Directive of Strate Proprietary Limited
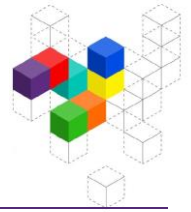
Special Gazette No B5-2017

Strate Directive SD.2
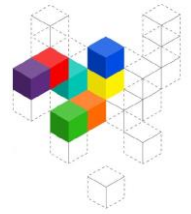
Operational Market Windows – Off-market – Bond Securities - JSE

To cater for the procedure for the Settlement of Off-market Transactions

INDEX

1. INTERPRETATIONS AND DEFINITIONS

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

1.2. This Strate Directive applies to the Settlement of Off-market transactions in respect of bond Securities that are listed on the JSE.

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

'Account Transfer' means a free of payment transfer, resulting in no change in beneficial ownership, between a Client's Securities Accounts or Central Securities Account, 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;

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

'Capital Event' means an action taken by an Issuer or any other entity or third party, which affects the holders of Securities in terms of entitlements or notifications;

'Carry Transaction' means a buy/sell back transaction between two parties in terms of which one party agrees to buy loan stock from the other party while simultaneously agreeing to sell the loan stock back on an agreed future date at an agreed price;
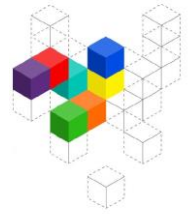
'CMFE' means the Centralised Messaging Front End;

'Collateral Account' means a Securities Account or Central Securities Account, or a balance in a Securities Account or Central Securities Account, in which a Client places Securities available for the purpose of a Collateral Agreement;

'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;

'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 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;

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

'Collateral Return Transaction' means a transaction where 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 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 to a Collateral Taker by a Collateral Provider under a Collateral Agreement;

'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;

'EOD' means "End of Day" and is the time as stipulated in this Strate Directive;

'Failed Trade' means a transaction in Securities which the JSE Settlement Authority deems to be a failed trade on the basis that neither the Client, Member nor JSE Settlement Authority is able to ensure that such transaction will Settle on the Settlement date or any revised Settlement date;

'Interest Rate 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 bond type Securities;

'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 Securities effected through the Interest Rate Trading System;

'Lending Account' means a Securities Account or Central Securities Account, or a balance in a Securities Account or Central Securities Account, in which a Client places Securities available for lending to the market;

'Lending Account Transfer' means an Account Transfer from a Client's Securities Account or Central Securities Account to the Client's Lending Account, and vice versa;

'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;

'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 Members, two Investment managers or a combination thereof;

'Record Date (RD)' means the date on which the holdings, upon which the Capital Event entitlement is based, are ascertained;

'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;

'Same Day Settlement' or 'Same Day' means a transaction reported to Strate on the same day on which Settlement occurs, irrespective of the actual trade date;
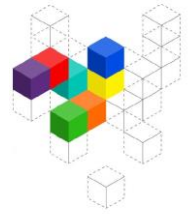
'Securities Lending Business Partner' means a Business Partner that reports Securities Lending Transactions, Securities Lending and Borrowing Return Transactions, Collateral and Collateral Return Transactions;

'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 Capital Event distributions 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;

'Settlement Bank' means a bank which is a settlement system participant in SAMOS and is responsible for funding the SAMOS CBPL (continuous batch processing line) for the Settlement of transactions;

'Strate Debt Instruments Management' means the department within Strate responsible for communication between Participants, Business Partners, Exchanges and Strate relating to Capital Events;

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

'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' means the next Business Day following such non-Business Day on which such Security was traded; and

'T+X' means trade date plus X Business Days, 'X' being the number of Business Days stipulated in the Strate Directive.

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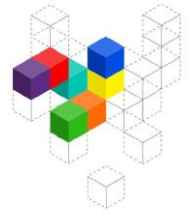
2.   GENERAL

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

2.1.1.   the 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' BPID (Business Partner identification number)

2.2.2.   The second level matching is:
Client type
Consideration / Rand amount (for tolerance level, see section 10 of this Strate Directive)

2.3.   The timings on transaction acceptance, confirmations and commitments, as provided in this Strate Directive, are event driven and not driven by system controls. As a result it is possible that the Strate System might accept inputs beyond these timings. Such acceptances should not be seen as an assurance that the transactions will Settle. Transactions captured outside the operational parameters may result in the levying of a fine against the Participant or Business Partner responsible.

3.   OPERATIONAL TIMINGS AND PERIODS

The following operational timings are provided in this section, which are based on the assumptions and considerations provided in the previous section.

3.1.   Strate System

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

3.1.2.   If BOD is delayed beyond 03h00, shifting or compression of the rest of the Settlement and system activities take place as per Strate's business continuity plan, where applicable.

3.1.3.   The start time of SAMOS is not controlled by the Strate System or Strate.
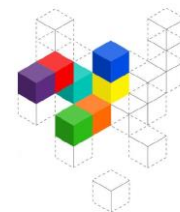
3.1.4. The Strate System EOD is at 19h00. Should an Exchange or Participant require the parameter to be moved beyond 19h00, the requestor needs to inform Strate in writing by no later than 17h30 on the date for which the request is made.

3.1.5. 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.

3.2. Transaction Reporting

3.2.1. Off-market transactions for Client types "00" and "55" may conform to a T+3, T+2, T+1 or T+0 Settlement cycle.

3.2.2. Off-market transactions are reported by the seller and purchaser of Securities to the relevant Participant.

3.2.3. Participants must report to Strate, and match all Off-market transactions, except for T+0 transactions, for Client types "00" and "55"by 15h00 on S-1.

3.2.4. A Participant must report to Strate all internal Off-market transactions, where the Participant is Settling both legs of the transactions.

3.2.5. 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 Settle by the original Settlement date, 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 for Client type "00", after which the original instruction must be cancelled. The Participants are not permitted to amend the trade date of the original instruction.

3.2.6. Instructions reported incorrectly to Strate must be cancelled or corrected and not left to fail in the system. Corrections of all Off-market transactions must be made prior to the reporting deadline applicable to such transactions. Cancellations of uncommitted transactions are permitted until S.

3.2.7. A Participant may use the 'Query Facility' in CMFE available to it, in order to monitor its own transactions and check the transactions reported against it.

3.2.8. If instructions are reported against a Participant who does not have the requisite instructions, then the Participant must confirm the transaction with their Client and counterparty.

3.3. Commitment to Settlement

3.3.1. Participants must commit to the Off-market transaction, except T+0 transactions, for Client types "00" and "55"by 17h00 on S-1.

3.3.1.1. A Back-to-Back Link, for all Off-market transactions, must conform to the commit cut-off applicable to each linked transaction.
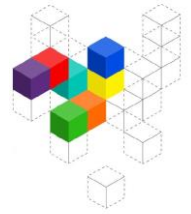
3.3.1.2. Back-to-Back Links may be created after 09h30 on S for transactions affected by the JSE's Failed Trade management process, and the following procedure must be followed:

a) the requesting Participant must send a written request to Strate Operations and the counterparty Participant;

b) the counterparty Participant must send a written acceptance of the request to Strate Operations;

c) Strate Operations reviews the request and where 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 may open the window and permit the requesting Participant to un-commit, in consultation with the JSE Settlement Authority.

3.3.1.3. If a Dependency Link is created for un-committed transactions, it must conform to the commit cut-off applicable to each linked transaction.

3.3.2. A Participant may un-commit to an Off-market transaction up until 9h30 on S without permission.

3.3.3. In the event that a Participant intends to un-commit to a transaction after 09h30 on S, then:

3.3.3.1. the requesting Participant must send a written request to Strate Operations and the counterparty Participant;

3.3.3.2. the counterparty Participant must send a written acceptance of the request to Strate Operations; and

3.3.3.3. Strate Operations reviews both the request and the acceptance and, where there are no On-market dependencies or potential market risk, Strate Operations may open the un-commit window 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.

3.3.4. A Participant must check the status of its own transactions by monitoring its status intimations.

3.3.5. In the event of an Off-market transaction being impacted by the JSE's Failed Trade management process, 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.

3.4. Back-To-Back Removal

The Back-to-Back removal program that breaks the Back-to-Back Links is initiated by Strate Operations as required, in consultation with JSE Settlement Authority and Participants.

3.5. Moment of Finality of Instructions

The Moment of Finality of Instructions referred to in the Strate Rules is the moment immediately preceding Settlement, on S.
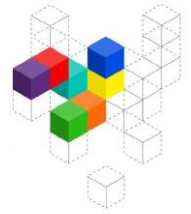
3.6. Settlement Runs

3.6.1.   Settlement runs are initiated by Strate as required. Strate initiates the first Settlement run at 10h00, and initiates subsequent Settlement runs every hour, at hourly intervals, or as required under exceptional circumstances. Strate initiates the last Settlement run at 15h15, or as required under exceptional circumstances. Participants may only request Strate to delay the last Settlement run under exceptional circumstances.

3.6.2.   Participants must instruct their Settlement Bank to fund the applicable SAMOS accounts within 30 (thirty) minutes of their receipt of the payment advice from Strate Operations.

3.7. Failed Transactions

3.7.1.   Only the following transactions will be allowed to fail in Strate:

3.7.1.1.   transactions that are reported against a counterparty who does not match the transaction;

3.7.1.2.   transactions that are reported but are short of Securities; and

3.7.1.3.   Settlement which is not funded during the specified Settlement window.

4.   SECURITIES LENDING AND REPURCHASE TRANSACTIONS

4.1.   Off-Market Securities Lending and Borrowing (SLB), SLB Return, repurchase transactions (first and second leg), 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" and the Client type for repurchase transactions (first and second leg) is "55".

4.1.2.   Participants must report to Strate SLB, SLB Return, Collateral and Collateral Return Transactions by 13h00 on S; or by 15h00 on S-1, where there is an On-market or Off-market dependency.

4.1.3.   Participants must commit to SLB, SLB Return, Collateral and Collateral Return Transactions by 15h00 on S; or by 17h00 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 Capital 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.   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:

4.1.5.1. the requesting Participant must send a written request to Strate Operations and the counterparty Participant;

4.1.5.2. the counterparty Participant must send a written acceptance of the request to Strate Operations; and

4.1.5.3. Strate Operations reviews both the request and the acceptance and, where there are no On-market dependencies or potential market risk, Strate Operations may open the un-commit
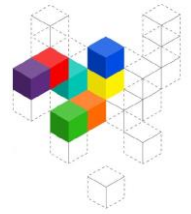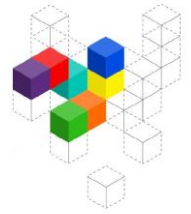
window for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit. If there is an On-market dependency, Strate Operations may open the window and permit the requesting Participant to un-commit, in consultation with the JSE Settlement Authority.

5.   ACCOUNT TRANSFERS

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, Participants must report to Strate, match and commit to all Account Transfers by 18h00 on S.

5.3.   Account Transfers are permitted provided that there is no change in beneficial ownership.

5.4.   Same Day Settlement of Account Transfers between Participants is not permitted on Record Date, for Securities where there is a pending Capital Event. A Participant must report internal intra-Participant Account Transfers within the same Central Securities Account or between Central Securities Accounts by 09h00 and commit by 10h00.

5.5.   Participants must process Account Transfers with the free of payment settlement type (RFP/DFP).

6.   PORTFOLIO MOVEMENTS

6.1.   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".

6.2.   Subject to 6.4 below, Participants must report to Strate, match and commit to all Portfolio Movements by 18h00 on S.

6.3.   Portfolio Movements are permitted provided that there is no change in beneficial ownership.

6.4.   Same Day Settlement of Portfolio Movements between Participants is not permitted on Record Date, for Securities where there is a pending Capital Event. A Participant must report internal intra-Participant Portfolio Movements within the same Central Securities Account or between Central Securities Accounts by 09h00 and commit by 10h00.

6.5.   Participants must process Portfolio Movements with the free of payment settlement type (RFP/DFP).

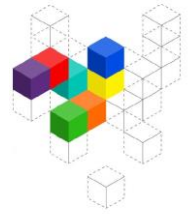## 7. COLLATERAL ACCOUNT TRANSFERS AND LENDING ACCOUNT TRANSFERS

7.1. 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 a Lending Account Transfer is "33".

7.2. Subject to 7.4 below, Participants must report to Strate, match and commit to all Collateral Account Transfers and Lending Account Transfers by 18h00 on S.

7.3. Collateral Account Transfers and Lending Account Transfers are permitted provided that there is no change in beneficial ownership.

7.4. Same Day Settlement of Collateral Account Transfers and Lending Account Transfers between Participants is not permitted on Record Date, for Securities where there is a pending Capital Event. A Participant must report internal intra-Participant Collateral Account Transfers and Lending Account Transfers within the same Central Securities Account or between Central Securities Accounts by 09h00 and commit by 10h00.

7.5. Participants must process Collateral Account Transfers and Lending Account Transfers with the free of payment settlement type (RFP / DFP).

8. CAPITAL EVENTS

On Record Date, the cut-off time for transaction reporting, commitment and Settlement of "against payment" and "free of payment" transactions for Client types "00" and "55", is 13h00 on S.
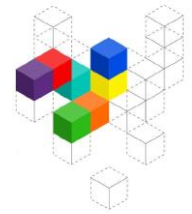
9. T+0 TRANSACTIONS

9.1 Participants must report to Strate, and match "against payment" t+0 transactions for client type "00" and "55" by 13h00 on s, and commit by 15h00 on s.

9.2 Corrections of off-market transactions for Client types "00" and "55" must be made prior to 15h00 on s.

9.3 T+0 transactions may be linked via Back-to-Back functionality, subject to the transactions conforming to the commit cut-off applicable to each linked transaction.

9.4 Prior to reporting T+0 transactions on RD, Participants must have evaluated and assumed responsibility for the potential Capital Event implications resulting from the T+0 transactions. Participants must communicate their intention to conclude T+0 transactions to Strate Debt Instruments Management via telephone and followed up by email confirmation to cdadmin@strate.co.za.

9.5 Participants may report to Strate, match and commit to "free-of-payment" T+0 transactions for Client types "00" and "55" by 18h00.

10.   TOLERANCE LEVEL

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 must determine, monitor and from time to time may revise the Strate System tolerance level for Off-market transactions; and

10.3   the matching process is 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.

11.   OPERATIONAL TIMELINES TABLE

Transaction Type	Settlement Cycle	Reporting Time	Commit Time
Off-market transactions (Client type 00) (T+3)	T+3	15h00 (S-1)	17h00 (S-1)
Off-market transactions (Client type 00) (T+2)	T+2	15h00 (S-1)	17h00 (S-1)
Off-market transactions (Client type 00) (T+1)	T+1	15h00 (S-1)	17h00 (S-1)
Off-market "against payment" transactions (Client type 00) (T+0)	T+0	13h00 (S)	15h00 (S)
Off-market "free of payment" transactions (Client type 00) (T+0)	T+0	18h00(S)	18h00(S)
Off-market transactions (Client type 00) on RD	Min T+0	13h00 (S)	13h00 (S)
SLB (Client type 50)	Min T+0	13h00 (S)	15h00 (S)
SLB on RD (Client type 50)	Min T+0	09h00 (S)	10h00 (S)
SLB (Client Type 50) – Loan Dependency	Min T+1	15h00 S-1	17h00 S-1
Off-market Repo (First and Second Leg) (Client type 55) (T+3)	T+3	15h00 (S-1)	17h00 (S-1)
Off-market Repo (First and Second Leg) (Client type 55) (T+2)	T+2	15h00 (S-1)	17h00 (S-1)
Off-market Repo (First and Second Leg) (Client type 55) (T+1)	T+1	15h00 (S-1)	17h00 (S-1)
Off-market Repo "against payment" (First and Second Leg) (Client type 55) (T+0)	T+0	13h00 (S)	15h00 (S)
Off-market Repo "free of payment" (First and Second Leg) (Client type 55) (T+0)	T+0	18h00(S)	18h00(S)
Off-market Repo (Client type 55) (T+n)	T+n	15h00 S-1	17h00 S-1
Off-market Repo (Client type 55) on RD	Min T+0	13h00 (S)	13h00 (S)
Account Transfer (Client type 30) (Both Inter-Participant and Intra-Participant)	Min T+0	18h00 (S)	18h00 (S)
Portfolio Movement (Client type 31) (Both Inter-Participant and Intra-Participant)	Min T+0	18h00 (S)	18h00 (S)
Collateral Account Transfers and Lending Account Transfers (Client type 33) (Both Inter-Participant and Intra-Participant)	Min T+0	18h00 (S)	18h00 (S)
Account Transfers on RD (Intra-Participant) (Client type 30) (Inter-Participant not allowed)	Min T+0	09h00 (S)	10h00 (S)
Portfolio Moves on RD (Intra-Participant) (Client type 31) (Inter-Participant not allowed)	Min T+0	09h00 (S)	10h00 (S)
Collateral Account Transfers and Lending Account Transfers on RD (Intra-Participant) (Client type 33) (Inter-Participant not allowed)	Min T+0	09h00 (S)	10h00 (S)

Other Settlement Windows	Timelines
Back-To-Back addition time – All transactions (except T+0 transactions)	17h00 (S-1)
Back-To-Back addition time –T+0 transactions	15h00 (S)
Back-To-Back removal time – All transactions	09h30 (S)
Un-commit time – On/Off Market transactions	09h30 (S)
Moment of Finality of Instructions	Before every Settlement run
First Settlement run	10h00
Subsequent Settlement runs	Every hour, at hourly intervals (or as required under exceptional circumstances)
Last Settlement run	15h15