



Market Notice

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PROGRESS WITH FINANCIAL SECTOR CODE (FSC) GAZETTING PROCESS

Introduction

JSE members may recall that the FSC negotiation process to align the current voluntary FSC gazetted under section 12 of the BEE act to the DTI codes of practice in order to Gazette a mandatory FSC code under section 9 of the BEE act, has been ongoing for a number of years.

This process was initially stalled but was later revived following a meeting on 30 July 2010 between the Minister of Finance, The Minister of Trade and Industry, senior staff from the 2 government departments, and the charter council constituencies (Labour, Community, Trade Associations and ABSIP) to discuss the way forward re the negotiation process.

Progress to date

A revised sector code was published for public comment on 10 December 2010. This document included in concept agreements on the following aspects of the BEE scorecard that will be applicable to the sector:

- Employment Equity;
- Skills development;
- Management control;
- Socio Economic development;
- Preferential procurement; and
- Ownership – (certain aspects only).

Public comment is now closed. Certain amendments to the above targets were proposed through the public commentary process.

Process going forward

The above document did not include agreement on the following aspects:

- Revised targets for access to financial services;
- Revised targets for Empowerment Financing;
- Targets for enterprise development; and
- Ownership – (with specific reference to the once empowered always empowered principle and the relevant scorecard).

Negotiations on the above are ongoing and are characterised by a spirit of increased trust and cooperation amongst the effected stakeholders.



Conclusion

We strongly believe that the above progress represents good news for the industry. The above will probably result in an FSC code being gazetted for a second round of public comment by August 2011, with finalisation by 3rd quarter 2011. It is likely that members will be required to continue reporting under the generic DTI code for the 2011 year. Reporting under the revised sector code, which will effectively replace the Generic code for the financial sector, is expected to commence in 2012.

Gary Clarke

Head:Corporate Services and

Group Company Secretary

Tel: +27 11 520 7259

Fax: +27 11 520 8583

E-mail Address garyc@jse.co.za

Distributed by the Company Secretariat +27 11 520 7591