



South African Reserve Bank
Legal Services Department

2012-07-31

Dear Shareholder

South African Reserve Bank Shares (“SARB Shares”): Over-the-Counter Share Transfer Facility (“OTCSTF”) Rules (“OTCSTF Rules” or “Rules”) – Changes to the current OTCSTF Rules to accommodate the South African Reserve Bank Amendment Act, 2010 (Act no 4 of 2010) (“the Act”) and the Regulations framed thereunder (“the Regulations”)

1. As you may be aware, the Bank faced certain challenges in the past which could have adversely affected the sound functioning of the Bank and could have had a negative impact on the national interest of the Republic of South Africa. In an endeavour to address such challenges, it was regarded of the utmost importance that certain of the provisions of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989 “Act”) be amended and that new Regulations in terms thereof be drafted and adopted. Consequently certain of the provisions of the Act were amended by means of the South African Reserve Bank Amendment Act, 2010 (Act No. 4 of 2010 – “Amendment Act”). At the same time new Regulations (which repealed and replaced the earlier Regulations made in 1989) were drafted, which Regulations (“2010 Regulations”) together with the Amendment Act came into operation in September 2010.

2. Resulting from the above-mentioned amendments to the Act and the repeal of the old Regulations it was necessary to review the existing OTCSTF Rules to accommodate certain provisions catered for in the Amendment Act and 2010 Regulations which, *inter alia*, deals with matters such as the register of shareholders, disclosure of associates, rectification of the register, transfer of shares and share certificates.
3. In view of the above, I advise that the Board of directors of the Bank, approved a set of amended rules (“amended Rules” or “OTCSTF Rules”) relating to the live trading facility at its meeting held on 14 June 2012, for implementation on 1 August 2012.
4. Owing to the low volume of shares traded (an average of approximately three transactions per month), the amended rules do not constitute major changes to the current set of rules. However, for information purposes, it is regarded as important to highlight the following changes to the present set of rules which will also have an impact on the present OTCSTF procedures.
 - 4.1 The interpretations of a “Buy Form” and a “Buy Offer” – provision has been made for a prospective buyer of SARB Shares to deliver his/her Buy Offer to the Bank by hand (Interpretation numbers 1.3.2.5 and 1.3.2.8 of the amended Rules).
 - 4.2 Interpretation numbers 1.2.2.1, 1.2.2.11, 1.2.2.12, 1.2.2.13, 1.2.2.17 and 1.2.2.18 of the current Rules respectively addressing “Authorised Dealer”, “Common Monetary Area”, “Emigrant”, “Exchange Control Regulations”, “Meeting of Shareholders” and “Non-Resident”, have been omitted from the amended OTCSTF Rules as the Rules addressing these aspects no longer apply.
 - 4.3 The definition of “Initial Receipt” was included as Interpretation number 1.3.2.12 in the amended Rules.
 - 4.4 “Offer Period” – the period for which an offer remains valid, is reduced from six months to three calendar months (Interpretation number 1.2.2.21 of the current Rules and number 1.3.2.17 of the amended Rules).

- 4.5 The interpretation of “Receipt Sequence” (Interpretation number 1.2.2.25 of the current Rules and number 1.3.2.21 of the amended Rules) have been amended to explain the meaning of the receipt sequence concept in a more meaningful manner.
- 4.6 As per paragraph 4.1 above, provision is made in the interpretation of a “Sell Form” and “Sell Offer” to include hand delivery of these forms to the Bank. (Interpretation numbers 1.3.2.30 and 1.3.2.32 of the amended Rules).
- 4.7 The interpretation of “Statutory Information” has been amended to detail the exact information required by the Transfer Manager in terms of the Amendment Act. (Interpretation number 1.3.2.37 of the amended Rules).
- 4.8 The definitions for “Transferee” and “Transferor” were included as Interpretation numbers 1.3.2.39 and 1.3.2.40 respectively in the amended Rules.
- 4.9 The definition for “Validation” was included as Interpretation number 1.3.2.44 in the amended Rules.
- 4.10 The explanation of the requirements relating to transactions outside of the OTCSTF as contemplated under the heading “Introduction” have been re-worded (Item 2 of the amended Rules).
- 4.11 Provision is made in Rule 3.2.2 of the amended Rules for Sellers to submit only one Sell Form in respect of each offer to sell which will be matched in Receipt Sequence unless withdrawn by the Seller in writing.
- 4.12 Rule number 3.2.5 in the amended Rules was included to provide for the acknowledgement in writing of receipt of a successful Validated Sell Offer.
- 4.13 Rule numbers 3.3.1 to 3.3.2 have been re-worded to address the information required by the Bank on the Buy Form.
- 4.14 Rule number 3.3.5 in the amended Rules was included to provide for the acknowledgment in writing of the receipt of a successful Validated Buy Offer.

- 4.15 Rule numbers 4.1.1 to 4.1.1.3 have been included under the heading styled “Allocation” addressing the basis of allocation of offers during the matching process while minor cosmetic amendments were made to Rule numbers 4.1.2 to 4.1.6.3.
- 4.16 Rule number 4.1.5 was re-worded to the extend that a Buy Offer received “quoted at a higher price as well as a Sell Offer quoted at a lower price, the Matching and therefor the Sale will take place at the lower price” and not the higher price as contemplated in the current Rules.
- 4.17 The paragraph referring to the Transfer Manager being entitled to advise any Seller whose shares were not successfully matched, of the lower price offer and similarly advising a potential Buyer of the availability of shares at a higher price than offered (Rule number 4.1.7 of the current Rules) has been omitted. Such entitlement could be interpreted as a possible risk of insider trading.
- 4.18 Rule numbers 4.5.5 and 4.5.6 of the current Rules under the heading styled “Miscellaneous”, dealing with “the minimum price” definition and the discretion of the Transfer Manager to match all or part of the shares specified in the Sell Form respectively, have been omitted as the contents of these paragraphs may cause confusion.
- 4.19 Certain paragraphs under the heading “Restrictions” (Rule numbers 4.6 to 4.6.4 of the current Rules) have been omitted. The contents of these paragraphs addressed matters such as the requirements of the Act and Regulations, maximum holding of shares and the restriction on shares to be held or transferred to a nominee. These matters were regarded as being superfluous since they are already addressed in the Act or the 2010 Regulations or elsewhere in the Rules.
- 4.20 However, the entire Rule number 6.4 of the current Rules have been re-worded and replaced with a new Rule number 4.6 of the amended Rules styled “Powers of Restitution” to ensure compliance with the provisions of the SARB Act, the Regulations and the Rules.

- 4.21 Rule numbers 5.1.1 to 5.1.3 of the current Rules which appear under the heading “Settlement” and address the documentation required at “Settlement Date”, have also been omitted as these administrative requirements are dealt with in the 2010 Regulations.
- 4.22 The entire section dealing with voting rights of shareholders (Rule number 6.3 of the current Rules), has been omitted from the Rules as it is adequately addressed in Section 23 of the Act as well as in the 2010 Regulations.
- 4.23 Provision has been made in Rule number 11.3 of the proposed Rules under the heading “Brokerage, Administration and Costs” that prospective shareholders would be liable for the payment of the new Securities Transfer Tax implemented.
- 4.24 The quotation of Regulation 8 of the previous Regulations in Rule number 13 of the current Rules dealing with worn-out or eligible and lost share certificates has been omitted as this matter relative to lost share certificates is addressed in the 2010 Regulations.
- 4.25 As referred to in paragraph 5.1 above, the entire section dealing with Exchange Control Regulations (Rule number 21 in the current Rules) has been omitted.
- 4.26 With the exception of the section dealing with “Exchange Control Regulations” which was omitted in its entirety, the rest of the document remained as is with only a few minor cosmetic changes.
- 4.27 While minor changes were effected to the Sell Form, the Buy Form, *inter alia*, required more drastic changes to facilitate the amendments to the Act, 2010 Regulations and the Rules which amendments are detailed below.
- 4.27.1 The criteria recorded in paragraphs 6.1 to 6.3 in Section A of the current Buy Form, applied by the Transfer Manager to accept or reject any Buy Form, have been omitted. The Transfer Manager is granted a discretion to exercise his or her discretion to accept or reject any Buy Form, in whole or in part.

- 4.27.2 A new paragraph 7 was included in Section A of the Buy Form to align the proposed Buy Form with Rule number 3.3.5 of the amended Rules. (A similar paragraph was included in Section A of the Sell Form.)
- 4.27.3 To synchronise the Buy Form and Sell Form, paragraph 2 of Section B “General Conditions” of the current Buy Form was amended in the amended Buy Form to read as follows: “Buyers must submit only one Buy Form in respect of each offer to buy which will be matched in Receipt Sequence unless withdrawn by the Buyer in writing”.
- 4.27.4 General Conditions number 6 of Section B in the current Buy Form referring to Blocked Rand has been omitted in its entirety as it is dealt with in the Act.
- 4.27.5 The definition of “associate”, as defined in section 1(a) of the Amendment Act, has been substituted in the proposed Buy Form for the General Conditions numbers 7.2.1 to 7.2.3.2 of the current Buy Form, dealing with the restrictions on holding SARB Shares.
- 4.27.6 Condition no 7 of the proposed Buy Form now demands that a shareholder who holds, or holds in aggregate with his, or its associates more than 10 000 SARB Shares, shall disclose the names of all his, her or its associates as well as the number of shares held by each of them.
5. In conclusion, it will be noted that the new rules, in their entirety, as well as the amended buy form and sell form, have been re-structured and streamlined to be more user-friendly.

Copies of the amended rules, buy and sell forms will at all times be obtainable from the:

- Transfer Manager’s office or the Transfer Secretary’s office;
- Physical address:
South African Reserve Bank
370 Helen Joseph Street (formally Church Street)
PRETORIA
0001

or

- Postal address:
PO Box 427
PRETORIA
0001

 - Telephone : (012) 313 3061 or (012) 313 3350 respectively
 - Telefacsimile : (012) 313 4090
 - E-mail : OTCSTF@resbank.co.za

 - Bank's web-site : www.reservebank.co.za
 - Bank's branches
6. Should you require any further elucidation of the OTCSTF and the aforesaid new rules, you may contact the transfer manager, Mr E Brand, at telephone number (012) 313 3061 or the writer, Mr A Jooste, at telephone number (012) 313 3350.

Yours faithfully



Transfer Secretary