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**AIDS HELPLINE: 0800-0123-22 Prevention is the cure**

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**BOARD NOTICES**

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**NOTICE 16 OF 2005****FINANCIAL SERVICES BOARD****REGISTRAR OF SECURITIES SERVICES****SECURITIES SERVICES ACT, 2004****REPORT BY SELF-REGULATORY ORGANISATION TO THE REGISTRAR**

Under section 59 of the Securities Services Act, 2004 (Act No. 36 of 2004), I, Jeffrey van Rooyen, hereby prescribe in the Schedule the information that must be contained in the annual report of a self-regulatory organisation.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE****Information that must be contained in the annual report of a self-regulatory organisation**

1. A self-regulatory organisation must submit to the registrar within four months after its financial year-end an annual report that must contain the following information:
  - (a) A list of members of the controlling body of the self-regulatory organisation and any changes thereto over the last financial year;

- (b) a list of members of the executive/management committee of the self-regulatory organisation and any changes thereto over the last financial year;
- (c) a list of authorised users or participants of the self-regulatory organisation and any changes thereto over the last financial year;
- (d) a report by the chairperson and/or chief executive officer reviewing the operations of the self-regulatory organisation over the last financial year;
- (e) an auditors report on the annual financial statements;
- (f) a summary of market information which must reflect the salient features of the trading, settlement or other activities, as applicable, of the self-regulatory organisation;
- (g) a report detailing the self-regulatory organisation's initiatives and plans to implement the recommendations of the King Code on corporate governance;
- (h) a status report on the consumer education initiatives, if any, of the self-regulatory organisation;
- (i) a status report on the self-regulatory organisation's initiatives, if any, in the Southern African Development Community region; and
- (j) a report on risk mitigation, operational integrity, and related issues.

### **Commencement**

2. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.

**NOTICE 17 OF 2005****FINANCIAL SERVICES BOARD****SECURITIES SERVICES ACT, 2004****MATTERS TO BE REPORTED ON BY AUDITOR OF REGULATED PERSON**

I, Jeffrey van Rooyen, hereby prescribe under section 90(2)(b) of the Securities Services Act, 2004 (Act No. 36 of 2004), the matters to be reported on by an auditor of a regulated person, as set out in the Schedule.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE****Definitions**

1. In this Schedule –

**"the Act"** means the Securities Services Act, 2004 (Act No. 36 of 2004), and any word or expression to which a meaning has been assigned in the Act, bears the meaning so assigned to it.

**General matters**

2. In addition to the reporting requirements prescribed by section 90 (2)(a) of the Act, an auditor of a regulated person must report on whether or not securities which, according to the relevant accounting records, have been entrusted to the regulated person or for which the regulated person is accountable to any person, are in the possession of the regulated person or a custodian, and whether

confirmations or statements of holdings have been obtained from the persons who maintain the record of ownership of such securities.

#### **Matters in respect of authorised user**

3. In addition to the matters prescribed in paragraph 2, the auditor of an authorised user must report on whether or not the authorised user complies with -
  - (a) section 27 of the Act which relates to the maintenance and operation of a trust account; and
  - (b) the exchange rules made under section 18(2)(b) of the Act regarding capital adequacy. If an authorised user did not maintain the required capital at any time during the period under review, such failure must be stated in the auditor's report.

#### **Matters in respect of participant**

4. In addition to the matters prescribed in paragraph 2, the auditor of a participant must report on whether or not the participant complies with the -
  - (a) requirements of the depository rules and the Act regarding the maintenance of securities accounts; and
  - (b) the depository rules relating to the reconciliation of securities accounts to the central securities account kept by the central securities depository.

#### **Cessation of business**

5. The auditor of a regulated person must report, within 3 months of the date on which the regulated person ceased to do business, on whether or not the regulated person has complied with the requirements contained in paragraphs 8 (2) (b) and 8 (2) (c) of the Registrar's notice dealing with accounting records to be maintained by a regulated person.

#### **Commencement**

6. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.

**NOTICE 18 OF 2005****FINANCIAL SERVICES BOARD****SECURITIES SERVICES ACT, 2004****CONDITIONS APPLICABLE TO THE AMALGAMATION OR TRANSFER OF SELF-REGULATORY ORGANISATIONS AND CLEARING HOUSES**

I, Jeffrey van Rooyen, hereby prescribe under sections 54(1) and 69(1) of the Securities Services Act, 2004 (Act No. 36 of 2004), the Conditions set out in the Schedule, with which self-regulatory organisations and clearing houses must comply in case of an amalgamation or transfer.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE****Definitions**

1. In these Conditions "**the Act**" means the Securities Services Act, 2004 (Act No. 36 of 2004), and any word or expression to which a meaning has been assigned in the Act, bears the meaning so assigned to it.

**Application for approval of amalgamation or transfer**

2. If in terms of section 54 of the Act application is made for the approval of the amalgamation of exchanges or central securities depositories, or the transfer of the assets and liabilities of one exchange or central securities depository to another

exchange or central securities depository, as the case may be, or if in terms of section 69 application is made for the approval of the amalgamation of clearing houses or the transfer of the assets and liabilities of one clearing house to another clearing house, or if application is made for the approval of the amalgamation of a clearing house and a self-regulatory organisation or the transfer of the assets and liabilities of a clearing house to a self-regulatory organisation or *vice versa*, the application must be submitted to the registrar by the entities involved in the amalgamation ("amalgamating parties") or the entities involved in the transfer ("transferor" and "transferee") on Form SS 4 accompanied by –

- (a) the information specified in Annexure 1 to Form SS 4; and
- (b) the documentation, statements and undertakings specified in Annexure 2 to Form SS 4 in support of the information supplied in Annexure 1.

#### **Address**

3. Applications must be submitted to:

The Registrar of Securities Services  
P O Box 35655  
Menlo Park  
0102

#### **Commencement**

4. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.



**FORM SS 4****SECURITIES SERVICES ACT, 2004 ( ACT NO. 36 OF 2004)**

(Delete what is not applicable)

**Application for approval under sections 54(1) or 69(1) of the Securities Services Act, 2004 (Act No. 36 of 2004), of the amalgamation / transfer of self regulatory organisations / clearing houses.**

The Registrar of Securities Services

1. I, .....the authorised representative of the amalgamating parties / transferor and transferee ..... hereby, on behalf of the said parties / transferor and transferee, apply for approval of the amalgamation of the amalgamating parties / the transfer of the assets and liabilities of ..... ("transferor") to ..... ("transferee").
2. The prescribed application fee of.....is enclosed.
3. The place at which the business of the amalgamated entity / transferee will be carried on is.....
4. The trading method or facility by means of which the business of the amalgamated entity / transferee will be carried on is.....  
.....

Signed at.....on this .....day of .....20...

.....  
Authorised representative

Witnesses:

1.....

2.....

#### **ANNEXURE 1 TO FORM SS 4**

#### **Information required for amalgamation or transfer of self-regulatory organisations or clearing houses**

(Only furnish information if information previously furnished will change as a result of the transfer or amalgamation or if the information in question was not furnished previously)

1. Administrative information

- (a) The postal, physical and electronic mail addresses of the amalgamated entity's / transferee's head office at which it will receive all documents for the purpose of this application.
- (b) The telephone and facsimile numbers of the amalgamated entity / transferee and the name of its Chief Executive Officer.
- (c) A list that reflects the full names, addresses and telephone numbers of persons, if any, who alone or with associates will exercise control over the amalgamated entity / transferee in terms of section 57(2) of the Act, as at the date of this application.
- (d) A list which reflects the names, physical and postal addresses, telephone and facsimile numbers of the -
  - (i) bank;
  - (ii) auditor; and
  - (iii) attorney,of the amalgamated entity / transferee.

**2. Details of –**

- (a) the expected constitution, structure and ownership of the amalgamated entity / transferee, including its memorandum and articles of association or other founding documentation and any agreement between the amalgamated entity / transferee, its owners or other persons relating to its constitution or governance;
- (b) all business to be conducted by the amalgamated entity / transferee, whether or not a regulated activity;
- (c) any persons providing corporate finance advice or similar services (such as reporting accountants) to the amalgamated entity / transferee;
- (d) any relevant functions in relation to regulated business to be outsourced or delegated, with copies of relevant agreements;
- (e) information technology systems and or arrangements for their supply, management, maintenance, upgrading, and security;
- (f) the business continuity plans and disaster recovery plans in the event of disruption to the business of the amalgamated entity / transferee;
- (g) internal controls, risk management principles and procedures and insurance cover;
- (h) internal arrangements to safeguard confidential or privileged information and for handling conflicts of interest; expected changes for monitoring and enforcing compliance with its rules in case of self-regulatory organisations;
- (i) arrangements for recording transactions effected by, or cleared through, the facilities of the amalgamated entity / transferee;
- (j) arrangements for detecting and preventing financial crime and market abuse, including arrangements for complying with money laundering legislation; and
- (k) the competitors and prospective competitors of the amalgamated entity.

**ANNEXURE 2 TO FORM SS 4**

**Documentation, statements and undertakings to be provided, if applicable, in support of the information supplied in Annexure 1**

1. A curriculum vitae in respect of each member of the controlling body of the amalgamated entity / transferee indicating his or her relevant experience and training.
2. A statement signed by each member of the controlling body to the effect that he or she knows of no reason why he or she should not fulfil his or her term of office as a member of the controlling body.
3. A copy of -
  - (a) audited annual financial statements of the amalgamating parties / transferor and transferee as at its latest financial year-end if in existence for more than a year; and
  - (b) the budgeted income statement, balance sheet and cash flow statement of the amalgamated entity / transferee for a three year period from the date of the latest annual financial statements.
4. A statement signed by the chief executive officer of the amalgamated entity / transferee specifying the critical assumptions made in the preparation of the amalgamated entity's / transferee's budgets and, in particular, the sources where the amalgamated entity / transferee will derive any further funding as outlined in terms of its business plan.
5. Where arrangements have been made for the funding of any temporary shortfall in available cash resources, the chief executive officer must provide a statement setting out the extent and terms of the commitment.
6. A copy of the amalgamated entity's / transferee's certificate of incorporation certified by the Registrar of Companies, where applicable.
7. Copies of the quarterly management accounts for the current financial year of the amalgamating parties / transferor and transferee.
8. Details of its business plan for the first three years of its operations as an amalgamated entity / transferee.
9. Adequacy of management and human resources
  - (a) An explanation of the management structure of the amalgamated entity including the names of the individuals responsible for the major functional areas and the number of personnel employed in each functional area.
  - (b) A curriculum vitae in respect of each member of the management of the amalgamated entity who is responsible for a major functional area, which indicates his or her relevant experience and training.

**NOTICE 19 OF 2005**  
**FINANCIAL SERVICES BOARD**  
**SECURITIES SERVICES ACT, 2004**

**ACCOUNTING RECORDS TO BE MAINTAINED BY A REGULATED PERSON**

Under section 89(a) of the Securities Services Act, 2004 (Act No. 36 of 2004), I, Jeffrey van Rooyen, hereby prescribe in the Schedule the accounting records to be maintained by a regulated person.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE**

**Definitions**

**1. In this Schedule -**

**"the Act"** means the Securities Services Act, 2004 (Act No. 36 of 2004), and any word or expression to which a meaning has been assigned in the Act bears the meaning so assigned to it and, unless the context otherwise indicates –

**"generally accepted accounting practice"** means accounting practices which are in accordance with South African Statements of Generally Accepted Accounting Practice issued by the Accounting Practices Board or, in the absence of any such statement, accounting practices which are generally accepted in the Republic;

**"internal controls"** means those internal controls established in order to provide reasonable assurance of -

- (a) the safeguarding of assets against unauthorised use or disposition; and
- (b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

**Accounting records to be maintained by regulated persons, where applicable**

2. (1) The accounting records of a regulated person must show the transactions and financial commitments of a regulated person, and transactions and payments relating to clients in such a manner that they disclose with substantial accuracy the financial position, performance and cash flows of the regulated person, and separately the position of clients of the regulated person, at the close of business on any day.
- (2) Accounts of clients must be designated as such and must be clearly distinguishable from the business accounts of a regulated person.
- (3) A regulated person may keep computerised records provided that such records are subject to acceptable back-up and recovery procedures and can be reproduced in printed form.

**Accounting records to be maintained by exchange**

3. (1) An exchange must maintain –
  - (a) entries from day to day of all sums of money received and expended by the exchange and the matters in respect of which the receipt and expenditure took place;
  - (b) a record of funds held in trust for authorised users;
  - (c) a record of all income and expenditure of the exchange explaining the nature thereof;
  - (d) a record of all assets and liabilities of the exchange, including any provision for financial commitments or contingent liabilities;
  - (e) a record of all purchases and sales of securities listed on the exchange, which reflects the –
    - (i) date and time of each transaction concluded on the exchange;
    - (ii) identification of the authorised users that are counterparties to the transaction;
    - (iii) name of the issuer of the securities;
    - (iv) name or description of the securities; and
    - (v) the price per unit and quantity of the securities bought and sold.

**Accounting records to be maintained by central securities depository**

4. (1) A central securities depository must maintain a record of –
- (a) the central securities accounts held by it;
  - (b) all moneys, assets and rights received or distributed by it, including dividends and other distributions made by the issuer of securities deposited, and the disbursement of such dividends and distributions to clients;
  - (c) its income, expenses, funds, assets and liabilities in respect of the holding of securities in safe custody;
  - (d) certificated and uncertificated securities deposited with it; and
  - (e) its participants.

**Accounting records to be maintained by clearing house**

5. (1) A clearing house must maintain –
- (a) entries from day to day of all sums of money received and expended by the clearing house and the matters in respect of which the receipt and expenditure took place;
  - (b) a record of funds held in trust for regulated persons;
  - (c) a record of all income and expenditure of the clearing house explaining the nature thereof;
  - (d) a record of all assets and liabilities of the clearing house, including any provision for financial commitments or contingent liabilities;
  - (e) a record of all purchases and sales of securities cleared by the clearing house, which reflects the -
    - (i) date of each transaction;
    - (ii) identification of the regulated persons that are counterparties to the transaction;
    - (iii) name or description of the securities; and
    - (iv) price per security and quantity of the securities cleared.

**Accounting records to be maintained by authorised users, participants and regulated persons not covered by paragraphs 3, 4 and 5**

6. (1) An authorised user, participant and other regulated person not covered by paragraphs 3, 4 and 5 must maintain accounting records which must as a minimum contain -
- (a) a daily record of all sums of money received and expended;
  - (b) a record of funds held in trust;
  - (c) a record of all income and expenditure;
  - (d) a record of all assets and liabilities, including any provisions for financial commitments or contingent liabilities;
  - (e) a record of all purchases and sales of securities which reflects the -
    - (i) date and time of each transaction;
    - (ii) person from whom securities were bought or to whom they were sold unless it is processed through an automated trading system recognised by the relevant exchange;
    - (iii) name of the person on whose behalf the securities were bought or sold;
    - (iv) quantity and description of the securities which were bought or sold;
    - (v) name of the issuer of the securities;
    - (vi) price per security and the total consideration;
    - (vii) brokerage;
    - (viii) taxes that are payable in respect of each transaction;
    - (ix) terms of the contract;
    - (x) capacity (principal or agent) in which the transaction was entered into; and
    - (xi) the following additional information in respect of transactions in options:
      - (aa) the reference number of the transaction and option number, where applicable;
      - (bb) whether the option is a put or call option;
      - (cc) the terms and conditions under which the option may be exercised, including the type of option, the strike price or yield, the strike date and time and the settlement date;
      - (dd) the identity of the writer of the option;
      - (ee) the quantity and description of the listed security to which the option relates;



- (ff) the option premium and settlement date; and
  - (gg) whether the option was exercised or lapsed and the exercise date, if applicable;
- (f) a record of all securities and documents of title which are in the possession, safe custody or under the control of the regulated person, in which is reflected the -
- (i) name of the issuer of the securities;
  - (ii) quantity and description of the securities;
  - (iii) identification numbers of the securities and documents of title, where applicable;
  - (iv) name of the registered holder and if the registered holder is a nominee controlled by the regulated person, the beneficial owner or owners;
  - (v) person from whom the securities were received and to whom the securities were delivered;
  - (vi) date of receipt and delivery;
  - (vii) location where the securities or documents of title are kept;
  - (viii) details of any charge to which the securities may be subject;
  - (ix) person on whose behalf securities or documents of title have been received or delivered;
  - (x) purpose for which the securities or documents of title are held.
- (g) a record of securities held by the regulated person on behalf of its clients which must be made available to its clients at least on a quarterly basis and which must contain as a minimum -
- (i) the name of the client;
  - (ii) the quantity and a description of securities held;
  - (iii) a description of transaction movements within the securities accounts during the period since the previous report;
- (h) a record of the reconciliation of the securities accounts maintained by a participant and the central securities account maintained by the central securities depository.
- (2) An authorised user or participant must reconcile balances with exchanges, clearing houses, central securities depositories and banks as frequently as is appropriate for the volume of transactions on accounts. Any differences, other than differences in timing between the records of the authorised user

or participant and the exchanges, clearing houses, central securities depositories or banks, as the case may be, must be investigated forthwith and corrected as soon as is practicable.

- (3) Authorised users must reconcile securities under their control with the accounting records relating to securities held by the authorised user on a daily basis. Correcting entries must be made immediately.

### **Internal control and risk management**

7. (1) A participant shall as far as is reasonable establish and maintain adequate systems of internal control.
- (2) The system of internal control shall be designed to ensure that –
  - (a) the relevant business can be carried on in an orderly and efficient manner;
  - (b) financial and other information used or provided by the participant is reliable;
  - (c) all transactions and financial commitments entered into are recorded and are within the scope of authority of the participant or the officer or employee acting on behalf of the participant;
  - (d) there are procedures to safeguard the assets of the participant and assets belonging to any other person for which the participant is accountable, and to control liabilities; and
  - (e) there are measures, so far as is reasonably practicable, to minimize the risk of loss to the participant or the clients of the participant from any irregularity, fraud or error and to detect any irregularity, fraud or error should they occur so that prompt remedial action may be taken by the participant or the management of the participant.
- (3) A participant shall as far as is reasonable adopt sound risk management principles and procedures.
- (4) The principles and procedures of risk management shall be designed to ensure that the records of the participant are maintained in such a manner as to promptly disclose financial and business information that will enable the participant or the management of the participant to –
  - (a) identify, quantify, control and manage the risk exposures of the participant;

- (b) make timely and informed business decisions;
  - (c) monitor the performance and all aspects of the business of the participant;
  - (d) monitor the capital of the participant to ensure compliance with the capital adequacy requirements imposed in terms of the rules of the applicable self-regulatory organisation.
- (5) A participant must be able to describe and demonstrate the objectives and operation of such systems, principles and procedures referred to in paragraphs (1) to (4) above to its auditor, the applicable self-regulatory organisation and the Registrar.

#### **Accounting records as it pertains to authorised user or participant that ceases business**

8. (1) An authorised user or participant that ceases business must maintain a record of funds or assets held in trust, which funds or assets must be transferred to a client or another person authorised to deal in or hold custody of securities, until such transfer has been fully effected.
- (2) An authorised user or participant that ceases business must -
- (a) notify the respective exchange or central securities depository of the intended or actual date of cessation of business;
  - (b) notify the clients for whom they hold assets or funds, in writing, of the intended or actual date of cessation of business, provide those clients with statements reflecting the assets and funds held on their behalf and indicate to which authorised user, participant or other person authorised to deal in or hold custody of securities their assets and funds will be delivered in the absence of an instruction from the client to the contrary; and
  - (c) deliver the client assets and funds in accordance with the information available or obtained in terms of paragraph (b) above.

#### **Commencement**

9. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.

**NOTICE 20 OF 2005****FINANCIAL SERVICES BOARD****REGISTRAR OF SECURITIES SERVICES****SECURITIES SERVICES ACT, 2004****CODE OF CONDUCT FOR AUTHORISED USERS**

I, Jeffrey van Rooyen, hereby determine under section 70 of the Securities Services Act, 2004 (Act No. 36 of 2004), the Code of Conduct, as set out in the Schedule, with which authorised users must comply.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE****CODE OF CONDUCT FOR AUTHORISED USERS****Definitions, construction and application**

1. (1) In this Code "**the Act**" means the Securities Services Act, 2004 (Act No. 36 of 2004), and a word or expression to which a meaning has been assigned in the Act bears that meaning, and, unless the context indicates otherwise -  
"**advertisement**", in relation to an authorised user, means any written, printed, electronic or oral communication, including a communication by means of a public radio service, television broadcast or any other media effected by an authorised user, which communication is directed to the general public, or any section thereof, or to any client, and is intended to call attention to, or to market or promote, the securities services offered by an authorised user, and which

does not purport to provide detailed information about such services; and  
“advertising” has a corresponding meaning;

“internal controls” means those internal controls established in order to provide reasonable assurance of -

- (a) the safeguarding of assets against unauthorised use or disposition; and
- (b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication;

“professional client”, in relation to an authorised user, means -

- (a) another authorised user;
- (b) a bank;
- (c) a long-term or short-term insurer registered as such under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) or the Short-term Insurance Act, 1998 (Act No. 53 of 1998), respectively;
- (d) a person outside the Republic who -
  - (i) as a regular feature of the person’s business, renders a service similar to a “securities service” as defined in section 1 of the Act or conducts the business of a bank or a business referred to in paragraph (c); and
  - (ii) is registered, licensed, recognised, approved or otherwise authorised to render the service or conduct the business referred to in paragraph (d)(i) by a foreign regulator with functions similar to those of the Registrar of Securities Services, the Registrar of Banks or the Registrar of Long-Term or Short-Term Insurance;
- (e) any person who is mandated to manage assets and who has confirmed to the satisfaction of the authorised user that the market value of the assets managed by the person will exceed R1 billion at all times during the rendering of securities services to the person;
- (f) any other person included in the definition of ‘client’ in section 1 of the Act, who has confirmed to the satisfaction of the authorised user that the person will have assets of which the net asset value will exceed R20 million at all times during the rendering of securities services to the person, but who is not -
  - (i) a natural person;
  - (ii) a pension fund organisation as defined in section 1 (1) of the Pension

- Funds Act, 1956 (Act No. 24 of 1956);
- (iii) a friendly society referred to in the Friendly Societies Act, 1956 (Act No. 25 of 1956);
  - (iv) a medical scheme as defined in section 1(1) of the Medical Schemes Act, 1998 (Act No.131 of 1998).
- (2) This Code is supplementary to the Act and exchange rules and must be construed in conjunction with the Act and such rules.
- (3) This Code is binding on authorised users, their officers and employees and clients. For the purposes of this Code a reference to an authorised user includes a reference to an officer and employee of an authorised user.

### **General duties of authorised users**

2. (1) An authorised user must –
- (a) at all times render securities services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the securities services industry;
  - (b) at all times exercise independent professional judgement;
  - (c) conduct him- or herself in such a manner and implement such actions to further the objects of the Act; and
  - (d) maintain knowledge of and comply with all applicable laws, rules and regulations governing his or her activities.
- (2) No authorised user may engage in any conduct likely to bring the securities services industry into disrepute.

### **Furnishing of advice**

3. (1) An authorised user must, before advising a client -
- (a) take reasonable steps to seek from the client information about the client's financial situation, investment experience, particular needs and objectives in connection with the securities service required, to enable the authorised user to provide the client with sound advice;

- (b) conduct an analysis, based on the information obtained, for the purpose of advising the client;
  - (c) identify the securities that will suit the client's risk profile and financial needs, subject to any contractual arrangement.
- (2) An authorised user must take reasonable steps to ensure that the client understands the advice and the risks involved and that the client is in a position to make an informed decision.

#### **Disclosure to clients**

4. (1) When an authorised user renders a securities service, representations made and information provided to a client by the authorised user -
- (a) must be factually correct;
  - (b) must be provided in plain language, avoid uncertainty or confusion and not be misleading;
  - (c) must be adequate and appropriate in the circumstances of the particular securities service, taking into account the factually established or reasonably assumed level of knowledge of the client;
  - (d) must be provided timeously so as to afford the client reasonably sufficient time to make an informed decision about the proposed transaction;
  - (e) may be provided orally and must, if the client so requests, be confirmed in writing within a reasonable time after such request;
  - (f) must, if provided in writing or by means of standard forms, be in a clear and readable print size, spacing and format;
  - (g) must, as regards all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein, be reflected in specific monetary terms: Provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation must be adequately described; and
  - (h) need not be duplicated or repeated to the same client unless material or significant changes affecting that client occur, or the relevant securities

service renders it necessary, in which case a disclosure of the changes to the client must be made without delay.

- (2) An authorised user –
- (a) must disclose full and accurate information about the fees and any other charges that may be levied on clients;
  - (b) must provide best advice taking into account the desires and circumstances of a particular client, and may not advise clients with the sole purpose of maximising the income of the authorised user;
  - (c) may not disclose any confidential information acquired or obtained from a client about such client, unless the written consent of the client has been obtained beforehand or disclosure of the information is required to further the objects of the Act or is required under any law;
  - (d) must act promptly on and in accordance with the instructions of a client, and exercise any discretion in a responsible manner;
  - (e) must advise a client in advance of any restrictions or limitations that may affect the access of that client to his or her funds or securities;
  - (f) must provide a general explanation of the nature and material terms and risks of a relevant transaction to a client, so as to enable the client to make an informed decision; and
  - (g) must disclose to the client the existence of any personal interest in the relevant service, or of any circumstance which gives rise to an actual or potential conflict of interest in relation to such service, and take all reasonable steps to ensure fair treatment of the client.

### **Record-keeping**

5. (1) An authorised user must maintain proper, complete, accurate and secure records.
- (2) (a) An authorised user must have appropriate procedures and systems in place to store and retrieve in a manner safe from destruction a record of all -



- (i) instructions relating to a securities service rendered to a client, including verbal instructions given by the client to the authorised user; and
  - (ii) documentation relating to the contractual arrangement between the authorised user and the client.
- (b) Records may be kept in electronic or voice recorded format.
- (c) Authorised users need not keep the records themselves but must be capable of making such records available for inspection within seven days.
- (d) A record referred to in 5(2)(a)(i) must be kept for a period of at least six months after the instruction has been given. A record referred to in 5(2)(a)(ii) must be kept for a period of at least five years after the contractual relationship has been terminated.

### **Inducements**

6. (1) An authorised user must take reasonable steps to ensure that it and any person acting on its behalf does not offer, give, solicit or accept any incentive, remuneration, consideration, commission, fee or brokerage ("valuable consideration") as an inducement if it is likely to conflict with any duty that the authorised user owes to its clients in respect of securities services provided to those clients or any duty that the recipient of the inducement owes to its clients.
- (2) Without limiting the generality of 6(1), any valuable consideration offered, given, solicited or accepted as an inducement by an authorised user or any person acting on its behalf, in terms of an agreement with a third party or a client which relates to the provision of securities services by the authorised user to one or more clients, and which does not directly relate to, and assist in the provision of, such services to such clients or does not otherwise directly benefit the clients of the recipient of such valuable consideration, shall constitute an inducement prohibited in terms of 6(1).
- (3) An authorised user who, in terms of an agreement with a third party, directly or indirectly accepts any valuable consideration as an inducement in respect of a securities service rendered to a client, or for which the authorised user

may become eligible, must disclose to the client in writing before the rendering of such service, the existence of the agreement, the nature, extent, value and frequency of receipt of such valuable consideration to the extent that such information is known prior to the rendering of the service, and the identity of the other person providing or offering the valuable consideration.

### **Advertisements**

**7. (1) Advertising material of an authorised user -**

- (a) must provide accurate, complete and unambiguous information about any security or security service;
- (b) must emphasise the risk of loss and uncertainty of future results;
- (c) must discern fact from opinion; and
- (d) may not be comparative in relation to another authorised user.

**(2) An advertisement by an authorised user -**

- (a) may not contain any statement, promise or forecast which is fraudulent, untrue or misleading;
- (b) must, if it contains -
  - (i) performance data (including awards and rankings), include references to their source and date;
  - (ii) illustrations, forecasts or hypothetical data -
    - (aa) contain support in the form of clearly stated basic assumptions (including, but not limited to, any relevant assumptions in respect of performance, returns, costs and charges) with a reasonable prospect of being met under current circumstances;
    - (bb) make it clear that they are not guaranteed and are provided for illustrative purposes only; and
    - (cc) also contain, where returns or benefits are dependent on the performance of underlying assets or other variable market factors, clear indications of such dependence;
  - (iii) a warning statement about risks involved in buying or selling a security, prominently render or display such statement; and

- (iv) information about past performances, also contain a warning that past performances are not necessarily indicative of future performances; and
- (c) must, if the investment value of a financial product mentioned in the advertisement is not guaranteed, contain a warning that no guarantees are provided.

### **Safekeeping and separation of funds and assets**

- 8. (1) An authorised user must provide for -
  - (a) the necessary resources and functionality to ensure that clients are able to contact the authorised user easily and timely;
  - (b) the separation and identification of the assets of a client and the assets of the authorised user; and
  - (c) the proper accounting for the assets of each client.
- (2) An authorised user may not utilise the assets of clients to finance its business activities.

### **Client statements**

- 9. (1) An authorised user must provide to a client a written statement which complies with this Code of Conduct.
- (2) Statements shall be provided to clients –
  - (a) at regular intervals which may not exceed three months, unless the client consents in writing not to receive the statements because they are able to access the information made available by the authorised user through electronic means, such as the internet, on a continuous basis; or
  - (b) at such intervals of less than three months as the client requests, although the authorised user shall not be obliged to provide statements more frequently than monthly; or
  - (c) monthly if the client's portfolio as managed by the authorised user includes any open positions in listed derivative instruments; or
  - (d) at such intervals as may be agreed between the authorised user and a

professional client.

- (3) A client statement must contain such information as is reasonably necessary to enable the client to –
- (a) produce a set of financial statements;
  - (b) determine the composition of the securities comprising the portfolio held by the authorised user or for which the authorised user is accountable to the client and the changes thereto over the reporting period, if applicable; and
  - (c) determine the market value of the securities comprising the portfolio held by the authorised user or for which the authorised user is accountable to the client and the changes therein over the reporting period, if applicable.
- (4) To provide the client with the information necessary for them to review the operation of their account and make appropriate investment decisions, a client statement must contain at least the following information:
- (a) the quantity, description and market value of each investment comprising the portfolio held by the authorised user or for which the authorised user is accountable to the client, at the reporting date;
  - (b) the amount of funds held by the authorised user or which has been invested by the authorised user on behalf of the client and for which the authorised user is accountable to the client, at the reporting date;
  - (c) if any of the securities are reflected in a foreign currency, the relevant currency exchange rate at the reporting date must be reflected;
  - (d) securities purchased or sold during the reporting period;
  - (e) receipts and payments of funds during the reporting period;
  - (f) details of income earned and expenditure incurred during the reporting period;
  - (g) non-cash transactions during the reporting period, including non-cash components of corporate actions and option expiries;
  - (h) securities transferred into and out of the portfolio during the reporting period;

- (i) identification of those securities which at the reporting date were loaned to any third party but for which the authorised user is still accountable to the client;
  - (j) the quantity, description and market value of any securities, or the amount of funds, held as collateral by the authorised user on behalf of the client in respect of any loans made by the client;
  - (k) identification of those securities or funds which at the reporting date were utilised to secure loans to the client or borrowings made on behalf of the client;
  - (l) identification of those securities or funds which at the reporting date were utilised as margin in respect of open positions in any financial product;
  - (m) in respect of investments in listed derivative instruments, a description of the underlying financial product, index, commodity or thing, the expiry month and in the case of options, the exercise or strike price; and
  - (n) if the statement reflects any securities or funds which are not held by the authorised user and for which the authorised user is not accountable to the client, it should clearly indicate that fact in relation to such securities or funds.
- (5) The information referred to in subparagraph (4) may be provided to the client in separate statements either during the reporting period or as at the reporting date.
- (6) A client statement shall be provided either to the client or to an agent or third party nominated by the client in writing.

#### **Internal control and risk management**

10. (1) An authorised user shall employ the resources, procedures and technological systems necessary for the effective conduct of its business.
- (2) The system of internal control employed by the authorised user shall be designed to ensure that –
- (a) the relevant business can be carried on in an orderly and efficient manner;

- (b) financial and other information used or provided by the authorised user is reliable;
  - (c) all transactions and financial commitments entered into are recorded and are within the scope of authority of the authorised user or the officer or employee acting on behalf of the authorised user;
  - (d) there are procedures to safeguard the assets of the authorised user and assets belonging to any other person for which the authorised user is accountable, and to control liabilities; and
  - (e) there are measures, so far as is reasonably practicable, to minimize the risk of loss to the authorised user or the clients of the authorised user from any irregularity, fraud or error and to detect any irregularity, fraud or error should they occur so that prompt remedial action may be taken by the authorised user or the management of the authorised user.
- (3) An authorised user shall as far as is reasonable adopt sound risk management principles and procedures.
- (4) The principles and procedures of risk management shall be designed to ensure that the records of the authorised user are maintained in such a manner as to promptly disclose financial and business information that will enable the authorised user or the management of the authorised user to –
- (a) identify, quantify, control and manage the risk exposures of the authorised user;
  - (b) make timely and informed business decisions;
  - (c) monitor the performance and all aspects of the business of the authorised user;
  - (d) monitor the capital of the authorised user to ensure compliance with the capital adequacy requirements imposed in terms of the rules of the applicable self-regulatory organisation.
- (5) An authorised user must be able to describe and demonstrate the objectives and operation of such systems, principles and procedures referred to in paragraphs (1) to (4) above to its auditor, the applicable self-regulatory organisation and the Registrar.

**Guarantees and insurance cover**

11. An authorised user must, if, and to the extent required by the exchange, maintain appropriate guarantees or professional indemnity or fidelity insurance cover to mitigate the risks inherent in his or her business and to which clients are exposed.

**Waiver of rights**

12. An authorised user may not request or induce in any manner a client to waive any right or benefit conferred on the client by or in terms of this Code, or recognise, accept or act on any such waiver by the client, and any such waiver is void.

**Exemption**

13. An authorised user is exempted from complying with the requirements of paragraphs 3, 4(2)(b) and 4(2)(f) of this Code when dealing with a professional client.

**Commencement**

14. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.

**NOTICE 21 OF 2005****FINANCIAL SERVICES BOARD****REGISTRAR OF SECURITIES SERVICES****SECURITIES SERVICES ACT, 2004****CONDITIONS APPLICABLE TO THE DEMUTUALISATION OF SELF-REGULATORY ORGANISATIONS**

I, Jeffrey van Rooyen, hereby prescribe under section 53(1) of the Securities Services Act, 2004 (Act No. 36 of 2004), the Conditions, as set out in the Schedule, with which self-regulatory organisations applying for approval to demutualise, must comply.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE****Definition**

1. In these Conditions "**the Act**" means the Securities Services Act, 2004 (Act No. 36 of 2004), and any word or expression to which a meaning has been assigned in the Act, bears the meaning so assigned to it.

**Purpose of conditions**

2. The information sought in terms of these conditions is required to enable the Registrar of Securities Services to assess an application by a self-regulatory



organisation for approval to demutualise and to satisfy him- or herself that the self-regulatory organisation, once demutualised, will still meet the requirements and serve the objects of the Act.

#### **Application for approval**

3. A self-regulatory organisation that applies to the Registrar for approval to convert to a company must –
  - (a) submit to the Registrar a written application on form SS 3; and
  - (b) furnish the information specified in the Annexure to Form SS 3.

#### **Address**

4. Applications must be submitted to:

The Registrar of Securities Services  
P O Box 35655  
Menlo Park  
0102

#### **Commencement**

5. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.

**FORM SS 3**

**SECURITIES SERVICES ACT, 2004 (ACT NO. 36 OF 2004)**

**Application under section 53(1) of the Securities Services Act, 2004 (Act No. 36 of 2004), for the approval of the demutualisation of a self-regulatory organisation**

The Registrar of Securities Services

1. I ..... the chief executive officer of the.....(hereunder referred to as the applicant), being specifically authorised thereto by the controlling body of the applicant, apply on behalf of the applicant, for approval of the demutualisation of the applicant.
2. The prescribed application fee of ..... is enclosed.
3. The name of the demutualised entity will be .....

Signed at ..... on this ..... day of ..... 20.....

.....  
Chief Executive Officer

Witnesses:

- 1.....
- 2.....

**ANNEXURE TO FORM SS 3**

The following information must accompany an application for the approval of the demutualisation of a self-regulatory organisation:

1. A statement by the chief executive officer of the self-regulatory organisation confirming that not less than 75% of the votes cast by the owners of such organisation, present and voting either in person or by proxy at a meeting of such owners, is in favour of the proposed demutualisation.
2. The following administrative information:
  - (a) A copy of the proposed memorandum and articles of association of the company to be formed;
  - (b) the postal, physical and electronic mail addresses at which the applicant will receive all documents for the purpose of this application;
  - (c) the telephone and facsimile numbers of the applicant and the chief executive officer;
  - (d) a list which reflects the full names, addresses and telephone numbers of the shareholders exercising control, as contemplated in section 57 of the Act, over the company to be formed;
  - (e) a list which reflects the full names of the intended members of the controlling body of the company to be formed;
  - (f) a list which reflects the names, physical and postal addresses, telephone and facsimile numbers of -
    - (i) the bank;
    - (j) the auditor; and
    - (iii) the attorney,  
of the company to be formed.
3. A statement explaining -
  - (a) the reasons for the proposed demutualisation;
  - (b) the corporate governance principles that will be implemented; and
  - (c) whether or not it is intended to list the securities of the demutualised entity.

4. With regard to adequacy of management and human resources, an explanation of any expected changes to the -
  - (a) senior management structure; and
  - (b) senior management and staff requirements for the period of the budgets referred to in paragraph 11, along with details;
5. A copy of the proposed amendments, which are related to the proposed demutualisation, of the -
  - (a) rules of the applicant; and
  - (b) listing requirements of the applicant, where applicable.
6. Details of any change as a result of the proposed demutualisation in -
  - (a) the specified services that the applicant may provide in terms of its existing licence;
  - (b) any unregulated business carried on by the applicant; and
  - (c) any marginal business which may no longer be viable.
7. Details of the anticipated changes to the facilities which the applicant operates, including details of any expected changes to the trading platform, clearing and settlement services and custody and administration services supplied by the applicant.
8. Details of the persons who have or will provide corporate finance advice or similar services and the methodology relating to the valuation of the demutualised entity, including the proposed allocation of shares amongst the applicant's authorised users or participants, as the case may be.
9. Details of the expected changes to -
  - (a) information technology systems and arrangements for their supply, management, maintenance, upgrading and security;
  - (b) business continuity and disaster recovery plans in the event of disruption of the regulated business of the company to be formed;
  - (c) internal control systems, risk management, insurance cover and compensation funds in respect of the regulated business of the self-regulatory organisation; and
  - (d) the process or system for the disclosure and efficient dissemination of price sensitive information.
10. In respect of the adequacy of financial resources -

- (a) the applicant must supply -
    - (i) a copy of its audited annual financial statements as at its latest financial year-end if it has been in existence for more than a year;
    - (ii) a copy of the projected income statement, balance sheet and cash flow statement for a three year period from the date of the latest annual financial statements;
    - (iii) a schedule illustrating the funding provisions for anticipated supervisory responsibilities over the budgetary period; and
    - (iv) a statement signed by the prospective chief executive officer of the company to be formed specifying the critical assumptions made in the preparation of budgets presented in terms of this application, in particular, the sources from which the company to be formed will derive its funding;
  - (b) if arrangements have been made for the funding of any expected shortfall in available cash resources, the applicant must provide a statement by the chief executive officer of the company to be formed setting out the expected means of remedying the expected shortfall.
11. The applicant must supply any other information, which the Registrar may reasonably require, to assess this application properly.

**NOTICE 22 OF 2005****FINANCIAL SERVICES BOARD****REGISTRAR OF SECURITIES SERVICES****SECURITIES SERVICES ACT, 2004****REPORTING OF TRANSACTIONS IN LISTED SECURITIES**

Under section 21(2) of the Securities Services Act, 2004 (Act No. 36 of 2004) I, Jeffrey van Rooyen, hereby prescribe in the Schedule the requirements for the reporting of transactions in listed securities concluded outside of an exchange.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE****Information required**

1. A financial institution that concludes a transaction outside of an exchange in listed securities resulting in a change of beneficial ownership of those securities, must submit in respect of such transaction to the Registrar of Securities Services the information required in terms of Form A.

**Manner in and time within which reports must be rendered**

2. A financial institution must send, within one business day after a transaction referred to in paragraph 1 has been concluded, Form A, duly completed, dated and signed by the Chief Executive Officer of the financial institution or

his or her delegated officer, to the Registrar of Securities Services at one of the following addresses:

Facsimile: (012) 347-1379

E-mail: report@fsb.co.za

### Commencement

3. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.

### FORM A

#### Reporting of transactions in terms of section 21(2) of the Securities Services Act, 2004, in listed securities concluded outside of an exchange

Reporting financial institution			
Counterparty			
From reporting party perspective	Buy	<input type="checkbox"/>	
	Sell	<input type="checkbox"/>	
<b>Detail of reporting financial institution:</b>			
Name and title of dealer			
Business address			
Telephone number			
Facsimile number			
Electronic mail address			
<b>Detail of listed security traded:</b>			
Name of the listed security traded			

The security code	
Name of the exchange on which the security is listed	
The price at which the transaction was effected	
The quantity traded	
Date of transaction	
Time of transaction	

Signed: .....

Capacity: .....

Date: .....



**NOTICE 23 OF 2005**  
**FINANCIAL SERVICES BOARD**  
**REGISTRAR OF SECURITIES SERVICES**  
**SECURITIES SERVICES ACT, 2004**

**CONDITIONS APPLICABLE TO THE GRANTING AND RENEWAL OF AN  
EXCHANGE, CENTRAL SECURITIES DEPOSITORY OR CLEARING HOUSE  
LICENCE**

I, Jeffrey van Rooyen, hereby prescribe under sections 8(3)(a), 8(3)(c)(iv), 9(3), 30(2)(a), 30(2)(c)(iii), 31(2), 49(2)(a), 64(2)(a), 65(1)(b) and 67 of the Securities Services Act, 2004 (Act No. 36 of 2004), the conditions, as set out in the Schedule, applicable to the granting and renewal of an exchange, central securities depository or clearing house licence.

**J VAN ROOYEN**

**Registrar of Securities Services**

**SCHEDULE**

**Definition**

1. In these Conditions "**the Act**" means the Securities Services Act, 2004 (Act No. 36 of 2004), and any word or expression to which a meaning has been assigned in the Act, bears the meaning so assigned to it.

**Application for and renewal of licence**

2. An application for a licence or for the renewal of a licence in terms of the Act must comply with the following conditions:

- (a) A person who applies for an exchange, central securities depository or clearing house licence must submit to the Registrar a written application on Form SS 1 accompanied by –
- (i) the information specified in Annexure 1 to Form SS 1; and
  - (ii) the information required in respect of members of the controlling body of the applicant specified in Annexure 2 to Form SS 1.
- (b) A person who applies for the renewal of an exchange, central securities depository or clearing house licence must submit to the Registrar a written application on Form SS 2 accompanied by the information specified in Annexure 1 to Form SS 2;

### **Address**

3. Applications must be submitted to:

The Registrar of Securities Services  
P O Box 35655  
Menlo Park  
0102

### **Commencement**

4. This Notice comes into operation on the same date on which the Securities Services Act, 2004, comes into operation.

## **FORM SS 1**

### **SECURITIES SERVICES ACT, 2004 (ACT NO. 36 OF 2004)**

**Application under section 8(3), 30(2) and 64(2) of the Act for an exchange, central securities depository or clearing house licence, respectively.**

The Registrar of Securities Services

1. I ....., the chief executive officer of the .....(hereunder referred to as the applicant), being specifically authorised thereto by the controlling body of the applicant, apply on behalf of the applicant for the issue of a/an (tick appropriate block) -

exchange licence under section 8(1) of the Act;

central securities depository licence under section 30(1) of the Act;  
or

clearing house licence under section 64(1) of the Act

for the period ending 31 December 20 .....

2. The prescribed application fee of.....is enclosed.

3. The place at which the business of the applicant will be carried on is.....

Signed at ..... on this .....day of .....  
20.....

.....

Chief Executive Officer

Witnesses:

1.....

2.....

**ANNEXURE 1 TO FORM SS 1**

**Information which, if applicable to the applicant in question, must be contained in an application for an exchange, central securities depository or clearing house licence**

1. The following administrative information:
  - (a) The postal, physical and electronic mail addresses of the applicant's registered address or head office at which it will receive all documents for the purpose of this application.
  - (b) The telephone and facsimile numbers of the applicant and the chief executive officer.
  - (c) A list which reflects the full names, addresses and telephone numbers of persons, if any, who alone or with associates will exercise control over the applicant in terms of section 57(2) of the Act.
  - (d) A list which reflects the full names of the members of the controlling body of the applicant, and a statement signed by each member to the effect that he or she knows of no reason why he or she should not serve his or her term of office as a member of the controlling body.
  - (e) A list which reflects the names, physical and postal addresses, telephone and facsimile numbers of –
    - (i) the bank;
    - (ii) the auditor; and
    - (iii) the attorney,  
of the applicant.
2. A copy of the founding documents of the applicant which regulates at least the following:
  - (a) The structure of the applicant;
  - (b) the objects of the applicant;
  - (c) the powers of the applicant;
  - (d) the composition and functions of the controlling body;
  - (e) the procedures for election or appointment of members of the controlling body, their terms of office, and when membership may be terminated;
  - (f) the procedures for the calling of meetings of people who hold ownership interests in the applicant;

- (g) the voting powers of people who hold ownership interests in the applicant;
  - (h) the appointment of auditors; and
  - (i) the procedures for the dissolution of the applicant.
3. Adequacy of financial resources
- (a) If the applicant has been in existence for more than a year, a copy of its audited annual financial statements as at its latest financial year-end.
  - (b) A copy of the projected income statement, balance sheet and cash flow statement for a three year period from the date of the latest financial statements.
  - (c) A schedule illustrating the funding provisions for anticipated supervisory responsibilities over the budgetary period.
  - (d) A statement signed by the chief executive officer of the applicant specifying the critical assumptions made in the preparation of budgets and the sources from which the applicant will derive its funding.
  - (e) Where arrangements have been made for the funding of any temporary shortfall in available cash resources, a statement must be provided by the party or parties concerned setting out the extent and terms of their commitment.
4. Adequacy of management and human resources
- (a) An explanation of the management structure of the applicant including the names of the individuals responsible for the major functional areas and the number of personnel employed in each functional area.
  - (b) A curriculum vitae in respect of each member of the management of the applicant who is responsible for a major functional area, which indicates his or her relevant experience and training.
  - (c) A projection of management and staff requirements for the period covered by the budgets referred to in paragraph 3(b).
  - (d) A statement by the chief executive officer of the applicant confirming that –
    - (i) all authorised users or participants of the applicant have been evaluated and, on the information available, found to be of good character and integrity; and
    - (ii) on the information available, all authorised users or participants comply with the minimum capital adequacy requirements determined by the applicant in its rules.
5. The business plan of the applicant, which has been approved by the controlling

body and which deals at least with the following matters:

- (a) The planned development of the information technology systems and infrastructure of the applicant and arrangements for their supply, management, maintenance, upgrading and security;
  - (b) The planned approach to qualifying, quantifying and managing risk within the applicant;
  - (c) plans to ensure the integrity of the market and its authorised users or participants;
  - (d) the surveillance procedures, which have been established to ensure the compliance by authorised users or participants with the proposed rules of the self-regulatory organisation and the requirements of the Act and the resources of the applicant available to perform this function;
  - (e) procedures to be followed to effectively discipline authorised users or participants of the applicant who fail to comply with the rules of the self-regulatory organisation or the requirements of the Act;
  - (f) security procedures to ensure the integrity of the systems for recording transactions and the maintenance of records, the capacity of these systems in relation to the budgeted number of transactions and the back-up resources available in the event of a systems failure;
  - (g) reports and publications to be made available to the investing public, with the inclusion of price sensitive information, and the manner in which such information will be disseminated;
  - (h) the clearing and settlement of transactions effected through the applicant and the management of trade and settlement risk;
  - (i) the corporate governance principles that will be implemented;
  - (j) details of the persons who have or will provide corporate finance advice or similar services to the applicant, if applicable;
  - (k) whether any unregulated business will be carried on by the applicant; and
  - (l) whether or not it is intended to list the securities of the applicant.
6. Details of compensation funds of self-regulatory organisations
- (a) Details of insurance or other warranty, such as a compensation or guarantee fund, to provide compensation to clients of authorised users or participants of the self-regulatory organisations.
  - (b) In respect of compensation funds, a copy of the pro forma policy document,

the manner of funding, and the rules of the fund (where applicable).

7. A report from the auditor of the applicant to the effect that adequate systems and procedures are in operation relating to risk reduction, particularly by means of processing, physical, logical security, backup and contingency controls.
8. The applicant must supply any other information, which the Registrar may reasonably require.

**Additional information, which must be contained in an application for an exchange licence**

1. A copy of the proposed rules of the applicant, approved by the controlling body of the applicant.
2. A copy of the proposed listing requirements of the applicant, approved by the controlling body of the applicant.
3. The name of a licensed clearing house or clearing house to be licensed appointed by the exchange to provide clearing house services to the exchange.
4. Details pertaining to the settlement and custody and administration services to be provided to the exchange.
5. Details pertaining to the trading method or facility by means of which the business of the exchange will be carried on.
6. The range of securities proposed to be listed on the exchange.
7. The range of investors, both local and foreign, expected to invest through the exchange.
8. The benefits to such investors of investing through the exchange.
9. The extent and manner of publication of prices of listed securities.

**Additional information, which must be contained in an application for a central securities depository licence**

1. A copy of the proposed rules of the applicant, approved by the controlling body of the applicant.
2. Details pertaining to the method or facility by means of which the business of the central securities depository will be carried on.
3. An auditor's report confirming that the applicant has adequate systems, procedures and policies in place to protect the information, data, records and

documents relating to securities accounts and the affairs of clients against any unauthorised access, alteration, destruction or dissemination.

4. An auditor's report confirming that the applicant has appropriate information technology in place to effectively handle electronic trading, lending and communication including -
  - (a) a secure electronic messaging system;
  - (b) interface specifications;
  - (c) formally completed documentation, including a business continuity plan, a disaster recovery plan, as well as the necessary service level agreements with third parties before the central securities depository related operations commence;
  - (d) adequate disaster recovery hardware and related facilities located off-site.
5. The range and type of custodial services proposed.
6. The benefits to investors of using the custodial services of the central securities depository.
7. The frequency and format of custodial balance statements to participants.

**Additional information, which must be contained in an application for a clearing house licence**

Particulars of the applicant's proposed appointment by an exchange, which shall include at least the following:

1. Name of the exchange.
2. Letter of proposed engagement by an exchange.

**ANNEXURE 2 TO FORM SS 1**

**Information required in respect of members of controlling body of exchange or central securities depository**

An application for a licence must be accompanied by the following information in respect of members of the controlling body of the applicant:



1. A curriculum vitae in respect of each member of the controlling body indicating the nature and extent of the member's qualifications and experience in the business operated by the applicant and the names of three referees;
2. whether the member has ever been convicted or found guilty of a criminal or disciplinary offence resulting from dishonesty, fraud, embezzlement or a breach of the rules of any professional organisation, including a regulated person;
3. whether the member has ever been involved in an entity that was placed under judicial management or in liquidation;
4. whether the estate of a member has ever been sequestrated, and the date of rehabilitation, if any;
5. whether the member has ever been barred from entry into any profession or occupation;
6. in respect of (2) to (5) above, an indication if proceedings are pending; and
7. full details of any fact which may have an impact on the evaluation by the Registrar of the good character and integrity of a member of the controlling body.

## FORM SS 2

### SECURITIES SERVICES ACT, 2004 (ACT NO. 36 OF 2004)

#### Application for renewal of licence

The Registrar of Securities Services

1. I....., the chief executive officer of the applicant known as the ..... being specifically authorised thereto by the controlling body of the applicant, apply on behalf of the applicant under section 49(1)/67 of the Act for the renewal of a/an (tick appropriate block) -

exchange licence;

central securities depository licence; or

clearing house licence

for the period ending 31 December 20.....

2. The prescribed application fee of ..... is enclosed.

Signed at ..... on this ..... day of .....20....

.....

Chief Executive Officer

Witnesses:

1.....

2.....

**ANNEXURE 1 TO FORM SS 2**

**Information which must be contained in an application for the renewal of an exchange, central securities depository or clearing house licence.**

1. A copy of the latest audited annual financial statements of the applicant.
2. A copy of the latest annual budget of the applicant approved by the controlling body.
3. A copy of the latest strategic planning document, which has been approved by the controlling body, dealing with financial resource adequacy, human resource adequacy, business continuity planning, disaster recovery, and any other matter

- 
- considered to be of strategic importance to the controlling body of the applicant.
4. A management discussion and analysis report, signed by the chief executive officer, addressing the material changes that have occurred in the information previously submitted in terms of SS1 (or SS2 for previous licence renewals) as pertaining to the previous licence period.
  5. A management discussion and analysis report, signed by the chief executive officer, addressing the progress made in complying with any conditions laid down by the registrar in respect of the previous licence which has been granted or renewed.
  6. A statement, signed by the chief executive officer, confirming that during the year preceding the date of the application for renewal –
    - (a) the rules of the applicant were properly enforced and if some rules were not enforced, the reasons therefor must be given;
    - (b) the applicant at all times complied with the Act as well as the applicable conditions;
    - (c) the applicant complied with all directions, requests, conditions or requirements of the registrar; and
    - (d) the applicant has given effect to all decisions of the board of appeal, if any.
-

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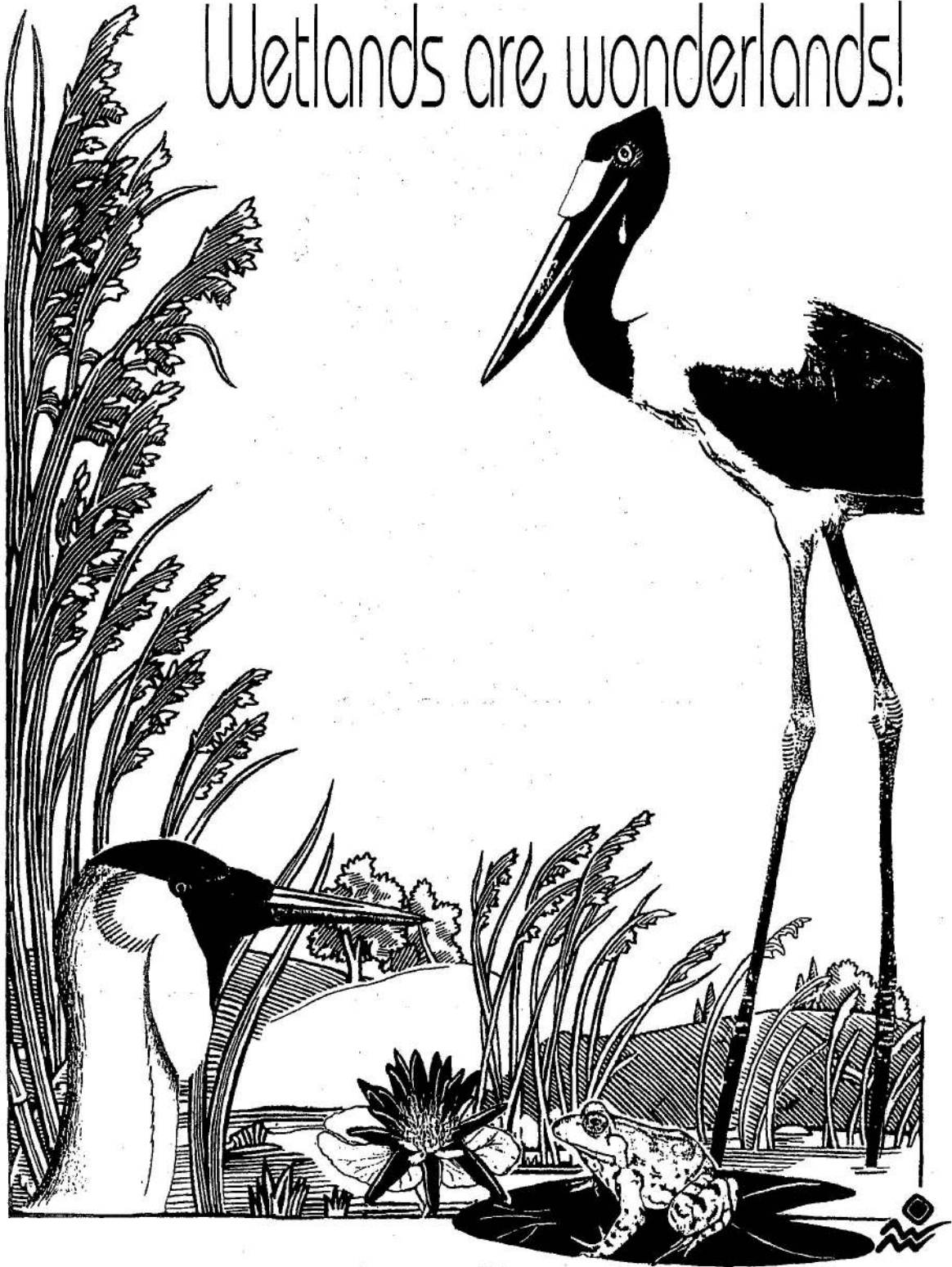
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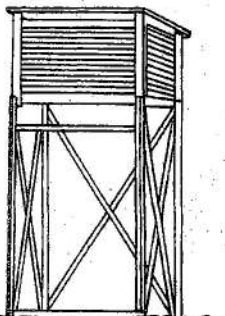
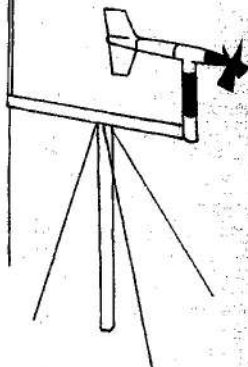
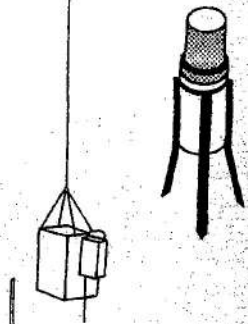
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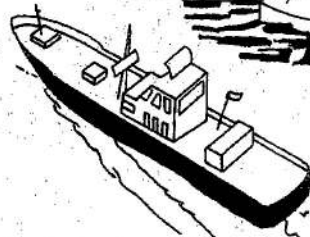
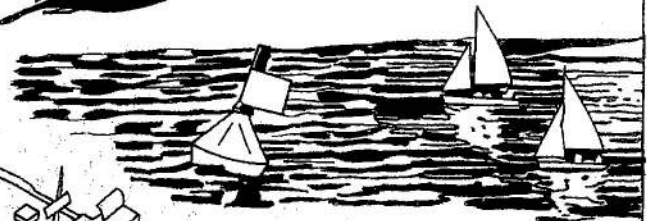
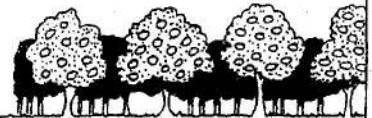
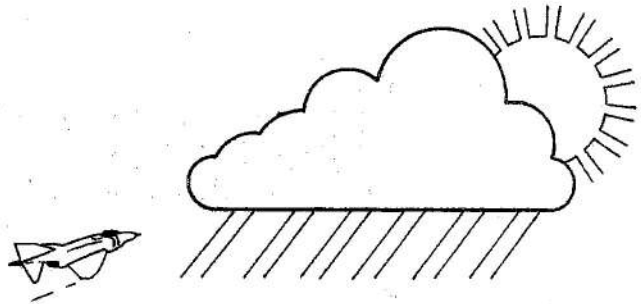


Department of Environmental Affairs and Tourism

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