

093B

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 a G20 country, other than the Republic, and which lawfully conducts in such other country a business similar to the business of a bank,

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 or positions in equity securities where the member acquires or sells equity securities for the member's own account and 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;

Unrestricted and security restricted stock account

means a stock account for transactions or positions in equity securities, where the member acquires or sells equity securities for the member's own account and where the member either 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, or where a restriction is 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 fulfilment 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 pledged or ceded as security for the fulfilment of the member's obligations in respect of the purchase or sale of other securities, and where the benefits of the rights attaching to the equity securities remain with the member and are not directly or indirectly transferred to the pledgee or cessionary during the period of the pledge or cession;

General restricted stock account

means a stock account for transactions or positions 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, other than a restriction 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, 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
- (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, and where the fee charged by the lender is unrelated to any changes in the value of the equity securities; or
- (d) a person to whom the equity securities are pledged or ceded as security for the fulfilment of the member's obligations in respect of the purchase or sale of securities, and where the benefits of the rights attaching to the equity securities remain with the member and are not directly or indirectly transferred to the pledgee or cessionary during the period of the pledge or cession;

STT Act

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

Directives

New Directive BI 6

[The existing Directive BI 6 will be renumbered as BI 7]

6.1 Members are required to ensure that the following types of accounts are used when trading in equity securities for their own account and reflecting positions in equity securities held for their own account if-

- 6.1.1 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; or
- 6.1.2 the member will 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-

6.1.2.1 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; or

6.1.2.2 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, and where the fee charged by the lender is unrelated to any changes in the value of the equity securities; or

6.1.2.3 a person to whom the equity securities are pledged or ceded as security for the fulfilment of the member's obligations in respect of the purchase or sale of other securities, and where the benefits of the rights attaching to the equity securities remain with the member and are not directly or indirectly transferred to the pledgee or cessionary during the period of the pledge or cession :

<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

6.2 Members are required to ensure that the following types of accounts are used when trading in equity securities for their own account and reflecting positions in equity securities held for their own account where the member will 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 6.1.2:

<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

6.3 Members are required to ensure that the following types of accounts are used when trading in equity securities for their own account and reflecting positions in equity securities held for their own account, where the member will 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-

- 6.3.1 an associated banking entity; or
- 6.3.2 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
- 6.3.3 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, and where the fee charged by the lender is unrelated to any changes in the value of the equity securities; or
- 6.3.4 a person to whom the equity securities are pledged or ceded as security for the fulfilment of the member's obligations in respect of the purchase or sale of other securities, and where the benefits of the rights attaching to the equity securities remain with the member and are not directly or indirectly transferred to the pledgee or cessionary during the period of the pledge or cession:

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

6.4 For the purpose of the STT Act, the stock accounts referred to in 6.1 are referred to as unrestricted and security restricted stock accounts.

6.5 If equity securities held by a member on an unrestricted and security restricted stock account referred to in 6.1 become subject to a restriction contemplated in relation to the transactions and stock accounts referred to in 6.2 or 6.3, or vice versa, or if the nature of a restriction changes in relation to equity securities held on a stock account referred to in 6.1, 6.2 or 6.3, 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.

6.6 The stock account positions representing equity securities which are subject to one of the restrictions referred to in 6.1.2.1, 6.1.2.2 or 6.1.2.3 may remain on the stock accounts on which those positions were originally transacted but the relevant accounting entries must also be processed on the BDA system to reflect that the equity securities are subject to the particular restriction. These accounting entries include the flagging of equity securities which remain in the possession of the member but which are pledged to a third party and the necessary entries to reflect that equity securities have been delivered to a third party as security for a loan or other obligation.

6.7 The requirement to use the stock accounts referred to in 6.1 to 6.3, to effect the transfers referred to in 6.5 and to process the accounting entries referred to in 6.6 facilitates accurate reporting to the South African Revenue Service and assists members in evidencing compliance with the STT Act in

respect of transactions and positions 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.