



# GROUP SRO OVERSIGHT COMMITTEE REPORT 2023

**“Robust, transparent, and cost-effective regulation is essential for well-functioning capital markets. As an operator and front-line regulator of public financial markets in South Africa, the JSE seeks to deliver consistent high-quality regulation that benefits all market participants.”**



*Zarina Bassa*

The Group Self-Regulatory Organisation Oversight Committee (“the committee”) is an independent standing committee of the JSE Board. The committee’s mandate is to oversee the performance of the Self-Regulatory Organisation (“SRO”) obligations of the JSE and JSE Clear as licensed exchange and licensed independent clearing house, respectively. JSE Clear is a wholly owned subsidiary of the JSE.

These SRO obligations encompass the regulation, supervision and enforcement functions in respect of listed securities, authorised users and clearing members. This mandate includes:

- o reviewing the operational efficiency, funding, staffing and technological requirements of the Issuer Regulation and Market Regulation Divisions of the JSE and the compliance function of JSE Clear.
- o ensuring fairness and consistency in the disciplinary and enforcement actions taken by the Issuer Regulation and Market Regulation Divisions of the JSE.
- o exercising oversight of the JSE’s own listing.
- o serving as the appointed committee pursuant to the requirements prescribed by FSCA Board Notice 1 of 2015 (“the FSCA Board Notice”), entitled ‘Conflicts of Interest’, so as to ensure appropriate processes are in place for the identification of potential, perceived and actual conflicts of interest, and that policies and mechanisms are adopted and implemented for their avoidance, or management and disclosure. This includes the responsibility for disseminating clear guidelines to employees in respect of the safeguarding of confidential information.

During 2023, the committee executed its mandate diligently and provided the required report-backs to the JSE Board. No conflicts (as defined in the FSCA Board Notice) were identified during the year.

In March 2023, Faith Khanyile stepped down as a member of the committee following her appointment as a member of the Group Remuneration Committee of the JSE. Faith has served on the Group SRO Oversight Committee since November 2018. On behalf of the committee, I wish to thank her for her committed service and wise counsel during her tenure. Following this change in committee membership, I am of the view that the committee continues to have sufficient capacity to discharge its mandate effectively.

In the year ahead, the committee will continue to monitor regulatory developments, including those relevant to market conduct and reputational risk.

This annual report-back to stakeholders on the committee’s activities for 2023, also serves as the prescribed report required in terms of the FSCA Board Notice.

A handwritten signature in black ink, appearing to read 'Zarina Bassa'.

**Zarina Bassa**

*Chairman: Group SRO Oversight Committee*

## Arrangements required of licensed market infrastructures

The FMA defines the JSE and JSE Clear as market infrastructures and requires that they operate as SROs by performing certain regulatory, supervisory and enforcement functions in respect of:

- o Issuers of securities listed on the JSE.
- o Authorised users that trade in the markets operated by the JSE.
- o Clearing members of JSE Clear.

### Licensed exchange

The Issuer Regulation and Market Regulation Divisions perform the SRO functions for the JSE as a licensed exchange. Ensuring compliance by issuers of securities with the JSE Listings Requirements is the responsibility of the Issuer Regulation Division, while the Market Regulation Division is responsible for ensuring authorised users comply with the JSE's market rules and directives, and with the applicable sections of the FMA.

### Licensed independent clearing house

The compliance function of JSE Clear performs the SRO functions for JSE Clear as an independent clearing house and ensures compliance by its clearing members with the JSE Clear rules, and the applicable sections of the FMA.

### Oversight exercised by the committee in 2023

The committee confirmed that for 2023, the JSE and JSE Clear:

- o Have the necessary assets and resources to perform their functions in terms of the FMA, and applicable notices, standards and directives.
- o Have the necessary arrangements in place to supervise issuers of securities and all transactions effected through the JSE by authorised users and cleared by JSE Clear.
- o Support the stability of the broader financial system, in the public interest, and in accordance with the objectives of their stakeholders.

## Operational effectiveness of the JSE's Regulatory Divisions

The committee reviewed the policies, procedures, staffing and funding of the JSE's regulatory divisions and affirmed their operational effectiveness in respect of:

### Issuer Regulation

- o Approval of new listings of issuers of securities.
- o Amendments made to the JSE Listings Requirements, which relate to the:
  - » introduction of dual-class shares
  - » reduction of the free float requirement from 20% to 10% for new listings
  - » assessment provisions in respect of free float to allow material shareholders of 10% or more to qualify for public spread (limited to 35%)
  - » updating of the Special Purpose Acquisition Company (SPAC) requirements
  - » simplification of financial reporting disclosures and the removal of the abridged report requirement.
- o Investigations conducted and disciplinary action taken.

### Market Regulation

- o Approval of applications for authorised user membership.
- o Amendments to the rules and directives of the JSE markets.
- o Exercise of its investigation and enforcement powers.

### Monitoring of its own listing

The committee confirmed that the JSE:

- o Has adequate procedures and controls to ensure conflicts of interest do not arise in respect of its own listing.
- o Has complied with its Listings Requirements and the Equities Market rules and directives in a manner that warrants the continued listing of its shares.
- o Has reported all complaints relating to conflicts of interest with respect to the listing of the shares of the JSE to the FSCA.

## Annual Assessment – Conflicts of Interest

In accordance with its terms of reference, the committee conducted independent oversight of the JSE and JSE Clear's SRO functions in respect of conflicts of interest, and in so doing executed its statutory responsibilities.

The committee confirmed that the JSE and JSE Clear have:

- o Adopted appropriate and effective policies and arrangements that separate their regulatory and supervisory functions from their commercial services.
- o Effective internal governance processes in place for the identification of potential, perceived or actual conflicts of interest between their commercial services and regulatory functions.
- o In the JSE Issuer Regulation and Market Regulation Divisions and the JSE Clear compliance function, identified the potential, perceived or actual conflicts of interest that could arise between their respective regulatory and supervisory functions and their commercial services.
- o Published the conflicts of interest policies of the JSE Issuer Regulation and Market Regulation Divisions on the JSE website and the JSE Clear conflict of interests policy on the JSE Clear website, which include the procedures for the avoidance, or management and disclosure of perceived, potential, and actual conflicts of interests, and the expected conduct of employees performing regulatory and supervisory functions, and guidelines for the safeguarding of the confidential information under their control.
- o Through the Issuer Regulation and Market Regulation Divisions of the JSE, and the compliance function of JSE Clear, adhered to their respective policies, procedures and measures implemented in respect of conflicts of interest, and further that no potential, perceived or actual conflicts of interest between their performance of their regulatory and supervisory functions and their respective commercial services were identified in 2023.

## Activities in 2023

### Listings Requirements

As part of its oversight of the activities of the Issuer Regulation Division, the committee continues to monitor the factors that impact issuers of securities listed on the JSE, including the costs associated with the enforcement of the Listings Requirements.

The Issuer Regulation Division has pursued the annual improvement project to simplify the Debt Listings Requirements which amendments were approved by FSCA on 17 July 2023.

The Division also initiated the Simplification project during the year under review, which aims to simplify the Listings Requirements using plain language to record concise regulatory objectives, allowing better understanding and application of the requirements by listed companies, sponsors and investors.

The amendment process has commenced, with the first 6 Sections released for public comment. The remaining 14 Sections are to be released for public comment in 2024.

However, the committee is mindful that other factors outside the control of the JSE, impact materially on the decision by issuers to remain listed on the JSE and whether potential issuers view the JSE as an attractive venue for raising capital. These factors include the local economic environment, the competitiveness of South Africa as an investment destination, and a company's own financial performance.

### Sustainability

The Issuer Regulation Division in collaboration with the IFC, commissioned a research project during 2023 to analyse:

- o The international landscape for sustainability disclosures, with a specific focus on stock exchanges, and whether such disclosures are voluntary or mandatory in nature.
- o Costs and benefits for issuers that derive from the disclosure of sustainability data.

Given the 'alphabet soup' of disclosures the research examined the level of adoption of the JSE's voluntary Sustainability Disclosure Guidance versus other disclosure guidelines and standards.

The research reports have now been shared with FSCA and CIPC with the objective of helping to inform a national conversation regarding the disclosure of sustainability data by public companies.

### Appropriation of fines

The Listings Requirements empower the JSE to impose censures and fines on issuers of securities in respect of breaches of the Listings Requirements, which fines are transferred to the Issuer Regulation Fine Reserve.

The Issuer Regulation Division may, in terms of the Listings Requirements and its conflicts of interest policy, seek the approval of the committee for the appropriation of the costs it has expended in respect of external legal, forensic, and investigative services, the creation of awareness of the Listings Requirements and their interpretation, and any projects it has initiated that conduct research and provide analysis of financial market regulation.

The committee considered the motivation of the Issuer Regulation Division for the appropriation of fines from the Issuer Regulation Fine Reserve to cover costs expended in the specific circumstances listed above. The committee approved appropriations totaling R6.7 million from the Issuer Regulation Fund Reserve to defray the costs of external legal and investigative services incurred during 2023 in the enforcement of the Listings Requirements. The balance on the Issuer Regulation Fund Reserve stands at R26.5m as at 31 December 2023.

### JSE Clear

JSE Clear was granted its licence to operate as an independent clearing house by FSCA effective 1 January 2023.

The committee has exercised regulatory oversight over JSE Clear since that date, which includes the JSE Clear functions to:

- o Approve applications for clearing member membership.
- o Amend the JSE Clear rules.
- o Exercise its investigation and enforcement powers.

## Governance

During 2023, the committee convened for two scheduled meetings in February and July.

During the year the committee:

- o Ensured the fair treatment of clients by tracking market conduct compliance, breaches, complaints, and remediation.
- o Oversaw the activities of the Issuer Regulation and Market Regulation Divisions in respect of regulatory activities undertaken in 2023.
- o Oversaw the activities of the compliance function of JSE Clear in respect of regulatory activities undertaken in 2023.
- o Reviewed reports from Group internal audit in respect of audits undertaken within the Issuer Regulation Division during 2022 and the remediation of findings raised in those audit reports.
- o Reviewed the reports by Group internal audit which provide an independent assessment of compliance by the Issuer Regulation and Market Regulation Divisions, and the JSE Clear Compliance function, with their respective conflict of interest policies during 2023.
- o Reviewed and re-endorsed its terms of reference, which set out its role and responsibilities in respect of its oversight and monitoring functions.
- o Conducted a self-evaluation of its performance, and that of its constituent members and attested to the fact that it acts independently and has fulfilled its function without any conflict.
- o Confirmed that through its oversight of the Issuer Regulation and Market Regulation Divisions, the JSE has:
  - » conducted its business in a fair and transparent manner, with due regard to the rights of the issuers of securities, and authorised users and clients of its markets
  - » supervised compliance of its issuers and authorised users in accordance with the JSE Listings Requirements and JSE market rules and directives
  - » supervised compliance with the FMA by its issuers and authorised users and reported any matters of non-compliance to the FSCA
  - » applied and enforced its Listings Requirements and market rules and directives fairly and consistently in respect of its issuers and authorised users and, where applicable, imposed appropriate sanctions for non-compliance.
- o Confirmed that through its oversight of the Compliance function of JSE Clear, JSE Clear has:
  - » conducted its business in a fair and transparent manner, with due regard to the rights of the clearing members of the markets it administers
  - » supervised compliance of its clearing members in accordance with the JSE Clear rules
  - » supervised compliance with the FMA by its clearing members and reported any matters of non-compliance to the FSCA
  - » applied and enforced its rules fairly and consistently in respect of its clearing members and, where applicable, imposed appropriate sanctions for non-compliance.

### Committee attendance

Zarina Bassa (Committee chairman) <b>2/2</b>	Siobhan Cleary <b>2/2</b>	Suresh Kana <b>2/2</b>	Faith Khanyile <sup>1</sup> <b>1/1</b>
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Committee independence: 100%  
All committee members are independent non-executive directors of JSE Limited.

<sup>1</sup> Faith Khanyile was appointed as a member of the Group Remuneration Committee in March 2023. To balance her workload as a JSE Board member, she stepped down from the Group SRO Oversight Committee at the same time.

The Chairman of the Board, the Group Chief Executive Officer and the Directors of Issuer Regulation and Market Regulation Divisions attend meetings of the committee by invitation only. Representatives of the Financial Sector Conduct Authority are also invited to attend meetings of the committee. The Group Company Secretary serves as secretary to the committee.