

FSCA COMMUNICATION 26 OF 2020 (FM)

Publication of Draft Conduct Standard [-] of 2020 – Conduct Standard for Exchanges and Draft Directive [-] of 2020 – Directive for Exchanges in terms of sections 6(4) and 17(2) of the Financial Markets Act

20 May 2020

1. PURPOSE

The purpose of this Communication is to inform stakeholders that the Financial Sector Conduct Authority (“FSCA”) today published the following documents on the FSCA’s official website for public comment:

- a draft Conduct Standard for Exchanges, to be made in terms of section 106 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) and section 17(2A) of the Financial Markets Act, 2012 (Act No. 19 of 2012); and
- a draft Directive for Exchanges that is proposed to be made in terms of section 6(4)(a) of the Financial Markets Act, 2012 (Act No. 19 of 2012).

2. BACKGROUND

- 2.1 The main objective of the draft Conduct Standard is to introduce requirements for the conduct of exchanges in response to increased competition in the South African financial markets sector due to the introduction of a multiple exchange environment.
- 2.2 The fragmentation of the market, however, needs to be managed so as not to disrupt the orderly functioning of the financial markets in South Africa. There may be negative net public benefits or at least lesser gains, if competition between equities exchange markets is introduced without a comprehensive framework and rules that support market quality. It is therefore important that the issues of a policy nature, and the particular issues or circumstances in which exchanges should interoperate or cooperate, should be explicitly addressed in a Conduct Standard to ensure a sound, fair, efficient and transparent equity market
- 2.3 The intention of the draft Directive is to compel an exchange which has dual listed securities with another exchange to amend or replace its listing requirements in accordance with the requirements of the Directive. The Financial Markets Act, 2012 requires an exchange to have listing requirements that must comply with requirements as set out in the Act, however with the advent of multiple exchanges listing dual securities, a need has arisen to harmonize the listing requirements and level the playing fields for these exchanges. Therefore, the directive requires an exchange to provide for accounting standards, corporate governance, continuing disclosure and price sensitive information in its listing requirements.

- 2.4 Full reasons informing the necessity to develop these regulatory instruments are set out in the Statement of need, expected impact and intended operation of the Conduct Standard hereto attached as Annexure B.

3. PUBLIC CONSULTATION

- 3.1 The following documents were published on the FSCA's website to inform the objective of the above regulatory development:
- (a) Notice regarding the publication of draft Conduct Standard [-] of 2020 (FM) – Conduct Standard for Exchanges (Annexure A);
 - (b) A Statement of need expected impact and intended operation of the Conduct Standard (Annexure B);
 - (c) Comments template for the draft Conduct Standard for Exchanges (Annexure C);
 - (d) Notice regarding the publication of draft Directive [-] for Exchanges (Annexure D); and
 - (e) Comments template for the draft Directive for Exchanges (Annexure E).
- 3.2 The draft conduct standard and the draft directive for exchanges, together with the above listed supporting documentation is available on the FSCA's website (<https://www.fsca.co.za>) under Regulatory Frameworks > Documents for Consultation > Capital Markets.
- 3.3 Interested parties are invited to, in writing, submit comments on the draft Conduct Standard, Statement of need, expected impact and intended operation of the Conduct Standard and Draft Directive using the comments templates available on the FSCA website, on or before **15 July 2020** to FSCA.RFDStandards@fsca.co.za.

4. ENQUIRIES

For more information regarding this Communication contact the Regulatory Framework Department of the Authority at Odette.Eybers@fsca.co.za.