

074B

Proposed amendments to Equity Market Rules and Directives

Rules

Section 1: Definitions

Associated banking entity

means-

- (a) a bank; or
- (b) a foreign institution which has been established, is domiciled and is regulated in another G20 country, and which lawfully conducts business similar to the business of a bank in such other country,

and where the member is-

- (i) part of the same consolidated group as the bank or foreign institution;
- (ii) a joint venture of the bank or foreign institution, or its holding company; or
- (iii) an associate of the bank or foreign institution, or its holding company,

for the purpose of International Financial Reporting Standards;

Bank restricted stock account

means a stock account for transactions in equity securities where the member does not have the freedom to acquire or dispose of such equity securities due to a restriction placed on the member in respect of the acquisition or disposal of such equity securities by an associated banking entity, other than the restrictions associated with a security restricted stock account;

Restricted stock account

means a stock account for transactions in equity securities where the member does not have the freedom to acquire or dispose of such equity securities due to a restriction placed on the member by any person, unless the restriction was placed on the member by-

- (a) an associated banking entity; or
- (b) a lender of cash or another creditor, to whom the equity securities are pledged or ceded as security for the money lent or other debt; or
- (c) a lender of securities to whom the equity securities are pledged or ceded as security for fulfilment of the member's obligations, in terms of a "lending arrangement" as defined in the STT Act; or
- (d) a person to whom the equity securities are provided as collateral or margin for the fulfillment of the member's obligations in relation to a purchase or sale of securities;

Security restricted stock account

means a stock account for transactions in equity securities where the member does not have the freedom to dispose of such equity securities due to a restriction placed on the member in respect of the disposal of such equity securities by-

- (a) a lender of cash or another creditor, to whom the equity securities are pledged or ceded as security for the money lent or other debt, and where interest on the loan or other debt is charged at a rate which is unrelated to any changes in the value of the equity securities; or
- (b) a lender of securities to whom the equity securities are pledged or ceded as security for fulfillment of the member's obligations, in terms of a "lending arrangement" as defined in the STT Act, and where the fee charged by the lender is unrelated to any changes in the value of the equity securities; or
- (c) a person to whom the equity securities are provided as collateral or margin for the fulfillment of the member's obligations in relation to a purchase or sale of securities;

STT Act

means the Securities Transfer Tax Act, 2007 (Act No.25 of 2007);

Unrestricted stock account

means a stock account for transactions in equity securities, where the member has the freedom to acquire or dispose of such equity securities without being subject to any restriction placed on the member by any other person;

Directives**Directive BD 5**

[Please note that the draft content below needs to be integrated into the existing BD 5. We have not yet given effect to that integration so the content below only contains those aspects regarding the use of stock accounts that are relevant to STT. We have also not yet addressed the issue of the appropriate terms for the different types of proprietary trading ie. arbitrage, investment, jobbing but we will do so before the amendments are finalised].

- 5.1 Members are required to ensure that the following types of accounts are used when trading in equity securities for their own account unless the member does not have the freedom to acquire or dispose of the equity securities, in which case the member must use the accounts referred to in 5.2, 5.3, 5.4 or 5.5, whichever are applicable:

<i>Account Description</i>	<i>Account Type Code</i>	<i>Account Identification</i>
Stock accounts – arbitrage	S	ARB

Stock accounts – investment	S	INV
Stock accounts – jobbing	S	JOB
Stock accounts – misdeals	S	MIS
Stock accounts – suspense	S	SUS

5.2 Members are required to ensure that the following types of accounts are used when trading in equity securities for their own account where the member does not have the freedom to acquire or dispose of the equity securities and where the restriction in respect of the acquisition or disposal of such equity securities has been placed on the member by an associated banking entity, other than the restrictions referred to in 5.4

<i>Account Description</i>	<i>Account Type Code</i>	<i>Account Identification</i>
Bank restricted stock accounts – arbitrage	S	BAB
Bank restricted stock accounts – investment	S	BIN
Bank restricted stock accounts – jobbing	S	BJB

5.3 Members are required to ensure that the following types of accounts are used when trading in equity securities for their own account where the member does not have the freedom to acquire or dispose of the equity securities and where the restriction in respect of the acquisition or disposal of such equity securities has been placed on the member by any party other than an associated banking entity, other than the restrictions referred to in 5.4:

<i>Account Description</i>	<i>Account Type Code</i>	<i>Account Identification</i>
Restricted stock accounts – arbitrage	S	RAB
Restricted stock accounts – investment	S	RIN
Restricted stock accounts – jobbing	S	RJB

5.4 Members are required to ensure that the following type of account is used when trading in equity securities for their own account where the member does not have the freedom to dispose of the equity securities and where the restriction in respect of the disposal of such equity securities has been placed on the member by-

- 5.4.1 a lender of cash or another creditor, to whom the equity securities are pledged or ceded as security for the money lent or other debt, and where interest on the loan or other debt is charged at a rate which is unrelated to any changes in the value of the equity securities;

5.4.2 a lender of securities to whom the equity securities are pledged or ceded as security for fulfillment of the member's obligations, in terms of a "lending arrangement" as defined in the STT Act; or

5.4.3 a person to whom the equity securities are provided as collateral or margin for the fulfillment of the member's obligations in relation to a purchase or sale of securities:

<i>Account Description</i>	<i>Account Type Code</i>	<i>Account Identification</i>
Security restricted stock account	LB	SRS

5.5 For the purpose of the STT Act, the stock accounts referred to in 5.1 are referred to as unrestricted stock accounts.

5.6 If equity securities held by a member on an unrestricted stock account referred to in 5.1 become subject to a restriction contemplated in relation to the transactions and stock accounts referred to in 5.2, 5.3 or 5.4, or vice versa, or if the nature of a restriction changes in relation to equity securities held on a stock account referred to in 5.2, 5.3 or 5.4, the member must transfer the equity securities to a stock account of a type which correctly reflects the existence, or nature, of the restriction, without delay.

5.7 The requirement to use the stock accounts referred to in 5.2, 5.3 and 5.4 and to effect the transfers referred to in 5.6 facilitates accurate reporting to the South African Revenue Services and assists members in evidencing compliance with the STT Act in respect of transactions for the member's own account where a restriction has been placed on the member in respect of the acquisition or disposal of equity securities.