



Financial Sector
Conduct Authority

**NOTICE REGARDING THE PUBLICATION OF DRAFT DIRECTIVE [-] OF 2020
(FM)**

DIRECTIVE FOR EXCHANGES

FINANCIAL MARKETS ACT, 2012 (ACT NO. 19 OF 2012)

The Financial Sector Conduct Authority (FSCA) hereby invites submissions on draft FSCA FM Notice [-] of 2020 - Directive for Exchanges (draft Directive) that is proposed to be made in terms of section 6(4)(a) of the Financial Markets Act, 2012 (Act No. 19 of 2012), as per the Schedule below.

The draft Directive is available on the FSCA's website.

Submissions on the draft Directive must be submitted in writing, using the submission template available on the FSCA's website, on or before 15 July 2020 to the FSCA at FSCA.RFDStandards@fsc.co.za.

A handwritten signature in black ink, appearing to be 'J. Boyd', written over a horizontal line.

JURGEN BOYD
For THE FINANCIAL SECTOR CONDUCT AUTHORITY

Date of publication: 20 May 2020

1. Definitions

In this Directive, “**the Act**” means the Financial Markets Act, 2012 (Act No. 19 of 2012) and any word or expression to which a meaning has been assigned in the Act bears the meaning so assigned to it, and unless the context otherwise indicates-

“**Authority**” means the Financial Sector Conduct Authority as defined in section 1 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017);

“**cautionary announcement**” has the meaning assigned to such term in the Conduct Standard for Exchanges;

“**cooperative arrangement**” means an arrangement between licensed exchanges contemplated in paragraph 2 of the Conduct Standard for Exchanges;

“**corporate action**” has the meaning assigned to such term in the Conduct Standard for Exchanges;

“**dual authorised user**” has the meaning assigned to such term in the Conduct Standard for Exchanges;

“**dual listed securities**” has the meaning assigned to such term in the Conduct Standard for Exchanges;

“**GAAP**” means Generally Acceptable Accounting Principles;

“**IFRS**” means the International Financial Reporting Standards;

“**King Code**” means the King IV Report on Corporate Governance for South Africa, 2016;

“**price sensitive information**” has the meaning assigned to such term in the Conduct Standard for Exchanges

“**primary exchange**” has the meaning assigned to such term in the Conduct Standard for Exchanges;

“**primary listing**” has the meaning assigned to such term in the Conduct Standard for Exchanges; and

“**transparency**” has the meaning assigned to such term in the Conduct Standard for Exchanges.

1. Listing requirements

- (1) Section 11 of the Act requires that an exchange, to the extent applicable to the exchange in question, make listing requirements which prescribe the matters set out in that section.
- (2) The introduction of a multiple exchange environment requires that the listing requirements for exchanges which list the same securities be aligned.

- (3) Alignment of listing requirements is necessary to ensure that the objects of the Act are achieved.

2. Accounting standards

- (1) An exchange must in its listing requirements made in terms of section 11(1)(b) of the Act require that-
 - (a) an issuer incorporated in the Republic with a primary listing on that exchange prepares its financial information in accordance with the IFRS; and
 - (b) a foreign issuer with a secondary listing on that exchange, adopts one of the following accounting standards:
 - (i) IFRS;
 - (ii) IFRS adopted by the European Union;
 - (iii) United Kingdom GAAP;
 - (iv) United States GAAP;
 - (v) Australian GAAP;
 - (vi) Canadian GAAP; or
 - (vii) any other accounting standard approved by the exchange and the Authority.

3. Corporate governance

- (1) An exchange must in its listing requirements made in terms of section 11(1)(d) of the Act require that-
 - (a) an issuer incorporated in terms of the Companies Act is able to demonstrate the implementation of the King Code through the application of the King Code disclosure and application regime;
 - (b) a foreign issuer discloses in its annual report the corporate governance requirements applicable in its country of incorporation, and clearly and comprehensively disclose the extent of compliance with the requirements as well as the extent of any non-compliance with such requirements (including for what part of the reporting period there has been non-compliance), provided that the exchange must be satisfied that a foreign jurisdiction's corporate governance requirements are equivalent or comparable to the King Code; and
 - (c) in either of the above cases where the issuer is not compliant with the applicable requirements, that the issuer furnish reasons for non-compliance and plans, if any, to achieve compliance with the requirements.

4. Continuing disclosure obligations

- (1) An exchange must, in respect of securities listed on more than one exchange, in its listing requirements made in terms of section 11(1)(d) of the Act require that-
 - (a) precedence in relation to the timing and publication of financial information must be given to the primary exchange in respect of the following:
 - (i) interim and annual reports;
 - (ii) corporate actions;
 - (iii) announcements in respect of directors' dealings; and
 - (iv) announcements and transactions in respect of related parties;

- (b) issuers have an ongoing disclosure obligation requiring disclosure of the information set out in subparagraph (a);
- (c) issuers disclose ongoing information on a timely basis, which could be on a periodic or immediate disclosure basis;
- (d) issuer give precedence in respect of the timing of the ongoing disclosure obligations to the primary exchange;
- (e) where an issuer is listed on more than one exchange, the information released under the continuing disclosure obligation of one exchange be released on an equivalent or identical basis on all the other exchanges;
- (f) issuers ensure that full information is promptly made available to the market by using efficient, effective and timely means of dissemination;
- (g) issuers' continuing disclosure of information be fairly presented, not be misleading or deceptive and contain no material omission of information;
- (h) the information to be disclosed in compliance with the continuing disclosure obligation, not be disclosed to selected financial customers or other interested parties before it is released to the public;
- (i) for issuers to be allowed to appoint specific persons such as sponsors and compliance officers to disclose information on behalf of the issuer, but that issuers remain responsible for compliance with the continuing disclosure obligation.

5. Price sensitive information

- (1) An exchange must in its listing requirements made in terms of section 11(1)(d) of the Act require that, in respect of the same securities listed on more than one exchange, requirements dealing with the treatment and the obligations and timing for the public disclosure of price sensitive information, including cautionary announcements, be aligned and that precedence in respect of the timing of the publication of price sensitive information be given to the primary exchange. Exchanges must agree on the following minimum requirements for the release of price sensitive information:
 - (a) the distribution channel for the dissemination of price sensitive information and cautionary announcements, which must be approved by the Authority;
 - (b) the format and layout of the information and announcements;
 - (c) where the distribution channel should be housed;
 - (d) how costs associated with the distribution channel will be apportioned; and
 - (e) who will be responsible for the validity of the information that will be disseminated into the market.

6. Short title, effective date and amendment of listing requirements

- (1) This Notice is called the Directive for Exchanges, 2020 and becomes effective on the date of publication.
- (2) Notwithstanding subparagraph (1), an exchange which has dual listed securities with another exchange must amend or replace its listing requirements in accordance with the Act so as to comply with the requirements of this Directive within six months from the effective date of this Directive.