support of different specialised working groups was reaffirmed. The following working groups were set up:
  - Options working group.
  - JSE CFD working group.
  - IDX working group.
  - Retail brokers working group.
- Valuations and pricing: Market participants are still not 100% happy with JSE valuations and daily mark-to-market (MTM), although it has improved.
- Some of the exacerbated moves and consequential results following the December 2015 close-out have led the JSE to propose implementing a change from a static to a dynamic circuit breaker at end-November. The initial limit is to be set at 2%. However, the JSE will further investigate the optimal band. Concern was raised about the restricted ability to place orders outside the band.

- Equity Derivative Market participants reported that they were struggling to send in all the data required by 18:15. In response, the JSE decided to extend the admin period to 18:30 for trade reporting, mostly to support allocations to international clients, particularly ones in different time zones.
- Trading after close-out: A concern was raised at the most recent currency meeting in respect of contracts that were expiring, in that contracts were still available for trading once close-out prices had been published. For the ED Market, once the closing prices have been determined for all instruments, they are published by the Exchange. After this time, no on-screen orders or bids or offers will be accepted and any reported trades will be unwound and considered invalid. The Exchange will be putting in place measures to monitor invalid trades and to notify members to reverse them.
- Concern remains with regard to margin and collateral. There is scope for improvement and to optimise efficiencies. One step in this regard was to have margin offsets between any day All Share Index (ALSI) and DTOP initial margins. Further offsets will take place in the single stocks space during the course of the year. Other margin policy amendments centred on risks relating to large exposures, with a liquidation period add-on. This is for large positions that would take longer than two days to liquidate. The largest exposure add-on is for when a particular portfolio under stressed market conditions after initial margin is taken into account – will threaten the current size of the default fund. Investigating non-cash collateral for the purposes of these add-on margin changes was mentioned. Rule changes and system implications need to take place in order for this to be implemented.
- The JSE refined its current zero fee process and has requested that members add more detail rather than less to ensure that the leg is correctly zero feed.
- The JSE is still looking to formalise and identify suitable incentive schemes. There is still demand and support in this regard, although specifics are yet to be established and implemented across products.
- Member ranking report and published statistics: Certain origin types are published on the current STT system. Others are not. The JSE has gone through an exercise to see which origin types can constitute a separate trade and also consulted with the World Federation of Exchanges on this matter. The Exchange will put measures in place to monitor invalid trades and to notify members to reverse them.
- Draft cancellation rules and directives: Trade cancellation rules revolve around the no-cancellation range, and it is this range that instils confidence in the market. In determining the percentages for the no-cancellation ranges, the JSE has to balance the need for market certainty, the need to instil confidence in the market, and the need to provide a mechanism for the market to cancel trades that are genuine errors.
- The stability and technical issues experienced on the Equity Derivative Market were again tabled. A few outages occurred in 2015. Integrated trading and clearing (ITaC) is well on its way, which will assist in resolving the instability. Members were informed that the roll-out is on track, with go-live dates scheduled for the second half of 2017.

### Equities Trading Advisory Committee

#### Purpose


- Consider and advise on principle and operational matters relating to equity trading.
- Propose amendments to the JSE Rules and directives governing equity trading.

#### Approach

- The committee makes recommendations to the JSE executive on the basis of reasonable consensus.
- Where reasonable consensus on any issue considered by the committee cannot be reached, the conflicting views on the issue in question are referred to the JSE executive or, where appropriate, to the JSE Board for determination.

#### Committee mandate

The committee met three times in 2015. The committee is chaired by Donna Oosthuysen, director of Capital Markets.

 The committee's mandate is on the JSE website at: [https://extranet.jse.co.za/docs/default-source/equity\\_bulletin\\_board\\_-\\_tac\\_mandate/20131114-equity-trading-advisory-committee-mandate.pdf?sfvrsn=2](https://extranet.jse.co.za/docs/default-source/equity_bulletin_board_-_tac_mandate/20131114-equity-trading-advisory-committee-mandate.pdf?sfvrsn=2).

#### Material developments for the Equities Trading Advisory Committee in 2015

- Retail Market Strategy
  - An outline of the strategic roadmap and value proposition for retail investors was provided.
  - The tax-free savings account (TFSA) was launched on 1 March 2015. At the end of December 2015, 11 713 BDA-controlled IFSA's had been opened.
  - To encourage this initiative, the JSE made the necessary changes in BDA to facilitate offering these accounts and offered a 66% reduction in BDA transaction fees.
- Equity Market published and unpublished statistics
  - It was agreed that there was a need to differentiate between the off- and on-book trades and to continue with the current practice of reporting.
- Un-sponsored depository receipts (UDRs)
  - Approved listing on the JSE with effect from 1 January 2015.

- Other committees:
  - The Product Advisory Committee (PAC) was formed, consisting of product issuers (ETFs, ETNs, warrants, structured products) and depository banks.
  - Innovation Committee members were briefed on the JSE’s innovation approach.
- JSE project update:
  - T+3: All on schedule and currently in early integration testing between BDA and ECS. Implementation will be between May and July 2016. Roadshows to be held locally and internationally.
  - ITaC: All on track, with minimal impact to the market in the short term. However increased participation will be required from mid-2016.
- BDA rebates and BDA billing model review
  - The JSE provided a substantial BDA rebate of over 15%.
  - The JSE progressed to a decision of providing a 20% reduction on BDA fees.
  - A more detailed billing model review is still to be worked out, not only for further reductions but to increase the predictability of fees.
- Closing price methodology for trading segments ZA04 and ZA06.
  - A methodology change was proposed, but was met with unfavourable feedback at the most recent PAC meeting. A new solution is yet to be devised, so the methodology remains as is for the present and the JSE will engage with the market makers to get the end-of-day valuations from the product issuers and distribute that particular price as a fair and reasonable indication of the closing price.
- Report-only fee changes for 2016 implementation
  - In an effort to respond to a growing need to provide industry support to BEE brokers, the give-up trade types relating to this class of equity members will not be charged.
  - In response to ongoing demand to address charges associated with the option delta trade type, member firms who initiate the sender leg of an option delta trade type will not be charged trading fees, thus receiving a 100% discount on the sender leg.
- Safe haven/hidden order enhanced functionality
  - The JSE is investigating the possibility of introducing an order type that would be a “safe haven” for institutional-size trades, contingent on price improvement.
  - A strawman is to be tabled following engagement with buy-side and member firms before submitting the proposal to the FSB for approval.
- JSE market quality, trends and analysis
  - An updated analysis of market quality statistics conducted for a 349-day period following the colocation go-live was given to the committee.
  - Summary of latest findings: All Share and Top 40 Index stock spreads have narrowed. The volume and value per order at the top of the order book has increased as well as the average value per order. The daily turnover and volatility of daily turnover of Top 40 Index stocks have increased, while the average value per transaction has decreased.
- ESG Index and FTSE partnership.
  - In October this year, the JSE announced an environmental, social and governance (ESG) partnership with global index brand FTSE Russell.
  - Two indices were launched:
    - ◊ The FTSE/JSE Responsible Investment Index, which is a market cap weighted index comprising all eligible companies who achieve a FTSE ESG rating of 2.0 or above.
    - The FTSE/JSE Responsible Investment Top 30 Index, which is an equally weighted index comprising the Top 30 companies ranked according to the FTSE ESG rating.

#### FTSE/JSE Advisory Committee

##### Purpose

- Provide a forum for the index partners to interact with index users and other stakeholders with a view to enhancing the underlying methodologies of FTSE/JSE indices.
- Consider and advise on principles and operational matters relating to and proposed amendments to the ground rules governing the management of the FTSE/JSE Africa Index Series and the FTSE/JSE All Africa Index Series.
- Ensure that best practice is used in the construction and management of the index series.
- Review the selection methodology for constituent companies and the treatment of securities within the FTSE/JSE Africa Index Series and may make recommendations arising from this review to FTSE and the JSE.



### **Approach**

- The committee was established by FTSE and the JSE, the index partners.
- The committee operates independently of FTSE and the JSE, subject to the committee acting within its constitution and terms of reference.
- FTSE and the JSE will use their reasonable endeavours to implement the decisions of the committee regarding the operation of the FTSE/JSE Africa Index Series.
- The committee met four times during 2015.

### **Material developments for the FTSE/JSE Advisory Committee in 2015**

- All corporate actions with major impact on the index series were discussed in the context of their conformance to the ground rules.
- All technical outages impacting the index series were discussed in terms of their impact on the index series.
- Amendments and improvements were made to the FTSE/JSE ground rules document. Some end-of-day product modifications were made.
- A change was made to the treatment of long-term suspensions and of suspended constituents that are restored to listing after they have been removed from the index series.
- In order to enhance the replicability of the Total Return Indices for South African investors, FTSE/JSE announced a change to the treatment of foreign dividend withholding taxes in the FTSE/JSE Total Return Indices. Dividend withholding taxes levied under a foreign tax regime will be deducted before the dividend is applied in the total return index calculation.
- On 17 July 2015, FTSE issued a statement of compliance with respect to the recommendations contained in the final report by the International Organisation of Securities Commissions (IOSCO) on its principles for financial benchmarks. The IOSCO principles are intended to promote the reliability of benchmark determinations and address issues surrounding governance, the quality of benchmark design and methodology, and accountability. The FTSE statement covers all FTSE partnership indices, including the FTSE/JSE Africa Index Series.
- On 17 June 2015, FTSE/JSE introduced the Capped Resource 10 index. The FTSE/JSE Responsible Investment indices were launched on 12 October 2015.

### **Membership**

The membership of the committee, which operates differently from the other advisory committees as it is created under the JSE's joint venture with FTSE, is intended to be representative of the users of the FTSE/JSE Africa Index Series and should consist of representatives from domestic and international investors and investment banks as well as domestic and international actuaries. The Advisory Committee consists of senior market practitioners who are representative of the appropriate sectors of the South African investment community.

The committee is chaired by Francois Oosthuizen of Sanlam.

### **JSE Fixed Income Index Series Committee**

#### **Purpose**

- Provide a forum for the JSE to interact with index users and other stakeholders with a view to enhancing the underlying methodologies of the JSE Fixed Income indices.
- Consider and advise on principles and operational matters relating to and proposed amendments to the ground rules governing the management of the JSE Fixed Income Index Series.
- Oversee the accurate application of the index rules and ratify the results of the reconstitution.
- Ensure that best practice is used in the construction and management of the index series and advise the JSE on any concerns with, or proposed developments to, the index series.

#### **Approach**

- The committee was established by the JSE.
- The committee operates independently of the JSE, subject to the committee acting within its constitution and terms of reference.
- The JSE will use its reasonable endeavours to implement the decisions of the committee regarding the operation of the JSE Fixed Income Index Series.
- The committee met four times during 2015.

#### **Membership**

The JSE Fixed Income Index Committee draws its members from the index investment community. Members are selected by the JSE for their knowledge and experience in the field and are drawn to represent industry experts, trading banks, asset managers and industry bodies such as the Actuarial Society of South Africa.

### Bonds and Interest Rate Derivatives Committee

The separate Bonds and Interest Rate Derivatives committees were merged into a single committee in 2012. This was done because of the commonality of market participants and linkages between the product sets.

#### Purpose

Create and be responsible for the secondary market trading of a diverse set of products, across the Cash, Repo/Carry and Derivatives markets.

#### Approach

- The committee is to be able to canvass and converse with the members of the market about:
  - Amendments to trading and settlement rules.
  - The development of new products.
  - Fees and changes to the billing model.
  - Subjects appropriate to the general evolution of the market, for example:
    - ◇ Pre- and post-trade transparency.
    - ◇ Electronic vs. reported trading.
    - ◇ Clearing (this is more specifically covered in the JSE Clear/Risk Committee meetings, but aspects of clearing may have a direct relationship to trading).
- The committee endeavours to achieve reasonable consensus on topics under discussion. Where this is not possible, depending on the nature of the lack of consensus, it may be necessary to poll a wider set of opinions across the market or to refer the matter to JSE executive management or the JSE Board for further consideration.
- Deliberations and decisions by the committee are not binding on the JSE, which retains full discretion as to whether to implement or go against a decision of the committee. In so doing, the JSE will take into account its regulatory duty to include the interests of the market as a whole and not only the interests represented on the committee.

The committee met three times in 2015.

#### Material developments for the Bond and Interest Rate Derivatives Committee in 2015

- The JSE provided feedback in relation to the implementation of a new Professionals Board, which would cater for the listing of instruments that do not comply with the current stringent Listings Requirements of the Debt Board. The Professionals Market is aimed at instruments that do not require public disclosure. The JSE is still working on the proposal and will revert accordingly to the committee.
- Following numerous discussions and engagements with market participants; JSE Eris interest rate swap futures were launched on 31 August 2015.
- The Integrated Trading and Clearing (ITaC) project continues to be discussed and members are informed of progress.
- Two software releases upgrading functionality for the IRC Market were delivered during 2015. The second release was implemented on 7 December 2015. These changes cater for enhanced reporting functionality and allow for spread trading of corporate bonds.
  - The new reporting fields on Nutron will make it possible to enhance trading statistics in relation to prime broking business and primary market activity that is reported through the JSE, and also to introduce new fields that will assist the JSE in valuing instruments daily. These fields are not yet mandatory, but will be required to be booked in early 2016.
  - The changes to Nutron for the trading of corporate bonds now allow members to advertise prices in illiquid instruments in a central venue and then ultimately execute on these prices. This is expected to enhance price transparency and the JSE's ability to value these instruments daily.
- The JSE delivered a new fee model for the reporting of secondary market trades for bonds. The model was accepted by the committee. It removes any previous subsidisation by smaller players of larger players and introduces a fairer fee model.
- The JSE delivered a new fee model for the listing and maintenance fees of listed debt instruments. It is effective as of 1 January 2016 and removes historical price imbalances in listing debt instruments on the JSE.
- The JSE provided feedback to the committee relating to the developments in the Electronic Trading Platform (ETP) project
  - MTS has been selected as the preferred vendor.
  - The JSE has been in detailed discussions with the National Treasury relating to the financials of the project and how it should be rolled out. MTS has also been involved in these discussions.
  - Additional meetings to finalise the roll-out costs are scheduled for early 2016.
- The subject of taking a turn/give-up trades was brought to the attention of the committee. The implementation of this rule will have many implications, including raising legal, VAT and operational issues for the affected brokers. It was agreed that a forum will be formed to facilitate further discussion.
- The committee is chaired by Warren Geers, head of Currencies and Interest Rate Derivatives.

### Issuer Regulation Advisory Committee

#### Purpose

To consider and advise on proposed amendments to the JSE Listings Requirements.

To consider objections and appeals in relation to the Listings Requirements.

#### Approach

Make recommendations to the JSE on the basis of reasonable consensus.

Where reasonable consensus cannot be reached on any issue considered by the committee, the conflicting views on the issue in question are referred to the Issuer Regulation executive management.

Individual members of the committee may be requested to:

- assist the Issuer Regulation division in an advisory capacity;
- assist the Issuer Regulation division with objections from relevant parties; or
- serve on the Issuer Regulation Appeal Committee.

Meetings are arranged as and when required. Members are consulted on an *ad hoc* basis on many matters. In view of the Issuer Regulation division's regulatory responsibility for the debt market, it also has a separate Debt Issuer Advisory Committee with a similar mandate.

Both committees are chaired by John Burke, director of Issuer Regulation.

### Oil and Gas Advisory Committee

#### Purpose

- To consider and advise on the compliance of competent persons reports and qualified reserve evaluators reports with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC)/South African Code for Reporting of Mineral Asset Valuation (SAMVAC) Code and the South African Code for the Reporting of Oil and Gas Resources (SAMOG Code) and Section 12 of the Listings Requirements.
- To consider and advise on the compliance of annual reports of mineral companies with Section 12 ongoing requirements.

#### Approach

- Each report is reviewed by the chairperson of the panel and one panel member.
- Comments on the report are submitted to the JSE by the chairperson.
- Once comments are addressed, the report is resubmitted to the panel.
- Once the panel is satisfied that the report is in compliance with the codes, the panel advises the JSE to approve the report.

Panel members act anonymously. The chairperson will meet with the issuer and the competent person on request.

### AltX Advisory Committee

#### Purpose

To consider the business plans of prospective AltX companies and to recommend to the Issuer Regulation division the suitability for such a listing on AltX.

#### Approach

Make recommendations to the JSE on the basis of reasonable consensus.

Meetings are arranged as and when there is a proposed new listing for AltX.

The AltX Advisory Committee is chaired by John Burke, director of Issuer Regulation.

### JSE SRI Index Advisory Committee

#### Purpose

- Consider and advise on principle and operational matters relating to and proposed amendments to the ground rules.
- Ensure that best practice is used in the construction and management of the JSE SRI Index.
- Review the selection methodology for constituent companies and the treatment of securities in the JSE SRI Index, and may make recommendations arising from this review to the JSE.
- Consider and advise on introducing new indices to the series.
- Oversee the annual reviews.

### **Approach**

- Make recommendations to the JSE on the basis of reasonable consensus.
- The JSE will use its reasonable endeavours to implement the recommendations of the advisory committee regarding the operation of the JSE SRI Index.
- Where reasonable consensus cannot be reached on any issue considered by the committee, the conflicting views on the issue in question shall be referred to JSE executive management or, where appropriate, to the Board for determination.
- The JSE is responsible for the appointment of the members of the JSE SRI Index Advisory Committee.
- The committee operates independently of the JSE, subject to the committee acting within its terms of reference.
- Meetings are arranged as and when required. The committee met once in 2015.

### **Material developments for the JSE SRI Index Advisory Committee in 2015**

- Given the JSE's adoption of FTSE Russell's ESG Ratings model, which replaced the SRI Index from the end of 2015, the SRI Index Advisory Committee had a final meeting in May to discuss the strategic transition process. The committee expressed its support for the new model.
- The FTSE4Good Advisory Committee is responsible for the rules governing the FTSE Russell ESG Ratings. Opportunities for local input into this committee's work pursuant to the collaboration with the JSE are under discussion.
- The JSE has not yet finalised a potential future role for an advisory committee on sustainability matters, but will continue to leverage the expertise of the individual members of the SRI Index Committee in advising on various elements of the JSE's sustainability work going forward.

### **Membership**

The membership of the committee was intended to be representative of the users of the SRI Index and of the sustainability industry.

The committee's membership therefore included experts from the sustainability arena, investment professionals, academics and listed companies.

JSE Limited

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