



# ISSUERS' SUMMARY GUIDE FOR LISTING ON 4AX

July 2017



## INTRODUCTION TO 4AX

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

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## 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; and
- 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.

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## 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;
  - allow 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);
  - allow 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 have been 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 update 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.

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## 4AX LISTING PROCESS

Should an issuer formally resolve to pursue a listing on 4AX, a high-level overview of the listing process is as follows:

Step 1	Consider the corporate structure, method of listing and share placement requirements
Step 2	Determine the most suitable market for listing
Step 3	Appoint and issuer agent
Step 4	Formal introductory meeting with 4AX
Step 5	Complete internal steps to be ready for listing (if required)
Step 6	Submission of documentation for final approval
Step 7	Listing

## SALIENT REQUIREMENTS FOR LISTING ON 4AX

The table below highlights the salient requirements of the 4AX Listing Requirements ("4AX LR") with which different issuers need to comply to list on 4AX:

Issuer Type	General Listing	New Ventures	Discretionary investment companies	Non-discretionary investment companies	International Issuers
Business type	Established businesses	New and/or young businesses or projects	Investment company seeking or having a spread of investments	Investment company with a single investment	Issuers incorporated outside of South Africa
Examples	General issuer	New infrastructure, project finance, green energy or technology projects and/or companies	Investment holding companies, private equity funds and/or SPACS	BEE schemes or employee share schemes	Inward listings
Size	Market capitalisation > R25 million	Market capitalisation > R25 million	Net asset value > R25 million	Net asset value > R25 million	Market capitalisation > R25 million
Accounts	> 3 years historical	< 3 years with an approved formal business plan signed off by a Reporting Accountant.	> 3 years historical or its directors and/or the investment manager has sufficient and satisfactory experience	> 3 years historical or its directors and/or the investment manager has sufficient and satisfactory experience	> 3 years historical if general listing or < 3 years if new venture
Other specific requirements				Single asset must be listed on 4AX or a recognized exchange; or be unlisted if it represents shares in a major subsidiary of an issuer listed on 4AX or a recognized exchange; and represent more than 7.5% but less 30% of the company	Must also make announcements in English and must ensure equal treatment of all shareholders (i.e. in both jurisdictions)
Securities in public hands	10% of class to be held by not less than 100 members of the public, unless waived by 4AX due to listing for a proper business purpose and intention to comply within 3 years of listing.				
Transferability	Shares listed must be freely transferable unless 4AX and 4AX Registry approves the restriction which restriction must: <ul style="list-style-type: none"> <li>• apply to all securities of that class;</li> <li>• be objectively determinable;</li> <li>• be legally permissible;</li> <li>• be unconditional;</li> <li>• not limit the level of security holding in a way which makes it inappropriate; and</li> <li>• not be amended waived or removed without the approval of 4AX and 4AX Registry.</li> </ul>				

Issuer Type	General Listing	New Ventures	Discretionary investment companies	Non-discretionary investment companies	International Issuers
Voting structures / "N" share structures	If a share is listed, all shares of that class must be listed. Companies with separate classes of shares with different voting rights can thus be listed if all the shares of the class to be listed are listed on 4AX and adequate disclosure is made.				
Listing of dual structures	The separate listing of a holding company and its subsidiary (where minority shareholders hold listed shares) is allowed but 4AX may require a sufficient number of independent directors and/or appropriate controls and procedures to ensure that the issuer is at all times capable of making decisions independent from the controlling shareholder and that transactions between that issuer and the controlling shareholder is at arm's length and on a normal commercial basis to ensure the fair treatment of minorities.				
Issuer Agent	Must appoint an external or internal issuer agent.				
Reporting accountant	Must appoint a reporting accountant who is independent.				
Annual report	Must be presented within 90 days of balance sheet date, be in English, be prepared in accordance with IFRS (or similar standard if an International Issuer) and be audited.				
Governance	Must disclose if it complies or does not comply with King Code, reasons for non-compliance and plans (if any) to comply.				

## FEES AND COSTS OF LISTING

4AX charges listing fees both initially (i.e. upon listing) and annually to issuers. These fees may be revised by 4AX by publication on its website. Currently the fees chargeable by 4AX to issuers are as follows:

### 4AX EXCHANGE FEES:

Issuer Type	General Listing	New Ventures	Discretionary investment companies	Non-discretionary investment companies	International Issuers
Initial listing fee	R25 000	R25 000	R25 000	R25 000	R25 000
Documentation fee	R50 000	R55 000	R50 000	R35 000	R50 000
Annual listing fee	Per Schedule 1 below	Per Schedule 1 below	Per Schedule 1 below	R30 000	Per Schedule 1 below. Should the listing be a secondary listing on 4AX only 50% of the applicable fee is payable.
Listing additional securities	Per Schedule 2 below				

**SCHEDULE 1:**

Schedule 1			
Market capitalization	Percentage charged	Fee at lowest bracket level (‘R)	Fee at highest bracket level (‘R)
0 – R1 500 000 000	The greater of R30 000 or 0.01% of market capitalization	R30 000	R150 000
R1 500 000 001 – R5 000 000 000	R150 000 + 0.0025% of the market capitalization above R1 500 000 000	R150 000	R237 500
R5 000 000 001 – R7 500 000 000	R 237 500 + 0.0010% of the market capitalization above R5 000 000 000	R237 500	R262 500
R7 500 000 001 and above	R 262 500 + 0.0005% of the market capitalization above R7 500 000 000	R262 500	> R262 500

- The annual fee for the first year of listing will be calculated based on the market capitalization on listing;
- The annual fee for subsequent years will be calculated using the daily average market capitalization, based on closing prices of the previous year or if applicable, the relevant period.

**SCHEDULE 2:**

Schedule 2 – Additional Listings Fee			
Market capitalization	Percentage charged	Fee at lowest bracket level (‘R)	Fee at highest bracket level (‘R)
0 – R2 500 000	0.20% of the value of shares listed	R0	R5 000
R2 500 001 – R10 000 000	R5 000 + 0.15% of the market value of new shares listed above R2 500 000	R5 000	R16 250
R10 000 001 – R25 000 000	R16 250 + 0.10% of the market value of new shares listed above R10 000 000	R16 250	R31 250
R25 000 001 – R50 000 000	R31 350 + 0.075% of the market value of new shares listed above R25 000 000	R31 250	R50 000
R50 000 001 – R100 000 000	R50 000 + 0.05% of the market value of new shares listed above R50 000 000	R50 000	R75 000
R100 000 001 – R250 000 000	R75 000 + 0.025% of the market value of new shares listed above R100 000 000	R75 000	R112 500
R250 000 001 – R500 000 000	R112 500 + 0.02% of the market value of new shares listed above R250 000 000	R112 500	R162 500
R500 000 000 – R1 000 000 000	R162 500 + 0.015% of the market value of new shares listed above R500 000 000	R162 500	R237 500
>R1 000 000 000	R237 500 + 0.01% of the market value of new shares listed above R1 000 000 000	R237 500	>R237 500

**DOCUMENTATION FEES:**

Documentation Fees	
Substantial transactions	R25 000
New share issues	R25 000
Rights offers	R20 000
Other corporate actions or events where announcements need to be reviewed by 4AX	R5 000

**4AX REGISTRY FEES:**

Service	Fee (Excl. VAT) ('R)	Fee (Incl. VAT) ('R)
Corporate Events and Actions	4 400	5016
Register Fee monthly per shareholder =< 5 000 shareholders	1.32	1.51
Register Fee monthly per shareholder 5 001 - 10 000 shareholders	1.21	1.38
Register Fee monthly per shareholder 10 001 - 15 000 shareholders	1.21	1.38
Register Fee monthly per shareholder 15 001 - 30 000 shareholders	1.05	1.20
Register Fee monthly per shareholder 30 001 - 100 000 shareholders	0.99	1.13
Register Fee monthly per shareholder > 100 000 shareholders	0.97	1.11

Additional fees will also be charged by Strate, the Central Securities Depository ("CSD") for different services rendered to Issuers. The CSD Fees are in line with fees charged by Strate to Issuers on other exchanges. The CSD fees can be viewed at [www.strate.co.za/our-services/what-do-we-charge](http://www.strate.co.za/our-services/what-do-we-charge).

#### 4AX TRADING FEES:

The 4AX trading fee is charged to investors trading on 4AX.

Please note that:

- 4AX **does not have any minimum trading fees;**
- Unlike other exchanges in South Africa, **the 4AX trading fee also includes all costs to investors** (e.g Strate, CSDP, investor protection fees etc. are included), other than the brokerage fee which the client will separately agree with its broker, to avoid surprises of hidden or unknown costs to investors; and
- Due to the unique 4AX exchange infrastructure, brokers should be able to offer their services to investors **without minimum fees** to accommodate retail shareholders.

Trade value (Rands)	4AX Trading Fee (excluding brokerage and VAT)	4AX Trading Fee at highest bracket level ('R)
0 - 25 000	0.92%	230
25 001 - 100 000	0.82%	820
100 001 - 250 000	0.77%	1 925
250 001 - 500 00	0.72%	3 600
500 001 - 750 000	0.62%	4 650
750 001 - 1 000 000	0.52%	5 200
1 000 001 - 2 000 000	0.47%	9 400
> 2 000 000	0.42%	

Indicative broker fees on the 4AX market are between 0.20% for higher value and 0.60% for lower value transactions.

## GENERAL

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

For more information, please contact Eure Saaiman, Head of Legal, Compliance and Issuer Regulation at 4AX:

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