JSE Clear Public Description

November 2022

Version Control

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Version History

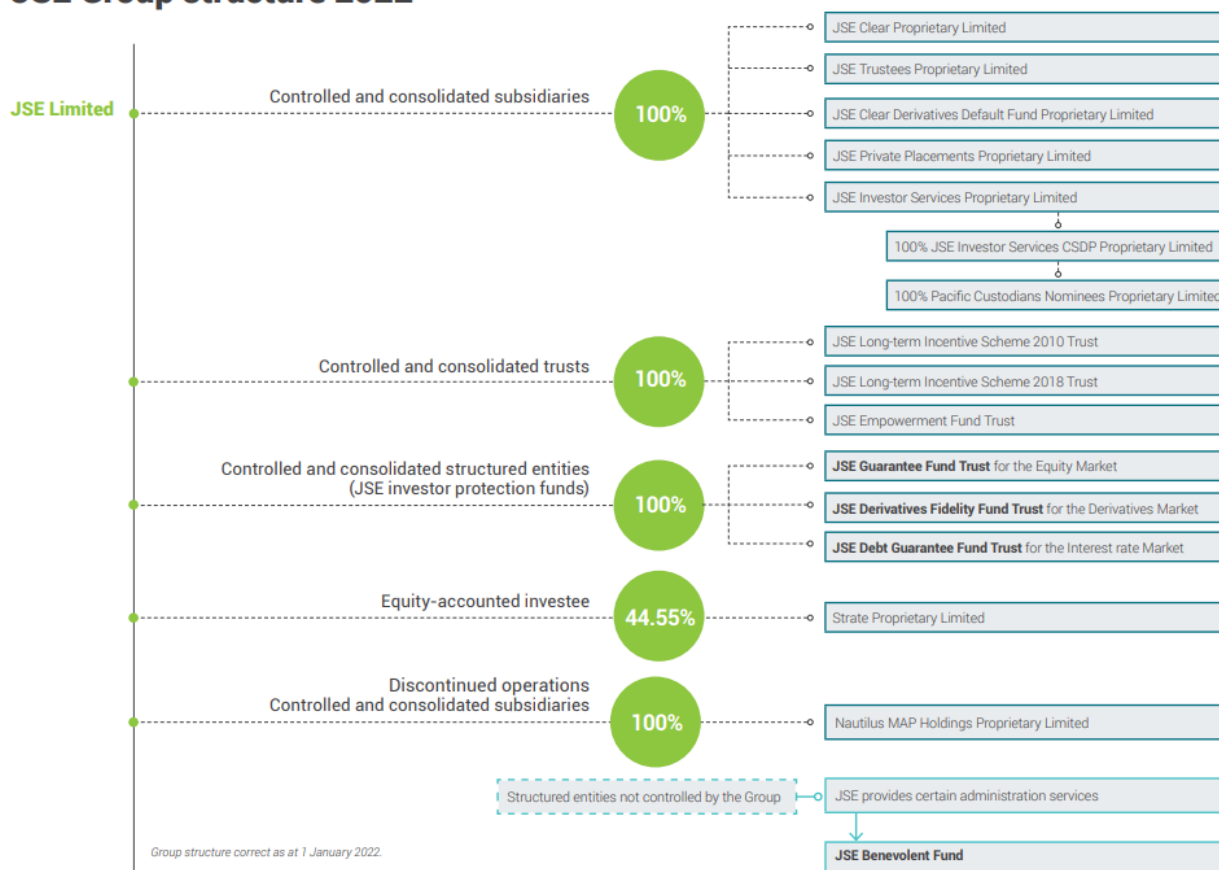| Version	Date	Summary of changes	Author
1.0	December 2012	Document creation	Tyrone Arendse
2.0	July 2017	Regular review	Tyrone Arendse
3.0	July 2018	Regular review	Tyrone Arendse
4.0	July 2019	Regular review	Tyrone Arendse
5.0	May 2021	Regular review	Tyrone Arendse
6.0	August 2021	Updated group structure	Tyrone Arendse
7.0	November 2022	Regular review	Tyrone Arendse

Company Overview:

JSE Clear, a private company, is a wholly owned subsidiary of the JSE Ltd ("JSE"). JSE Clear currently operates under an Associated Clearing House licence as defined in the Financial Markets Act ("FMA"), but will be transitioning to its newly approved Independent Clearing House Licence which was approved by the local regulators on 1 September 2022.

Under its Associated Clearing House license, JSE Clear has been appointed as the clearing house and central counterparty ("CCP") of the JSE for all transactions in listed derivatives and listed cash bond securities concluded on the JSE's markets. The main objective of JSE Clear is to act as clearing house and central counterparty in transactions concluded on the JSE's markets and, in this regard, JSE Clear and the JSE, through the JSE Rules, take the necessary and appropriate steps to clear and risk manage transactions in securities listed on the JSE's Derivatives, Interest Rate and Currency markets. Currently the listed securities cleared by JSE Clear are options on futures contracts and futures contracts in the equity derivatives, commodity derivatives, currency derivatives, interest rate derivatives and spot bond markets of the JSE. Once JSE Clear

![JSE CLEAR logo]

has transitioned to its new Independent Clearing House licence, it will perform its functions as a Clearing House and CCP for the listed derivatives markets as per its own rulebook.

Below is a diagram of the JSE Limited Group Legal Structure:

JSE Group structure 2022

JSE Limited	Controlled and consolidated subsidiaries	100%	JSE Clear Proprietary Limited
			JSE Trustees Proprietary Limited
			JSE Clear Derivatives Default Fund Proprietary Limited
			JSE Private Placements Proprietary Limited
			JSE Investor Services Proprietary Limited
			100% JSE Investor Services CSDP Proprietary Limited
			100% Pacific Custodians Nominees Proprietary Limited
	Controlled and consolidated trusts	100%	JSE Long-term Incentive Scheme 2010 Trust
			JSE Long-term Incentive Scheme 2018 Trust
			JSE Empowerment Fund Trust
	Controlled and consolidated structured entities (JSE investor protection funds)	100%	**JSE Guarantee Fund Trust** for the Equity Market
			JSE Derivatives Fidelity Fund Trust for the Derivatives Market
			JSE Debt Guarantee Fund Trust for the Interest rate Market
	Equity-accounted investee	44.55%	Strate Proprietary Limited
	Discontinued operations Controlled and consolidated subsidiaries	100%	Nautilus MAP Holdings Proprietary Limited
	Structured entities not controlled by the Group		JSE provides certain administration services
			JSE Benevolent Fund

Group structure correct as at 1 January 2022.

There are a number of participants in the various derivatives markets that are member firms of the clearing house. The following are clearing members of the JSE, and are responsible for the performance of clearing services and settlement services in terms of the JSE Rules:

- ABSA Bank
- Investec
- JP Morgan
- Merrill Lynch
- Nedbank
- Rand Merchant Bank (a division of First Rand Bank Ltd)
- Standard Bank Ltd

JSE | CLEAR

JSE Clear operates as a central counterparty ("CCP") by interposing itself in terms of the JSE's Rules between parties to transactions in listed securities on the markets operated by the JSE. JSE Clear also acts as collecting agent for all fees due to the JSE and as trustee in investing funds posted by market participants as collateral for due performance of their obligations on the JSE markets.

The Director of the JSE's Post-Trade Services Division has been appointed as the JSE Clear CEO, and is responsible for the day-to-day management of the clearing house's operations, as well as ensuring that all services provided by external service providers to JSE Clear are delivered in accordance with contractually agreed service levels. JSE Clear has also appointed a Chief Executive Officer (CEO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO) and a CFO Chief Operating/ Information Officer (COO/CIO), who, under the direction of the CEO, are fully responsible and accountable for the execution of all primary JSE Clear functions.

Legislative framework and process

JSE Clear shall ensure that it remains a licensed clearing house in terms of the FMA, while subsequently maintaining its status as an IOSCO qualifying CCP (QCCP) and ESMA recognized equivalent CCP, and that it continues to comply with the requirements of any subsequent legislation.

In terms of regulating the market with regard to clearing and settlement, any proposed rule changes are subject of a robust engagement and approval process.

Governance framework and process

As at November 2022, the JSE Clear Board of Directors is made up of the following individuals:
- Four Independent non-executive directors [1]:
    - Francois Oosthuizen
    - Gillian Raine
    - Ruben Lee
    - Trevor Spanner
- Three non-executive directors nominated by clearing members:
    - Stephen Linnell
    - Victor Mofokeng
- Three non-executive directors nominated by the JSE:
    - Leila Fourie (Chairman of JSEC Board)
    - Valdene Reddy
- One Executive director:

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[1] The JSE applies the King III definition for an independent member which excludes parties with significant business relationships with the FMI, cross-directorships, or controlling shareholdings, as well as employees of the organisation

o   Alicia Greenwood

The JSE Clear Board Charter sets out the specific responsibilities to be discharged by the JSE Clear Board members collectively, as well as the roles and responsibilities incumbent upon directors as individuals. It seeks further to ensure that all Board members acting on behalf of JSE Clear are aware of the various legislation and regulations affecting their conduct. The JSE Clear Board further aims to apply the principles of King IV.

Given the nature of the clearing house business conducted by JSE Clear, it is imperative that an integrated risk-based approach is established and implemented. The focus is to identify, assess and implement controls for all the major risks that the company is exposed to. JSE Clear endeavours to mitigate its risk by ensuring that the appropriate controls, systems, practices and ethics are implemented. Accordingly, the JSE Clear Board has two formal sub-committees - a Risk Management Committee that assists the Board in the discharging of its duties and responsibilities in relation to risk management and the JSE Audit Committee (convening for JSE Clear) that is responsible for ensuring that the assurance model developed for group is appropriately applied for the clearing house, and that the JSE's finance function is appropriately supporting JSE Clear in its activities.