

**YPN RULES**

**In terms of in section 8 of the FM Act**



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## 1. DEFINITIONS AND INTERPRETATION

- 1.1 In these Rules, words and expressions which are defined and used or have a particular meaning ascribed to them in a particular context in the FM Act shall, when used in these Rules in a similar context, bear the same meaning unless excluded by the subject or the context, or unless these Rules provide otherwise.
- 1.2 The following words shall, unless otherwise stated or inconsistent with the context in which they appear, bear the following meanings and other words derived from the same origins as such words (that is, cognate words) shall bear corresponding meanings:
- 1.2.1 **Advice** has the same meaning as contained in section 1 of FAIS.
- 1.2.2 **AFSA** means the Arbitration Foundation of Southern Africa.
- 1.2.3 **Authorised User** means the person appointed by YPN to perform security services as defined in the FM Act and in accordance with these Rules, which person for the time being is Singular.
- 1.2.4 **BBEE Act** means the Broad-Based Black Economic Empowerment Act, 53 of 2003, as amended.
- 1.2.5 **BBEE Legislation** means the BBEE Act, any regulations published under the BBEE Act, any BEE charters and/or codes of good practice, any communications sector legislation, any regulations published under such legislation and any licence conditions made pursuant to such legislation, all as amended from time to time, provided that to the extent there is any conflict between such legislation, regulations, charters, codes of good practice and licence conditions, the applicable licence conditions shall take precedence, followed by the empowerment requirements contained in the applicable codes of good practice.
- 1.2.6 **BEE** means black economic empowerment.
- 1.2.7 **BEE Codes** means the Broad-Based Black Economic Empowerment Codes of Good Practice gazetted from time to time under the BBEE Act.

- 1.2.8 **BEE Compliant Person** means as interpreted by the courts, from time to time:
- 1.2.8.1 as regards to a natural person, one who falls within the ambit of the definition of "**black people**" in the relevant BEE Ownership Scheme;
- 1.2.8.2 as regards to a juristic person, having a shareholding or similar member's interest, one who falls within the ambit of the definitions of BEE Controlled Company or BEE Owned Company, using the principles for determining control or ownership as contemplated in the relevant BEE Ownership Scheme; and
- 1.2.8.3 as regards to any other entity, any entity similar to a BEE Controlled Company or BEE Owned Company using the principles for determining control or ownership as contemplated in the relevant BEE Ownership Scheme, which would enable the issuer of securities owned or controlled by such entity to claim points or obtain similar BEE recognition attributable to the entity's ownership of the securities pursuant to the BEE Codes or applicable legislation imposing a BEE obligation.
- 1.2.9 **BEE Controlled Company** means a juristic person, having shareholding or similar member's interest, in which Black Participants enjoy a right to exercisable voting rights of an amount specified in the rules of the relevant BEE Ownership Scheme.
- 1.2.10 **BEE Initiative** means any initiative taken by Naspers or a subsidiary in the Naspers group which purpose is to ensure that the equity ownership conditions set out under the relevant BBBEE Legislation are adhered to.
- 1.2.11 **BEE Issuer Verification Agent** means the agent appointed by the Issuers in terms of their respective BEE Ownership Schemes that is responsible for:
- 1.2.11.1 ensuring that the prevailing BEE Terms and Conditions of their respective BEE Ownership Schemes have been accepted by the proposed registered owner or the proposed beneficial owner; and

- 1.2.11.2 verifying that persons wishing to acquire Securities issued by the Issuers qualify as BEE Compliant Persons as set out in the relevant BEE Ownership Scheme and providing confirmation of that verification to the Authorised User through whom the Securities are being purchased.
- 1.2.12 **BEE Owned Company** means a juristic person, having shareholding or similar member's interest, that is BEE controlled, in which Black Participants enjoy a right to economic interest in an amount specified in the rules of the relevant BEE Ownership Scheme.
- 1.2.13 **BEE Ownership Scheme** means the Issuers' respective BEE Ownership Schemes.
- 1.2.14 **BEE Terms and Conditions** means the prevailing terms and conditions approved by the Issuers' respective BEE Ownership Schemes entered into between the Issuers and the proposed registered owner of the Securities.
- 1.2.15 **Black Company** means a company incorporated in accordance with the laws of South Africa, and which is both a Black Majority Owned Company and a Black Majority Controlled Company, and a reference to "company" shall include a reference to a close corporation or other such incorporated entity.
- 1.2.16 **Black Entity** means a trust, partnership, joint venture, syndicate, "stokvel", broad based ownership scheme, or other such unincorporated entity or association, which has as the majority of its beneficiaries and trustees or other such representative of its governing body (as the case may be), Black Companies and/or Black People, provided however that such Black Entities (and trusts, broad based ownership schemes and distribution schemes in particular) comply with and qualify under the BBBEE Legislation (and the BEE Codes in particular) for recognition and measurement of ownership by Black People.
- 1.2.17 **Black Majority Controlled Company** means in relation to any company, a company incorporated in accordance with the laws of the South Africa and having a shareholding in which one or more Black People controls or control, on an effective flow through basis (as such term is contemplated in

the BEE Codes) in excess of 51% of all exercisable voting rights in relation to the ordinary shares or other equity interest of such company, exercisable by shareholders in general meetings or otherwise, and shall have such other meaning as may be ascribed to it under the BBBEE Legislation from time to time.

1.2.18 **Black Majority Owned Company** means in relation to any company, means a company incorporated in accordance with the laws of South Africa and having a shareholding in which one or more Black People:

1.2.18.1 beneficially owns or own, on an effective, flow-through basis (as such term is contemplated in the BEE Codes and which, for the avoidance of doubt, excludes measurement utilising the modified flow-through principle), in excess of 51% of the ordinary shares or other equity interest of such company; and

1.2.18.1.1 is or are entitled to in excess of 51% of all economic interest in relation to such ordinary shares or other equity interest of such company; or

1.2.18.1.2 shall have such other meaning as may be ascribed to it under the BBBEE Legislation from time to time.

1.2.19 **Black Participant** means individually and collectively (as the context may dictate) Black People, Black Companies and Black Entities who are entitled to subscribe for and directly and beneficially own shares issued by an Issuer.

1.2.20 **Black People** has the meaning ascribed to it in terms of Schedule 1 of the BEE Codes being African, Coloured or Indian persons who are natural persons and who:

1.2.20.1 are citizens of South Africa by birth or descent; or

1.2.20.2 are citizens of South Africa by naturalisation before the commencement date of the Constitution of the Republic of South Africa, Act 200 of 1993 ("**Interim Constitution**"); or

- 1.2.20.3 became citizens of South Africa after the commencement date of the Interim Constitution, but who, but for the Apartheid policy that had been in place prior to that date, would have been entitled to acquire citizenship by naturalisation prior to that date; or
- 1.2.20.4 shall have such other meaning as may be ascribed to it under the BBBEE Legislation from time to time, and "**Black Person**" shall be construed accordingly.
- 1.2.21 **Business Day** means any day other than a Saturday or Sunday or a day which from time to time is proclaimed as a national public holiday in South Africa.
- 1.2.22 **Client** means an investor represented by the Authorised User.
- 1.2.23 **Companies Act** means the Companies Act, 71 of 2008 (as amended).
- 1.2.24 **Control** means in relation to any party:
- 1.2.24.1 the holding or beneficial ownership of 51% or more of the ordinary shares (or other like instruments) in that party's issued share capital (or like ownership structure) or the holding of a participation interest of 51% or more in that party where it is unincorporated; or
- 1.2.24.2 the right or ability to direct or otherwise control or exercise 51% or more of the voting rights attaching to that party's issued ordinary shares (or like instruments) or the right or ability to direct or otherwise control or exercise the voting rights attaching to a participation interest of 51% or more in that party; or
- 1.2.24.3 the right or ability to appoint or remove 51% or more of the board of directors of that party (or such other body legally representing such party) or to appoint or remove individuals able to exercise 51% or more of the votes exercisable at the meetings of the board of directors or such party; or
- 1.2.24.4 the right or ability to direct or generally manage, or cause the direction or general management of, affairs of such party and the

terms "**Controls**" and "**Controlled**" shall have the corresponding meaning.

- 1.2.25 **CSD** means the central securities depository appointed by YPN.
- 1.2.26 **CSDP** means a central securities depository participant that has been accepted by a central securities depository as a participant in that central securities depository.
- 1.2.27 **Disciplinary Committee** means the committee established in terms of 8.3.2 which committee adjudicates and makes rulings on alleged improper conduct in terms of these Rules.
- 1.2.28 **Dispute Resolution Rules** means the Dispute Resolution Rules set out in Rule 7.
- 1.2.29 **Dividend Banking Account** means the trust banking account maintained and operated by Singular for the purposes of dividends deposits by Issuers.
- 1.2.30 **Equity Express** means the YPN Trading System licensed to YPN.
- 1.2.31 **Exchange Trust Account** means the separate trust bank accounts YPN will control and maintain in respect of each Issuer.
- 1.2.32 **FAIS** means the Financial Advisory and Intermediary and Intermediary Services Act, 37 of 2002 (as amended).
- 1.2.33 **FICA** means the Financial Intelligence Centre Act, 38 of 2001 (as amended).
- 1.2.34 **FM Act** means the Financial Markets Act, 19 of 2012 (as amended).
- 1.2.35 **FSP** means a financial services provider as contemplated in FAIS.
- 1.2.36 **Issuers** for purposes of these Rules, means Phuthuma Nathi 1, Phuthuma Nathi 2 and Welkom Yizani, and any BEE Initiative by Naspers and/or any subsidiary in the Naspers group, and "**Issuer**" means any one of them individually.
- 1.2.37 **MOIs** mean the Memoranda of Incorporation of the Issuers.

- 1.2.38 **Naspers** means Naspers Limited, registration number, 1925/001431/06 a public company incorporated in accordance with the laws of South Africa.
- 1.2.39 **Phuthuma Nathi 1** means Phuthuma Nathi Investments (RF) Limited, registration number 2006/015187/06, a public company incorporated in accordance with the laws of South Africa.
- 1.2.40 **Phuthuma Nathi 2** means Phuthuma Nathi Investments 2 (RF) Limited, registration number 2006/036320/06, a public company incorporated in accordance with the laws of South Africa.
- 1.2.41 **Price Sensitive Information** means unpublished information that is specific and precise and that, if it were made public, would be reasonably likely to have an effect on the price of the Securities issued by an Issuer.
- 1.2.42 **Registrar** means the Registrar of Securities Services referred to in section 6 of the FM Act.
- 1.2.43 **SARS** means the South African Revenue Service.
- 1.2.44 **Securities** means Shares.
- 1.2.45 **Shares** means shares in the issued share capital of the Issuers, in respect of which the Issuers require that the registered owners or the beneficial owners, are BEE Compliant Persons for the period of time as prescribed by the Issuers, which shares are listed on YPN.
- 1.2.46 **Singular** means Singular Systems (Proprietary) Limited, registration number 2002/001492/07, a private company incorporated in accordance with the laws of South Africa.
- 1.2.47 **South Africa** means the Republic of South Africa.
- 1.2.48 **Strate** means Strate Limited, registration number 1998/022242/07, a private company incorporated in accordance with the laws of South Africa and a licensed central securities depository in terms of section 29 of the FM Act.

- 1.2.49 **Welkom Yizani** means Welkom Yizani Investments (RF) Limited, registration number 2006/021434/06, a public company incorporated in accordance with the laws of South Africa.
- 1.2.50 **YPN** means Yizani Phuthuma Nathi (RF) Proprietary Limited, registration number 2015/295621/07, a private company incorporated in accordance with the laws of South Africa and a licensed exchange in terms of the FM Act.
- 1.2.51 **YPN Trading System** means the computer system or systems, known as Equity Express, and associated network or networks operated or used by YPN for the purpose of providing a trading platform for the trading of Securities.

## **2. GENERAL PROVISIONS**

### **2.1 Rules and directives**

#### **2.1.1 Purpose of Rules and directives**

2.1.1.1 The purpose of these Rules is to achieve the objects of YPN as set out in its Memorandum of Incorporation by providing the procedures necessary to establish and regulate a fair and efficient market for Securities and to ensure that the business of YPN is carried out in an orderly manner and with due regard to the objects of the FM Act.

2.1.1.2 For purposes of achieving the objective referred to in Rule 2.1.1.1, YPN may issue such directives as it deems necessary.

#### **2.1.2 Rules and directives binding**

2.1.2.1 These Rules and any directive issued by YPN in terms of Rule 2.1.1.2 are binding on the Authorised User and its employees.

2.1.2.2 The Rules and any directive issued by YPN in terms of Rule 2.1.1.2 are binding on any person utilising the services of the Authorised User or who concludes a transaction in Securities through the Authorised User.

### **2.2 Transactions subject to provisions of the FM Act and the Rules**

Every transaction in Securities entered into by the Authorised User must be concluded on the specific condition that the transaction is entered into subject to the FM Act and these Rules.

### **2.3 Interpretation of the Rules**

The interpretation and enforcement of these Rules vests in YPN.

### **2.4 YPN not responsible for any losses**

2.4.1 Subject to section 72 of the FM Act, YPN shall not be responsible or liable to any person for any loss or damage resulting from:

- 2.4.1.1 negligence, on the part of YPN or on the part of any employee or agent of YPN;
- 2.4.1.2 any act of omission on the part of any third party;
- 2.4.1.3 incorrect, inaccurate, defective or misleading information furnished or supplied by YPN or any employee or agent of YPN or any third party;
- 2.4.1.4 equipment breakdown or the breakdown, interruption, suspension, termination or failure of or defect in any system, including but not limited to any trading system, or service rendered by or on behalf of YPN;
- 2.4.1.5 computer system malfunction, the interruption or failure of communications links, power failure, the failure of or defect in any software or hardware, whether owned by, licensed or leased to YPN, the loss or destruction of any data and any loss or damage caused by natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause; and
- 2.4.1.6 the termination, for any reason, of any licence or other agreement to which YPN is a party.

## 2.5 **Amendments to these Rules**

- 2.5.1 Subject to the provisions of the FM Act, YPN may amend these Rules through a consultation process involving the Issuers and the Authorised User.
- 2.5.2 The proposed amendments to the Rules will be published on YPN's website inviting comments from affected parties for a period of one month.
- 2.5.3 YPN must submit any proposed amendment of these Rules, together with an explanation of the reasons for the proposed amendment, and any concerns or objections raised during the consultation process referred to in paragraphs 2.5.1 and 2.5.2, to the Registrar for approval.
- 2.5.4 The Registrar must, as soon as possible after the receipt of a proposed amendment, publish:

- 2.5.4.1 the amendment on the Registrar's official website; and
- 2.5.4.2 a notice in the *Government Gazette* that the proposed amendment is available on the website of YPN, calling upon all interested persons who have any objections to the proposed amendment, to lodge their objections with the Registrar within a period of 14 days from the date of publication of the notice.
- 2.5.5 If there are no such objections, or if the Registrar has considered the objections and, if necessary, has consulted with YPN and the persons who raised such objections and has decided to approve or amend the proposed amendment, the Registrar must publish:
  - 2.5.5.1 the amendment and the date on which it comes into operation on the Registrar's official website; and
  - 2.5.5.2 a notice in the *Government Gazette*, which notice must state:
    - 2.5.5.2.1 that the amendment of the Rules has been approved;
    - 2.5.5.2.2 that the Rules as amended are available on the Registrar's official website and the website of YPN; and
    - 2.5.5.2.3 the date on which the amendment of the Rules will come into operation.
- 2.5.6 The Registrar may, by notice in the *Government Gazette* and on its official website, amend the Rules of YPN:
  - 2.5.6.1 if there is an urgent imperative under exceptional circumstances;
  - 2.5.6.2 if it is necessary to achieve the objects of the FM Act referred to in section 2; and
  - 2.5.6.3 after consultation with YPN.

### 3. AUTHORISED USER

#### 3.1 YPN's powers

3.1.1 YPN is authorised in terms of the FM Act to provide for:

3.1.1.1 categories of authorised users;

3.1.1.2 the requirements for admittance as an authorised user;

3.1.1.3 the exclusion of authorised users; and

3.1.1.4 the requirements for an authorised user to perform regulated services.

#### 3.2 Designation of Singular as Authorised User

3.2.1 Singular has been designated as YPN's only Authorised User for the time being based on the fact that:

3.2.1.1 it is (and will on an ongoing basis be) managed by persons who are of good character and high business integrity as contemplated in these Rules; and

3.2.1.2 it complies (and will on an ongoing basis comply) with the standards of training, experience and other qualifications required by YPN in terms of these Rules.

#### 3.3 Scope of services to be provided by the Authorised User

3.3.1 The Authorised User is authorised by YPN to provide the following types of "*securities services*" as contemplated in section 1 of the FM Act:

3.3.1.1 the buying and selling of Securities on behalf of Clients as a business or part of a business or incidental to conducting a business; and

3.3.1.2 the use of YPN's Trading System to buy or sell Securities.

3.3.2 The Authorised User may provide any services in respect of securities that are not listed on YPN to other exchanges, subject to disclosure of any actual or potential conflicts and YPN's prior written consent.

- 3.3.3 The Authorised User is not authorised to provide any Advice in respect of Securities.
- 3.3.4 The Client may obtain Advice from any licensed FSP, other than the Authorised User.
- 3.3.5 The Authorised User is authorised to provide the securities services referred to in Rule 3.1.1 above only in respect of Securities, this being the only type of security listed on YPN.

#### 3.4 **Ongoing requirements applicable to the Authorised User**

The Authorised User must at all times comply with the following ongoing requirements:

##### 3.4.1 **Resources, procedures and systems**

- 3.4.1.1 The Authorised User must employ adequate resources, procedures and systems that are necessary for:
- 3.4.1.1.1 the effective performance of the services that it provides;
  - 3.4.1.1.2 ensuring compliance with the FM Act and these Rules that are relevant to the performance of the services;
  - 3.4.1.1.3 ensuring compliance with FICA.
- 3.4.1.2 The Authorised User must ensure that its employees are suitable, adequately trained and properly supervised.

##### 3.4.2 **Financial resources**

- 3.4.2.1 The Authorised User must at all times ensure that it maintains adequate financial resources as set out at 3.4.2.2 to meet its business commitments and to withstand the risks to which its business is subject.
- 3.4.2.2 The Authorised User must at all times comply with the following minimum financial requirements:

- 3.4.2.2.1 the Authorised User must not be an unrehabilitated insolvent or under liquidation or in provisional liquidation or in business rescue;
- 3.4.2.2.2 the assets (excluding goodwill, intangible assets, investments in and loans to related parties and investments with or loans to persons to whom the Authorised User renders financial services in terms of FAIS) of the Authorised User must exceed the Authorised User's liabilities;
- 3.4.2.2.3 the Authorised User must maintain current assets which are at least sufficient to meet current liabilities; and
- 3.4.2.2.4 the Authorised User shall at all times maintain liquid assets equal to or greater than 4/52 weeks of annual expenditure.

### 3.4.3 **Fit and proper requirements**

- 3.4.3.1 An officer or non-executive director of the Authorised User or a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of the Authorised User, must, subject to any waiver by YPN:
  - 3.4.3.1.1 be of full legal capacity;
  - 3.4.3.1.2 not be an un-rehabilitated insolvent; and
  - 3.4.3.1.3 comply with such criteria of good character and high business integrity as YPN deems fit.
- 3.4.3.2 In determining whether a person complies with Rule 3.4.3.1.3, YPN will take into account, inter alia, whether the person has been:
  - 3.4.3.2.1 convicted of an activity constituting a criminal offence involving fraud, theft, dishonesty or market abuse, whether in South Africa or elsewhere;
  - 3.4.3.2.2 is prohibited in terms of any public regulation to be a director of a company;

3.4.3.2.3 has been removed from an office of trust, on the grounds of misconduct involving dishonesty; or

3.4.3.2.4 is prohibited in terms of any public regulation to be a director of a company.

#### 3.4.4 **Internal control and risk management**

3.4.4.1 The Authorised User must employ the resources, procedures and technological systems necessary for the effective conduct of its business.

3.4.4.2 The system of internal control employed by the Authorised User must be designed to ensure that:

3.4.4.2.1 the relevant business can be carried on in an orderly and efficient manner;

3.4.4.2.2 financial and other information used or provided by the Authorised User is reliable;

3.4.4.2.3 all transactions and financial commitments entered into by the Authorised User are recorded and are within the scope of authority of the Authorised User or the employee acting on behalf of the Authorised User;

3.4.4.2.4 there are procedures to safeguard the assets of the Authorised User and to control liabilities; and

3.4.4.2.5 there are measures, so far as is reasonably practicable, to minimize the risk of loss to the Authorised User or the Clients of the Authorised User which results from any irregularity, fraud or error and to detect any irregularity, fraud or error should they occur so that prompt remedial action may be taken by the Authorised User or the management of the Authorised User.

3.4.4.3 The Authorised User must adopt sound risk management principles and procedures appropriate to its business activities. The principles and procedures of risk management must be designed to ensure that the records of the Authorised User are maintained in such a manner

as to promptly disclose financial and business information that will enable the Authorised User or the management of the Authorised User to:

- 3.4.4.3.1 identify, quantify, control and manage the risk exposures of the Authorised User;
- 3.4.4.3.2 make timely and informed business decisions; and
- 3.4.4.3.3 monitor the financial adequacy of the Authorised User to ensure compliance with the minimum financial requirements imposed in terms of these Rules.

#### 3.4.5 **Authorised User's insurance arrangements**

The Authorised User must satisfy YPN on an annual basis that it holds adequate insurance cover against losses resulting from the negligence, dishonesty or fraud of any person in the employ of the Authorised User.

#### 3.4.6 **Authorised User's duty to furnish information**

- 3.4.6.1 The Authorised User must immediately advise YPN in writing of:
  - 3.4.6.1.1 any change in the name of the Authorised User or address of any office of the Authorised User, and of any change in the Authorised User's telephone or facsimile numbers or electronic mailing addresses;
  - 3.4.6.1.2 any of the circumstances referred to in Rule 3.7.1;
  - 3.4.6.1.3 the prosecution of or the conviction of the Authorised User of any offence under legislation relating to banking, other financial services, companies, insolvency, insurance and pension and provident societies, or for any offence involving fraud or dishonesty;
  - 3.4.6.1.4 any event or circumstance which has or may have any bearing on whether an officer or a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the

issued shares of the Authorised User fails to meet the fit and proper requirements as stipulated in Rule 3.4.6.1.3; or

- 3.4.6.1.5 the dismissal of an employee of the Authorised User for committing or attempting to commit an act which is dishonest or fraudulent.

### 3.5 **Client assets**

The Authorised User may under no circumstances keep any Client assets in custody.

### 3.6 **Voluntary termination of Authorised User status**

- 3.6.1 The Authorised User may voluntarily terminate its status as an Authorised User by giving YPN at least 120 days' written notice.

- 3.6.2 YPN, in its sole discretion, may:

- 3.6.2.1 accept such termination unconditionally; or

- 3.6.2.2 terminate the Authorised User's status as such subject to compliance with Rule 3.8.

### 3.7 **Involuntary termination of Authorised User status**

- 3.7.1 YPN may provisionally or finally terminate the Authorised User's status as such:

- 3.7.1.1 If the Authorised User is placed in liquidation, whether provisional or final, or placed under business rescue proceedings or if any other judicial proceeding or court application for an insolvency proceeding is initiated, or the company files a resolution to such effect or has an insolvency administrator appointed to it;

- 3.7.1.2 a Disciplinary Committee terminates the Authorised User's status as such in terms of Rule 8.3.4.1.3; or

- 3.7.1.3 the Authorised User fails to meet the requirements set out in Rule 3.2.

### 3.8 **Provisional termination of Authorised User status**

3.8.1 The purpose of provisional termination of authorised user status is the postponement of the effective date of termination of authorised user status to ensure that:

3.8.1.1 all obligations to Clients have been met; and

3.8.1.2 all transactions relating to Securities have been settled.

3.8.2 YPN will determine the period of provisional termination and the effective date of termination of authorised user status and may prescribe any conditions that it considers necessary to achieve the purpose set out in Rule 3.8.1.

3.8.3 During the period of provisional termination of authorised user status, the Authorised User retains all of the obligations of authorised user status but not the right to perform services, except in relation to achieving the objectives of Rule 3.8.1.

## 4. YPN TRADING SYSTEM

### 4.1 Use of the YPN Trading System

4.1.1 All transactions in Securities must be executed by the Authorised User and through the YPN Trading System.

4.1.2 Orders entered into the YPN Trading System are matched as described at 5.6.5.

4.1.3 Despite any other provision of the Rules, YPN may:

4.1.3.1 decide that the market or segments of the market in Securities be paused, suspended, halted or closed if it is of the opinion that a fair and realistic market does not exist;

4.1.3.2 reduce or extend the hours of operation of the YPN Trading System for any particular Business Day;

4.1.3.3 without prior notice to any person, pause, suspend, halt or close the YPN Trading System for trading at any time and for any period; and

4.1.3.4 take such other steps as may be necessary to ensure a fair and orderly market.

4.1.4 Despite any other provision of the Rules, YPN may:

4.1.4.1 if there has been any failure of the YPN Trading System, for any reason, or if the YPN Trading System has been paused, suspended, halted or closed, subject to the provisions of section 38(3) and section 41 of the FM Act, declare that a transaction in Securities effected through or by the YPN Trading System is void. Such declaration shall bind the Authorised User and a Client of the Authorised User on behalf of whom the relevant transaction was effected; and

4.1.4.2 declare void a transaction that was effected on the YPN Trading System on the basis that such transaction was fraudulent or there is a reasonable suspicion of fraudulent activity.

## 4.2 Trading times

4.2.1 Subject to Rule 4.1.3, the YPN Trading System will operate on every Business Day between 09:00 and 17:00.

4.2.2 To the extent that a Client wishes to transact in Securities outside of these times, such Client's bid or offer will not be matched and matching will only take place at the commencement of business on the next Business Day on which YPN is open for trading.

## 4.3 Trade cancellations

4.3.1 Despite any other provision of the Rules, YPN may, where in its opinion a trade has been erroneously matched, grant permission to or instruct the Authorised User to execute a trade cancellation.

4.3.2 If, in the opinion of YPN, a trade materially impacts the integrity or transparency of the market, or the correctness of the statistics, YPN may instruct the Authorised User to enter a trade cancellation without having received a formal request to do so from the Authorised User.

## 4.4 Trading halt

4.4.1 YPN may declare a trading halt in Securities in circumstances where YPN determines that the trading activity in Securities:

4.4.1.1 is being or could be undertaken by persons possessing Price Sensitive Information;

4.4.1.2 is being influenced by a manipulative or deceptive trading practice; or

4.4.1.3 may otherwise give rise to an artificial price for Securities.

4.4.2 The Authorised User may not trade Securities for the duration of the trading halt.

## 5. PRE-TRADE AND TRADING PROCEDURES, AND CLEARING AND SETTLEMENT

### 5.1 Application

This part of the Rules is applicable to the clearing of transactions in Securities listed on YPN and the electronic settlement of such transactions through Strate. This section is binding on the Authorised User and its Clients.

### 5.2 Pre-trade arrangements / procedures

#### 5.2.1 Client verification

5.2.1.1 All the Authorised User's Clients must be pre-verified before they are permitted to transact in Securities.

5.2.1.2 Pre-verification of Clients is achieved by means of two separate verification exercises undertaken by the Authorised User, namely:

5.2.1.2.1 BEE verification; and

5.2.1.2.2 FICA verification.

#### 5.2.2 BEE verification

5.2.2.1 BEE verification refers to the activities conducted by the BEE Issuer Verification Agent aimed at:

5.2.2.1.1 ensuring that the prevailing BEE Terms and Conditions of the Issuers' respective BEE Ownership Schemes have been accepted by the Client; and

5.2.2.1.2 verifying that the Client qualifies as a BEE Compliant Person as set out in the relevant BEE Ownership Scheme and providing confirmation of that verification to the Authorised User.

#### 5.2.3 FICA verification

FICA verification refers to the steps that the Authorised User must take in terms of FICA to establish and verify the identity of its Client.

### 5.3 **Maintenance of the securities registers**

5.3.1 Strate is ultimately responsible for maintaining the registers relating to Securities.

5.3.2 YPN and the CSD will, however, reconcile their shareholder records on a daily basis.

### 5.4 **Pre-funded model**

5.4.1 YPN operates on a strict pre-funded principal.

5.4.2 This means that no:

5.4.2.1 bid to buy in respect of Securities can be placed on YPN through the Authorised User unless the buyer has made the requisite amount of cash available in the respective Exchange Trust Account; and

5.4.2.2 offer to sell, in respect of Securities, can be placed on YPN through the Authorised User unless the prospective seller has the requisite amount of Securities available. The availability of such Securities will be determined with reference to the shareholder records under the control of YPN.

5.4.3 Funds transferred into the Exchange Trust Accounts by a Client will be allocated to the relevant Client's trading account in Equity Express on the Business Day following the day on which the amount reflects in the Exchange Trust Account pertaining to the particular Issuer whose Securities the relevant Client wishes to buy.

5.4.4 The Authorised User will operate and manage the pre-funded model described above on behalf of YPN.

5.4.5 YPN will, however, supervise, maintain and oversee this function and be ultimately responsible for the process.

5.4.6 The Authorised User shall make payments out of the Exchange Trust Accounts on behalf of YPN.

## 5.5 Allocation of Clients' funds

### 5.5.1 Auto-allocation

5.5.1.1 The bank statements pertaining to each of the Exchange Trust Accounts will be downloaded, automatically, on a daily basis into Equity Express. The Authorised User must ensure that the correct amount of funds is allocated to the correct Client's trading account.

5.5.1.2 To facilitate this allocation process, all Clients must record their unique investor/Client number in the beneficiary reference details section / field prior to transferring any funds into an Exchange Trust Account.

5.5.1.3 Payments other than electronic funds transfers or cash will not be permitted.

5.5.1.4 No interest will accrue to the Clients in respect of funds standing to the credit of their trading accounts.

5.5.1.5 Interest accruing on funds held in the respective Exchange Trust Accounts will be used by YPN to offset bank charges incurred by it in respect of the maintenance of such accounts.

5.5.1.6 Funds will only be allocated to trading accounts belonging to Clients that have been BEE verified and FICA verified.

5.5.1.7 If a Client who has not been BEE verified or FICA verified transfers funds into any of the Exchange Trust Accounts, such funds will remain unallocated until the relevant Client has been BEE Verified and FICA verified, at which point the relevant funds will be allocated automatically to the relevant Client's trading account.

### 5.5.2 Manual allocation

5.5.2.1 In the event that a particular transfer into any of the Exchange Trust Accounts cannot, for any reason, be allocated to a particular Client, a senior manager of the Authorised User, on behalf of YPN, will attempt to allocate the relevant funds, manually.

- 5.5.2.2 Funds that cannot be allocated, automatically or manually, will remain unallocated until such time that a Client alerts the Authorised User to the fact that their funds are not reflected on the balance standing to his or her trading account.
- 5.5.2.3 Upon receiving an alert from a Client, as described in section 5.5.2.2 above, the Authorised User must request the investor/Client number from the Client, as well as any further information that it may need to verify the verification status and identity of the Client.
- 5.5.2.4 If the Authorised User is satisfied that the information received from the Client, as set out in section 5.5.2.3 above, would enable an allocation of funds, the senior manager of the Authorised User must manually allocate the relevant funds as per the procedure set out in section 5.5.2.1 above.
- 5.5.2.5 All manually allocated deposits will remain in a pending status until they have been authorised by a senior manager of the Authorised User.
- 5.5.2.6 If the allocation is rejected then the relevant funds will return to an unallocated status.
- 5.5.2.7 The senior management of the Authorised User will not be able to transfer funds from one trading account to another unless an incorrect allocation has been made which needs to be corrected.
- 5.5.2.8 The Authorised User will be responsible for preventing any transfer of funds from one Client's trading account to another Client's trading account which results in either trading account balance becoming negative.
- 5.5.2.9 If such a transfer is required to be made, the senior manager of the Authorised User that authorises the relevant transfer will contact both Clients, informing them of the transfer details.

### 5.5.3 **Confirmation sent to Clients**

5.5.3.1 An SMS and/or email will be sent to the Client each time funds are allocated to his or her trading account either via the manual or automated allocation process.

5.5.3.2 No communication, in respect of the allocations process, will be sent to the Client where neither a cell phone number nor an email address exists. A record of all SMSs and emails sent will be kept per Client.

### 5.5.4 **The 7-day rule**

5.5.4.1 Any cash balance standing to the credit of a Client's trading account that is not under the control of a discretionary financial services provider (less any open buy bids), will automatically be refunded into the Client's own bank account if any of the following conditions are satisfied:

5.5.4.1.1 there has been no cash activity on the trading account for 7 days; or

5.5.4.1.2 there has been no trade request submitted by the investor for 7 days; or

5.5.4.1.3 there has been no trade request cancelled by the investor for 7 days.

### 5.6 **Clearing arrangements / procedures**

5.6.1 Clients will be able to specify to the Authorised User the specific number of Securities that they wish to buy. If a Client has not specified how many shares he or she wishes to buy, the Client's order will be processed with reference to the funds standing to the credit of the relevant Client's trading account and the price of the Securities at that moment in time.

5.6.2 A bid to buy will result in a pending cash trade that will reduce the Client's available cash balance in his or her trading account. If the bid expires or is cancelled then the pending cash transaction will be removed and the cash will automatically transferred back to the Client's trading account (i.e. the amount of the bid will no longer be pending in the Client's trading account).

- 5.6.3 Clients may not change a bid to buy or an offer to sell once it has been placed on the YPN Trading System. A Client may only cancel the trade request and thereafter make a new bid to buy or offer to sell.
- 5.6.4 If a trade is cancelled outside of YPN's trading times, this cancellation will only be effective at the commencement of the next Business Day.
- 5.6.5 The YPN Trading System matches a bid to buy and an offer to sell using the principle of Price/Time Priority. This process entails the following:
- 5.6.5.1 When a bid to buy or an offer to sell is entered into the matching engine, it is assigned a timestamp. Equity Express will use this timestamp to prioritise trade requests at the same price in the matching engine;
- 5.6.5.2 The trade request (i.e. bid to buy or an offer to sell) entered earliest at the same price limit will be executed first;
- 5.6.5.3 When a subsequent trade request is entered, the matching engine will first check the price limits of all trade requests contained in the matching engine. If the subsequent trade request is immediately executable, in other words it can be matched against an existing trade request(s), then one or more than one partial transaction will be generated;
- 5.6.5.4 To be immediately executable, the trade request must have the following attributes:
- 5.6.5.4.1 a bid to buy at a price at or above the lowest offer to sell in the matching engine; and
- 5.6.5.4.2 an offer to sell at a price at or below the highest bid in the matching engine.
- 5.6.5.5 Trade requests will not necessarily be executed at a single price, but may generate several partial transactions at different prices. When a large trade request executes against the total available quantity at a given price level, the next best price level will become "best". This process will continue as long as incoming trade requests remain

executable. If not executed upon entry, a trade request will be held in the matching engine until it can match with an opposite trade request with the above attributes.

- 5.6.6 When an order is matched, Equity Express will reserve the amount of funds required in respect of the order by reducing the available funds in the relevant Client's trading account. Similarly, the Securities required to be transferred to the buyer will be reserved meaning that the Client can no longer load an offer to sell against his reserved sold Securities.
- 5.6.7 Once a trade has been matched, then both the buyer and the seller will be informed via SMS and/or email.
- 5.6.8 No Client can be both the buyer and seller to the same transaction.

## 5.7 **Block Trades**

- 5.7.1 Block trades are manually match trades and do not make use of the matching function of the YPN Trading System, although these transactions are recorded on the YPN Trading System.
- 5.7.2 Only transactions that have a value greater than R1 000 000 (one million Rand) may be manually matched as a block trade.
- 5.7.3 Block trades may occur in two ways:
- 5.7.3.1 the buyer and seller may negotiate directly and independently between themselves and agree on the number and the price of Securities; or
- 5.7.3.2 the buyer and/or seller may approach the Authorised User independently or jointly and request that the Authorised User assists in the matching of a block trade.
- 5.7.4 Once the buyer and seller of the Securities have agreed on the number and the price of the Securities and this agreement has been communicated to the Authorised User, the Authorised User manually matches this bid to buy and offer to sell.

5.7.5 Once the block trade has been manually matched on the YPN Trading System, this block trade will be reported to the market and the transaction will be settled in terms of 5.8.

## 5.8 **Contract notes**

5.8.1 In respect of a transaction in Securities executed through the YPN Trading System, the Authorised User must transmit to the relevant Clients via SMS and/or email, a contract note.

5.8.2 The contract note referred to above must disclose:

5.8.2.1 the date and time of the transaction;

5.8.2.2 the identification number of the transaction;

5.8.2.3 the amount and nature of the charges in connection with the transaction;

5.8.2.4 the price at which the transaction was executed and the total consideration paid from or to the Client; and

5.8.2.5 the settlement date of the transaction.

## 5.9 **Settlement arrangements / procedures**

### 5.9.1 **General rules for settlement**

5.9.1.1 Settlement of transactions on Equity Express involves the transfer (by book entry) of a Security from one party to another in the relevant uncertificated securities register and the corresponding transfer of funds between contracting parties.

5.9.1.2 YPN has appointed Strate to hold the dematerialised register of Securities. The official register of Strate will be reconciled daily to the copy of the securities register maintained by YPN.

5.9.1.3 YPN will send a record of the trade to Strate. At the same time, the Authorised User will also send details of trades to the CSDP.

- 5.9.1.4 Strate will ensure that it receives a commitment from the CSDP that a seller of Securities holds/owns the Securities in question. As the YPN Exchange is a free of payment environment, the CSDP is not required to commit that the buyer of the Securities in question has the cash available since the cash backing the buy order is held in the Exchange Trust Account.
- 5.9.1.5 Strate will then affect the transfer of the relevant Securities from the seller to the buyer in the official share register and issue confirmation of trade to YPN. YPN will record the transaction in its records after confirmation of the transfer from Strate.
- 5.9.1.6 Equity Express reflects the transfer of the script from the seller to buyer in the seller's trading account and pays the proceeds of the sale to the seller from the buyer's pre-funded trading account.
- 5.9.1.7 Settlement is secure and considered to be both final and irrevocable after confirmation has been received from Strate.

## 5.9.2 **Payment of proceeds**

- 5.9.2.1 Payment of proceeds to the Client's bank account or the withdrawal of cash from the Client's trading account to their bank account can take place by way of two mechanisms:
- 5.9.2.1.1 Instruction on sale of Securities: In terms of this mechanism, the Client is required to indicate to the Authorised User whether or not he or she:
- 5.9.2.1.1.1 wishes for the proceeds of a sale to remain in his or her trading account;
- 5.9.2.1.1.2 would prefer part of the proceeds to be transferred to his or her bank account; or
- 5.9.2.1.1.3 would prefer all the proceeds to be transferred to his or her bank account.

- 5.9.2.1.2 Ad hoc Instructions to withdraw part of or all of the cash balance. These instructions are provided against the actual cash balance in the relevant Client trading account.
- 5.9.2.2 Payment instructions may be made by Clients telephonically via the trading helpdesk or via the website.
- 5.9.2.3 Payments that need to be made to Clients will be batched every evening to effect payment to the various Clients' bank accounts.
- 5.9.2.4 From the date of sale, Clients should expect their proceeds to reflect in their bank account within five Business Days after the receipt of the Client's instruction.
- 5.9.3 **Failed payments**
- 5.9.3.1 Payments to Clients may fail due to bank accounts being closed or bank details being invalid.
- 5.9.3.2 When this happens, the Authorised User will be notified of any failed payments from the previous day's payment batch before 10:00 every morning. By 14:00 every afternoon the Authorised User will process the failed payments and the relevant Client's bank account details will automatically be marked as invalid with YPN.
- 5.9.3.3 The Authorised User will generate a payment instruction to return the proceeds of the failed payments back to the relevant Client's bank account.
- 5.9.3.4 This payment into the Client's bank account will reflect on the following day's trading bank account statement.
- 5.9.3.5 The payment reference will contain the letters "FP" which is to be used to indicate a failed payment, and the funds will be automatically allocated back to the relevant Client's trading account.
- 5.9.3.6 A finance administrator of the Authorised User will contact the relevant Client to advise him or her of the failed payment and to obtain correct bank details from them.

- 5.9.3.7 No subsequent payments to the Client will be attempted until his or her updated banking details have been received and verified.
- 5.9.3.8 Once the Client's bank details have been updated and verified the Client will be notified accordingly by SMS and or email. He or she will then be permitted to withdraw the cash from his or her trading account.
- 5.9.3.9 Payment reconciliations will be attended to on a daily basis by a member of the Authorised User's finance team.
- 5.9.3.10 The Authorised User shall provide YPN with a report of all failed payments every month.
- 5.9.4 **Payment of dividends**
- 5.9.5 When the Issuer declares a dividend the Issuer must first inform YPN of the details of the dividend. YPN will inform the Authorised User of the details of the dividend.
- 5.9.6 The Authorised User will communicate the details of the dividend on behalf of the Issuer to all investors of dematerialised securities and the transfer secretary will communicate the details of the dividend to all investors of immobilised securities. These details will include the dividend declaration date, the last date to trade ("**LDT**"), the SARS payment due date, the investor payment date and the dividend per security.
- 5.9.7 The dividend details will be captured in Equity Express by YPN for planning purposes. On the LDT YPN will generate a schedule of investors that qualify for the dividend and their corresponding dividend payment amounts. YPN will then instruct the Issuer to transfer the total dividend amount into the Dividend Bank Account.
- 5.9.8 When the total dividend amount has been deposited into the Dividend Bank Account, YPN will link the deposit to the dividend and the funds will be apportioned to all the relevant investors based on their holding on the LDT.

- 5.9.9 YPN will ensure that the total of the individual dividend amounts due to each Client reconciles precisely to the total dividend amount deposited into the Dividend Bank Account by the Issuer.

## 6. MARKET CONDUCT

### 6.1 Prevention and detection of market abuse

- 6.1.1 The Authorised User must give consideration to the circumstances of orders placed by Clients before entering such orders in the YPN Trading System and must take reasonable steps to satisfy itself that such orders and any resultant trades will not result in a breach of the provisions of section 80 of the FM Act (Prohibited trading practices).
- 6.1.2 The Authorised User must ensure that all of its employees who are involved in the receipt of orders from Clients and the execution of transactions in Securities on the YPN Trading System are familiar with the market abuse provisions in sections 77 to 80 of the FM Act and that those employees receive adequate training and guidance to enable them to recognise and avoid entering into any transaction on behalf of its Clients which will result in, or is likely to result in, a breach of those provisions.
- 6.1.3 The Authorised User's monitoring procedures must specifically include procedures to monitor orders entered into, and transactions executed on, the YPN Trading System by the Authorised User and its employees, with the objective of identifying and taking appropriate action in relation to orders or trades that, in the reasonable opinion of the Authorised User may constitute a breach of the provisions of sections 78 and 80 of the Act.
- 6.1.4 In formulating and implementing the compliance monitoring procedures referred to in Rule 6.1.3, the Authorised User is not expected to monitor every order entered into, and every trade executed on, the YPN Trading System by the Authorised User, for the purpose of identifying potential market abuse. Nevertheless, whilst the Authorised User is encouraged to implement monitoring procedures to detect any activity undertaken by the Authorised User's employees or its Clients which may constitute a breach of the provisions of sections 78 and 80 of the FM Act, the procedures should, as a minimum, aim to detect activity which, to a reasonable person

observing or reviewing such activity, would constitute a blatant breach of the provisions of sections 78 and 80 of the FM Act taking into account all relevant factors such as:

- 6.1.4.1 the identity of the parties to the transaction;
- 6.1.4.2 the perceived intention of the parties to the transaction;
- 6.1.4.3 the frequency and pattern of transactions over a period of time;
- 6.1.4.4 the effect of the transaction on market prices or volumes;
- 6.1.4.5 the size and timing of the transaction; or
- 6.1.4.6 a combination of two or more of these factors.

## 6.2 **General standards of conduct**

This Rule provides for the general standards of conduct which the Authorised User is required to observe in its dealings with Clients and YPN.

### 6.2.1 **Standards of integrity**

- 6.2.1.1 The Authorised User must, in the conduct of its business, observe high standards of integrity and fair dealing. It must:
  - 6.2.1.1.1 not knowingly circulate information which is false or misleading;
  - 6.2.1.1.2 not knowingly countenance any attempt to manipulate the market, nor to influence persons for such a purpose;
  - 6.2.1.1.3 conduct its activities in a manner that is compatible with the objects of the FM Act and with full respect for the reputation of YPN; and
  - 6.2.1.1.4 not participate in any dealings with, Clients, the media or other persons which may be of such a nature as to defame YPN or any of its officers or employees.

### 6.2.2 **General conduct towards Clients**

- 6.2.2.1 In its dealings with Clients, the Authorised User must:

- 6.2.2.1.1 act honestly and fairly;
- 6.2.2.1.2 act with due skill, care and diligence, and in the interests of Clients;
- 6.2.2.1.3 exercise independent professional judgement;
- 6.2.2.1.4 act promptly on and in accordance with the instructions of a Client; and
- 6.2.2.1.5 avoid conflicts of interest and when they cannot be avoided, ensure fair treatment to Clients by disclosure, confidentiality or declining to act. The Authorised Dealer must not unfairly place its interests above those of its Clients.

### 6.2.3 **Disclosure to Clients**

- 6.2.3.1 In rendering a service to a Client, any representations made and information provided by the Authorised Dealer:
  - 6.2.3.1.1 must be factually correct;
  - 6.2.3.1.2 must be provided in plain language, avoid uncertainty or confusion and not be misleading;
  - 6.2.3.1.3 must be adequate and appropriate in the circumstances of the particular service, taking into account the factually established or reasonably assumed level of knowledge of the Client;
  - 6.2.3.1.4 must, as regards to all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein, be reflected in specific monetary terms, provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation must be adequately described;
  - 6.2.3.1.5 need not be duplicated or repeated to the same Client unless material or significant changes affecting that Client occur, or the relevant service renders it necessary, in which case a

disclosure of the changes must be made to the Client without delay.

- 6.2.3.2 The Authorised User:
- 6.2.3.2.1 must disclose full and accurate information about the fees and any other charges that may be levied on Clients;
- 6.2.3.2.2 may not disclose any confidential information acquired or obtained from a Client about such Client, unless the written consent of the Client has been obtained beforehand or disclosure of the information is required to further the objects of the FM Act or is required under any law;
- 6.2.3.2.3 must advise a Client in advance of any restrictions or limitations that may affect the access of that Client to their assets.

### 6.3 **Maintenance of Client records**

- 6.3.1 The Authorised User must maintain proper, complete, accurate and secure records in relation to the services rendered to its Clients.
- 6.3.2 The Authorised User must have appropriate procedures and systems in place to store and retrieve, in a manner safe from destruction, a record of all:
- 6.3.2.1 communications relating to a service rendered to a Client, including instructions given by the Client to the Authorised User;
- 6.3.2.2 transaction documentation relating to Clients;
- 6.3.2.3 contractual arrangements between the Authorised User and its Clients; and
- 6.3.2.4 Client particulars required to be provided in terms of the Rules or which are necessary for the effective operation of Client accounts.
- 6.3.3 The Client records in Rule 6.3.2 shall be kept in printed, electronic or voice-recorded format.

6.3.4 Authorised Users need not hold the records in Rule 6.3.2 themselves but must be capable of making such records available for inspection within seven days.

6.3.5 All instructions given by Clients to execute transactions must be kept for a period of at least six months after the relevant transactions and all other Client records in Rule 6.3.2 must be kept for at least seven years after the rendering of the services concerned.

#### 6.4 **Contact with the Authorised User**

The Authorised User must provide for the necessary resources and functionality to ensure that Clients are able to readily contact it.

#### 6.5 **Co-operation with regulators**

The Authorised User shall deal with YPN as its regulator in an open and co-operative manner and keep YPN promptly informed of anything concerning YPN which might reasonably be expected by YPN to be disclosed to it. The Authorised User shall also provide reasonable co-operation to any other regulatory body or any law enforcement agency in respect of any matters which are the subject of an investigation by such body or agency relating to an alleged contravention of the FM Act or any other law governing the activities of the Authorised User.

#### 6.6 **Marketing and advertising**

6.6.1 The Authorised User may advertise its services to the public provided such advertising:

6.6.1.1 is carried out with a due sense of responsibility to YPN and to the public;

6.6.1.2 is in good taste both as to content and presentation; and

6.6.1.3 conforms with the accepted norms of legality, decency, honesty and truthfulness; and

6.6.1.4 does not use Client's personal information.

6.6.2 Advertising material of the Authorised User:

- 6.6.2.1 must provide accurate, complete and unambiguous information about YPN or any regulated service rendered by the Authorised User;
- 6.6.2.2 must emphasise the risk of loss and uncertainty of future results; and
- 6.6.2.3 must discern fact from opinion.

## 6.7 **Unsolicited calls**

The Authorised User may enter into a transaction with or on behalf of a person where the transaction is as a result of an unsolicited call, provided that the Authorised User has complied with the requirements set out in Rule 6.2.3.

## 6.8 **Client acceptance and maintenance procedures**

6.8.1 The Authorised User shall ensure that it obtains and maintains sufficient information on each Client account and each account operated by a Client so as to be able to identify:

- 6.8.1.1 the Client;
- 6.8.1.2 account holder of a Client account if the account holder is not a Client of but is a person on whose behalf a Client is acting as agent; and
- 6.8.1.3 the person or persons responsible for placing instructions on the account, subject to Rule 6.8.4; and
- 6.8.1.4 that the Client at all times qualifies as a BEE Compliant Person.

6.8.2 As a minimum, the Authorised User shall obtain the following information in respect of each Client and the account holder of each Client account if the account holder is not a Client of the Authorised User but is a person on whose behalf a Client is acting as agent:

- 6.8.2.1 full name; and
- 6.8.2.2 identity number or registration number, as the case may be.

6.8.3 In addition to Rule 6.8.2, the Authorised User shall also obtain the following information in respect of each Client:

- 6.8.3.1 residential and postal address;

- 6.8.3.2 home and work telephone number;
- 6.8.3.3 fax numbers;
- 6.8.3.4 cell phone numbers;
- 6.8.3.5 income tax numbers; and
- 6.8.3.6 legal status of the Client, identifying whether they are a:
  - 6.8.3.6.1 private individual;
  - 6.8.3.6.2 company;
  - 6.8.3.6.3 close corporation;
  - 6.8.3.6.4 private trust;
  - 6.8.3.6.5 partnership; or
  - 6.8.3.6.6 any other non-incorporated vehicle.
- 6.8.4 The information referred to in Rules 6.8.2, 6.8.3.1 and 6.8.3.2 shall also be obtained in respect of the person or persons responsible for placing instructions on a Client account if the person placing the instructions is not the individual in whose name the account is held or the account is not in the name of an individual.
- 6.8.5 The information referred to in Rules 6.8.2 to 6.8.4 together with any bank account details provided by the Client, shall be confirmed by the Client in writing and the Authorised User shall maintain a record of such confirmation. Any changes to the said information shall be advised by the Client in writing to the Authorised User as soon as practicable.

## 6.9 **Dealings with a discretionary financial services provider**

The Authorised User may not effect a transaction with a person whom the Authorised User reasonably believes requires authorisation as a discretionary financial services provider or as a representative in terms of FAIS, without having taken reasonable measures to ascertain that such person has the required authorisation.

## 6.10 **Conducting business with a nominee**

The Authorised User may not operate nominee Client accounts.

## 6.11 **Transactions**

6.11.1 The Authorised User shall transact its business in a just and equitable manner and every transaction must be fulfilled according to the FM Act and these Rules.

6.11.2 The Authorised User represents and warrants to YPN and to persons with or on behalf of whom the Authorised User executes transactions in Securities, that any person employed by the Authorised User to deal with such persons in relation to such transactions, has full authority to act on the Authorised User's behalf.

6.11.3 The Authorised User must record any telephone conversation between the Authorised User, one of its employees and any Client or potential Client. Such tape recordings or transcripts may be submitted in evidence in any disciplinary proceedings involving the Authorised User or one of its employees.

## 7. COMPLAINTS AND DISPUTES

### 7.1 Complaints

#### 7.1.1 Client complaints

7.1.1.1 For the purposes of this section of the Rules, a Client complaint is defined as a complaint in relation to the provision of services, in which the Client alleges that he or she has suffered, or is likely to suffer, financial prejudice as a result of the Authorised User:

7.1.1.1.1 contravening or failing to comply with any instruction given by the Client, or any agreement or mandate entered into with the Client;

7.1.1.1.2 contravening or failing to comply with the Rules;

7.1.1.1.3 acting dishonestly, negligently or recklessly; or

7.1.1.1.4 treating the Client unreasonably or unfairly; and

7.1.1.1.5 failing to comply with FAIS, the FM Act or any other applicable legislation.

7.1.1.2 The Authorised User must establish and maintain appropriate procedures for the handling of Client complaints, subject to periodic reviews by YPN.

#### 7.1.2 Internal complaint handling procedures

7.1.2.1 The Authorised User's internal complaint handling procedures must provide for:

7.1.2.1.1 the receipt of written complaints;

7.1.2.1.2 the reduction of oral complaints to written format;

7.1.2.1.3 the appropriate investigation of complaints;

7.1.2.1.4 an appropriate decision-making process in relation to the response to a Client complaint;

- 7.1.2.1.5 notification of the decision to the Client; and
- 7.1.2.1.6 the recording of complaints.
- 7.1.2.2 The Authorised User's internal complaint handling procedures must be designed to ensure that:
  - 7.1.2.2.1 all complaints are handled fairly, effectively and promptly;
  - 7.1.2.2.2 recurring or systemic problems are identified, investigated and remedied;
  - 7.1.2.2.3 the number of unresolved complaints referred to YPN are minimised;
  - 7.1.2.2.4 complaints are investigated by an employee of sufficient competence who, where appropriate, was not directly involved in the matter which is the subject of a complaint;
  - 7.1.2.2.5 the employee responsible for the resolution of complaints has the necessary authority to resolve complaints or has ready access to an employee who has the necessary authority; and
  - 7.1.2.2.6 relevant employees are aware of the Authorised User's internal complaint handling procedures and comply with them.
- 7.1.3 **Timeous response to complaints**
  - 7.1.3.1 The Authorised User must acknowledge receipt of the complaint in writing within one Business Day of its receipt and respond to a Client complaint within one week of receiving the complaint in terms of Rules 7.1.2.1.1 or 7.1.2.1.2, within such period, provide the complainant with an appropriate explanation as to why the Authorised User is not, at that time, in a position to respond and must indicate by when the Authorised User will respond.
  - 7.1.3.2 If the complaint cannot be resolved within a further two weeks, the complainant must be notified in writing by the Authorised User of the reasons why it is unable to respond and in such circumstances the

complaint will be deemed to be an unresolved Client complaint in terms of 7.1.6.

#### 7.1.4 **Redress**

7.1.4.1 Where the Authorised User decides that redress in the form of compensation is appropriate in resolving a complaint, the Authorised User must provide the complainant with fair compensation and must comply with any offer of compensation made by it which the complainant accepts.

7.1.4.2 Where the Authorised User decides that redress in a form other than compensation is appropriate in resolving a complaint, the Authorised User must provide the redress as soon as practicable.

#### 7.1.5 **Recording of complaints**

7.1.5.1 The Authorised User must maintain a record of all Client complaints. The record of each complaint must include:

7.1.5.1.1 the identity of the complainant;

7.1.5.1.2 the substance of the complaint;

7.1.5.1.3 all correspondence in relation to the complaint; and

7.1.5.1.4 the date on which such complaint was lodged.

7.1.5.2 The records referred to in Rule 7.1.5.1 must be retained by the Authorised User for a period of seven years from the date of receipt of the complaint and these records must be provided to YPN within seven Business Days upon written request.

#### 7.1.6 **Unresolved Client complaints**

7.1.6.1 A Client complaint will be deemed to be unresolved if the complainant is not satisfied with the resolution of the complaint proposed by the Authorised User or if the Authorised User is unable to resolve the dispute in a timeous manner as set out in 7.1.3.2.

- 7.1.6.2 A complainant may lodge an unresolved complaint, in writing, with YPN, giving full particulars of the matter concerned.
- 7.1.6.3 In order for an unresolved complaint to be considered by YPN, the complaint must be lodged with YPN within three weeks of the receipt by the complainant of the Authorised User's response referred to in Rule 7.1.3.17.1.2.2.6 and within a reasonable time of the conduct by the Authorised User giving rise to the complaint.
- 7.1.6.4 An unresolved complaint which is lodged subsequent to the period referred to in Rule 7.1.6.3 will be considered, provided that failure to lodge the complaint within the relevant period was through no fault of the complainant.
- 7.1.6.5 YPN may request the Authorised User and the complainant to provide copies of all relevant correspondence and documentation that are required to review the complaint.
- 7.1.6.6 YPN will endeavour to facilitate a resolution of the complaint between the Authorised User and the complainant.
- 7.1.6.7 If YPN is unable to facilitate a resolution of the complaint within a reasonable time of lodgement of the complaint with it, the unresolved complaint will be dealt with in accordance with the Arbitration provisions referred to below.

## 7.2 **Arbitration**

- 7.2.1 All disputes which cannot be settled by the Authorised User or YPN as described in 7.1, and subject to 7.1.6, shall be finally determined in accordance with the Commercial Arbitration Rules of AFSA without recourse to the ordinary courts of law, except as explicitly provided for in 7.2.6.
- 7.2.2 The parties to the dispute shall agree on the arbitrator who shall be an attorney or senior advocate (with at least 10 years' experience) on the panel of arbitrators of AFSA. If agreement is not reaching within 10 Business Days after any party calls in writing for such agreement, the

arbitrator shall be an attorney or senior advocate with at least 10 years' experience nominated by the Chairperson of AFSA for the time being.

- 7.2.3 The request to nominate an arbitrator shall be in writing outlining the nature of the dispute and, if desired, suggesting suitable nominees for appointment as arbitrator, and a copy shall be furnished to the other parties who may, within 7 days, submit written comments on the request to the addressee of the request with a copy to the first party.
- 7.2.4 The arbitration shall be held in Johannesburg and the parties shall endeavour to ensure that it is completed within 90 days after the notice requiring the claim to be referred to arbitration is given.
- 7.2.5 The parties irrevocably agree that any decisions and awards of the arbitrator:
- 7.2.5.1 shall be binding on them;
  - 7.2.5.2 shall be carried into effect; and
  - 7.2.5.3 may be made an order of court of competent jurisdiction.
- 7.2.6 Nothing in this 7.2 shall prohibit a party from approaching any court of competent jurisdiction for urgent relief pending the determination of the dispute by arbitration. In respect of such proceedings, each of the parties specifically consents to the non-exclusive jurisdiction of the High Court of South Africa (Gauteng Local Division, Johannesburg).
- 7.2.7 The parties to any dispute resolution proceeding in terms of Rule 7.2 may be required to pay to YPN, before the proceedings commence such amount as YPN may determine as a deposit to cover a portion of the costs of the proceedings.

### 7.3 **Limitation of liability**

No officer, employee or representative of YPN shall be liable for any loss sustained by, or damage caused to any person as a result of anything done or omitted by them in the bona fide or negligent performance of any function under or in terms of these Rules.

#### 7.4 **Authorised User complaints against YPN**

7.4.1 If the Authorised User wishes to lodge a complaint against YPN in respect of the exercise by YPN of any exchange functions in terms of section 10 of the FM Act and the Authorised User requires a written response to its complaint, the Authorised User must lodge the complaint in writing with YPN.

7.4.2 If the Authorised User wishes to lodge a complaint against YPN in respect of conduct by YPN which, in the opinion of the Authorised User, evidences a failure by YPN to comply with its regulatory responsibilities under the FM Act, the Authorised User should lodge the complaint in writing with the Registrar.

## 8. SUPERVISION AND ENFORCEMENT

### 8.1 Surveillance and investigation by YPN

#### 8.1.1 Surveillance

8.1.1.1 YPN may set up and maintain such systems and procedures as it deems appropriate for:

8.1.1.1.1 monitoring compliance by the Authorised User with the FM Act and the Rules;

8.1.1.1.2 the surveillance of any matter relevant for the purposes of the FM Act and the Rules; and

8.1.1.1.3 supervising compliance by the Authorised User with FICA.

#### 8.1.2 Investigation

8.1.2.1 YPN, and any person designated by it, may:

8.1.2.1.1 investigate any YPN related activities of the Authorised User or an employee of the Authorised User;

8.1.2.1.2 investigate whether the Authorised User or any of its employees complies with the FM Act, the Rules and FICA;

8.1.2.1.3 investigate whether the Authorised User is trading in such a manner that there is a danger that the Authorised User may not be able to meet its commitments to Clients or a settlement system;

8.1.2.1.4 investigate whether the Authorised User is conducting its business in a manner which could be detrimental to the interest, good name or welfare of YPN; and

8.1.2.1.5 require any person who is subject to the jurisdiction of YPN and who is believed to be able to furnish any information on the subject of any investigation or to have in his or her possession or under his or her control any book, document, tape or electronic record or other object which has a bearing on the

subject of the investigation, to produce such book, document, tape or electronic record or other object or to appear at a time and place specified, to be questioned by any of the abovementioned persons, to furnish such information or to produce such book, document, tape, electronic record or other object, provided that the subject of the investigation has first been put to such person.

8.1.2.2 YPN may delegate the power granted to it in terms of Rule 8.1.2.1 to any member of its staff.

### 8.1.3 **Reporting and assistance by YPN – FICA**

YPN will report to the Registrar any non-compliance by the Authorised User and its employees with the duties imposed on the Authorised User and its employees in terms of FICA if YPN becomes aware of such non-compliance through the surveillance and investigation procedures undertaken in terms of Rule 8.1.2 YPN will also assist the Registrar in any enforcement action that may be taken by the Registrar against the Authorised User or its employees in relation to non-compliance with FICA.

### 8.1.4 **Use of information obtained by YPN and referral to another authority**

8.1.4.1 Any information, document, book, tape or electronic record or other object obtained by YPN, whether by investigation or otherwise, may be used in evidence in any disciplinary proceedings contemplated in Rule 8.3 and may be furnished by YPN to any other body which may have jurisdiction over the matter under consideration, whether outside or within South Africa.

8.1.4.2 If YPN becomes aware of any possible contravention of law by a person over whom YPN does not have jurisdiction, YPN may refer such matter to the appropriate authority or authorities, whether outside or within South Africa.

## 8.2 **Improper conduct**

8.2.1 The following acts and practices whether of commission or omission on the part of the Authorised User or employee of the Authorised User shall

constitute improper conduct, provided that the acts and practices so specified are not intended to be a complete list of acts and practices which may constitute improper conduct:

- 8.2.1.1 committing or attempting to commit any act which is dishonest or fraudulent;
- 8.2.1.2 being a party to, or facilitating or conducting a transaction which is fictitious or has a dishonest or unlawful motive;
- 8.2.1.3 contravening, attempting to contravene, or failing to comply with any one or more provision of the FM Act or the Rules;
- 8.2.1.4 negligently or recklessly conducting the business or affairs of the Authorised User in such a way that actual or potential prejudice is, or may be, caused to YPN, a Client of the Authorised User or the general public. The failure by the Authorised User to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may be treated, where appropriate, as constituting either negligence or recklessness;
- 8.2.1.5 committing or attempting to commit any act which is detrimental to the interest, good name or welfare of YPN;
- 8.2.1.6 knowingly obstructing the business of YPN; or
- 8.2.1.7 failing, when requested, to assist YPN in the exercise of its duties, including but not limited to, failure without sufficient cause to provide information in accordance with Rule 8.1.2.1.5.

### 8.3 **Disciplinary procedures**

#### 8.3.1 **Conclusion of investigation**

- 8.3.1.1 On conclusion of any investigation in terms of Rule 8.1.2 and if, after having considered all the relevant information in its possession, if YPN is of the opinion that it considers the alleged conduct to be so serious so as to warrant a penalty, suspension or termination of membership or employment with the Authorised Users, it may bring a formal charge against the person (the "**respondent**") in an

appropriate format (which charge sheet may make provision for an admission of guilt) and refer the matter to the Disciplinary Committee.

8.3.1.2 A respondent:

8.3.1.2.1 may, if the respondent is given an opportunity to sign an admission of guilt, admit guilt to such charges within the period set out in the charge sheet; or

8.3.1.2.2 may within three weeks after receipt of the charge sheet request particulars to the charges, to which YPN must respond within four weeks after receipt of such request.

8.3.1.3 Thereafter the chairperson of the Disciplinary Committee shall determine the date on which the charges shall be heard, which date shall not without good reason be later than three months after the charge sheet was served on the respondent.

8.3.1.4 No extension of the time periods set out in Rule 8.3.1, including the date for the hearing of the charges, shall be allowed without good reason. Furthermore, no such extension shall be allowed without the consent of the chairperson of the Disciplinary Committee.

8.3.2 **Disciplinary Committee**

8.3.2.1 The Disciplinary Committee shall consist of three persons as set determined in terms of Rule 8.3.2.2.

8.3.2.2 The members of a Disciplinary Committee shall be:

8.3.2.2.1 one person appointed by YPN;

8.3.2.2.2 one person appointed by the Authorised User; and

8.3.2.2.3 one person chosen by the other two appointed persons, which third person shall act as the chairperson of the Disciplinary Committee.

8.3.2.3 If within 20 Business Days of the appointment of the two Disciplinary Committee members, these two Disciplinary Committee members

have failed to choose a chairperson of the Disciplinary Committee, then the chairperson will be appointed by the Chairperson of AFSA.

8.3.2.4 A Disciplinary Committee may at any time co-opt additional members for the Disciplinary Committee, whenever it deems such additional appointments to be necessary and appropriate.

8.3.2.5 A Disciplinary Committee may:

8.3.2.5.1 issue instructions to the respondent whose conduct or omission is under consideration concerning action which must be taken, or not be taken, to remedy the matter referred to the Disciplinary Committee;

8.3.2.5.2 warn, reprimand, censure or impose a fine (with or without ordering that a contribution be made towards YPN's costs) on any person who has, in the reasonable opinion of the Disciplinary Committee, been guilty of improper conduct;

8.3.2.5.3 in relation to an employee of the Authorised User, direct the Authorised User to conduct a disciplinary enquiry into the acts or omissions of such person;

8.3.2.5.4 direct the Authorised User to ensure that any sanction imposed on an employee of the Authorised User is complied with by such employee; and

8.3.2.5.5 direct the Authorised User to prevent or relieve an employee of the Authorised User from carrying out any specified activity, function or duty for such reasonable period as the Disciplinary Committee deems appropriate.

### 8.3.3 **Procedure and evidence – Disciplinary Matters**

8.3.3.1 Any charges preferred shall be decided on a balance of probabilities.

8.3.3.2 In a hearing before a Disciplinary Committee:

8.3.3.2.1 the chairperson of the Disciplinary Committee shall decide all matters of law which may arise during the hearing, and whether

- any matter constitutes a question of law or a question of fact, but all three members of the Disciplinary Committee shall by a simple majority decide all other matters arising during the hearing;
- 8.3.3.2.2 the chairperson of the Disciplinary Committee shall determine the procedure which the Disciplinary Committee shall follow both in respect of preliminary issues and in respect of the hearing itself, subject to the Rules and to the principles of natural justice;
- 8.3.3.2.3 YPN may instruct attorneys or counsel to prefer and prosecute the charges on behalf of YPN, or the charges may be prosecuted by an employee of YPN; and
- 8.3.3.2.4 the respondent is entitled to be legally represented at the respondent's own cost.
- 8.3.3.3 If a respondent without good cause fails to attend a hearing before a Disciplinary Committee at the time and place stated in the charge sheet, the Disciplinary Committee may proceed with its consideration of the charge in the absence of the respondent.
- 8.3.3.4 If, at any stage during a hearing before the Disciplinary Committee, one or more of the members of the body hearing the matter dies or retires or becomes otherwise incapable of acting or is absent, the hearing shall, where the remaining members constitute a majority of the body before whom the hearing was commenced, proceed before such remaining members and, provided that the remaining members are in agreement, their finding shall be the finding of the body concerned. In any other case, the matter shall be heard de novo.
- 8.3.3.5 If a Disciplinary Committee finds a respondent guilty of an offence, the Disciplinary Committee shall have the powers set out in and shall apply Rule 8.3.2.5.
- 8.3.3.6 A person charged is entitled to be supplied with a record of the hearing of such charges, and any person who has made oral

representations is entitled to be supplied with a record of that portion of the proceedings which related to that person's oral representations.

#### 8.3.4 **Disciplinary matters – Penalties**

8.3.4.1 When any person has been found guilty of improper conduct by a Disciplinary Committee pursuant to the rules, the Disciplinary Committee:

8.3.4.1.1 may warn or impose a reprimand, censure or fine upon the respondent, which fine shall in respect of each contravention not exceed R5 million, or such other amount as may be stipulated in the FM Act;

8.3.4.1.2 shall in determining an appropriate penalty take into account:

8.3.4.1.2.1 any previous conviction in terms of the Rules or in a court of law;

8.3.4.1.2.2 the harm or prejudice which is caused by the offence;

8.3.4.1.2.3 any other aggravating or mitigating circumstances; and

8.3.4.1.2.4 where it is possible that the membership of the respondent may be terminated, the respondent shall be given an opportunity to make representations to the Disciplinary Committee in this regard;

8.3.4.1.3 may, on such conditions as the Disciplinary Committee may deem fit, terminate the membership of the Authorised User or in the case of an employee of the Authorised User, require the Authorised User to hold a disciplinary enquiry to consider terminating or suspending the employment of such person;

8.3.4.1.4 may direct the Authorised User to prevent or relieve an employee of the Authorised User from carrying out any specified activity, function or duty for such reasonable period as the Disciplinary Committee deems appropriate;

- 8.3.4.1.5 may direct an Authorised User to ensure that any sanction imposed by the Disciplinary Committee on an employee of the Authorised User is complied with by such employee;
- 8.3.4.1.6 may make a fair and reasonable order as to costs; and
- 8.3.4.1.7 may order that particulars of the offence and finding of the Disciplinary Committee and the penalty imposed be published, provided that if publication is ordered, the respondent shall be given an opportunity to make representations to the Disciplinary Committee in this regard.
- 8.3.4.2 A Disciplinary Committee may impose any one or more of the penalties referred to in Rule 8.3.4.1.
- 8.3.4.3 Any penalty or part thereof may be suspended on such conditions as the Disciplinary Committee may determine.
- 8.3.4.4 If the Authorised User or an employee of the Authorised User fails to pay any fine imposed by a Disciplinary Committee, within 30 days after being informed of the amount of the fine, YPN may, after serving notice of not less than 14 days on such person, calculated from the expiration of the last of the 14 days within which payment must be made:
- 8.3.4.4.1 recover such fine from such member or employee, as the case may be, in a court of competent jurisdiction;
- 8.3.4.4.2 terminate the membership of the Authorised User on such conditions as YPN may deem fit, or in the case of an employee of the Authorised User, require the Authorised User to hold a disciplinary enquiry to consider terminating or suspending the employment of such person; and/or
- 8.3.4.4.3 direct the Authorised User to prevent or relieve an employee of the Authorised User from carrying out any specified activity, function or duty for such reasonable period as YPN deems appropriate.

- 8.3.4.5 A Disciplinary Committee may, upon good cause shown and subject to such conditions as the Disciplinary Committee may impose, vary or modify any penalty which it may have previously imposed on any person provided that in modifying or varying such penalty, the Disciplinary Committee shall under no circumstances increase such penalty.
- 8.3.4.6 A report of the findings of a Disciplinary Committee will be forwarded to the Registrar, by YPN, within 30 days after the completion of the proceedings.
- 8.3.5 **YPN's powers of publication**
- 8.3.5.1 YPN may in its discretion and in such manner as it may deem fit, notify the public of any fact that YPN considers to be in the public interest, including, but not limited to, the name of the Authorised User or employee of the Authorised User who has been found guilty of any charge and of the sentence imposed on such person.
- 8.3.5.2 No action or other proceeding shall in any circumstances be taken by the Authorised User or employee of the Authorised User referred to in any notification referred to in Rule 8.3.5.1 against YPN or any person publishing or circulating the same.