



Guidance Note Number 1

Nominees

April 2019



Background

4 Africa Exchange Proprietary Limited's ("4AX" or "Exchange") pre-validated, pre-funded operating model is unique in South Africa (based on international best practice) and is made possible by using a central independent register of beneficial ownership, housed within a wholly owned subsidiary of 4AX, 4 Africa Exchange Registry Proprietary Limited ("4AX Registry"). This model allows for significant benefits to issuers, regulators, investors and Authorised Users including *inter alia*:

- the mitigation of settlement risk;
- real-time dissemination of relevant market information to affected shareholders;
- real-time market surveillance;
- restriction of trading by directors of a listed company in an Issuer's shares during "closed periods"; and
- facilitating the restriction of share trading in restricted share schemes (e.g. BEE schemes or bona fide farmer shares).

In order to provide these benefits and maintain complete transparency, the operating model requires that the register of shareholders be recorded at the ultimate beneficial owner level and not at a registered owner or Nominee level.

Guidance

Taking cognisance of the above, the following guidance regarding Nominees is provided:

1. Instances where Nominees hold shares in 4AX listed Issuers which were not addressed prior to listing due to the nature and complexity of the listing itself or timing issues

As a condition of listing, the Issuer will be given a period of time (to be determined on a case by case basis) to collapse the remaining Nominees on the register. Should the Nominees remain on the register after the window period, the Issuer would be requested to acknowledge in writing to the Exchange that with a Nominee/s continuing to be recorded on the register, some of the benefits as mentioned above will be forgone.

2. Instances where Nominees are recorded in the register of an Issuer contemplating listing on 4AX

The Issuer would be requested to collapse the Nominee prior to listing and the process detailed in 1. above would apply should this not have been addressed by the listing date.

3. Instances where Authorised Users open an account for a Nominee on 4AX

The creation of new Nominee accounts post listing will not be permitted.

Points 1. to 3. cover the most typical scenarios that arise regarding Nominees. Any other instances brought to 4AX's attention will be dealt with on a case by case basis.