

FINANCIAL INSTITUTIONS OFFICE

Private Bag X238

PRETORIA

0001

13 July 1983

CIRCULAR F.S. 26

(To all friendly societies)

TRANSACTIONS IN GILT- AND SEMI-GILT-EDGED SECURITIES

1. Inquiries made by this Office have brought to light a practice whereby certain dealers in gilt- and semi-gilt-edged securities in the employ of financial institutions receive for own account a reward from certain financial intermediaries in return for useful information (acquired in the course of their duties in the employ of the financial institutions) supplied or for commission received by the financial intermediary on deals concluded for financial institutions or for advice supplied by the employees. This Office has been informed that certain employees in the gilt- and semi-gilt departments of financial institutions actually enter into transactions for own account and that such transactions are not recorded in the books of their employers.

2. This Office considers the practices described as highly irregular and most undesirable (if not fraudulent) especially as it creates a conflict of interest for the dealer and calls into question his loyalty and obligations to his employer - he cannot act simultaneously for own account and serve the best interests of his employer.

3. Each friendly society is requested to determine forthwith to what extent (if any) its officials participate in these practices and to inform this Office in writing as soon as is practicable but not later than 15 August 1983 -

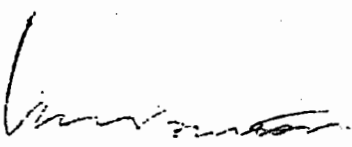
(i) whether any of these practices have occurred in its particular organisation, and if so

(ii) whether these practices have been discontinued, and

(iii) of the name(s) of the official(s) as well as full details of the transaction(s) involved.

4. Your kind assistance is appreciated.

5. A copy of this circular is enclosed for your auditor. kindly have the attached acknowledgement form signed by him also before returning it to this Office.



REGISTRAR OF FRIENDLY SOCIETIES

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