Cross-Border Listings Guide - Johannesburg JSE Limited

Quick Summary

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# Note

*Since 2017, a few new securities exchanges (apart from the JSE Limited) have been granted a licence to operate in South Africa, including Africa Exchange (4AX), A2X Markets (A2X), Equity Express Securities Exchange (EESE) and Cape Town Stock Exchange (CTSE). These exchanges presently have a relatively small number of securities listed on them and accordingly this document deals only with the JSE Limited.*

# Initial financial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

To qualify for listing on the Main Board of the JSE, the applicant company typically must satisfy the following criteria:

**Subscribed capital**

Subscribed capital, including reserves but excluding minority interests, revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, of at least R 50 million (approx. US$2.76 million).

**Audited profit history**

The applicant must have audited financial statements for the preceding three financial years and either:

The most recent financial statements reported an audited profit of at least R 15 million (approx. US$820,500) before taxation and after taking account of the headline earnings adjustment on a pre-tax basis.

It has a subscribed capital, including reserves but excluding minority interests, revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, of at least R 500 million (approx. US$27.35 million).

 The JSE may in its absolute discretion list a company which is in its development stage (other than a mineral company) and which does not have the required profit history, provided that the applicant has, prior to listing, (1) subscribed capital as determined in terms of the subscribed capital requirements (as set out above) of at least R 500 million (approx. US$27.35 million), and (2) existed for at least 12 months.

**Carrying on of main activity**

During the preceding three financial years, an applicant must have either:

Been conducting, either by itself or through one or more of its subsidiaries, an independent business as its main activity, which is supported by its historic revenue earning history and which gives it control (which for this purpose is defined as at least 50% plus 1% of the voting shares) over the majority of its assets.

Had a reasonable spread of direct interests in the majority of its assets and the right to actively participate in the management of such assets, whether by voting or through other rights that give it influence in the decisions relating to the assets.

The JSE may in its absolute discretion list a company which has only controlled or had a direct interest in the majority of its assets for 12 months, provided that such applicant: (1) has, per its audited financial statements, produced reporting profit of at least R 15 million (approx. US$820,500) before taxation and after taking account of the headline earnings adjustment on a pre-tax basis, for the period during which it has exercised control; (2) can illustrate that the underlying assets/companies are in a similar line of business and are dependent on one another or are complementary, and (3) at least one of the underlying assets/companies would qualify for a listing on the Main Board in its own right. In deciding whether to exercise its discretion, the JSE will have regard to, *inter alia*, whether the majority of the underlying assets/companies/subsidiaries have been in existence for three financial years.

# Other initial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

*Share price.* TheJSE does not require a minimum trading price.

*Distribution.* A company must have at least 25 million equity securities in issue and at all times at least 10% of each class of such securities must be held by the public to ensure reasonable liquidity, representing at least 100 shareholders.

*Foreign companies.* There are no additional ownership requirements specifically applicable to a listing of a foreign company's shares.

*Audited Financial Statements.* Financial information relied upon to satisfy the listing requirements must comply with the prescribed standards as set out in the JSE listing requirements and must have been reported on by an auditor without qualification, disclaimer, adverse audit opinion, the inclusion of a paragraph on material uncertainty relating to going concern or reference to an emphasis of matter.

In addition, a foreign applicant applying for a secondary listing on the JSE Main Board must:

Confirm that it has a primary listing on an approved exchange. The JSE will therefore not grant a secondary listing on the Main Board for an applicant that has a primary listing on a junior or secondary market of an exchange; and

Not have traded in its securities on the JSE in respect of which a secondary listing is sought of more than 50% of both the total volume and total value traded in those securities on all markets in which it is listed over the preceding 12 months.

*Accounting standards.* In respect of a company with a primary listing, audited financial statements must be prepared in compliance with IFRS as issued by the South African Accounting Practices Board. In respect of a company with a secondary listing, the JSE will accept financial information prepared in accordance with IFRS, IFRS as adopted by the European Union, and UK, US, Australian or Canadian GAAP.

*Financial statements.* The listing document must generally include a report of historical financial information which includes statements of comprehensive income, financial position, changes in equity and cashflows, accounting policies and segmental information in a consolidated form in respect of the last three years. In addition, the directors must provide a statement that in their opinion the working capital available to the applicant and its subsidiaries is sufficient for the group's present requirements. Pro forma financial information is also to be included in a pre-listing statement.

*Other markets.* The JSE also offers listings on the Alternative Exchange Board (AltX) (which has less stringent listing requirements). Information about this AltX market is available upon request.

*Modified industry-specific rules.* Companies in certain industries are subject to modified listing and maintenance rules. For example, mineral companies, property entities, pyramid companies and investment entities have separate sections in the JSE's listing requirements dedicated to each of them.

# Listing process

[Last updated: 1 January 2024, unless otherwise noted]

The JSE will review the prospectus, application forms and relevant announcements. If the offer is to be made to the South African public, the prospectus must, in addition to compliance with the requirements of the JSE, be registered with the Companies and Intellectual Property Commission, which will expand the timeline. The following is a fairly typical process and timetable for a listing of a company on the JSE via an underwritten non-public offering in South Africa.

[Link to Chart](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2022-update/2022-johannesburg-jse-limited---listing-process.pdf?sc_lang=en)

**Fast-track listing**

The JSE does allow for a fast-track listing process for a company which has had a primary listing on an accredited exchange (currently the Australian, London, New York, NYSE Euronext and Toronto Stock Exchanges) for at least 18 months. This allows the accredited applicant to publish a pre-listing announcement (rather than a full pre-listing statement) subject to a shorter list of requirements.

# Corporate governance and reporting

[Last updated: 1 January 2024, unless otherwise noted]

Requirements for public companies include:

A policy detailing procedures for appointments to the board of directors.

A policy evidencing a clear balance of power and authority at the board of directors level.

Appointment of an audit committee, remuneration committee and social and ethics committee and their composition.

Appointment of a prescribed number of independent non-executive directors.

Appointment and annual evaluation of the competence, qualifications and experience of the executive financial director and company secretary.

Policy on the promotion of broader diversity at board level.

Appointment of a chief executive officer, a chairman and a company secretary.

Remuneration policy and implementation report to be tabled at the annual general meeting.

A listed company has continuing disclosure and reporting obligations under the JSE's listing requirements.

A foreign company listing on the JSE may be required to register as an external company in South Africa.

Foreign companies seeking a listing on the JSE must obtain the approval of the exchange control department of the South African Reserve Bank.

# Fees

[Last updated: 1 January 2024, unless otherwise noted]

A company seeking to list must pay both initial listing fees and annual fees. The initial listing fee ranges from approx. R 1,802.92 to R 3,753,232.88 (including VAT) (approx. US$99 to US$205,302). Additional shares listed subsequently will require additional payments. The annual fees range from a minimum fee of approx. R 63,173.79 (including VAT) (approx. US$3,456) to a maximum fee of approx. R 555,912.24 (including VAT) (approx. US$30,408). All new listings are subject to a new listing documentation fee of R 120,265.85 (including VAT) (approx. US$6,579), with additional documentation fees being applicable to mining and real estate companies. Where specific securities have only a secondary listing on the JSE, 50% of the annual listing fee, calculated as described above, is payable.

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