

How to open a brokerage account

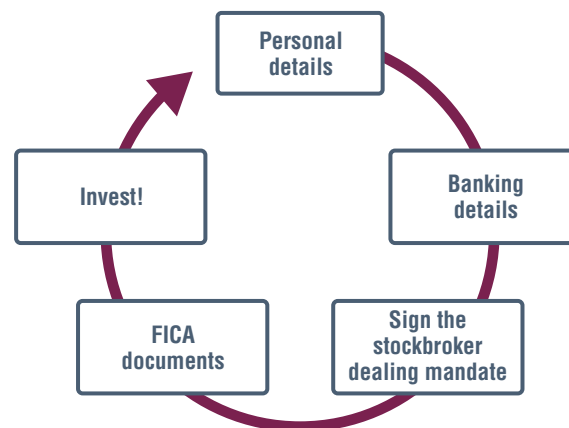
Step 1: Compare

- » Not all stockbrokers are focused on individual investors, some only offer their services to companies and institutions. To view a list of all stockbrokers focused on individuals, refer to the JSE website.
- » Some stockbrokers also offer online share trading where you can easily invest in the market at a click of a button.
- » To view a cost and services comparison between the online share trading stockbrokers, refer to the JSE website.
- » Contact any of the stockbrokers for any questions you may want to ask including:
 - Whether a minimum investment amount is needed to open a trading account.
 - What benefits and features they offer with their brokerage service (e.g. education, training and face to face assistance).
 - What costs are involved and whether these costs may be negotiated.

Step 2: Choose

- » Decide for instance to rank the top three stockbrokers that appeal to you, based on the information you've gathered.
- » Ranking could be done based on each stockbroker's costs or services that appeal to you.
- » You can decide to make an appointment to visit their offices during market hours. This is not compulsory but could give you a greater sense of ease and security regarding their costs and services.
- » When deciding on which stockbroker to choose make sure of the services that they offer and the costs that suit your pocket – therefore, ultimately finding the stockbroker that most closely meets your needs.
- » Also be aware of whether the stockbroker can offer you a discretionary or non-discretionary brokerage account. An online share trading account allows the investor to make and act on investment decisions at the investor's own convenience.

Step 3: What you'll need to open a brokerage account



- » When deciding to open a brokerage account, carefully read all the terms and conditions to which you are agreeing. Ask the stockbroker any questions that you might have before opening the account.
- » Make sure you understand the important information regarding the brokerage fee, features and limitations.
- » Information that will be needed by the stockbroker to open a brokerage account include (this may differ from stockbroker to stockbroker):
 - » Your personal details
 - Contact details
 - ID number
 - SARS tax number
 - » Banking details to allow for the transfer of money
 - » Your signed acceptance of the broker's dealing mandate
 - » Your FICA documents:
 - Original Certified copy of ID / Passport / Drivers License
 - Copy of utility bill (showing physical address)
 - Copy of SARS document (Income tax number)



Costs you should be aware of:

- » **Administration Fee:** this may vary depending on the broker.
- » **Brokerage Fee:** this is charged as a percentage of the amount the investor is investing, however some stockbrokers charge a flat fee. Stockbrokers generally have a minimum brokerage fee which varies from stockbroker to stockbroker. This fee is paid to the stockbroker once a transaction has occurred i.e. when shares have been bought or sold.
- » **Securities Transfer Tax (STT):** this tax is charged by SARS at 0.25% of the invested amount when shares are bought. This tax however, does not apply when the investor sells his/her shares.
- » **Strate Fee:** Strate is the electronic settlement service used in South Africa. They help with the transfer of the buyer's money to the seller's bank account. A very small percentage charge applies.
- » **Investor Protection Levy (IPL):** this fee is charged by the Financial Services Board (FSB) at 0.0002% of the invested amount. The levy helps to protect the investor against any wrong doing by the stockbroker.
- » **VAT:** is a tax paid to SARS and is charged at 14% on top of the brokerage fee, IPL and Strate fee charged.
- » **Capital Gains Tax (CGT):** this is a tax paid to SARS on the profit of an investor's investment. This will only be charged once the shares have been sold and a profit was made.
- » **Safe Custody Fee:** a stockbroker along with a bank, will safeguard the investor's money in the brokerage account as well as the shares that were bought by the investor. The stockbroker will charge a fee for this compulsory service.
- » **Live Share Prices:** live share prices are offered to the investor as they happen, but a monthly fee may apply should the investor decide to make use of this service. In some instances this fee may be included in the administration fee or monthly subscription fee.

What do all these terms mean?

There are some common terms used in the investment world, here are a few that might cross your path:

- » **Corporate Actions:** an event that occurs within a company listed on the stock market. This event is broadcast to the public, making investors and shareholders aware of any significant change that has occurred. Such an event could entail a merger, a share buyback, a share split, a dividend payout etc.
- » **Stock Exchange News Service (SENS):** a service provided by the JSE that distributes any news (corporate actions) that might affect the companies' share prices or shareholders.
- » **Live Share Prices:** the listed companies' share prices can be made available to investors, as they happen.
- » **15 Minute Delayed Share Prices:** the listed companies' share prices are made available to investors, free of charge, but are 15 minutes old.
- » **Technical Analysis:** this is a method of analysing listed companies, based on the history of their share price and other market data. Usually graphs/charts are analysed to decide which company to invest in.
- » **Fundamental Analysis:** this is a method of analysing listed companies, based on their financial statements and overall growth potential as a company.
- » **Stop Loss:** is a type of order selected or given to a stockbroker that will minimise an investor's loss or that will protect the investor's profit, by automatically selling the share when the share price falls to a certain level.
- » **Discretionary Account:** a brokerage account where the stockbroker may trade on the investor's behalf without consulting with him/her. The stockbroker will then make an investment decision that he/she believes will be to the benefit of the investor, based on the objective of the investor.
- » **Non-discretionary Account:** a brokerage account where the stockbroker may trade on the investor's behalf but only once he/she has consulted with the investor. The final investment decision lies with the investor.
- » **Broker Dealing Mandate:** this is an agreement between the investor and the stockbroker that stipulates certain instructions or commands.

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