



GROUP SRO OVERSIGHT COMMITTEE REPORT

2022



Zarina Bassa

“As the front-line regulator of the markets that it operates, the JSE seeks to ensure that its regulation of issuers and trading participants is robust, transparent and consistent, in support of capital markets that are secure and efficient.”

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 by the JSE of its regulatory, supervisory and enforcement functions. This includes reviewing the operational efficiency, funding, staffing and technological requirements of the Issuer Regulation and Market Regulation Divisions, as well as the disciplinary and enforcement action taken by them in terms of fairness and consistency of application.

The committee also ensures that the necessary procedures are adhered to in respect of the JSE’s own listing and it is the appointed committee pursuant to the requirements prescribed by FSCA Board Notice 1 of 2015 (“the FSCA Board Notice”), entitled ‘Conflicts of Interest’. The FSCA Board Notice specifies that the committee ensure that 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 2022 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 the year ahead the committee will continue to monitor regulatory developments, including those relevant to market conduct and reputational risk.

This annual report to stakeholders on the committee’s activities for 2022 also serves as the prescribed report required in terms of the FSCA Board Notice.

Zarina Bassa

Chairman: Group SRO Oversight Committee

Arrangements required of a licensed exchange

The FMA defines the JSE as a market infrastructure and requires that it operate as a self-regulatory organisation (“SRO”) by performing certain regulatory, supervisory and enforcement functions in respect of issuers of securities that have a listing on the JSE and the authorised users that trade in the markets that it operates.

The Issuer Regulation and Market Regulation Divisions perform these functions and ensure compliance by issuers of securities and authorised users with the JSE Listings Requirements and market rules and directives respectively, as well as with the applicable sections of the FMA.

The committee confirmed that for 2022 the JSE:

- has the necessary assets and resources to perform its functions in terms of the FMA, and applicable notices and directives
- has the necessary arrangements in place to supervise issuers of securities and all transactions effected through the Exchange by authorised users
- supports the stability of the broader financial system, in the public interest, and in accordance with the objectives of its 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 the:

Issuer Regulation

- approval of new listings of issuers of securities
- amendments made to the Listings Requirements, that relate to the:
 - Cutting of Red Tape aimed at Effective and Appropriate Regulation (Main Board Listings and the Alternative Exchange)
 - Annual Improvement Project to provide clarity and context and remove ambiguity from the Listings Requirements
- investigations conducted and disciplinary action taken

Market Regulation

- approval of the applications for membership of authorised users
- amendments to the rules and directives of the JSE markets
- exercise of its investigation and enforcement powers

Monitoring of its own listing

The committee confirmed that the JSE:

- has adequate procedures and controls to ensure that conflicts of interest do not arise in respect of its own listing
- has complied with its Listings Requirements and the Equities Market rules and directives in a manner that warrants the continued listing of its shares
- has reported all complaints that relate to conflicts of interest in respect of 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’s SRO functions in respect of conflicts of interest, and in so doing executed its statutory responsibilities.

The committee confirmed that the JSE:

- has adopted appropriate and effective policies and arrangements that separate its regulatory and supervisory functions from its commercial services
- has an effective internal governance process for the identification of potential, perceived or actual conflicts of interest between its commercial services and regulatory functions
- has in its Issuer Regulation and Market Regulation Divisions, identified the potential, perceived or actual conflicts of interest that could arise between their respective regulatory and supervisory functions and the commercial services of the JSE
- has published the conflicts of interest policies of the Issuer Regulation and Market Regulation Divisions on the JSE website, which policies include the procedures for the avoidance, or management and disclosure of perceived, potential, and actual conflicts of interests, as well as the expected conduct of employees performing regulatory and supervisory functions, and guidelines for the safeguarding of the confidential information under their control
- has, through its Issuer Regulation and Market Regulation Divisions, adhered with 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 the JSE’s commercial services were identified in 2022

Activities in 2022

Delistings

A matter of high priority for the committee is the number of companies that voluntarily delisted from the JSE in 2022. The committee examined research as to the factors associated with these delistings, which include inter alia the economic environment, financial performance of the delisted company, and costs associated with being listed.

The committee will continue to monitor these factors, and in particular, the costs associated with the regulation and surveillance of issuers of securities, as well as the enforcement of the Listings Requirements, to ensure an appropriate balance between robust regulation, surveillance and enforcement, and the costs associated therewith.

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 and approved the appropriation of the funds associated thereto from the Issuer Regulation Fund Reserve.

Looking forward to 2023

JSE Clear

With the licensing of JSE Clear as an Independent Clearing House (ICH) effective 1 January 2023, the mandate of the committee has been extended to include oversight of any conflicts of interest that could arise between JSE Clear's regulatory role as an ICH and its commercial endeavours. The committee will undertake the necessary conflict of interest reviews as part of its work-plan for 2023.



Governance

During 2022 the committee convened for two scheduled meetings in July and November.

During the year the committee:

- Examined the regulatory mandate of the committee, in a changing environment, to determine how the JSE's regulatory oversight function can best be exercised
- Ensured the fair treatment of clients by tracking market conduct compliance, breaches, complaints, and remediation
- Oversaw the activities of the Issuer Regulation and Market Regulation Divisions in respect of regulatory activities undertaken in 2022
- 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
- Reviewed the reports by Group Internal Audit which provide an independent assessment of compliance by the Issuer Regulation and Market Regulation Divisions with their respective conflict of interest policies during 2022
- Reviewed and re-endorsed its Terms of Reference, which set out its role and responsibilities in respect of its oversight and monitoring functions
- 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
- Confirmed that through its oversight of the Issuer Regulation and Market Regulation Divisions, the JSE has:
 - o 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
 - o supervised compliance of its issuers and authorised users in accordance with the JSE Listings Requirements and market rules and directives
 - o supervised compliance with the FMA by its issuers and authorised users and reported any matters of non-compliance to the FSCA
 - o 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

Committee Attendance

Zarina Bassa
(Committee chairman)

1/2*

Siobhan Cleary

2/2

Suresh Kana

2/2

Faith Khanyile

2/2

Committee independence: 100%

All committee members are independent non-executive directors of JSE Limited.

* Z Bassa recused from February 2022 meeting owing to a potential conflict of interest

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.

