

RMB Stockbroking (Pty) Ltd

Role of stockbroking and securities
lending in Equities trading

Role of Stockbrokers

- Facilitate trading activities in secondary market
- Types of participants
 - Fund managers, Traders (hedge funds, arb.), Private clients
 - Resident vs non-resident (exchange control)
- Types of clients ;
 - Controlled
 - Cash and scrip kept by the broker
 - Non-controlled
 - Cash and scrip settled by CSDP

Trading evolution

- Open outcry
 - Matching periods , every two hours
 - Broker to broker , recorded on deal slips
 - Mismatching
 - Deal allocations open to abuse
- SETS trading system
 - Electronic trading
 - No post trade disclosure , unknown counterpart
 - Guaranteed by JSE

Settlement

- Historically
 - All deals settled on following Tuesday
 - Offset of trades from Monday to Friday
 - Unsettled trades up to 50 %
 - Dividend and corporate reconciliation's

Settlement cont..

- Current settlement system , fully electronic
- STRATE Settlement system ,
- T + 5 settlement period
- Commitment to trade by T + 5
- Controlled accounts
 - - Cash and scrip available by T + 2
- Non- controlled accounts
 - - Commitment by CSDP

Additional stockbroking services

- Research , trading strategy
- Portfolio management
- Retention of cash and scrip
- Dividend and income collection
- Money market facility

Securities Lending

- Reasons ;
 - Additional revenue stream for funds
 - Facilitates contractual settlement
 - Prerequisite for cheap and effective hedging techniques
 - Increases liquidity in tightly held securities
- Participants
 - Lenders , fund managers
 - Borrowers , arb traders , settlement desks

Fundamentals for success

- Beneficial owners remain in same economic position
- All loans collateralised and marked to market daily
- Need good risk and credit management capabilities
- Proper systems , management and service delivery