Equity Corporate Action Guide for Retail Clients

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1. Introduction

1.1. Introduction

What is a Corporate Event?

This is an action that is taken by an issuer or other third party that affects the registered and beneficial shareowners of securities in terms of an entitlement.

When a publicly-traded company issues a corporate action notification, it is initiating a process that will bring actual change to its stock. By understanding these different types of processes and their effects, an investor can have a clearer picture of what a corporate action indicates about a company's financial affairs and how that action will influence the company's share price and performance. This knowledge, in turn will aid the investor in determining whether to buy or sell the stock in question.

Corporate actions are typically agreed upon by a company's board of directors and authorized by the shareholders.

A Corporate Action or Event May Be:

- An economic event (i.e. a cash or Dividend in Specie);
- A non-economic event (i.e. a notice of meeting); and
- An outside event (i.e. a takeover).

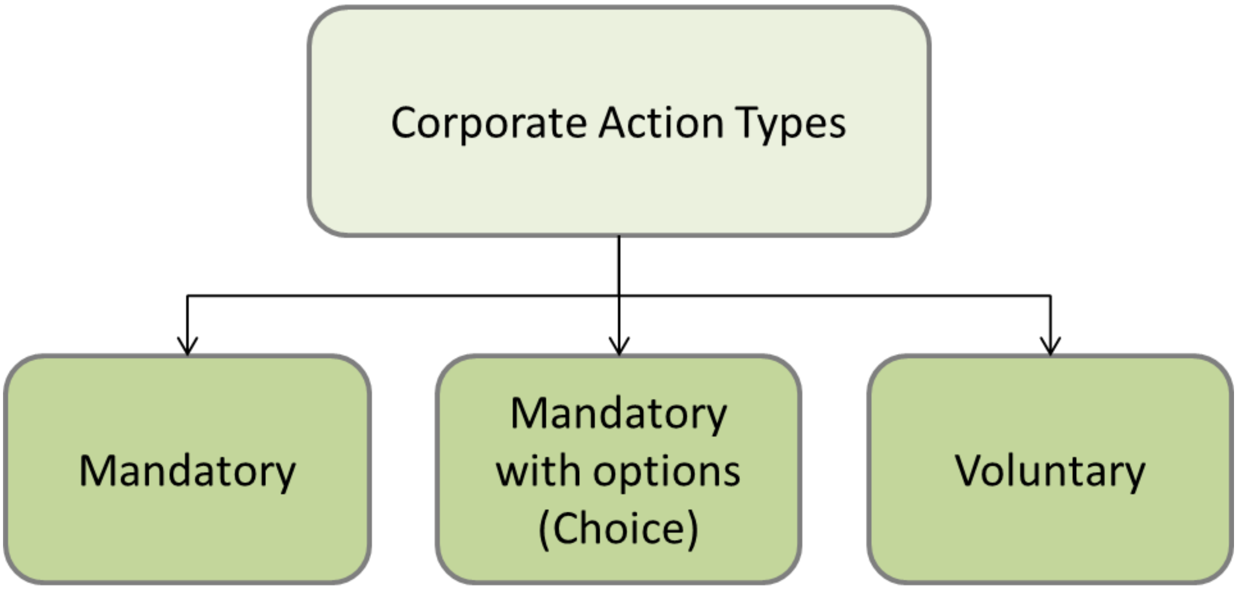

Figure 1: Corporate Action Types

1.2. Classification of Corporate Action Types

2.2.1. Mandatory Events

For those events that are defined as mandatory, the shareholder has no choice as to whether and/or how it participates in the event. The event will be applied to all shareholders, and the securities and/or cash positions of each shareholder will be impacted in the same fashion.

Examples of events: Cash Dividend, Scheme of Arrangement, Bonus Issue.

2.2.2. Mandatory with options Events

By contrast to standard mandatory events, these events will offer the shareholder a choice as to how it participates in the event. The shareholder will be given two or more alternatives/options as to the combination of securities and/or cash that it will receive as a result of the corporate action. If the shareholder, does not elect an alternative/option the default option will be applied.

Examples of events: Dividend with Option, Dividend Reinvestment, Spin-off.

2.2.3. Voluntary Events

For voluntary events, participation in the event is purely based upon the choice of the shareholder. This is in contrast to the two types introduced above, where participation is mandatory.

The shareholder will be given the option to 'take no action' (or not to participate) and in addition may also be given a choice as to the combinations of securities and/or cash it receives should it choose to participate.

Examples of events: Tender Offer, Exchange offer, Odd-Lot Offer.

2. Definitions

Common Corporate Actions definitions are listed below:

Announcement: Notices regarding rights accruing to owners of Securities, which are published by Issuers by means of the Securities Exchange News Service (SENS) of the JSE, and, where provided to the CSD, company reports and circulars.

Broker: An Authorised User, being a person 4uthorized by an Exchange in terms of the Exchange Rules to perform such Securities services as the Exchange Rules may permit.

Corporate Action: An action taken by an Issuer or any other entity or third party which affects the owners (shareholders) of Securities in terms of entitlements or notifications.

Cum: Including or qualifying for an entitlement arising from a Corporate Action.

Declaration Date (DD): The date on which the Corporate Action and the declaration data (including any conditions precedent to which the Corporate Action is subject) is announced in the market.

Declaration Data: The minimum information to be announced on the Declaration Date (e.g. Security name, ISIN, event type, Last Date To trade (LDT), Record Date (RD), Payment Date etc.).

Default Option: The option announced by the Issuer or its agent, that is applied to the Clients' holdings if the Client fails to make an election.

DVP: Delivery versus Payment

Election: The exercise of elections/options/rights granted in terms of a corporate action including proxy voting

Eligibility: Being eligible to partake in the corporate action

Election Date (ED)/ Response Deadline Date: The date by which Participants/Service provider must have received election instructions from all their Clients.

Election Deadline Date/market Deadline Date: RD-X or RD+X or such other date as may be contained in the Announcement sent by the Exchange through SENS and the CSD, 'X' being the number of Business Days stipulated in the Announcement and or Directive.

Entitlement: The resultant shares or cash received from the corporate action

Entitled Security/code: Long name and Security code for the Security on which the entitlement is awarded.

Entitled Security ISIN: ISIN for the Security on which the entitlement is awarded.

Exchange Traded Funds: Those Securities listed on an Exchange that track the performance of a specified Security or other asset, which include but are not limited to, indices, commodities, currencies or any other asset acceptable to the Exchange

Ex: Excluding or non-qualifying for an entitlement arising from a Corporate Action.

Ex-Date (LDT + 1): The day from which any transaction in that Security excludes the right to receive entitlements (or participating) in the announced relevant Corporate Action. Ex-date is equal to LDT+1.

Finalisation Date (FD): The date on which the event and its details become unconditional in all respects and irrevocable i.e. no further changes to any of the pertinent details can be made by the Issuer and the event can only be cancelled/withdrawn in certain circumstances.

Finalisation information: Final information on the Corporate Action is to be included in the

announcement on the Finalisation Date (e.g. Security name, ISIN, event type, Last Date Trade, Record Date, Payment Date, rates/ratios etc.).

First Day to Trade (FDT): This is the first business day on which newly issued Securities may be traded.

ISIN: International Security Identification Number, which is a unique internationally recognised Securities identification number that identifies the specific Security issued by the National Numbering Agent (NNA) which is the JSE for South Africa.

Issuer Agent: Any person appointed by an Issuer to act as its agent in the performance of the functions set out in this Directive, and includes any transfer secretary appointed by the Issuer.

JSE: The JSE Limited Registration Number 2005/022939/06.

JSE Settlement Authority: The person or persons appointed by the JSE to manage the settlement of transactions in equity Securities transacted through the JSE Trading System.

JSE Trading System: The computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of equity Securities.

LDT: Last Day to Trade, which is the last date that anyone can trade in order to qualify or participate in a Corporate Action.

LDT+X: Last Day to Trade plus X Business Days, "X" being the number of Business Days stipulated in the announcement and or Directive.

LDT – X: Last Day to Trade minus X Business Days, "X" being the number of Business Days stipulated in the announcement and or Directive.

Base Security: Long name and Security code for the Security on which the event has been declared.

MT XXX: The applicable SWIFT message type as identified by SWIFT from time to time.

Non-Elective Benefit: A benefit which automatically accrues to a shareholder and is disbursed by the Issuer pursuant to a Mandatory Event.

Mandatory Event: A Corporate Event that takes place with no action required on the part of the holder of the Security and where Non-Elective Benefits that accrue to the shareholders are automatically disbursed by the Issuer in line with the terms of the Corporate Event.

NPL: Nil Paid Letters of allocation, representing the rights to subscribe for additional Securities at a certain price and on a certain date. The NPLs may be renounceable or non-renounceable.

Odd-lot: A quantity of Securities which is less than a quantity specified by the Issuer as being an odd-lot.

Payment Date (PD): This is the date on which entitlements are paid.

PD+X: The Payment Date plus X Business Days, 'X' being the number of Business Days stipulated in the Announcement and or Directive

Projected holdings: For the purpose of an election, the total holdings of Securities as at LDT adjusted for any unsettled transactions in the affected Securities that are due to settle on or before Record Date.

Ratio: Basis of Security entitlement reflected as a ratio.

Record Date (RD): The date on which the holdings, upon which the Corporate Action entitlement is based, are ascertained. RD is equal to LDT+3.

RvP: Receive versus Payment

Securities Lending Transaction or Securities Lending and Borrowing Transaction: An arrangement in terms of which a person (lender) lends Securities to another person (borrower) subject to the borrower agreeing to return the loaned Securities within an agreed time period. Once the loaned Securities have settled, ownership of the Securities is transferred to the borrower. The borrower has the right to sell or on-lend the Securities during the life of the loan. In return, the borrower agrees to compensate the lender for any Corporate Events, with the exception of voting, in respect of the Securities which that lender would have been entitled to receive during the period of the loan had the arrangement not been entered into

Securities Lending and Borrowing Return Transaction: The return of Securities which had been loaned in terms of a Securities Lending and Borrowing Transaction

Same Day Settlement: A transaction booked to the CSD on the same day on which settlement occurs, irrespective of the actual trade date

SCA: Safe Custody Account

SENS: Securities Exchange News Service of the JSE.

SLB: Securities Lending and Borrowing.

T: Trade Date, which is the date on which a particular transaction was entered into.

T+X: Trade Date plus X Business Days, 'X" being a number of Business Days

Unlisted Securities: Securities that are not listed on an Exchange.

3. Different Instrument / Securities Types

There are many types of instruments currently being traded on the JSE. Below you will find an explanation of those instruments involved in the activities of Corporate Actions. This is done in order to facilitate a better understanding of these instruments relative to the Corporate Actions Department.

Ordinary:

Shares that give the shareholder part ownership of the company in proportion to the number of shares held but with limited rights and entitlements.

Call Options:

An option that gives the holder the right but not the obligation to purchase an asset at a predetermined date (maturity date) for a predetermined price (exercise price). By the payment of a premium per share the investor buys the right to demand delivery of the shares (asset) at any time during the currency of the contract and at the strike price ruling when the call was purchased. (Useful when a sharp rise is anticipated, as the only immediate capital required is the call money).

Debentures:

Money raised by the company through loans. Holders of debentures, which are transferable, are creditors of the company with specific rights as to repayment of capital and interest. Interest must be paid regularly, whether or not there are sufficient profits: and if interest is not paid the debenture holders enforce their rights by obtaining judgement against the company or placing it in liquidation.

Depositary Receipts:

A negotiable instrument that represents a company's publicly traded debt or equity. Depositary Receipts are created when a company's shares or bonds are delivered to a depositary's custodian bank, which instructs the depositary to issue the receipts. Depositary Receipts facilitate the trading of foreign securities.

Exchange Traded Funds:

This fund owns a basket of stocks which mirrors the composition of a market index. They track indices and can allow low cost exposure to the performance of an index as quickly and efficiently as the most liquid stocks. An investor buys ETF shares the same way shares of stock are bought, not from a fund company, but on a stock exchange

Linked Unit:

A tradable instrument comprising of an equity instrument linked to a debt instrument. They are usually associated with property companies. Payments (both dividend and interest) made by a company issuing linked units are included in the dividend yield.

Loan Stock Units:

It is similar to a linked unit. It will be treated as such on the JSE's systems. Interest payments are included in the interest payments yield.

Nil Paid Letters:

A security which is temporarily listed on the stock exchange and which represents the right to take up the shares of a certain company at a certain price and on a certain date. Nil paid letters are the result of a rights issue to the existing shareholders (or debenture holders) of a company. Nil paid letters are issued at no cost to qualifying shareholders. A rights issue is one way of raising additional capital by offering existing shareholders the opportunity to take up more shares in the company- usually at a price well below the market price of the shares. These rights are represented by the "nil paid letters" and are renounceable i.e. they may be bought and sold on the stock exchange. Shareholders who do not wish to take up their new shares are permitted to sell those rights to those shares. They are normally very volatile because they fluctuate according to how close the market price is to the "take-up" price.

N Ordinary:

Shares that give the shareholder part ownership of the company in proportion to the number of shares held, and entitles him to share, by way of dividends (after payment of a fixed dividend in respect to preference shareholders), in the profits. They carry rights to the distribution of profits through dividends, to surplus assets of the company on winding up but limit the voting rights at general meetings of the company.

Options:

Options give the holder the right, but not the obligation to buy (receive) or sell (deliver) an underlying asset at a predetermined price during a specified period or at a specific date. If the option is not exercised during that time, the money paid for it (but no more than that amount) is forfeited.

Ordinary Shares:

The most common form of share. Shares that give the shareholder part ownership of the company in proportion to the number of shares held, and entitles him to share, by way of dividends (after payment of a fixed dividend in respect to preference shareholders), in the profits. They carry rights to the distribution of profits through dividends, to surplus assets of the company on winding up and to votes at general meetings of the company.

Participatory Interest:

Shareholders participate in an instrument entitling the holder to participate in the interest distribution of a property company.

Preference Shares:

Shares bearing a fixed annual rate of dividend with a prior right over all ordinary shares in the distribution of dividends from annual profits; and a prior claim to repayment of capital on a winding-up of the company. Unless such shares are specifically defined as non-cumulative, the company is liable for any arrears of preference dividends.

Securities:

The collective name for stocks, shares and bonds.

4. Types of Corporate Actions

All Corporate Actions are classified into one or more of the following event types:

- **A Capital Reduction**: Also referred to as a *Share Premium Dividend*. Where a Company does a payment of cash to shareholders when excess working capital held in a company is distributed. Payment is made out of the Share Premium Account.

- **A Capital Repayment (Full):** Where the Company repays the entire issued capital in respect of one or more classes of Securities to the shareholders.

- **A Capital Repayment (Partial):** Where the Company repays a part of the issued capital in respect of one or more classes of Securities to the shareholders.

- **A Capitalisation Issue (including a "Bonus Issue" and a "Capitalisation Award"):** Where a Company issues shares to their shareholders. This occurs when a Company feels it is desirable to convert part of its reserves (profits from earlier years which have not been paid out as dividends) into new shares. This often arises when the number of shares in issue is small in relation to the total value of the business. This makes them too scarce or highly priced to be easily traded, from a member's (shareholder's) point of view. The effect is to give him (shareholder) a greater number of shares than he already has. As the company itself has not grown any larger or smaller in the process, the percentage of his holding has remained unchanged. His stake therefore consists of more shares, each representing less of the company.

- **A Cash Dividend:** Where a Company distributes reserves in cash only (the current year's profits or out of retained income) to shareholders.
    - Cash payment is made as a "**return**" on investment to shareholders out of a company's profits after taxation and transfer to reserves and prior charges have been met. The receipt of a dividend is one of the reasons that shareholders invest in the Stock Market. The dividend is however determined by the directors but no dividend has to be declared. Sometimes some of the profits of a company are retained, which obviates the need to raise further capital through the issue of shares.

- Dividend types and description:
    - **Interim:** Dividend paid after a reporting period, e.g.bi-annually
    - **Final:** Dividend declared for the financial year-end.
    - **Special:** Dividend declared for the interim or financial year-end, over and above the normal dividend.

Dividend Re-investment Plan

A dividend re-investment plan (DRIP) is a means of allowing shareholders to cheaply reinvest their dividends in the purchase of more shares in a company. The operator DRIP (typically the company's registrar) pools the cash dividends payable to shareholders who have chosen to use the DRIP, purchases shares in the market and allocates them to the shareholders.

From the point of view of a shareholder it is similar to receiving a scrip dividend, but there are important differences:

1. A DRIP does not retain cash within the company.
2. There are some dealing costs.
3. The number of shares a shareholder gets depends on the price on the day on which the DRIP operator purchases the shares in the market.

- A ***Change of Board***: Where a Company moves it's listing from one board, to another board, e.g. from the JSE's Main Board to its Secondary Board viz. ALTX. There are various reasons for changing board i.e. the company has changed its core business or it has reached a size where it has adequate exposure and therefore moves to the main board in line with its competitors in the same sector. This does not result in a Corporate Action being processed.

- A ***Claw Back Offer:*** In the eyes of the shareholders this is essentially the same as a rights offer however the shares are first sold to a third party who then offers to sell them to the issuer's shareholders in proportion to their shareholdings, for example:

  An issue of securities for cash by an applicant (issuer) to persons/entities where the securities are then offered by such persons/entities to the applicant's shareholders i.e. registered owners (and where applicable for the benefit of the beneficial owners) in proportion to their holdings. This is usually done to reduce a debt position or repay the capital loan made by the person/entity to whom the claw back offer is made. The company is clawing back ownership.

- A ***Conditional Offer***: Where an offer is made to the shareholders of a company conditional upon the occurrence of some event, e.g. shareholders meeting, regulatory approval etc. Typically, where a takeover bid is being made, the predator will make an offer to shareholders conditional upon it being accepted by a certain percentage of the shareholders.

- A ***Consolidation:*** Also referred to as a ***Reverse Split.*** Where a Company wants the number of issued shares of a class to be consolidated into a lesser quantity of shares of the same class with a corresponding increase in the nominal value/par value of the resultant number of issued shares of the same class. The effect of a consolidation is that the number of shares of the same class in issue reduces but the total nominal value/par value of the issued share capital in respect of that class remains the same.

  The price should rise by the same ratio as the consolidation, i.e. on the first day of trading after the automated consolidation took place, the Market Capitalisation (Number of Shares x Market Price) should be the same as before.

  There will always be a change in the nominal value/ par value of the share. The company could use this if the value of their shares is too low, in order to increase their trading value. As an example, on a 1 for 2 consolidation, the nominal value/par value and trading price will double.

- A ***Conversion:*** When convertible securities are converted in accordance with the relevant trust deed. Shareholders of convertible debentures, convertible preference shares, deferred shares and options have the right to convert all or part of such instruments into ordinary shares each year and by a certain closing date. Sometimes holders of such instruments have to pay a conversion take-up price. The securities are compulsory convertible. Convertible securities may be listed or unlisted. The portion of the convertible securities so converted is withdrawn from the company's listing (if they are listed). Securities taken up as a result of the conversion are then listed on the JSE by way of an additional listing. The part of the option not taken up, falls away.
  - A **Conversion – Auto (Full)**: Where all/part of the issued securities of a class is automatically converted into new securities of a different class by the issuer, without election i.e. the holder of the security receives a new security in place of the old one. Not all securities are converted in the case of a partial conversion. Conversion may be triggered as per security proposal e.g. time lapse, dividend ceiling, etc.
  - A **Conversion – Auto (Partial)**: Where a portion of the issued Securities of a class is automatically converted into new Securities of a different class by the Issuer, without an election.
  - A **Conversion – Election (Full/Partial)**: Where the shareholders, are entitled to elect whether they wish to convert all or a specified portion of the issued securities of a class held by them into new securities of a different class. The holder of the security receives a new security in place of the old security. The holder has the election to convert if and when the shareholder chooses to do so, in line with the terms.

- A ***Dividend Option:*** Where a Company distributes reserves to shareholders, and the owner of Securities has the option to elect either Capitalisation Securities or cash.

- An ***Interest Payment***: Where the Company pays interest to shareholders of interest bearing Securities, at a fixed or variable rate.

- A ***Liquidation Payment (Interim and Final)***: Where the payment of cash to shareholders is made on the winding up of the company and subsequent termination of the Securities. A liquidation payment can be made in stages (Interim and Final). In the case of an interim liquidation payment, the cash entitlement will be paid out whilst the Securities are still listed. In the case of a final liquidation payment, once the payment has been made, the Securities will be de-listed.

- A ***Minority Offer***: Where the holding company holds the majority of the shares in a subsidiary and the rest of the shares are held by minority shareholders. An offer is made to buy the minorities out.

- A ***Name Change***: Where the registered name of a company is changed.

- A ***New Listing:*** The listing of a new company and the issue of shares to raise finance to increase its working capital. In return, shareholders become holders in the company and they qualify to participate in all entitlements associated with that instrument type.

  A new listing is also an event where a new type or class of securities is to be issued by an issuer and listed on the JSE. A new listing can occur as a result of three types or combinations of offers:

  - **a public offer:** The making available of a new securities issue to the public through underwriting.

    Prior to a new listing on a stock exchange, a company will have an initial public offering whereby it will offer shares to the public and/or institutions.

    Not all companies that declare their intention of going public actually do so. They may in the interim, be taken over, fail due to diligence or not achieve the valuation that they had hoped for.

  - **a private placing:** a non-renounceable offer to specified persons or entities identified by the issuer (excluding an offer to the public or to existing holders of issuer's securities) to subscribe for securities i.e. the sale of securities directly to institutional investors such as banks, mutual funds, insurance companies, pension funds and foundations.

  - **a preferential offer** - an offer to some or all directors, employees, pensioners and direct business associates of the Issuer (including customers with whom there is a direct and enduring contractual relationship) to subscribe for Securities.

- A ***Nominal Value/PAR Value Change***: The nominal Rand amount assigned to a security by the issuer usually bears no resemblance to the market price, which is primarily determined by market forces. A change in nominal value/par value refers to an event where the company changes its nominal/par value, by either reducing or increasing it. Such a change will usually be accompanied by a proportionate change in the number of shares but this is not a rule. This figure is used to calculate the authorised share capital of a company. This does not result in a Corporate Action being processed.

- An ***Odd Lot Offer:*** An event where a listed company offers all shareholders of odd lots the option of either:

  i) electing to retain their odd-lot holding;

  ii) electing to top up their holding to a round lot of Securities; or

  iii) electing to sell their odd-lot holding;

  and normally failing an election, the odd lot will be sold for the benefit of the shareholder.

It must be noted that normal odd-lot refers to holdings of less than 100 Securities. Issuers can, with the permission of the Listings department of the JSE, define the "odd-lot" relating to the odd-lot offer as a number of Securities larger or smaller than 100 e.g. 50 or 500.

- A **Redemption:** Where a Company repays the redeemable preference share capital or the debenture in full to the shareholder. The initial capital or investment is paid out by the company at a certain future date. The only difference between redeemable 'prefs' and redeemable debentures is that the debentures are units of loan capital and receive interest, while the 'prefs' are share capital and receive dividends, which may not be paid if the company is not making profits.
    - **Redemption with election:** Where the Company repays the (loan) redeemable preference share capital or the debenture securities in full to the registered owners (and where applicable for the benefit of the beneficial owners). The registered owner, where applicable acting on the instructions of the beneficial owner has the option to elect either a cash repayment or new securities. This will result in only the redeemed securities being delisted, those not redeemed remain listed. The listing of the instrument is not terminated.
    - **Redemption without election:** Where a company repays the (loan) redeemable preference capital or the debenture securities in full to the registered owners (and where applicable for the benefit of the beneficial owners). The registered owner, where applicable acting on the instructions of the beneficial owner, does not have the option to elect a cash repayment or new securities, the beneficial owner receives cash or new securities as stipulated by the issuer prior to the finalisation date. The listing of the instrument is usually terminated.

- A ***Reverse Take Over Listing***: An acquisition by a listed Company of a business, an unlisted company or assets where any percentage ratio is 100% or more of the original market value of the listed company, or which would result in a fundamental change in the business, or in a change in board or voting control of the listed company, in which case this will be considered a new listing.

- A ***Rights Offer:*** Where an offer is made by a company to shareholders, to subscribe for further Securities, or purchase Securities held by the Issuer in other Issuers, in proportion to their existing holdings. This offer is made either by means of the issue of a renounceable letter of right that may be sold on-market, taken up at a pre-determined price or lapsed or by means of the issue of a non-renounceable letter of right letter which may only be taken up at a pre-determined price or lapsed.

  The associated take up price is normally below the current market price of the shares into which the NPL's will be converted to make the issue attractive. A shareholder takes up his rights when he decides to convert NPL's held by him, and lapses his rights when he decides not to.

- A ***Scheme of Arrangement:*** *W*here a third party proposes a scheme of arrangement to purchase shares in a listed company. The shareholders are obliged to dispose of the relevant securities in terms of the scheme for consideration which may or may not be subject to an election as to its content. The scheme shall have been proposed in terms of Section 311 of the Companies Act, which has been approved by shareholders, and which shall have been sanctioned by the High Court and where the sanctioning order has been registered by the Registrar of Companies.

Scheme of Arrangement with Election

A third party proposes a scheme of arrangement to purchase shares for:

- A new company
- Cash
- Combination of the above

The shareholder will have the election of either of the above.

Scheme of Arrangement without Election

A third party proposes a scheme of arrangement to purchase shares for:

- Cash
- Shares in new company
- Combination of the above

The shareholder will have the election of either of the above.

- A ***Sector Transfer:*** Where a company moves it's listing from one sector, to another sector. The company has usually changed its core business, or the JSE has changed the sector classification and structure. This does not result in a Corporate Action being processed

- A ***Specific Issue of Shares for Cash***: Where a company issues shares for cash to specific investors from the unissued portion of its authorised share capital. The rationale for such an issue is to raise extra capital for expansion or simply to take advantage of market conditions. The shareholders will have waived their rights to retain their percentage holdings at an earlier General Meeting.

- A ***Sub-Division:*** Also referred to as a ***Forward Split.*** Where a Company requires the number of issued shares of a class is split into a greater quantity of shares of the same class with a corresponding decrease in the par value of the resultant number of issued shares of the same class. The effect of a subdivision is that the number of shares by a shareholder of the same class in issue increases in direct proportion to the overall increase in the issued share capital but the total nominal value of the issued share capital (and the shareholders percentage interest in the company) remains the same.

  A company would use this event to lower the price of their shares and thereby make them more affordable and attractive. They also do this in order to increase the tradability of their shares. A sub-division normally takes place when a company's shares reach a price level that puts them beyond the reach of the average investor.

- A ***Share Buy-back***: Where the company repurchases shares from specific or defined shareholders. This can be done on a pro-rata basis and can include an election or can be obligatory for all shareholders. Share buy-back schemes must be approved by the shareholders.

  There are a number of ways in which a company can return wealth to its shareholders. Although stock price appreciation and dividends are the two most common ways of doing this, there are other useful and often overlooked ways for companies to share their wealth with investors

  A stock buyback, also known as a share repurchase is a company's buying back its shares from the marketplace. You can think of a buyback as a company investing in itself, or using its cash to buy its own shares. The idea is simple because a company can't act as its own shareholder. Repurchased shares are absorbed by the company and the number of outstanding shares on the market is reduced. When this happens, the relative ownership stake of each investor increases because there are few shares, or claims on the earnings of the company.

  Buybacks are carried out in two ways, i.e. tender offer and open market:

  - A ***Termination:*** Where the listing status of securities on the JSE is withdrawn.
  - A ***Unbundling:*** Where a Company distributes in specie to the registered owners

A Unbundling- Dissolved with Election

A holding Company listed on the JSE. The Company has one or more subsidiaries. The Company also has cash reserves and investments in unlisted shares. After unbundling, the holding Company is dissolved and, this event will be linked to a termination on the JSE. The shareholder will receive, in relation to the initial holding in the Holding Company:

- Shares in the subsidiaries (listed or private); or
- Cash; or
- Combination of the above.

A Unbundling- Dissolved without Election

A holding Company is listed on the JSE and has one or more subsidiaries, either listed or unlisted. The Company also has cash reserves and investments in unlisted shares. After unbundling, the holding Company will be dissolved. The shareholder will receive, cash and / or shares In the subsidiaries (listed or private) in relation to the initial holding. Shareholder will not have the right to an election but will receive whatever the holding company declares as part of the unbundling. This will be linked to a termination on the JSE.

Unbundling- Not Dissolved with Election

A holding company listed on the JSE. A Company has one or more subsidiaries. A Company also has cash reserves and investments in unlisted shares. After unbundling, the holding Company is NOT dissolved and the shareholder will receive, in relation to the initial holding in the holding Company:

- Shares in the subsidiaries (listed or private); or
- Cash; or

- Combination of the above.

Unbundling- Not Dissolved without Election

A Holding company is listed on the JSE and has one or more subsidiaries, either listed or unlisted. The Company also has cash reserves and investments in unlisted shares. After unbundling, the holding Company will NOT be dissolved. The shareholder will receive cash and / or shares in the subsidiaries (listed or private) in relation to the initial holding. Shareholder will not have the right to an election but will receive whatever the holding company declares as part of the unbundling.

- A ***Unconditional Offer***: Offer to the shareholders where there are no conditions preventing the offer from happening:
  - **Cash/Share offer:** offer to holders of shares to sell their shares to a third party for cash or shares in another listed company.
  - **Partial and/or Hostile offer**: offer to holders of shares at a specific date to sell a part of their holdings to a third party for cash or shares in another listed company as consideration.

- A ***Voluntary Winding-Up***: When a company elects to voluntarily wind-up their business.

  The company voluntarily winds up:
  - When the period (if any) fixed for the duration of the company by the MOIs expires, or the event (if any) occurs, the occurrence of which the MOIs provide that the company in a general meeting has passed a resolution requiring it to be wound up voluntarily;
  - If the company resolves by a special resolution that it would wind up voluntarily;
  - If the company resolves by an extraordinary resolution to the effect that it cannot by reason of its liabilities continue its business, and that it is advisable to wind up

5. The Lifecycle of a Corporate Action

Across the range of specific types of corporate actions a number of different lifecycles can apply from the initial announcement (declaration date) until the actual receipt and distribution of cash/shares which is the resultant entitlement.

5.1. Timeline and Key Activities

Key processes and procedures take place during the lifespan of a Corporate Event. These are explained below:

- **Announcements/Declaration Date (DD) = Record Date (RD) – 13**

  Declaration date means notices regarding rights accruing to shareholders of Securities, which are published by Issuers by means of the Securities Exchange News Service (SENS) (or any other system that the JSE may choose to use for this service) of the JSE, the newspaper, and company reports and circulars.

  The following requirements in the T+3 environment have been placed against the Company:

  - Company to include in their initial SENS announcement on Declaration Date the basis for fraction elimination and whether Dividend Withholding Tax is applicable to the distribution; and
  - Where applicable, the Company must announce the cash fraction elimination rate via SENS by 17h00 on LDT +1.

  The payment Date of the fractions should align to the Payment date of the Corporate Action i.e. fractions will be paid on the same date as the securities are updated to the investor's accounts.

- **Trade Date** - this is the date on which a trade is concluded.

- **Finalization Date (FD) = RD – 8**

  As more information relating to the Corporate Event is published the original message will be enhanced and redistributed. All the pertinent information relative to the event becomes irrevocable on RD-8 (Only the Listings Department of the JSE may sanction the cancellation of an event provided this takes place on or before Last Day to Trade (LDT).)

- **LDT = RD – 3 also referred to as "cum"**

  Last Day to Trade (LDT) is the last date that anyone can trade in order to qualify or participate in a Corporate Action.

- **First Day "Ex" = RD – 2 (or LDT + 1)**

  Ex-date means the date from which any transaction in that Security excludes the right to receive entitlements (or participate) in the relevant Corporate Action.

- **Record Date (RD)**

  Record Date means the date on which shareholders must be in the register as settled transactions to participate in the Corporate Action. Record Date is therefore the 'centre of the universe'.

- **Election Deadline Date and time**

  The date and time by when shareholders, in accordance with their Service level agreement with their Broker or CSDP, must send their elections through to their broker or CSDP for their shareholding.

- **Payment Date = RD + 1 (usually)**

  Payment Date means the date on which entitlements are paid to shareholders.

- **Cash Entitlements**

  Corporate Action cash benefits will be distributed in South African Rands (ZAR) only.

- **Foreign Regulated Issuer Company Principles:**

  Where it is a dual-listed company, the home exchange's regulations shall prevail, the South African market will abide by their convention for fraction elimination, e.g. round down, round up or down, etc.

- **Fractions and Rounding Convention Principles:**

  The current market convention for fraction elimination, Standard Rounding, will be amended to Round Down and fractional entitlements will rank for a cash residual payment.

5.2. Dividends Tax

What is Dividends Tax?

Dividends Tax is a tax charged at 15% on shareholders when dividends are paid to them, and, under normal circumstances, is withheld from their dividend payment by a withholding agent (either the company paying the dividend or, where a regulated intermediary is involved, by the latter). A dividend is in essence any payment by a company to a shareholder for a share in that company (excluding the return of contributed tax capital, i.e. consideration received by a company for the issue of shares). It is triggered by the payment of a dividend by any:

- South African tax resident company; or
- Foreign Company whose shares are listed on the JSE.

Dividend payments by headquarter companies are not subject to Dividends Tax.

Dividends Tax replaced STC in order to:

- align South Africa with the international norm where the recipient of the dividend, not the company paying it, is liable for the tax (South Africa was one of only a few countries with a corporate level tax on dividends, such as STC) ; and
- make South Africa a more attractive destination for international investment by eliminating the perception of a higher corporate tax rate (STC is an extra corporate tax) coupled with lower accounting profits (STC had to be accounted for in the Statement of Comprehensive Income (Income Statement).

Some beneficial owners of dividends are entitled to an exemption or a reduced rate (foreigners) under the Dividends Tax system, whereas dividends received by them under the STC system were taxed in full in the hands of the company declaring the dividend.

Who should pay it?

Dividends Tax is payable by the beneficial owner of the dividend, but is withheld from the dividend payment and paid to SARS by a withholding agent. The person liable for the tax, however, remains ultimately responsible to pay the tax should the withholding agent fail to or withhold the incorrect tax. An exception to this general principle is where a dividend consists of a distribution of an asset in specie, resulting in the liability for the tax falling on the company itself (such as with STC), which means that it may not withhold the tax from the dividend payment.

How much will be paid?

The current rate of Dividends Tax is 15% unless an exemption or a reduced rate is applicable.

The summaries of withholding tax rates as per the South African Double Taxation Agreements that are currently in force are as follows:

- Africa
- Rest of the world

When should it be paid?

Dividends Tax applies to any dividend declared and paid from 1 April 2012 onwards, and the withholding agent (either the company or the regulated intermediary) should pay the tax withheld to SARS on or before the last day of the month following the month in which the dividend was paid. Dividends Tax payments should be accompanied by a return (DTR01/02).

Penalties and interest may be levied for late payments of dividends tax or the late submission of dividends tax returns.

What steps must I take?

As a shareholder (in either a company that is resident in South Africa or in a foreign company whose shares are listed at the JSE) you will become liable for the Dividend Tax when a dividend is paid to you. However, the relevant withholding agent will have to withhold and pay the tax to SARS. The withholding agent should also send you the required declaration and undertaking form(s) for completion if you wish to qualify for any of the exemptions or a reduced rate in terms of a DTA (foreign residents only). The completed form must be sent to the withholding agent before it may exempt the dividend payment or withhold at a reduced rate.

6. References

http://www.sars.gov.za/TaxTypes/DT/Pages/default.aspx