



SUMMARY GUIDE FOR APPLICATION AS A 4AX AUTHORISED USER

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4 Africa Exchange Proprietary Limited ("4AX") will make financial markets more inclusive by providing a safe and licensed exchange that provides easier access, and more product variety to issuers and brokers.

4AX was founded in 2014 to establish a well-regulated exchange alternative to qualifying issuers and the South African capital markets, with the aim of meeting the needs of issuers and investors who are not served by current incumbent/s or whose needs may be better served through a different exchange model (which includes Listing Requirements and Exchange Rules which are tailored to meet the needs of the market 4AX wish to service).

4AX formally commenced operations on 1 March 2017 and will initially seek to attract equity listings from qualifying issuers with a focus on companies with a market capitalisation of up to R8 billion. A key target market for 4AX will also be the listing of various products, especially ETF's (which is supported by the 4AX model due to its elimination of minimum fees and introduction of the lowest cost retail distribution platform) as well as the listing of various debt instruments and structured notes.

The 4AX exchange license covers the following securities:

- Entire class or classes of an issuer's ordinary shares
- All classes of preferential shares
- Debentures
- Bonds
- Notes
- Commercial paper
- Fixed or floating rate interest instruments

WHY LIST ON 4AX?

- Access to third party capital and future financing opportunities;
 - Facilitate growth;
 - Use shares as acquisition currency to facilitate future acquisitions;
 - Build a medium-term exit strategy for founding and/or aging shareholders;
 - Increase visibility and prestige;
 - Provide liquidity to shareholders (restricted or unrestricted); and
 - Create employee incentive mechanisms.
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ISSUER TYPES

- General listings
 - New ventures (e.g. new green energy projects)
 - Discretionary investment companies (e.g. private equity funds)
 - Non-discretionary investment companies and (e.g. BEE schemes)
 - International Issuers (e.g. inward listings)
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4AX REGULATORY ENVIRONMENT

As a fully-fledged alternative exchange, effective and transparent regulation is key for 4AX to gain the trust and confidence of the capital markets to ensure confidence in 4AX as a new market infrastructure.

4AX brings to the market an efficient and alternative regulatory model which reduces regulatory costs and inefficiencies, but promotes and adheres to the highly regarded financial regulatory standards in South Africa. Being a self-regulatory organisation, the following characteristics form the cornerstone of 4AX's regulatory enforcement:

- clear, transparent and enforceable Listing Requirements and Exchange Rules to promote a fair, transparent and efficient market;
- market infrastructure and exchange technology designed to reduce regulatory red tape and costs associated with regulation whilst maintaining good regulation as expected from an exchange;
- even though 4AX operates on a pre-funded model, 4AX has established a clearly defined client protection fund for the protection of brokers and their clients in their dealings with 4AX, other brokers and issuers;
- a clearly defined and objective self-regulatory oversight framework to ensure operational independence and objectivity in issuer listing and/or trading related matters through an independent listings committee (responsible for issuer related matters) and a compliance committee (responsible for broker related matters).

4AX is the only new alternative exchange in South Africa with these features in its regulatory framework and believes that it is a critical element for providing a well-regulated yet efficient exchange alternative to the South African market.

UNIQUE FEATURES OF 4AX

- Clear and transparent listing requirements for equities which have been uniquely designed to introduce new types of listings and facilitate much needed growth in the mid-market sector through, amongst others, the following features:
 - meet the needs of the mid-market sector (i.e. entities with a market cap up to R8 billion) through the removal of various obstacles they previously faced;
 - facilitate acquisitions and growth through listed shares as acquisition currency by reducing associated red tape and costs and increasing speed to market and ability to execute;
 - promote “shareholders democracy” by allowing shareholders to set certain key clear listing requirement thresholds, suitable for that issuer, which is regulated by 4AX;
 - allows for new issuers with less than a three-year trading history to be listed (i.e. the listing of a bankable company or new project e.g. the equity portion of renewable energy projects).
 - allows for the listing of qualifying “N-Shares” or companies with a “voting” share model to promote the listing of e.g. private equity funds and/or established entrepreneurs whom investors would like to follow;
 - promote the listing of BEE schemes and investment holding companies; and
 - reduced spread requirements if the listing serves a proper business purpose.

- A unique exchange infrastructure in South Africa (based on international best practice) by introducing a central independent register of beneficial ownership (housed within the 4AX Registry) allowing for amongst others:
 - the removal of minimum fees when trading;
 - real-time dissemination of relevant market information to retail shareholders;
 - real-time market surveillance; and
 - facilitates improved restricted share trading liquidity, market trust and integrity for restricted share trading (e.g. BEE schemes or bona fide farmer shares). This is achieved through amongst others:
 - the 4AX Registry acting as a single and/or central verification platform to perform verification and/or validation of restrictions for restricted share trading within a regulated environment;
 - promotion of independent and transparent verification at a consistent standard; and
 - a single place of verification i.e. once verified as previously disadvantaged a participant can trade in all BEE restricted shares as well as the entire market (this is significantly different to the 4AX competitor models where trading in each restricted share will require a separate verification, broker and FICA process).

- Designed to meet the needs of retail investors whilst remaining attractive to institutional investors through the removal of some key barriers to investing for retail investors by:
 - being the only exchange in South Africa which offers share trading without any minimum fees;
 - introducing a simplified fee structure with the lowest cost in the market for retail shareholders and mid-market issuers;
 - empowering retail shareholders through the provision of relevant and timely information for free (i.e. relevant market information and announcements can be pushed to retail shareholders);
 - innovative measures to provide and disseminate information to the retail shareholder;

- improved shareholder participation and shareholders' democracy e.g. through electronic share trading, which encourages active participation regarding voting; and
 - various measures to promote broker participation for increased liquidity;
- Modern, scalable technology design and infrastructure to reduce cost and increase efficiency:
 - 4AX Exchange and Registry Technology designed to significantly reduce regulatory "red-tape" but maintain and even enhance the regulatory outcome;
 - only cloud-hosted exchange in South Africa – first for a regulated market infrastructure;
 - pre-cleared trading with real-time settlement capability; and
 - various new portals to improve the dissemination of information, provide real-time shareholder register updates to issuers and the marketing of issuer shares.
 - The introduction of new products, which the 4AX license already allows for including:
 - REITS
 - Listing of all types of debt instruments with new listing requirements which will be designed to meet the unique needs of the debt market; and
 - Exchange traded funds and exchange traded notes.

OPPORTUNITY TO BROKERS

Early participation should allow brokers to establish themselves in a new market and offer new investment opportunities and products to their clients.

4AX promotes a free market principle in respect of its brokers and will therefore seek to attract various brokers to stimulate trading within this new environment with no exclusivity provided to brokers to trade shares of selected issuers.

New issuers will be encouraged to engage with brokers to place shares within the retail and institutional market, either through a capital raising on listing or providing a standby offer to shareholders seeking an exit upon listing.

SYSTEM REQUIREMENTS

The 4AX Exchange Technology has been designed to allow brokers to use their own systems through the use of an API. Brokers can therefore use their existing trading system once integration testing with 4AX has been completed and should approach their software providers for integration with 4AX. The 4AX Exchange Technology is cloud-hosted with Didata.

4AX has already commenced engagement with several entities providing broker systems, including IRESS, and SunGard.

Zanibal LLC (www.zanibal.com), which offers software to brokers on various exchanges, has already developed a software solution for brokers which has been integrated and tested with 4AX.

The software solution includes the following:

- **Front Office & Client Relationship Management**

Creation and maintenance of all client account information, including personal and tax details and a full history of all correspondence records. The system will also support individual and corporate clients, credit limits and margin controls. Open and standards compliant APIs for managing client data will enable the easy integration of front & back office information into other channels such as web and mobile self-service platforms, AML, KYC, etc.

- **Order Management & Trading**

A true Straight-Through Processing environment within your operations. This means that from order entry, through to trade, confirmation, settlement and accounting, data need only be entered once in the system, increasing the efficiency of your operations and reducing the risk of error. Also, exceptions such as processing restrictions and tolerance checking can be managed in real time. Ability to interface with standards compliant exchange and brokerage systems using protocols such as FIX to automate transaction processing (buy/sell orders, contract notes etc.). Also, real time integration with the central repository system will streamline the management of client data and cash funds.

- **Back Office (Settlement, Finance & Reports)**

A robust back office system which enables batch order processing, flexible and sophisticated commission structures, real-time tracking of portfolio performance, certificate management and reconciliation of client positions with the clearing house. Detailed financial reports such as balance sheets, trial balance, profit and loss and customer statements ensure that the back-office users are able to efficiently track and manage the company financials and effectively generate financial statements.

The contact details of Uchenna Igwebuike, the CEO of Zanibal, are as follows:

uchenna.igwebuike@zanibal.com

+1 (408) 596 335

FEES FOR AUTHORISED USERS

In order to be admitted and to continue operating as an Authorised User, the following fees apply:

- a) Once-off application fee of R25,000 (excl. VAT); and
- b) Annual fee of R100,000 (excl. VAT).

Due to the different exchange infrastructure model, 4AX brokers will not be charged any other fees e.g. from the 4AX CSDP (Société Générale Security Services) or the 4AX CSD (Strate).

The fee charged by 4AX to clients is an all-inclusive fee and as such 4AX brokers only need to agree their fee with their clients.

PROCESS OF ADMISSION

The rules for Authorised Users are set out in the document 4AX Exchange Rules from Rule 12 to 20 (available at www.4ax.co.za). The following is a brief overview of the applicable rules that can be found in the 4AX Exchange Rules.

To be admitted as an Authorised User of 4AX, an Applicant must:

- Submit to the Compliance Committee an accurate and complete, signed Application Form, together with certified copies of documents as required;
- Pay the applicable fees;
- Upon request, provide the Compliance Committee with any other additional information requested in connection with the application; and

Submit

Application form to Compliance Committee

Pay the application fee

Fee of R25,000

Upon Request

Supply the Compliance Committee with any additional information required

Satisfy

Eligibility requirements

Criteria for eligibility of application:

A new Authorised User must meet the following criteria:

- be of sound character and have integrity;
- comply with standards of training, experience and other qualifications required by 4AX;
- designate an Authorised User Primary Representative;
- be a holder of a South African bank account;
- satisfy 4AX that its employees are fit and proper;
- satisfy 4AX that it has, or will have, the necessary organisational competencies, technical resources and security to ensure compliance with the Rules;
- must at all times have at least one person to advise the Authorised User on the application of the 4AX Exchange Rules e.g. an internal compliance officer;
- at all times have own funds equal to the greater of:
 - Share capital and reserves of R1,000,000 (one million Rand); or
 - Three months of working capital ("wc").
- Prove to the satisfaction of the Compliance Committee that it is either:
 - Registered as an FSP; or
 - Not required by the FSB to be registered as an FSP, by providing a legal opinion of an independent lawyer;
- Satisfy 4AX that it has the requisite technical and systems requirements.

Good Character and Integrity	Training experience and qualifications	Primary Representative	SA Bank Account	Fit and proper employees
Technical and system requirements	FSP or Legal Opinion	Greater of, R1 million capital and reserves or 3 months wc	One person to advise Authorised User	Competencies, technical resources and security

The above is a summary of the 4AX Exchange Rules. Reliance should only be placed on the formally published Exchange Rules of 4AX which is available on the 4AX website (www.4ax.co.za).

CONTACT DETAILS

The information contained in this Authorised Users' Summary Guide is provided for guidance purposes only.

For more information, please contact Anthony van Eeden, the Chief Operating Officer of 4AX:

- Email: avaneeden@4ax.co.za
 - Tel: +27 (0) 11 100 8352
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