

Memorandum

Date: 25 October 2023

Subject: Proposed amendments to the JSE Equities Rules – Dealings in Krugerrands

Dear Member,

Introduction

The proposed rule amendments explained in this memorandum, and which are contained in Annexure A, are intended to recognize changes in the industry for the custody and safe keeping of physical assets such as Krugerrands.

We have also proposed rule amendments to acknowledge advancements in technology that have impacted the manner in which delivery slips are produced and printed by the delivering member for the delivery of Krugerrands, in addition to updating the methods by which payment is made by the buyer of Krugerrands (i.e., the issuing and the acceptance/collection of bank cheques is no longer permitted).

Dealings in Krugerrands - Rule 15.10.5 (Delivery slips and the payment for deliveries)

Current equities rule 15.10.5 states that when the delivering member firm is delivering Krugerrands to the receiving member firm, the delivering member firm must affix their rubber stamp to and sign each of the two delivery slips produced by the BDA system. The current practice, however, is for member firms to produce these physical delivery slips using their own systems (i.e., the physical delivery slips can no longer be printed from the BDA system), therefore the wording of this rule has been amended accordingly.

In addition, the current rule 15.10.5 states that payments in respect of Krugerrand deliveries between the delivering member firm and the receiving member firm must be effected by either bank cheque or an electronic funds transfer. As members will be aware, the issuing of cheques is no longer used by member firms as a means of payment, and therefore the reference to cheques has been removed in the proposed rule amendments.

Dealings in Krugerrands - Rule 15.10.8.2 (Safekeeping)

JSE equities rule 15.10.8.2 currently states that where a member firm and a client enter into a safe custody agreement, the Krugerrands belonging to the client must be stored for safekeeping in a suitable container in the member firm's safe, in the member firm's safe in a strongroom, or in a safe custody container with a banking institution. Several large banks in South Africa have, in recent years, terminated or begun to wind down their custodial services for assets such as Krugerrands, leaving JSE member firms with limited options or alternatives in respect of where they are able to store client Krugerrands for safe keeping.

Given that the market for the storage and safe custody of valuable goods in South Africa is now dominated by non-bank storage companies, the JSE Market Regulation division proposes to recognize this development by amending and expanding the scope of rule 15.10.8.2 to include non-bank storage facilities which specialise in the safekeeping of valuable goods, including Krugerrands.

(refer to draft new rule 15.10.8.2)