

# Directive of Strate Proprietary Limited

Special Gazette No S10-2017

Strate Directive SC.2

Operational Market Windows – Off-market – Equity Securities – JSE and A2X

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## To cater for the procedure for the settlement of Off-market Transactions

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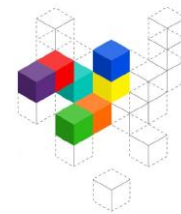
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<sup>1</sup> Amended with effect from 20 April 2015

<sup>2</sup> Amended with effect from 26 June 2017

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Registration Number 1998/022242/07



## 1 INTERPRETATIONS AND DEFINITIONS<sup>3</sup>

### 1.1 Settlement types:

- 1.1.1 DVP – Delivery versus Payment
- 1.1.2 RVP – Receive versus Payment
- 1.1.3 DFP – Deliver free of Payment
- 1.1.4 RFP – Receive free of Payment
- 1.1.5 PMO – Pay money only
- 1.1.6 RMO – Receive money only

### 1.2 This Strate Directive applies to the Settlement of equities transactions, including Warrants.<sup>4</sup>

### 1.3 In this Strate Directive, any interpretation, word, or expression to which a meaning has been assigned in the Strate<sup>5</sup> Rules bears the meaning so assigned to it.

‘A2X’ means A2X Proprietary Limited (registration number 2014/147138/07);

‘A2X Failed Trade Procedures’ means the actions to be taken by the A2X Settlement Committee in respect of On-market Trades executed on A2X that are unlikely to Settle, as set out in the A2X rules;

‘A2X Settlement Committee’ means the settlement committee of A2X, as defined in the A2X rules;

‘Account Transfer’ means a free of payment transfer, resulting in no change in beneficial ownership, between a Client’s Securities Accounts, either at a single Participant or between Participants;

‘Back-to-Back Link’ or ‘Back-to-Back’ means the functionality which links two or more transactions of the same settlement date, and where the delivery of Securities is dependent upon the successful receipt of the same Securities. The criteria for applying these links are that the Securities, the settlement date and the CSA must be the same for all the settlement orders within the link;

‘BOD’ means “Beginning of Day” and is the time as stipulated in this Strate Directive;

‘Broker’ means an authorised user, being a person authorised by an Exchange in terms of the Exchange rules to perform such Securities services as the Exchange rules may permit;

‘Business Partner’ means a party which is not a Participant and which electronically interfaces with Strate to perform an essential market function;

‘CMFE’ means the Centralised Messaging Front End;

‘Collateral Account’ means a Securities Account or Central Securities Account in which a Client places Securities available for the purpose of a Collateral Agreement, or a balance in a Securities Account or Central Securities Account which has been designated by a Client as available for the purpose of a Collateral Agreement;<sup>6</sup>

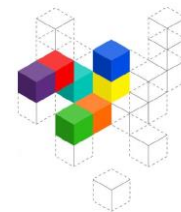
<sup>3</sup> Definitions amended with effect from 6 October 2017

<sup>4</sup> “Rule/s” and “Directive/s” become “Strate Rule/s” and “Strate Directive/s” throughout this document with effect from 11 July 2016

<sup>5</sup> “CSD” and “the CSD” amended to “Strate” throughout the document with effect from 11 July 2016

<sup>6</sup> Amended with effect from 26 June 2017

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‘Collateral Account Transfer’ means an Account Transfer from a Client’s Securities Account or Central Securities Account to the Client’s Collateral Account, and vice versa;<sup>7</sup>

‘Collateral Agreement’ means an agreement between a Collateral Provider and a Collateral Taker, in terms of which a Collateral Provider grants or transfers an interest in Securities or Securities to a Collateral Taker, whether by means of a pledge, cession *in securitatem debiti* (cession to secure a debt) or an out-and-out cession (outright transfer), in order to secure the performance of relevant obligations;<sup>8</sup>

‘Collateral Provider’ means a person who grants or transfers an interest in Securities or Securities to a Collateral Taker under a Collateral Agreement;

‘Collateral Return Transaction’ means a transaction where an interest in Securities or Securities are returned by the Collateral Taker to the Collateral Provider under a Collateral Agreement;

‘Collateral Taker’ means a person to whom an interest in Securities or Securities is granted or transferred by a Collateral Provider under a Collateral Agreement;

‘Collateral Transaction’ means a transaction affecting the granting or the transfer of an interest in Securities or Securities to a Collateral Taker by a Collateral Provider under a Collateral Agreement;

‘Compulsory Reverse Substitution’ means a transaction that has been booked on the ECS system to a Non-controlled Client where the Non-controlled Client fails to meet its obligations and the JSE Broker assumes the obligation to settle the transaction through such JSE Broker’s Participant;

‘Corporate Action or Corporate Event’ means an action taken by an Issuer or any other entity or third party which affects the owners of Securities in terms of entitlements or notifications;

‘CSA’ means Central Securities Account;

‘Dependency Link’ means the functionality which links two or more transactions across different settlement dates, and where the delivery of Securities is dependent upon the successful receipt of the same Securities; The criteria for applying these links are that the Securities and CSA must be the same for all the Settlement orders within the link;

‘Depository Receipt’ means a Security traded on a local Exchange or Off-market that represents a Security, usually in the form of equity, traded on an external Exchange;

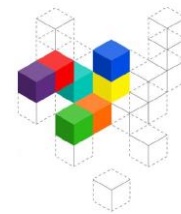
‘Elective Event’ means a Corporate Action that takes place with action required on the part of the holder of the Security, and where the benefits that accrue to owners of Securities are not automatically disbursed by the Issuer but require an election to be made in line with the terms of the Corporate Action;

‘ECS’ means the Equities Clearing System operated by the JSE;

<sup>7</sup> Inserted with effect from 26 June 2017

<sup>8</sup> “an interest in Securities or Securities” amended with effect from 26 June 2017

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‘EOD’ means “End of Day” and is the time as stipulated in this Strate Directive;

‘Failed Trade’ means a transaction in equity Securities which the JSE Settlement Authority or the A2X Settlement Committee deems to be a failed trade on the basis that neither the Client, Broker/Member, JSE Settlement Authority, nor A2X Settlement Committee, as applicable, is able to ensure that such transaction will settle on the settlement date or any revised settlement date;

‘ISIN’ means International Securities Identification Number, a unique internationally recognised securities identification number;

‘JSE’ means the JSE Limited (registration Number 2005/022939/06);

‘JSE Settlement Authority’ means the person or persons appointed by the JSE to manage the settlement of transactions in equity Securities effected through the JSE Trading System;

‘JSE Trading System’ means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of Securities;

‘Lending Account’ means a Securities Account or Central Securities Account in which a Client places Securities available for lending to the market, or a balance in a Securities Account or Central Securities Account which has been designated by a Client as available for lending to the market;<sup>9</sup>

‘Lending Account Transfer’ means an Account Transfer from a Client’s Securities Account to the Client’s Lending Account, and vice versa;

‘LDT’ means Last Day to Trade, which is the last Business Day that anyone can trade On-market in order to qualify or participate in a Corporate Action;

‘LDT+X’ means Last Day to Trade plus X Business Days, ‘X’ being the number of Business Days stipulated in the Strate Directive;

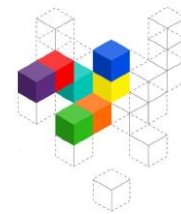
‘Member’ means an authorised user, being a person authorised by an Exchange in terms of the Exchange rules to perform such Securities services as the Exchange rules may permit;

‘Non-controlled Client’ means a Client or an account holder on whose behalf a Client is acting, who has appointed its own Participant to settle transactions in equity Securities on its behalf, in accordance with the JSE rules;

‘Portfolio Movement’ means a free of payment transfer, resulting in no change in beneficial ownership, of a Client’s Securities portfolio when such Client changes service providers. The Portfolio Movements may take place between two Participants, two Brokers, two Investment managers or a combination thereof;

‘Principal Assumption’ means where the A2X Member assumes the obligation to settle the Client’s transaction through the A2X Member’s Participant;

<sup>9</sup> Amended with effect from 26 June 2017  
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‘Record Date (RD)’ means the date on which the holdings, upon which the Corporate Action entitlement is based, are ascertained. RD is equal to LDT+3;

‘Reverse Substitution’ means a Compulsory Reverse Substitution or a Voluntary Reverse Substitution;

‘S’ means settlement date, which is the Business Day on which a transaction in a particular Security is settled through Strate;

‘S-X’ means settlement date minus X Business Days, ‘X’ being the number of Business Days stipulated in the Strate Directive;

‘SAFE’ means the Front End Strate System;

‘Same Day Settlement’ means a transaction reported to Strate on the same day on which settlement occurs, irrespective of the actual trade date;

‘Securities Lending Business Partner’ means a Business Partner that reports Securities Lending Transactions, Securities Lending and Borrowing Return Transactions, Collateral and Collateral Return Transactions;

‘Securities Lending Transaction’ or ‘Securities Lending and Borrowing Transaction’ means an arrangement in terms of which a person (lender) lends Securities to another person (borrower) subject to the borrower agreeing to return the loaned Securities within an agreed time period. Once the loaned Securities have settled, ownership of the Securities is transferred to the borrower. The borrower has the right to sell or on-lend the Securities during the life of the loan. In return, the borrower agrees to compensate the lender for any Corporate Events in respect of the Securities which that lender would have been entitled to receive during the period of the loan had the arrangement not been entered into;

‘Securities Lending and Borrowing Return Transaction’ means the return of Securities which had been loaned in terms of a Securities Lending and Borrowing Transaction;

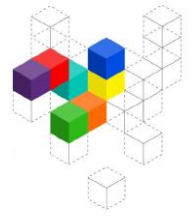
‘Strate Operations’ means the operations division of Strate responsible for communication between Participants, Business Partners, Exchanges, SARB and Strate relating to settlement operations;

‘Strate Corporate Actions’ means the department within Strate responsible for communication between Participants, Business Partners, Exchanges and Strate relating to Corporate Actions;

‘STRATE Supervision’ means the supervision division headed by the Head of Supervision and set up by the Controlling Body in terms of the Strate Rules;

‘Strate System’ means the computer system or systems and associated network or networks operated or used by Strate for the purpose of clearing and settlement of transactions in Securities, or any other purpose performed by Strate in terms of the Act;

‘STT Act’ means the Securities Transfer Tax Act No. 25 of 2007 or any replacement Act;



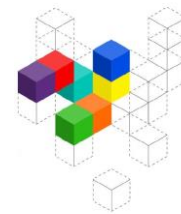
‘T’ means trade date, which is the Business Day on which a particular Security was traded. Where a particular Security was traded on a non-Business Day, ‘T’ shall mean the next Business Day following such non-Business Day on which such Security was traded;

‘T+X’ means trade date plus X Business Days, ‘X’ being the number of Business Days stipulated in the Strate Directive;

‘Voluntary Reverse Substitution’ means a transaction that has been booked to a Non-controlled Client’s account on the ECS system and is reversed to a JSE Broker’s proprietary account; and

‘Warrants’ means options that are issued by financial institutions or other approved warrant issuers and traded on the JSE, and settled by Strate. Warrants give the right to the holder, but not the obligation to buy or sell an underlying Security at a specified price.

- 1.4 Days shall be calculated in South African Business Days. Where a transaction occurs on a non-South African Business Day, the day of such transaction shall be deemed to be the next South African Business Day following such non-South African Business Day.



## 2 GENERAL<sup>10</sup>

2.1 The following are the basic considerations and assumptions on which the operational timings are based:

- 2.1.1 The timings are with respect to the Strate System;
- 2.1.2 For all incoming messages, it is 'Received Time' by the Strate System;
- 2.1.3 For all outgoing messages, it is 'Sent Time' by the Strate System; and
- 2.1.4 For internal processing, it is 'Processing Time' by the Strate System.

2.2 The matching criteria for all Off-market transactions (all Client types) consists of first and second level matching.

2.2.1 The first level matching is:

ISIN  
Settlement type (RVP/DVP/RFP/DFP)  
Securities Quantity  
Trade Date  
Settlement Date  
Trading Party's / Counterparty's Client Securities Account Number  
Trading Party's / Counterparty's Participants' BP ID

2.2.2 The second level matching is:

Client type  
Consideration / Rand Amount (for tolerance level, see section 10 of this Strate Directive)  
Taxable Indicator

2.3 The Strate System BOD is run from 03h00. Strate informs the Exchanges, Participants and Business Partners where there is a change in the timing of the BOD process.

2.4 The start time of SAMOS is not controlled by the Strate System or Strate. Accordingly, the rest of the settlement and system activities are shifted or compressed based on the start time of SAMOS.

2.5 The Strate System EOD is at 19h00. Should an Exchange or Participant require the parameter to be moved beyond 19h00, the requestor needs to inform Strate Operations in writing by no later than 17h30.<sup>11</sup>

2.6 It is the responsibility of the Participants to reconcile their Securities' positions in the Strate System. For this purpose, the Strate System generates a statement of holdings message daily at 18h00 and sends it to Participants. In case of any discrepancies, the Participants are required to request the audit trail details by requesting a statement of transactions message.<sup>12</sup>

<sup>10</sup> Section amended with effect from 11 July 2016

<sup>11</sup> Amended with effect from 4 August 2016 and 6 October 2017

<sup>12</sup> Amended with effect from 4 August 2016

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### 3 OFF-MARKET TRANSACTIONS<sup>13</sup>

- 3.1 All Off-market transactions for Client type “00” must conform to a T+3 cycle.
- 3.2 Off-market transactions are not guaranteed by the JSE or A2X.
- 3.3 Off-market transactions are reported by the seller and purchaser of Securities to the relevant Participant.
- 3.4 Participants must report and match the Off-market transaction instruction for Client type “00” by 13h00 on T+2 (S-1).
- 3.5 In the event that a Participant receives an Off-market transaction instruction after the cut-off for reporting transactions to Strate, or the transactions do not match by the cut-off, the Participant may facilitate the settlement process by reporting the Off-market transaction instruction to Strate for the next available settlement date. This facilitation process may continue for a maximum of 9 (nine) Business Days after the trade date of the original instruction, after which the original instruction must be cancelled. The Participants are not permitted to amend the trade date of the original instruction.<sup>14</sup>
- 3.6 Participants must commit to the Off-market transaction for Client type “00” by 15h00 on T+2 (S-1).
- 3.7.1 Back-to-Back Links to committed Off-market transactions for Client type “00” must be in place by 18h00 on T+2 (S-1). If a Back-to-Back Link is created for un-committed transactions, it must conform to the commit cut-off applicable to each linked transaction.<sup>15</sup>
- 3.7.2 Back-to-Back Links may be created on S for transactions affected by the JSE’s failed trade management process or the A2X Failed Trade Procedures, and the following procedure must be followed:
  - 3.7.2.1 the requesting Participant must send a written request to Strate Operations and the counterparty Participant;
  - 3.7.2.2 the counterparty Participant must send a written acceptance of the request to Strate Operations;
  - 3.7.2.3 Strate Operations reviews the request and where Strate, in consultation with the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable, has determined that there is no On-market dependency or potential market risk, Strate Operations may open the Back-to-Back window upon receipt of a telephonic request from the Participant for a maximum of 30 (thirty) minutes and permit the requesting Participant to create a Back-to-Back link. If there is an On-market dependency, Strate Operations may open the window and permit the requesting Participant to create a Back-to-Back link, in consultation with the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable.<sup>16</sup>

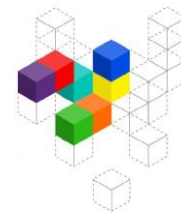
<sup>13</sup> Section amended with effect from 11 July 2016 and 6 October 2017

<sup>14</sup> Amended with effect from 19 December 2016

<sup>15</sup> Amended with effect from 19 December 2016

<sup>16</sup> Amended with effect from 26 June 2017

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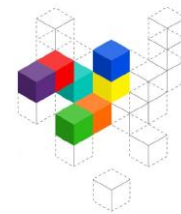


- 3.7.3 If a Dependency Link is created for un-committed transactions, it must conform to the same commit cut-off.
- 3.8 Same Day Settlement of Off-market transactions for Client type “00” is not permitted, except as provided in section 9 of this Strate Directive.
- 3.9 A Participant may un-commit to an Off-market transaction where there is no On-market dependency up until 15h00 on T+2 (S-1) but this is dealt with in terms of 3.10 below if the order is in a 'Ready for Settlement' status.
- 3.10 In the event a Participant intends to un-commit to an Off-market transaction for Client type “00” in a 'Ready for Settlement' status:
- 3.10.1 the requesting Participant must send a written request to Strate Operations and the counterparty Participant;
  - 3.10.2 the counterparty Participant must send a written acceptance of the request to Strate Operations; and
  - 3.10.3 Strate Operations reviews both the request and the acceptance and where Strate, in consultation with the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable, has determined that there is no On-market dependency or potential market risk, Strate Operations may open the un-commit window upon receipt of a telephonic request from the Participant for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit. If there is an On-market dependency, Strate Operations may open the window and permit the requesting Participant to un-commit, in consultation with the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable.<sup>17</sup>
- 3.11 A Participant must report to Strate all internal Off-market transactions, where the Participant is settling both legs of the transactions.
- 3.12 Instructions reported incorrectly to Strate must be cancelled or corrected and not left to fail in the system. Corrections of Off-market transactions for Client type “00” must be made prior to 15h00 on T+2 (S-1) in terms of 3.10. Cancellations of uncommitted transactions are permitted until S.<sup>18</sup>
- 3.13 Only the following transactions are allowed to fail in Strate:
- 3.13.1 transactions that are reported against a counterparty who does not match the transaction;
  - 3.13.2 transactions that are reported but are short of Securities; or
  - 3.13.3 settlement not funded during the specified payment window.
- 3.14 A Participant must check the status of its own transactions by monitoring its status intimations.

<sup>17</sup> Amended with effect from 26 June 2017

<sup>18</sup> 3.14 to 3.20 renumbered with effect from 20 April 2015

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- 3.15 A Participant may use the 'Query Facility' in SAFE / CMFE available to it, in order to monitor its own transactions and check the transactions reported against it.
- 3.16 Participants must populate the 'Taxable Indicator Field' when they report the Off-market transaction to Strate, to indicate whether or not Securities Transfer Tax (STT) is payable in accordance with the STT Act. Participants must default the 'Taxable Indicator Field' to Yes 'Y', unless the Client is exempt from STT, in which case the Participants should set the 'Taxable Indicator' to No 'N'.<sup>19</sup>
- 3.17 A Participant must ensure that if its Client will be the beneficial owner of BEE Securities and subject to the manner of BEE Verification specified in the relevant BEE Ownership Scheme,<sup>20</sup>
- 3.17.1 its Client:<sup>21</sup>
- 3.17.1.1 is a BEE Compliant Person;
- 3.17.1.2 has signed a BEE Contract together with the other relevant persons who should be parties to that BEE Contract;
- 3.17.1.3 if a natural person, has furnished to the Participant a copy of his/her identity document or a naturalisation affidavit, as the case may be, for the purposes of the Client satisfying the requirements of the BEE Contract; and
- 3.17.1.4 if not a natural person, has furnished to the Participant a valid BEE Certificate, or
- 3.17.2 the Participant has obtained a BEE Verification in respect of its Client,
- prior to reporting an Off-market transaction in respect of BEE Securities on behalf of that Client.
- 3.18 Strate will initiate payment runs as required. The first payment run is initiated at 07h30 and the last payment run is initiated at 15h00. Participants must instruct their settlement bank to fund the applicable SAMOS accounts by 09h00 on S for the first payment run, and within 30 (thirty) minutes of their receipt of the payment advice from Strate Operations for subsequent payment runs.
- 3.19 In the event of an Off-market transaction being impacted by the JSE's Failed Trade management process or the A2X Failed Trade Procedures, Strate may extend the operating windows to enable Participants to un-commit, commit, create Back-to-Back or Dependency Links, or remove Back-to-Back Links.<sup>22</sup>

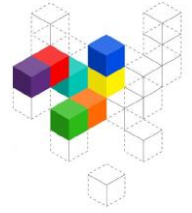
<sup>19</sup> 3.16 deleted and section renumbered with effect from 19 December 2016

<sup>20</sup> Amended with effect from 21 August 2015

<sup>21</sup> Section amended with effect from 21 August 2015

<sup>22</sup> Amended with effect from 26 June 2017

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## 4 SECURITIES LENDING<sup>23</sup>

### 4.1 Off-Market Securities Lending and Borrowing (SLB), SLB Return, Collateral and Collateral Return Transactions:

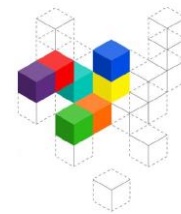
- 4.1.1 A minimum T+0 settlement cycle is permitted, unless there is an On-market or Off-market dependency, in which case a minimum T+1 settlement cycle is required. The Client type for SLB, SLB Return, Collateral and Collateral Return Transactions is “50” for Participants. Securities Lending Business Partners may use Client type “50” under exceptional circumstances.
- 4.1.2 SLB, SLB Return, Collateral and Collateral Return Transactions issued by Participants must be reported to Strate by 13h00 on S; or by 13h00 on S-1, where there is an On-market or Off-market dependency.
- 4.1.3 SLB, SLB Return, Collateral and Collateral Return Transactions issued by Participants must be committed to by 15h00 on S; or by 15h00 on S-1, where there is an On-market or Off-market dependency.
- 4.1.4 Same Day Settlement of SLB, SLB Return, Collateral and Collateral Return Transactions is permitted on Record Date (RD) for Securities where there is a pending Corporate Event, provided that the transactions are reported to Strate and matched by 09h00 and the Participant must commit by 10h00. Thereafter, Participants must adhere to section 9 of this Strate Directive.
- 4.1.5 If a Back-to-Back Link is created for an SLB, SLB Return, Collateral and Collateral Return Transaction entered into for a transaction that is subject to Reverse Substitution or Principal Assumption, the Back-to-Back Link must be created by 18h00 on S-1.
- 4.1.6 Special provision is made for instructions from the JSE Settlement Authority and the A2X Settlement Committee.
- 4.1.7 SLB, SLB Return, Collateral and Collateral Return Transactions are not permitted in respect of BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme.<sup>24</sup>
- 4.1.8<sup>25</sup> In the event that a Participant intends to un-commit to an SLB, SLB Return, Collateral and Collateral Return Transaction in a ‘Ready for Settlement’ status:
  - 4.1.8.1 the Participant must send a written request to Strate Operations and copy the counterparty Participant;

<sup>23</sup> Section amended with effect from 11 July 2016 and 6 October 2017

<sup>24</sup> Inserted with effect from 21 August 2015

<sup>25</sup> 4.1.9 inserted with effect from 23 November 2015

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- 4.1.8.2 the counterparty Participant must send a written acceptance of the request; and
- 4.1.8.3 Strate Operations reviews both the request and the acceptance and where Strate, in consultation with the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable, has determined that there is no On-market dependency or potential market risk, Strate Operations may open the un-commit window upon receipt of a telephonic request from the Participant for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit. If there is an On-market dependency, Strate Operations may open the window and permit the requesting Participant to un-commit, in consultation with the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable.<sup>26</sup>

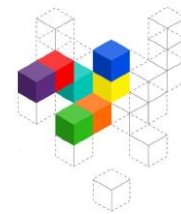
## 4.2 Securities Lending and Borrowing – Business Partners

- 4.2.1 Same Day Settlement of Securities Lending and Borrowing Transactions and Securities Lending and Borrowing Return Transactions is permitted, unless there is an On-market or Off-market dependency, in which case a minimum T+1 settlement cycle is required.
- 4.2.2 The Client type for a Securities Lending and Borrowing Transaction is “51”. The Client type for a Securities Lending and Borrowing Return Transaction is “52”.
- 4.2.3 Securities Lending Business Partners must report Securities Lending and Borrowing Transactions and Securities Lending and Borrowing Return Transactions to Strate by 13h00 on S; or by 13h00 on S-1, where there is an On-market or Off-market dependency.

The Securities Lending Business Partner should also ensure that their Clients have instructed their Participant to act on the Securities Lending and Borrowing Transactions by these timelines.

- 4.2.4 Securities Lending and Borrowing Transactions and Securities Lending and Borrowing Return Transactions reported by Securities Lending Business Partners must be committed to by 15h00 on S; or by 15h00 on S-1, where there is an On-market or Off-market dependency.
- 4.2.5 Same Day Settlement of Securities Lending and Borrowing transactions is permitted on Record Date (RD) for Securities where there is a pending Corporate Event, provided that the transactions are reported to Strate and matched by 09h00 and the Participant must commit by 10h00. Thereafter, Securities Lending Business Partners must adhere to section 9 of this Strate Directive.
- 4.2.6 If a Back-to-Back Link is created for a Securities Lending Transaction entered into for a transaction that is subject to Reverse Substitution or Principal Assumption, the Back-to-Back Link must be created by 18h00 on S-1.
- 4.2.7 Special provision is made for instructions from the JSE Settlement Authority and the A2X Settlement Committee.

<sup>26</sup> Amended with effect from 26 June 2017  
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- 4.2.8 Participants must commit to the Securities Lending and Borrowing transactions concluded by the JSE Settlement Authority and the A2X Settlement Committee within 30 (thirty) minutes of receipt of a telephonic communication and an e-mail notification sent by Strate Operations. Where the Participant is unable to commit within 30 (thirty) minutes, such Participant must, within 20 (twenty) minutes of the e-mail notification, inform Strate Operations of the reason why they are unable to commit.
- 4.2.9 In the event that a Participant intends to un-commit to a Securities Lending and Borrowing Transaction or a Securities Lending and Borrowing Return Transaction in a 'Ready for Settlement' status:
- 4.2.9.1 the Participant must send a written request to Strate Operations and copy the counterparty Participant;
  - 4.2.9.2 the counterparty Participant must send a written acceptance of the request; and
  - 4.2.9.3 Strate Operations reviews both the request and the acceptance and where there is no On-market dependency or potential market risk, Strate Operations may open the un-commit window upon receipt of a telephonic request from the Participant for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit. If there is an On-market dependency, the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable, is consulted for approval.



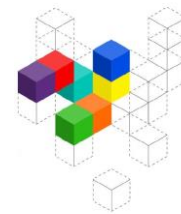
## 5. ACCOUNT TRANSFERS<sup>27</sup>

- 5.1 Same Day Settlement of Account Transfers, between Participants and internally involving a single Participant, is permitted. The Client type for an Account Transfer is “30”.
- 5.2 Subject to 5.4 below, all Account Transfers must be reported to Strate, matched and committed by 18h00 on S.
- 5.3 Account Transfers are permitted provided that there is no change in beneficial ownership.<sup>28</sup>
- 5.4 Same Day Settlement of Account Transfers, between Participants and between Central Securities Accounts when the transfer involves a single Participant, is not permitted on Record Date (RD) for Securities where there is a pending Corporate Event, except as provided in section 9 of this Strate Directive.
- 5.5 Participants must process Account Transfers with the free of payment settlement type (RFP/DFP).

<sup>27</sup> Section amended with effect from 11 July 2016

<sup>28</sup> 5.3 deleted and section renumbered with effect from 19 December 2016

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## 6 DEPOSITORY RECEIPTS (DRs)<sup>29</sup>

- 6.1 A minimum T+1 settlement cycle is permitted. The Client type for a DR is “40”.
- 6.2 DR transactions issued by Participants must be reported to Strate and matched by 13h00 on S-1, and committed by 15h00 on S-1.
- 6.3 In the event that a Participant receives a DR instruction after the cut-off for reporting transactions to Strate, or the transactions do not match by the cut-off, the Participant may facilitate the settlement process by reporting the DR instruction to Strate for the next available settlement date. This facilitation process may continue for a maximum of 9 (nine) Business Days after the trade date of the original instruction after which it must be cancelled. The Participants are not permitted to amend the trade date of the original instruction.<sup>30</sup>
- 6.4 Same Day Settlement of DR transactions is not permitted, except as provided in section 9 of this Strate Directive.
- 6.5<sup>31</sup> In the event that a Participant intends to un-commit to a DR transaction in a ‘Ready for Settlement’ status:
  - 6.5.1 the Participant must send a written request to Strate Operations and copy the counterparty Participant;
  - 6.5.2 the counterparty Participant must send a written acceptance of the request to Strate Operations; and
  - 6.5.3 Strate Operations reviews both the request and the acceptance and where there is no On-market dependency or potential market risk, Strate Operations may open the un-commit window upon receipt of a telephonic request from the Participant for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit. If there is an On-market dependency, the JSE Settlement Authority and/or the A2X Settlement Committee, as applicable, is consulted for approval.<sup>32</sup>

<sup>29</sup> Section amended with effect from 11 July 2016

<sup>30</sup> Amended with effect from 19 December 2016

<sup>31</sup> 6.5 inserted with effect from 23 November 2015

<sup>32</sup> Amended with effect from 6 October 2017

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## 7. PORTFOLIO MOVEMENTS<sup>33</sup>

- 7.1 Same Day Settlement of Portfolio Movements, between Participants and internally involving a single Participant, is permitted. The Client type for a Portfolio Movement is “31”.
- 7.2 Subject to 7.4 below, all Portfolio Movements must be reported to Strate, matched and committed by 18h00 on S.<sup>34</sup>
- 7.3 Portfolio Movements are permitted provided that there is no change in beneficial ownership.<sup>35</sup>
- 7.4 Same Day Settlement of Portfolio Movements, between Participants and between Central Securities Accounts where the transfer involves a single Participant, is not permitted on Record Date (RD) for Securities where there is a pending Corporate Event, except as provided in section 9 of this Strate Directive.
- 7.5 Participants must process Portfolio Movements with the free of payment settlement type (RFP/DFP).

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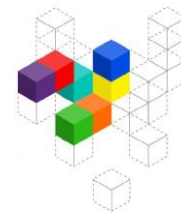
<sup>33</sup> Section amended with effect from 11 July 2016

<sup>34</sup> Amended with effect from 19 December 2016

<sup>35</sup> 7.3 deleted and section renumbered with effect from 19 December 2016

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## 8. CORPORATE ACTION TRANSACTIONS<sup>36</sup>

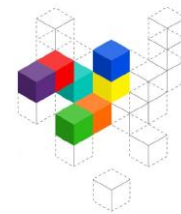
- 8.1 A minimum T+1 settlement cycle is permitted for reporting Corporate Action transactions between Participants and Strate or Participants and Issuers. The Client type for a Corporate Action transaction is “23”.
- 8.2 Participants must report to Strate all Corporate Action transactions by 15h00 on S-1.
- 8.3 Other than as provided for in 8.4, Participants must commit to Corporate Action transactions by 17h00 on S-1.
- 8.4 Corporate Action transactions may be committed to by the Participant of the Issuer on a same day basis and in terms of the following parameters:
  - 8.4.1 for free of payment transactions, committed to by 18h00 on S; and
  - 8.4.2 for transactions involving payment, committed to by 14h00 on S.
- 8.5 Same Day Settlement of Corporate Action transactions is not permitted, except as provided in section 9 of this Strate Directive.
- 8.6 New issues are handled on the basis of DvP and RvP orders that are captured by the Participant of the Issuer and the creation of the opposite leg by the counterparty Participant. The Client type for a new issue transaction is “23”.<sup>37</sup>

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<sup>36</sup> Section amended with effect from 11 July 2016

<sup>37</sup> Inserted with effect from 1 December 2016

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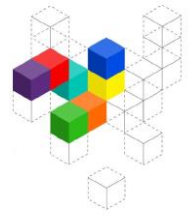
## 9 SAME DAY SETTLEMENT<sup>38</sup>

- 9.1 The prohibition against same day transactions as stipulated in clauses 3.8, 5.4, 6.4, 7.4 and 8.5 of this Strate Directive applies.<sup>39</sup>
- 9.2 Notwithstanding paragraph 9.1, Same Day Settlement may be allowed at the discretion of Strate if:
  - 9.2.1 The request for the Same Day Settlement has been sent electronically by the Participant to [stratehelpdesk@strate.co.za](mailto:stratehelpdesk@strate.co.za):
    - 9.2.1.1 before 13h00 for transactions involving payment in order to allow sufficient time for consideration, approval and processing before the third SAMOS payment run; and
    - 9.2.1.2 before 18h00 for free of payment transactions.
  - 9.2.2 On Record Date for Securities where there is a pending Corporate Event, the request for Same Day Settlement has been sent electronically by the Participant or Securities Lending Business Partner to [stratehelpdesk@strate.co.za](mailto:stratehelpdesk@strate.co.za) (the Securities Lending Business Partner must copy the relevant Participant via email) and all transactions must be reported to Strate and matched by 09h00 and the Participant must commit by 10h00; Same Day Settlement of SLB, SLB Return, Collateral and Collateral Return Transactions reported after 09h00 on Record Date for Securities where there is a pending Corporate Event, must adhere to paragraph 9.2.1 subject to submission of an electronic request to [stratehelpdesk@strate.co.za](mailto:stratehelpdesk@strate.co.za).
  - 9.2.3 The prior approval in electronic form is obtained from Strate Operations; and
  - 9.2.4 An administration fee of a requisite amount per transaction is paid to Strate.
- 9.3 Where a Same Day Settlement has been allowed in terms of 9.2.1.1, the instruction must be reported to Strate, matched and committed by the Participant by 14h00 on settlement date.
- 9.4 Same Day Settlement transactions may be linked via Back-to-Back functionality, subject to a request being sent electronically to [stratehelpdesk@strate.co.za](mailto:stratehelpdesk@strate.co.za).
- 9.5 Prior to requesting authority for the Same Day Settlement as stated in 9.2 the Participant must have evaluated, and assumed responsibility for, the potential Corporate Action implications resulting from a Same Day Settlement. Participants must communicate their intention to conclude a Same Day Settlement to Strate Corporate Actions via telephone and followed up by email confirmation to [corporateactions@strate.co.za](mailto:corporateactions@strate.co.za).

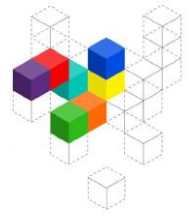
<sup>38</sup> Section amended with effect from 11 July 2016

<sup>39</sup> Amended with effect from 6 October 2017

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- 9.6 Where a Same Day Settlement has been allowed in terms of this Strate Directive, it does not attract a fine as stipulated in Strate Directive SF.2 – *Fines Schedule – On-market and Off-market – Equities*.
- 9.7 A Same Day Settlement that has been allowed in terms of this Strate Directive does not adversely affect the respective Participant's Performance Rating by STRATE Supervision.



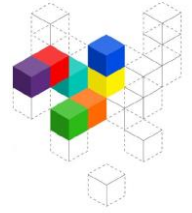
## 10 TOLERANCE LEVEL<sup>40</sup>

In order to facilitate and ensure that settlement in Off-market transactions is effected, the Controlling Body of Strate approved an acceptable tolerance level on the matching criteria of Off-market transactions, namely that:

- 10.1 The Strate System tolerance level applicable to Off-market transactions involving payment is presently R50. Any changes in terms of 10.2 must be notified to Participants.
- 10.2 Strate together with the Participants shall determine, monitor and from time to time may revise the Strate System tolerance level for Off-market transactions.
- 10.3 The matching process shall be deemed successful if by using the RVP's Rand amount as a base, the consideration matches with a DVP figure that is within the agreed Strate System tolerance level.

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<sup>40</sup> Section amended with effect from 11 July 2016  
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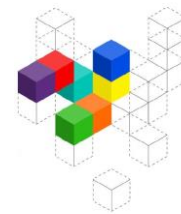
## 11 COLLATERAL ACCOUNT TRANSFERS AND LENDING ACCOUNT TRANSFERS<sup>41</sup>

- 11.1 Same Day Settlement for Collateral Account Transfers and Lending Account Transfers between Participants and internally involving a single Participant are permitted. The Client type for a Collateral Account Transfer and Lending Account Transfer is “33”.
- 11.2 Subject to 11.4 below all Collateral Account Transfers and Lending Account Transfers must be reported to Strate matched and committed by 18h00 on S.
- 11.3 Collateral Account Transfers and Lending Account Transfers are permitted provided that there is no change in beneficial ownership. Collateral Account Transfers and Lending Account Transfers are not permitted in respect of BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme.<sup>42</sup>
- 11.4 Same Day Settlement of Collateral Account Transfers and Lending Account Transfers, between Participants and between Central Securities Accounts when the transfer involves a single Participant is not permitted on Record Date (RD) for Securities where there is a pending Corporate Event, except as provided in section 9 of this Strate Directive.
- 11.5 Participants must process Collateral Account Transfers and Lending Account Transfers with the free of payment settlement type (RFP / DFP).

<sup>41</sup> Section amended with effect from 26 June 2017

<sup>42</sup> 11.3 deleted and section renumbered with effect from 19 December 2016

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## 12. COLLATERAL AND COLLATERAL RETURN TRANSACTIONS<sup>43</sup>

- 12.1 A minimum T+0 settlement cycle is permitted for Collateral and Collateral Return transactions.
- 12.2 The Client type for a Collateral transaction is “53” for Securities Lending Business Partners. The Client type for a Collateral Return transaction is “54” for Securities Lending Business Partners.
- 12.3 Securities Lending Business Partners must report Collateral and Collateral Return transactions to Strate by 13h00 on S; or by 13h00 on S-1, where there is an On-market or Off-market dependency. The Securities Lending Business Partner should also ensure that their Clients have instructed their Participant to act on the Collateral and Collateral Return transaction by 13h00 on S; or 13h00 on S-1 where there is an On-market or Off-market dependency.
- 12.4 Collateral and Collateral Return transactions reported by Securities Lending Business Partners must be committed to by 15h00 on S; or 15h00 on S-1 where there is an On-market or Off-market dependency.
- 12.5 Where there is a pending Corporate Action, Securities Lending Business Partners must report the affected Collateral and Collateral Return transactions to Strate for Same Day Settlement by 09h00 on RD, and the Participants must commit to such transactions by 10h00 on RD. Thereafter, Securities Lending Business Partners or Participants must adhere to section 9 of this Strate Directive.
- 12.6 Securities Lending Business Partners, may cancel Collateral and Collateral Return transactions on S provided that the orders are not in a “matched ready for settlement” status.
- 12.7 If a Back-to-Back Link is created for a Collateral and Collateral Return transaction entered into for a transaction that is subject to Reverse Substitution or Principal Assumption, the Back-to-Back Link must be created by 18h00 on S-1. Same day Collateral and Collateral Return transactions may be linked via Back-to-Back functionality, subject to a request being sent electronically to [stratehelpdesk@strate.co.za](mailto:stratehelpdesk@strate.co.za).<sup>44</sup>

<sup>43</sup> Section amended with effect from 11 July 2016

<sup>44</sup> Amended with effect from 6 October 2017

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