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General Notice

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GENERAL NOTICE

NOTICE 609 OF 2005

Securities Services Act, 2004 (Act No 36 of 2004)

Amendment of Rules of the Bond Exchange of South Africa

1. In terms of section 61(5) of the Securities Services Act, 2004, (Act No 36 of 2004), it is hereby notified that the Bond Exchange of South Africa has applied to the Registrar of Securities Services for approval of the amendments of its rules, as set out in the Schedule.
2. In terms of section 61(5) of the said Act all interested parties (other than authorised users of the Bond Exchange of South Africa) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Securities Services, P O Box 35655, Menlo Park, 0102, within a period of 14 days from the date of publication of this notice.

J VAN ROOYEN

REGISTRAR OF SECURITIES SERVICES

SCHEDULE

General explanatory notes:

1. Words in bold in square brackets (**[]**) indicate deletions from existing rules.
2. Words underlined with a solid line (_____) indicate insertions in existing rules.

AMENDMENT OF THE RULES OF THE BOND EXCHANGE OF SOUTH AFRICA

1. PROPOSED AMENDMENTS OF PART C SECTION 10 - RECORDS AND PRESCRIBED AGREEMENTS

C10.3 Internal control and risk management

C10.3.1 A user must ensure that the user implements and maintains adequate internal control and risk management principles, as required by the Act.

C10.3.2 A compliance officer appointed in terms of rule C2.4.2 must continuously monitor adherence to the principles of internal control and risk management referred to in rule C10.3.1.

- C10.3.3 The directors of the user must submit a report to the Bond Exchange within four months after the end of the user's financial year, certifying that –
- C10.3.3.1 the user has introduced and maintains internal audit procedures, internal control and risk management principles, and that these provide reasonable assurance as to the integrity and reliability of the user's financial statements;
- C10.3.3.2 these internal control and risk management principles are based on established policies and procedures and, that these are being implemented by trained and skilled personnel whose duties have been properly segregated; and
- C10.3.3.3 the user and all its employees maintain high ethical standards thereby ensuring that the business practices of the user are above reproach.
- C10.3.4 A user must forthwith report to the Bond Exchange any indication that a material malfunction has occurred in the aforementioned principles and procedures.

C10.[3]4 Submission of audited financial information

- C10.[3]4.1 A user must submit to the Bond Exchange within **[three]** four months after the end of the user's financial year –
- C10.[3]4.1.1 two copies of the user's audited annual financial statements;
- C10.[3]4.1.2 two copies of an audited certificate certifying -
- C10.[3]4.1.2.1 compliance with the financial requirements of the Act and the Rules; and
- C10.[3]4.1.2.2 that the board of directors of the user has instituted procedures that the board deems appropriate for reviewing the level of fidelity insurance cover held by the user in accordance with rule C2.3.1.9.
- C10.4.2 The auditor of the user shall report annually to the Bond Exchange whether or not the auditor concurs with the report required in terms of rule C10.3.3: Provided that if the auditor does not concur with such report, the auditor shall provide reasons for such non-concurrence.
- C10.[3.2]4.3 Despite rules C10.[3]4.1 and C10.4.2, the governing committee may request a user to submit financial reports at any time.
- C10.[3.3]4.4 If a user ceases to operate in that capacity, the user must cause his accounting records to be audited as required by the Act.
- C10.[3.4]4.5 Any audit required in terms of rule C10.[3]4.1 and C10.4.2 must be performed by an auditor registered under the Public Accountants' and Auditors' Act, 1991 (Act No. 80 of 1991), and the appointment of such auditor must be communicated in writing to the Bond Exchange: Provided that a user must confirm in writing to the Bond Exchange at the end of each calendar year that the user has retained the services of its auditor.
- C10.[3.5]4.6 A user shall immediately notify in writing any change of its auditor to the Registrar and the Bond Exchange.
- C10.[4].5 General**
- C10.[4]5.1 A market association must prescribe the minimum conditions to be contained in an agreement concluded, between a user and a –

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- C10.[4]5.1.1 client;
- C10.[4]5.1.2 service provider;
- C10.[4]5.1.3 settlement agent; or
- C10.[4]5.1.4 employee of a user.
- C10.[4]5.2 Any written agreement concluded in terms of rule C10.[4]5.1 must contain at least conditions to the effect that –
- C10.[4]5.2.1 the words used in the agreement must bear the same meanings assigned thereto in the Act and the Rules;
- C10.[4]5.2.2 the parties to the agreement acknowledge that they have read the Act and the Rules, are conversant with them and will be bound by them;
- C10.[4]5.2.3 in the event of any conflict between the Rules and the agreement, the Rules prevail;
- C10.[4]5.2.4 in the event of any conflict between the Core Rules and the relevant Market Association Rules, the Core Rules prevail;
- C10.[4]5.2.5 either party may terminate the agreement by giving to the other party 30 days notice in writing, or such other period of notice as the parties may agree in writing, specifying the date of termination: Provided that such termination may not affect any rights or obligations of any one of the parties to the agreement which exist at the date of such notice or at the date of termination of the agreement;
- C10.[4]5.2.6 any dispute between the parties emanating or arising from the implementation or interpretation of the agreement must, unless resolved between the parties thereto, be referred to and decided by either mediation or arbitration, whichever procedure is decided upon by the parties concerned; and
- C10.[4]5.2.7 the agreement is governed by and construed in accordance with the laws of the Republic of South Africa.
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