

### Box 3 Ownership structure of dematerialised shares<sup>1</sup> settled through Strate

The structure of share ownership is important as it affects the allocation of funding to real economic activity, as sourced domestically and abroad. Companies in South Africa have, as expected, diverse ownership, characterised by some resident retail individual investor and significant resident institutional investor holdings as well as substantial foreign ownership.

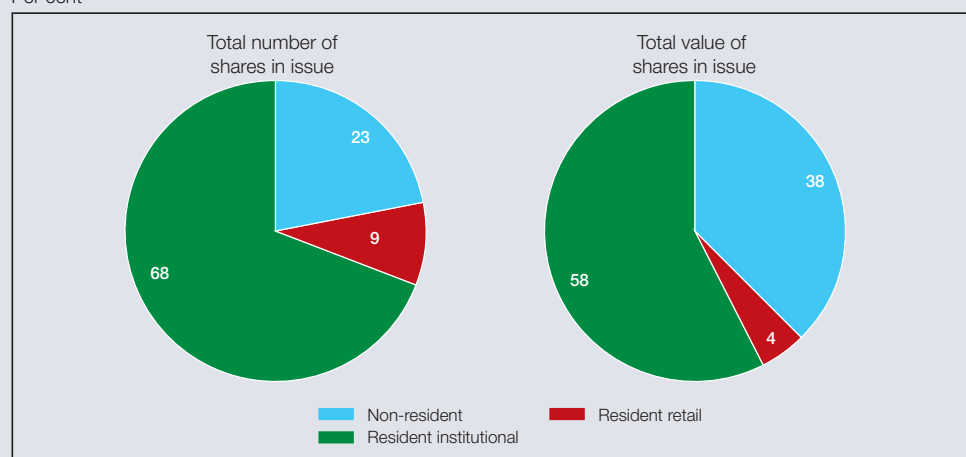
This analysis focuses on the ownership of dematerialised shares in issue of listed companies<sup>2</sup> on the JSE Limited (JSE) as well as unlisted shares settled through Strate. It is evident that only a quarter of the number of shares in issue is still in certificated form, which is indicative of stable long-term investment in dual-listed companies. The JSE Top 40 Index also accounts for almost three-quarters of the value of dematerialised shares. Non-resident investors hold a significant number of shares but their participation is even more noteworthy in value terms, particularly so in the JSE Top 40 Index. Resident institutional investors are the main intermediaries of savings in the South African economy.

Shares are divided between those in physical certificated form administered by transfer secretaries and those dematerialised in an electronic record maintained by a central securities depository participant. In June 2017, Strate had 196.9 billion dematerialised shares in issue on record while transfer secretaries still administered 62.3 billion. Accordingly, 76.0% of shares in issue were dematerialised while 24.0% were still in certificated form.

Non-resident investors held 22.5% of the total number of dematerialised shares while resident holdings accounted for the remaining 77.5%, of which institutions held 68.4% and retail investors (individuals) 9.1%. The composition is significantly different in value terms, with non-residents accounting for 37.7%.

#### Total dematerialised shares settled through Strate as at 23 June 2017

Per cent



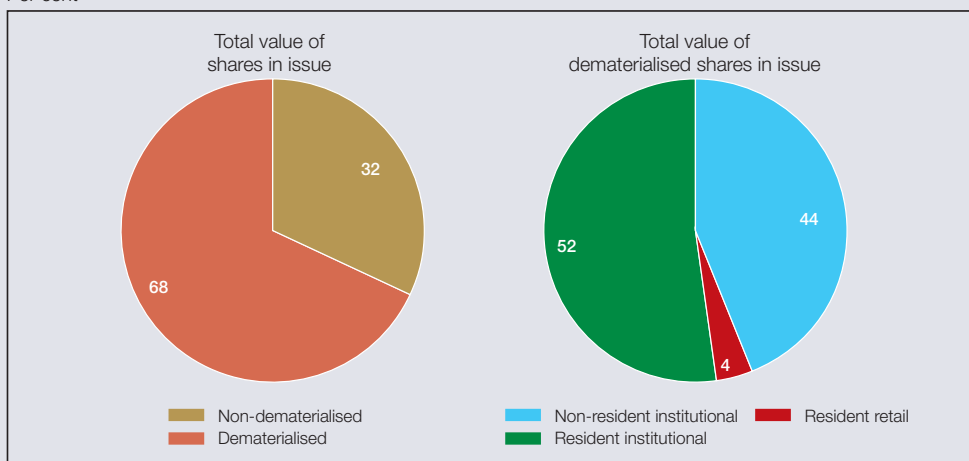
Source: Strate

Just more than two-thirds of the total value of shares of companies in the JSE Top 40 Index is dematerialised, and certificated non-dematerialised shares are mostly held by investors in dual-listed companies. Of the total dematerialised shares in issue, companies in the JSE Top 40 Index accounted for 26.5% of the number of shares in issue and for a high 72.5% in value terms. In value terms, non-resident investors held a larger portion of dematerialised shares within the JSE Top 40 Index, at 44.0% compared with 37.7% for dematerialised shares as a whole. Resident institutional investors accounted for most of the holdings of shares of the companies in the JSE Top 40 Index at 52.0%, with a value of R2.8 trillion.

- <sup>1</sup> This includes ordinary and preference shares, exchange-traded funds, exchange-traded notes and investment products, etc. but excludes warrants. The data were sourced from Strate, the South African Central Securities Depository, as at 23 June 2017.
- <sup>2</sup> Listed companies include both South African domestic companies and foreign-domiciled companies, i.e. inclusive of dual-listed companies.

## Shareholding in the JSE Top 40 Index as at 23 June 2017

Per cent



Source: Strate