



**First minted in 1967 to market and  
promote South African gold**

**JSE** 

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**EQUITY MARKET**

**Krugerrands**

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Johannesburg  
Stock Exchange

A Krugerrand is a South African gold coin, first minted in 1967 in order to help promote South African gold. The coins have legal tender status in South Africa but are not actually intended to be used as currency.

The primary market for Krugerrands comprises the issuing of new coins by the South African Reserve Bank (SARB). Sales are by way of tender, with only banks being permitted to tender.

The largest and best regulated secondary market for Krugerrands in South Africa is trading on the JSE. This is also the most liquid Krugerrand market. Krugerrands are traded in the same way as any listed equity with prices being quoted on all four sizes of coins:

- ▶ 1 troy ounce
- ▶ 1/2 troy ounce
- ▶ 1/4 troy ounce
- ▶ 1/10 troy ounce

## How Krugerrand trading works

Krugerrand trading is very similar to share trading, and is in fact governed by the rules applicable to equity trading. The JSE Rules and Directives include specific references to Krugerrand trading.

Due to their nature there are certain differences in trading procedures between equities and Krugerrands:

- ▶ Deliveries of Krugerrands are effected directly between brokers on any business day of the new settlement period.
- ▶ When making delivery, three delivery slips issued by the Clearing House accompany the delivery. Upon acceptance of the Krugerrands, the receiving broker/broker countersigns and stamps the delivery slips.

**The delivery slips are dealt with as follows:**

- ▶ Copy 1: Returned to the delivering broker.
- ▶ Copy 2: Lodged with the Clearing House by the delivering broker.
- ▶ Copy 3: Retained by the receiving broker.
- ▶ Acceptance of the coins by the receiving broker/broker or investor constitutes acknowledgement that the coins are genuine, unless held in safe custody, in which case acceptance will only be effective on receipt of the coins by the investor out of safe custody.
- ▶ Upon acceptance of the coins, payment will be made either by the broker to the investor, in the case of a sale, or directly to the broker, in the case of a purchase. A Krugerrand register must be maintained to record all safe custody, coin movements and balances. This is separate to the equities register.



## Safe custody

Where a broker is authorised to hold Krugerrands in safe custody on behalf of a client, the broker must:

- ▶ Have an approved mandate signed by the client, unless one exists in respect of other securities held in safe custody.
- ▶ Seal, mark and deposit the coins with a financial institution or alternatively they may be kept in a container in the broker's strongroom.
- ▶ Maintain a register of mandates and a safe custody ledger of Krugerrands.

## Factors that affect the price of Krugerrands

- ▶ The gold price in US Dollar terms.
- ▶ The Rand/Dollar exchange rate.
- ▶ The political and social situation.

## Benefits of investing directly in gold

- ▶ Gold is a secure asset and has been treasured as a valued commodity for thousands of years.
- ▶ Gold has a low to negative correlation with other asset classes making it an effective portfolio diversifier.
- ▶ Gold has a positive track record in terms of returns and has increased in value due to it being a non-renewable, natural resource.
- ▶ Gold serves as a ZAR hedge against the US Dollar and protects investors against Rand depreciation.
- ▶ The gold market is very liquid.
- ▶ Low to no maintenance on investment.

### For additional information contact:

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