

Directive of Strate Proprietary Limited

Special Gazette No S12-2016

Strate Directive SA.9

Segregated Depository Accounts: Opening, Administration and other Procedures





To cater for the opening, administration and other procedures in respect of Segregated Depository Accounts; to cater for the appointment of Secondary Participants in respect of Money Market Securities and MM Securities Accounts, and administration of MM Securities Accounts by a Secondary Participant upon the failure of a Client's Primary Participant

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1. INTERPRETATIONS AND DEFINITIONS¹

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.²

‘Appointment Form’ means Strate’s form which must be completed by a Secondary Participant appointed by a Client in respect of a MM Securities Account;

‘Account Opening Form’ means Strate’s form which must be completed by the Primary Participant and Secondary Participant, if applicable, prior to the opening of a Segregated Depository Account;

‘Pledge Form’ means Strate’s form which must be completed by a Primary Participant prior to the making of an Entry to record a pledge by Strate on a Segregated Depository Account;

‘Release Pledge Form’ means Strate’s form which must be completed by a Primary Participant prior to the removal of an Entry to record a pledge by Strate on a Segregated Depository Account; and

‘Strate Operations’ means the operations division of Strate responsible for communication between Participants, Business Partners, Exchanges and Strate relating to settlement operations.³

‘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 Securities, or any other purpose performed by Strate in terms of the Act;⁴

2. PRE-CONDITIONS

2.1 A Participant who wants to be appointed as a Secondary Participant must submit to Strate Operations a once-off resolution by its Board of Directors, or a properly delegated authority, confirming that:

2.1.1 it understands the obligations of a Secondary Participant; and

2.1.2 it must administer MM Securities Accounts, and open and administer Segregated Depository Accounts on behalf of Clients in the event of an Insolvency Proceeding against such Clients’ Primary Participant; in accordance with the Strate Rules and Strate Directives.

3. ACCOUNT OPENING

3.1 Client Obligations

3.1.1 A Client may request a Primary Participant to open one or more Segregated Depository Account(s).

¹ “CSD” and “the CSD” changed to Strate throughout the document with effect from 11 April 2016

² Rules’ and ‘Directives’ changed to ‘Strate Rules’ and ‘Strate Directives’ throughout the document with effect from 1 December 2016

³ ‘Custody and Settlement’ changed to ‘Operations’ throughout the document with effect from 24 July 2014

⁴ Amended with effect from 14 July 2014

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- 3.1.2 A Client may appoint a Secondary Participant.
- 3.1.3 A Client may have one or more Segregated Depository Accounts for his/her/its various holdings with different Primary and Secondary Participants, provided that the requirements stipulated in the Strate Rules and this Strate Directive are adhered to.⁵

3.2 Participant Obligations

- 3.2.1 Upon appointment in terms of 3.1.1, the Primary Participant may open or request Strate to open a Segregated Depository Account, in accordance with 3.3 and 3.4 below, respectively, by completing the Account Opening Form available on www.strate.co.za, and submitting it to Strate Operations.⁶
- 3.2.2 A Primary Participant must complete and submit one Account Opening Form in respect of each Segregated Depository Account.
- 3.2.3 A Secondary Participant appointed in accordance with 3.1.2 or 4.2.1 must complete and submit to Strate Operations the Account Opening Form.
- 3.2.4 A Segregated Depository Account will not be opened in terms of this Strate Directive, if the requirements as set out in 3.2.1 to 3.2.3 are not adhered to and/or are incomplete.
- 3.2.5 A Primary Participant must notify the Client of the successful opening of the Segregated Depository Account(s) within five (5) Business Days.
- 3.2.6 Strate Operations must receive and retain a copy of the Account Opening Form and resolution as set out in 3.2.2 and 3.2.3 above.
- 3.2.7 On opening of Segregated Depository Accounts, a Primary or Secondary Participant, as the case may be, will become and remain responsible for the performance of all the obligations and functions as set out in the Act, Strate Rules and Strate Directives with regard to the administration and maintenance of Segregated Depository Accounts opened by them for their Clients.

3.3 Opening of a Segregated Depository Account: Equities

- 3.3.1 Upon receipt of the completed Account Opening Form from both the Primary Participant and Secondary Participant, where applicable, Strate will, on behalf of a Primary Participant:
 - 3.3.1.1 open a Segregated Depository Account; or
 - 3.3.1.2 designate an existing Central Securities Account as a Segregated Depository Account.
- 3.3.2 Strate will within 48 (forty-eight) hours:
 - 3.3.2.1 notify the Primary Participant in writing that a Segregated Depository Account has been opened and the account number thereof; and

⁵ 3.1.3 removed and 3.1.4 re-numbered with effect from 11 April 2016

⁶ Amended with effect from 11 April 2016

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- 3.3.2.2 notify the Secondary Participant appointed in terms of 3.1.2, where applicable, that a Segregated Depository Account has been opened.

3.4 Opening of a Segregated Depository Account: Bonds

- 3.4.1 Upon receipt of the completed Account Opening Form from both the Primary and Secondary Participant, where applicable, Strate will authorise the Primary Participant to open a Segregated Depository Account in the Strate System.
- 3.4.2 The Primary Participant must notify Strate in writing that a Segregated Depository Account has been opened, and the account number thereof.
- 3.4.3 Strate will, within 48 (forty-eight) hours, notify the Secondary Participant appointed in terms of 3.1.2, where applicable, that a Segregated Depository Account has been opened.

4. ACCOUNT ADMINISTRATION

4.1 Change of Primary Participant

- 4.1.1 Where a Client wants to change its Primary Participant, a new Segregated Depository Account must be opened in accordance with 3.1 to 3.4.
- 4.1.2 Once a new Segregated Depository Account has been opened, the Client must instruct its existing Primary Participant to move Securities to its new Segregated Depository Account.
- 4.1.3 The existing and new Primary Participants must instruct Strate to move and receive Securities, respectively, to the new Segregated Depository Account in accordance with existing **Strate Directives** and procedures in respect of both equities and bonds.

4.2 Appointment or Change of Secondary Participant

- 4.2.1 Where a Client wants to appoint a Secondary Participant or change its existing Secondary Participant, the Client must:
- 4.2.1.1 appoint the new Secondary Participant in writing⁷; and
- 4.2.1.2 in respect of a change of Secondary Participant, inform the existing Secondary Participant, in writing, of the effective date of the termination with a copy to the Primary Participant.
- 4.2.2 The new Secondary Participant must complete and submit to Strate Operations the Account Opening Form referred to in 3.2.3, and a written confirmation of the effective date of its appointment.⁸

⁷ Amended with effect from 11 April 2016

⁸ Amended with effect from 11 April 2016

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4.3 Pledge

4.3.1 Where a pledge is to be recorded on a Segregated Depository Account, the Primary Participant must complete and submit to Strate the Pledge Form available on Strate's website www.strate.co.za.

Equities

4.3.2 Upon receipt of the Pledge Form referred to in 4.3.1, Strate will make an Entry on the Segregated Depository Account to record the pledge, and send a written confirmation to the Primary Participant that the pledge has been recorded.

Bonds

4.3.3 Upon receipt of the Pledge Form referred to in 4.3.1, Strate will authorise the Primary Participant to make an Entry on the Segregated Depository Account to record the pledge. Once the Entry has been effected, the Primary Participant must send a written confirmation to Strate that the pledge has been recorded.

4.4 Release Pledge

4.4.1 Where a pledge recorded on a Segregated Depository Account is to be released, the Primary Participant must complete and submit to Strate the Pledge Release Form available on Strate's website www.strate.co.za.

Equities

4.4.2 Upon receipt of the Primary Participant's written instruction referred to in 4.4.1, Strate will make an Entry on the Segregated Depository Account, and send a written confirmation to the Primary Participant that the pledge has been released.

Bonds

4.4.3 Upon receipt of the Pledge Release Form referred to in 4.4.1, Strate will authorise the Primary Participant to make an Entry on the Segregated Depository Account to release the pledge. Once the Entry has been effected, the Primary Participant must send a written confirmation to Strate that the pledge has been released.

5. ACCOUNT ADMINISTRATION IN THE EVENT OF AN INSOLVENCY PROCEEDING

5.1 Client Obligations

5.1.1 In the event of an Insolvency Proceeding against a Client's Primary Participant, where a Secondary Participant has been appointed, the Client must send a written instruction to its Secondary Participant to activate such Client's Segregated Depository Account(s) in place of the Primary Participant. The Client must send a copy of this instruction to the Primary Participant.



5.1.2 The Client may, in writing, appoint a new Secondary Participant on the date the new Primary Participant commences administration of a Segregated Depository Account.⁹

5.2 Secondary Participant Obligations

5.2.2 The Secondary Participant must:

5.2.2.1 confirm to Strate in writing, with a copy sent to the Primary Participant, that it will act as administrator of the Segregated Depository Account(s);

5.2.2.2 open, or instruct Strate to open, Segregated Depository Accounts as a Primary Participant in accordance with 3.1 to 3.4;

5.2.2.3 instruct Strate to move all unencumbered Securities to the Segregated Depository Accounts referred to in 5.2.2.2.

5.2.2.4 reconcile Securities holdings and positions with its Client, Strate and the Primary Participant.

5.3 Primary Participant Obligation

In the event of an Insolvency Proceeding against a Primary Participant, such Primary Participant must reconcile Securities holdings and positions with its Client, the Secondary Participant and Strate.

6. MONEY MARKET SECURITIES

6.1 Appointment of a Secondary Participant¹⁰

6.1.1 A Client may, in writing, appoint a Secondary Participant in respect of one or more MM Securities Account(s). A Client may appoint a Participant with whom it already has a MM Securities Account as a Secondary Participant.

6.1.2 A Secondary Participant appointed in accordance with 6.1.1 must complete and submit to Strate Operations the Appointment Form available on www.strate.co.za.

6.2 Administration¹¹

6.2.1 Where a Client wants to change its existing Secondary Participant, the Client must inform the existing Secondary Participant, in writing, of the effective date of the termination.

6.2.2 The new Secondary Participant must complete and submit to Strate Operations the Account Opening Form referred to in 6.1.2, and a written confirmation of the effective date of its appointment.

⁹ Amended with effect from 11 April 2016

¹⁰ Section amended with effect from 11 April 2016

¹¹ Section amended with effect from 11 April 2016

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6.3 Administration in the event of an Insolvency Proceeding

- 6.3.1 In the event of an Insolvency Proceeding against a Client's Primary Participant, the Client must send a written instruction to its Secondary Participant to administer such Client's MM Securities Account(s) in place of the Primary Participant. The Client must send a copy of this instruction to the Primary Participant.
- 6.3.2 The Client may, in writing, appoint a new Secondary Participant on the date the new Primary Participant commences administration of a MM Securities Account.¹²
- 6.3.3 The Secondary Participant must:
- 6.3.3.1 confirm to Strate in writing, with a copy sent to the Primary Participant, that it will act as administrator of the MM Securities Account(s);
 - 6.3.3.2 open a MM Securities Account(s), or advise Strate of existing MM Securities Account(s);
 - 6.3.3.3 instruct Strate to move unencumbered MM Securities to the new or existing MM Securities Account(s);
 - 6.3.3.2 reconcile Securities holdings, positions and any encumbrances with its Client, Strate and the Primary Participant.
- 6.3.4 In the event of an Insolvency Proceeding against a Primary Participant, such Primary Participant must reconcile Securities holdings, positions and any encumbrances with its Client, the Secondary Participant and Strate.

¹² Amended with effect from 11 April 2016
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