

JSE's regulatory response to recent events in the equity and debt market



let's connect

Recent events in our markets

- ❑ Range of corporate failures
- ❑ Corporate governance failures
- ❑ Lack of transparency
- ❑ Accounting irregularities
- ❑ Allegations of events happening undetected

Equity Market - What did we do?

- ❑ Reflection – is there more that we should do?
- ❑ JSE published consultation paper
- ❑ First of its kind by the JSE
- ❑ Explain and clarify JSE's role as listings regulator
- ❑ Guardians of governance – all role players
- ❑ Collaborative approach with stakeholders
- ❑ Proposals made by the JSE but also invited stakeholders for suggestions
- ❑ Finding the right balance was important – make sure regulation is fit for purpose
- ❑ Continuous education

Equity Market - Entry Criteria strengthened

- ❑ Subscribed capital - cannot be achieved through means of a capital raising process on listing
- ❑ Public Shareholders - strengthen the classification by excluding:
 - ❑ extended family of the directors
 - ❑ management
 - ❑ shares held subject to any lock-up provisions
 - ❑ positive statement required by board of directors
- ❑ Longer market notice – 10 days with reporting obligations
- ❑ Disclosure of material risks – PLS and annual report
- ❑ Compliance with Applicable laws
 - ❑ Social and Ethics Committee
 - ❑ No material non-compliance
 - ❑ Reporting obligations

Equity Market – Continuing obligations

- ❑ Dealings by directors expanded - Securities as collateral for a financial obligation or otherwise
 - ❑ Similar disclosure in the annual financial statements
 - ❑ Dealings expanded to also include prescribed officers
- ❑ Composition of Board of Directors - policy regarding wider diversity (in its broad sense and not limited to race and gender alone) at board level
- ❑ Appointment of independent sponsor
- ❑ Annual general meeting must provide for the business of the appointment of auditor by resolution
- ❑ Audit Committee - consider all entities included in the consolidated group financial statements - ensure to allow the effective preparation of the financial statements

Equity Market – Continuing obligations

- ❑ CEO & Financial Director Confirmation - responsibilities in respect of
 - ❑ the audited annual financial statements; and
 - ❑ establishment and maintenance of internal financial controls
- ❑ The CEO and the financial director must make a positive statement in the annual report that these obligations have been met.

Equity Market – Secondary Listings

- ❑ Approved Exchanges - provide certainty on secondary listing regime of the JSE
- ❑ Pre-approved list of foreign exchanges:
 - ❑ Australian Securities Exchange
 - ❑ London Stock Exchange
 - ❑ NYSE
 - ❑ Toronto Stock Exchange
 - ❑ Nasdaq Stock Market
 - ❑ Euronext Amsterdam
 - ❑ Euronext Brussels
 - ❑ Frankfurt Stock Exchange
 - ❑ Luxembourg Stock Exchange
 - ❑ SIX Swiss Exchange

Equity Market – Secondary Listings

- ❑ AltX primary listing on (i) an exchange which is a member of the World Federation of Exchanges or (ii) an approved exchange.
- ❑ If listing is from an approved exchange - value and volume test will no longer apply
- ❑ Pro-Active Monitoring - extend unless already performed by the primary exchange
- ❑ Change in Beneficial Ownership & Dealings - expand the continuing obligations of secondary listed issuers if there are any notifications pursuant to local legislation

Debt Market

- ❑ Strengthened and clarified entry criteria
 - ❑ appointed debt sponsor or designated person
 - ❑ appointed JSE accredited auditor
 - ❑ appointed person focusing on compliance matters and engagement
 - ❑ duly authorised to issue debt securities in terms of MOI
 - ❑ comply with the corporate governance provisions
 - ❑ have the required financial history as and reported on by the auditor of the applicant issuer without qualification, disclaimer, adverse audit opinion

Debt Market

- ❑ Mandatory appointment of internal party responsible for
 - ❑ Engagement on comments during placement process
 - ❑ Central point of contact to engage investors regarding T&C and requirements
 - ❑ Allow holders of debt securities access to the register of holders of debt securities

Debt Market

- ❑ Introduction of a separate section for Corporate Governance
- ❑ Amended to address “fit for purpose” – type of debt issuer/securities
- ❑ Includes
 - Dealings in securities: Directors, company secretary & associates (SENS)
 - Changes to board, company secretary or compliance officer (SENS)
 - Repurchases of debt securities (SENS)
 - Mandatory appointment of CEO, chairman, financial director & company secretary
 - Mandatory audit committee and responsibilities
 - Policy on evaluation of board members

Debt Market

- ❑ Additional provisions for SOEs: Policy and Register
 - Nomination of Directors
 - Domestic Prominent Influential Persons
 - Procurement
 - Loans & Procurement – Relates Parties
- ❑ Demand to call a meeting
 - Noteholders holding 10% of the notes can request the issuer to call a meeting

Thank You

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