

Applicant information:

Applicant (Legal Entity Name)	
Applicant Company registration Number	
Applicant Postal Address	
Applicant Key Contact (Name)	
Applicant Key Contact (Designation)	
Applicant Key Contact (Contact Details - telephone, electronic email address)	

Please respond to the following questions:

#	Question	Applicant Response	Supporting Documentation
1	Please specify which of the JSE Clear Markets the applicant is applying to be a clearing member of?		
2	Please confirm the trading member firms (actual legal entity names) which the applicant intends to provide clearing services to immediately on obtaining clearing membership?		
3	Please confirm if the applicant intends to provide general clearing services to other trading members in the markets and their clients (as opposed to self-clearing services)? If so, when does the applicant expect to begin providing this service?		
4	Please confirm the name of the provider of the applicant's clearing system software and the specific key components of this software that the applicant will be utilising?		
5	Please provide a diagram/organogram showing the specific individuals (and within which department) that will be performing the various roles within the derivative clearing areas below?		

	<p>In addition, and in respect of these individuals, please provide an indication of the level of experience (in years) that these individuals have in the clearing of exchange traded derivatives?</p>		
	<p>a) Ensuring the download of daily relevant data onto the clearing member clearing system for daily end of day processes;</p>		
	<p>b) Running the daily mark to market process;</p>		
	<p>c) Reconciling with the clearing house figures daily (margins, fees, funding interest, dividends and commissions);</p>		
	<p>d) Resolving reconciliation problems in respect of (c) above;</p>		
	<p>e) Interacting with Group Credit regarding the setting of limits / collateral margin requirements for trading members and clients;</p>		
	<p>f) Initiating the authorization of and processing of electronic payments to JSE Clear;</p>		
	<p>g) Making payments directly to members and the clients of members firms;</p>		
	<p>h) Sending daily statements to members and the clients of member firms;</p>		
	<p>i) Following up late settlements to JSE Clear and between yourselves and trading members and/or clients of trading members;</p>		

	j) Responsibility for ensuring compliance by the firm in respect of Section 10 of the JSE Clear Rules which deals with events of default		
6	Provide details of the computer infrastructure the end of day clearing runs is performed on including the actual clearing system and computers used by the operations staff to access this system. Is there a separate capability in this regard for each market from a clearing system and staff perspective?		
7	Please confirm the business continuity arrangements should the primary instance of the clearing system or PCs operated by operations staff members not be available?		
8	Please confirm how many staff members will be responsible for the end of day processes for the markets you will be clearing for, bearing in mind that issues could arise on any/all markets?		
9	Please confirm that the applicant has enquired from or confirmed with its software provider whether the specifications of the infrastructure hosting the clearing system and the computers used by the operations staff are adequate?		
10	Please confirm that the applicant has adequate offsite back-up facilities in the event of failure at their main site?		
11	Please confirm that the applicant has dedicated support from its software provider in the event of software failure including outside of core business hours.		

	<p><i>It is worth noting that a software failure could manifest itself at more than one clearing member on the same day especially when the same software is being used by multiple clearing members.</i></p>		
12	<p>Please confirm that the applicant has in place dedicated IT support from its own internal information technology division to provide for support in the event of any technical failure including outside of core business hours.</p>		
13	<p>Please confirm that the application has the relevant protection mechanisms to safeguard its clearing system and data from cyber security related threats or incidents.</p>		
14	<p><i>In the event of system failure at one of the applicant's trading member clients, their clearing member firm might be called upon to perform trading functions in respect of off book transactions on the Nutron and/or the MIT systems.</i></p> <p>Please confirm that the applicant has suitably qualified staff and the systems capability to step in and perform such functions?</p>		
15	<p><i>With regards to the applicant's clearing software, the exchange cannot provide any support in any form as we do not use this software. In reference to point 11 above, the applicant must ensure that it has procured the necessary support functionality and dedicated resources from its software provider.</i></p> <p>Please confirm that the applicant has procured these and please provide the names and direct contact details of those individuals at the applicant's software provider that has been allocated to provide such support to the applicant?</p>		

16	Please provide the direct and alternate contact details of all of the applicant's staff performing end of day operations?		
17	Please provide the contact details of the person that is responsible and to whom JSE Clear must escalate any issues/enquiries?		
18	Please provide the necessary banking details for daily Settlement purposes?		
19	<p><i>In a general clearing environment, the confidentiality of information relating to trading member and client permanent data, trades and position records is paramount.</i></p> <p>The applicant is required to demonstrate to JSE Clear the structures and controls / procedures (IT clearing systems user access rights, segregation of duties, restricted physical access, Chinese walls, etc.) that will be put in place to ensure that all client and trading member information remains confidential. In addition, the applicant must clarify how this area will be appropriately ring-fenced from all of the firm's other operational trading divisions, etc.</p>		
20	How will the applicant ensure that it properly manages the risks arising from its general clearing operations? The applicant is required to demonstrate how it will assess, monitor, measure, limit and control the risks which the trading members introduce (through their own trading and through their clients) on a daily basis, and which will all need to be cleared and guaranteed by the applicant in its role as a clearing member?		

	<p>Please also indicate in your response how your risk management processes cater for the fact that in a general clearing environment, clearing members have no nexus or contract with clients of trading members. i.e. the clients of a trading member would not typically be known to the clearing member.</p>		
<p>21</p>	<p><i>Section 10 of the JSE Clear Rules, which deals with the consequences of default, places onerous obligations on a clearing member. Section 10.3.1.2 states that in the event of default by a trading member, the clearing member shall close out the proprietary positions of the trading member by trading to transfer those positions to himself and for his own account at a price approved by the JSE within two business days or such other period as may be determined by the JSE from the date of default. In addition, section 10.3.1.5 and 10.3.1.6, states that the clients of a defaulting trading member shall, without notice to such clients, become the clients of the clearing member and that the clearing member shall assume the obligations of the trading member that accrued on the date of default or on a previous business day.</i></p> <p>The applicant must provide details as to what operational procedures are in place to ensure that it is able to comply fully with the JSE Clear rules on default (i.e. what resources, systems and personal will be available to take on and engage the clients of defaulted trading member?).</p>		