

# Directive of Strate Proprietary Limited

Special Gazette No S15-2016

## Strate Directive SC.4

Processing of Corporate Actions - Equities



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To facilitate, *inter alia*, the payment by Participants to Clients of interest, dividends and all other entitlements, received from Issuers, and the distribution by Participants to Clients of notices and other information received from Strate<sup>1</sup>

Issuers, Brokers and Nominees are reminded of their obligation in terms of the Act and the Strate Rules<sup>2</sup>

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<sup>1</sup> "CSD" and "the CSD" amended to "Strate" throughout the document with effect from 11 July 2016

<sup>2</sup> "Rule/s" and "Directive/s" become "Strate Rule/s" and "Strate Directive/s" throughout this document with effect from 11 July 2016

<sup>3</sup> Amended with effect from 1 February 2017

## 1 DISCLAIMER

- 1.1 Strate does not make any representations or warranties, express or implied, as to the accuracy, completeness or reliability of information contained in any Announcements published by Issuers, or an Exchange, and sent by Strate.
- 1.2 Strate shall not be liable to any person for any delays in the sending or non-receipt of:
  - 1.2.1 Announcements or other information published by Issuers or their agents, or an Exchange; or
  - 1.2.2 payments and other entitlements.
- 1.3 Strate shall not be responsible or liable to any person for any loss or damage resulting from:
  - 1.3.1 any delay, act or omission on the part of any third party;
  - 1.3.2 incorrect, inaccurate, defective or misleading information furnished or supplied by the Issuer or its agent, an Exchange or any third party; or
  - 1.3.3 the interruption or failure of communications links, power failure, the loss or destruction of any data and any loss or damage caused by natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause.
- 1.4 Strate shall not be liable for any loss incurred by any person as a result of amendment and / or cancellation of any Corporate Action by the Issuer or its agent, an Exchange or any third party.
- 1.5 Strate shall not be liable for any loss, damage or claim incurred by any person, including but not limited to Issuers, Participants and/or Clients of Participants, as a result of the A rated bank, in whose account the cash entitlements are held, declared insolvent, becoming the subject of business rescue proceedings or having a curator appointed in terms of any law, prior to those cash entitlements being distributed.

## 2 INTERPRETATIONS AND DEFINITIONS<sup>4</sup>

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

‘Announcement’ means notices regarding rights accruing to owners of Securities, which are published by Issuers by means of the news service of the applicable Exchange, and, where provided to Strate, company reports and circulars. In respect of Unlisted Securities, ‘Announcements’ means all notices regarding rights and other benefits accruing to owners of Securities, which are provided by Issuers to Strate;

‘Beginning of Day (BOD)’ means the time as stipulated in Strate Directive SC.1 – *Operational Market Windows – On-market – Equities*;

‘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;

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<sup>4</sup> Definitions amended with effect from 1 February 2017



‘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;

‘Default Option’ means the election option announced by the Issuer or its agent that is applied to the Clients’ holdings if the Client fails to make an election;

‘DvP’ means delivery versus payment;

‘Election Deadline Date’ means RD-X or RD+X or such other date as may be contained in the Announcement sent by Strate, ‘X’ being the number of Business Days stipulated in the Announcement and or Strate Directive;

‘End of Day (EOD)’ means the time as stipulated in Strate Directive SC.1 – *Operational Market Windows – On-market – Equities*;

‘Exchange Traded Funds’ means those Securities listed on an Exchange that track the performance of a specified Security or other asset, which include but are not limited to, indices, commodities, currencies or any other asset acceptable to the Exchange;

‘Ex-date’ means the date from which any transaction in that Security excludes the right to receive entitlements relating to the relevant Corporate Action. Ex-date is equal to LDT+1;

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

‘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 equity Securities;

‘LDT’ means Last Day to Trade, which is the last date 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 Announcement and or Strate Directive;

‘LDT-X’ means Last Day to Trade minus X Business Days, ‘X’ being the number of Business Days stipulated in the Announcement and or Strate Directive;

‘Issuer Agent’ means any person appointed by an Issuer to act as its agent in the performance of the functions set out in this Strate Directive, and includes any transfer secretary appointed by the Issuer;



'ISIN' means the International Securities Identification Number which is a unique internationally recognised Securities identification number that identifies the specific Security;

'MT XXX' means the applicable SWIFT message type as identified by SWIFT from time to time;

'Payment Date' means the date on which entitlements are paid;

'PD+X' means the Payment Date plus X Business Days, 'X' being the number of Business Days stipulated in the Announcement and or Strate Directive;

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

'RD+X' means the Record Date plus X Business Days, 'X' being the number of Business Days stipulated in the Announcement and or Strate Directive;

'RD-X' means the Record Date minus X Business Days, 'X' being the number of Business Days stipulated in the Announcement and or Strate Directive;

'RvP' means receive versus payment;

'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;

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

'SWIFT' means Society for Worldwide Interbank Financial Telecommunications;

'T' means Trade Date, which is the date on which a particular transaction was entered into;

'T+X' means Trade Date plus X Business Days, 'X' being a number of Business Days;

'Unlisted Securities' means Securities that are not listed on an Exchange.



### 3 ANNOUNCEMENTS

- 3.1 Announcements relating to companies are obtained by Strate from the Exchange, where applicable, Issuers or their agents. Strate thereafter creates the Corporate Action Announcement in the form of an MT564 message, even where this does not contain all the pertinent details. Strate distributes the Announcement to all Participants, who are in turn responsible for notifying their Clients who hold the respective Securities.
- 3.2 Participants may elect not to send Announcements as set out in 3.1 where:
- 3.2.1 the salient details of such Announcements are incorporated in a company notice, report or circular which has been, or will be, sent directly to Clients by an Issuer;
  - 3.2.2 Clients have elected not to receive such Announcements;
  - 3.2.3 Clients have mandated the Participant to act on their behalf without reference; or
  - 3.2.4 the Issuer is not required to send the Announcement by the applicable Exchange and / or the Companies Act.<sup>5</sup>
- 3.3 As updated or additional information relating to the Corporate Action is published, the original Announcement is enhanced and the additions or updated information must be distributed as set out in 3.1.
- 3.4 Strate sends an MT564 COMP message once all conditions are final, subject to changes in such Announcements being published by the Issuers or Exchange.
- 3.5 Participants must, where relevant and subject to 3.2, provide all the salient details as contained in the MT564 message to their Clients on receipt of the Announcements.
- 3.6 Where cash entitlements are announced by the Exchange, Issuer or its agent as a number of cents per share, Strate, in order to comply with the SWIFT standards converts the cash rate in the Announcement to a number of Rands per share.<sup>6</sup>
- 3.7 Where Strate calculates entitlements based on the cash rate and / or Securities ratios, it announces such calculations to not more than 15 (fifteen) decimal places.<sup>7</sup>

### 4 DEMATERIALISATION AND REMATERIALISATION ORDERS

- 4.1 With respect to Securities affected by a Corporate Action, Participants must not send any dematerialisation or rematerialisation orders to Strate after LDT. Participants must only recommence sending any dematerialisation or rematerialisation orders from RD+1.
- 4.2 With respect to Securities affected by a Corporate Action, Participants must, together with the Issuer or its agent, finalise the processing of any dematerialisation or rematerialisation orders that were outstanding on LDT by 13h00 on RD-1.<sup>8</sup>
- 4.3 With respect to Securities affected by a Corporate Action, the Issuers or their agents must not send any instructions for the allotment of Securities or for the cancellation or reduction of Securities to Strate between LDT+1 and RD.<sup>9</sup>

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<sup>5</sup> Inserted with effect from 11 July 2016

<sup>6</sup> Amended with effect from 5 October 2015

<sup>7</sup> Amended with effect from 5 October 2015

<sup>8</sup> Amended with effect from 11 July 2016



## 5. EX-DATE

- 5.1 Participants must exclude from elections and entitlements all transactions concluded on or after Ex-date, except where such transactions are Off-market or Securities Lending and Borrowing Transactions which are due to settle on or before Record Date.

## 6. ELECTION<sup>10</sup>

- 6.1 Participants and Clients must anticipate their Record Date holdings by taking into account all unsettled transactions which are due to settle on or before Record Date.
- 6.2 Participants must obtain their Clients' election instructions based on the anticipated Record Date holdings and do the following:
- 6.2.1 reconcile the holdings on which the Clients have elected against the anticipated Record Date holdings, and
  - 6.2.2 aggregate their Clients' election instructions and send these to Strate for each of their CSAs in accordance with 6.3.1.
- 6.3.1 Participants must send the election instructions referred to in 6.2 above to Strate in the form of an MT565 message by 13h00 on Record Date, or such other time as stipulated in the Announcement sent by Strate. Participants are liable for the accuracy, completeness and validity of election instructions sent to Strate. In the event of an election being impacted by the JSE's Failed Trade management, Participants may send an amended election instruction.
- 6.3.2 Where Strate facilitates the processing of voluntary Corporate Actions, including oversubscriptions, Strate will report, and commit to, Off-market transactions on behalf of Participants upon receipt of the Participants' election instructions. Where Strate does not facilitate the processing of voluntary Corporate Actions, these will be processed in accordance with paragraph 10.6 below and Strate Directive *SC.2 Operational Market Windows – Off-market – Equities - JSE*.
- 6.4 Where a Participant has not provided Strate with election instructions by the date and time stipulated in the Announcement sent by Strate, the Default Option shall apply.
- 6.5 Where required by Strate, Participants must send to the Issuer or its agent, with a copy to Strate, the election instructions in the form of a spreadsheet by such time as stipulated in the relevant Announcement sent by Strate.
- 6.6 Where no election has been made by a Participant in respect of an elective Corporate Action, the Participant must, by the time stipulated in 6.3, notify Strate, via an MT565 message, that no election was made. Participants may send to Strate an MT565 message for each option included in an elective Corporate Action.
- 6.7 Where Participants send election instructions to Strate in the form of MT565 messages in respect of elective Corporate Actions, any subsequent MT565 message sent to Strate replaces the previous MT565 message.

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<sup>9</sup> Inserted with effect from 3 November 2014

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



- 6.8 Issuer Agents must send to Strate an MT567 confirmation message in acknowledgment of receipt of each MT565 message received from Strate. Where Strate facilitates the processing of voluntary Corporate Actions, including oversubscriptions, Issuer Agents must send Strate an MT598-915 message, advising Strate of any allotted Securities, and the applicable cash rate and, or Securities ratios.
- 6.9 Strate shall not be liable for any loss incurred by any person as a result of any over election.

## 7. RECORD DATE<sup>11</sup>

- 7.1 Determining Record Date holdings requires Participants and Clients to take into account all transactions that are due to settle on or before Record Date.
- 7.2 If, after settlement has been concluded on Record Date, there is a discrepancy between the election received from the Participant and the holdings in the respective CSA of the Participant in Strate, Strate will advise the participant to resolve the discrepancy within 1 (one) hour and amend their election.

Thereafter the following action is automatically taken:

- 7.2.1 Where the Participant's election exceeds the holdings in the CSA, the election is reduced by the amount in excess.
- 7.2.2 Where the Participant's election exceeds the holdings in the CSA and the election covers more than one option, the election in respect of the Default Option is reduced by the amount in excess.
- 7.2.3 Where the discrepancy exceeds the quantity elected for the Default Option, this quantity is eliminated and the remaining discrepancy subtracted from the next option. If there are more than two options, the Participant must instruct Strate on the adjustment to be made to the election.
- 7.2.4 Where the Participant's election is less than the holdings in its CSA the Default Option is applied to the remaining holding.
- 7.3 Where Strate adjusts the election as provided in 7.2, it shall advise the affected Participants of the adjusted election via MT564 message by EOD on Record Date.
- 7.4 Where Strate adjusts the election in accordance with 7.2, Strate shall not be responsible or liable to any person for any loss or damage resulting from such adjustments, and Participants indemnify Strate from any loss resulting from such adjustments.
- 7.5 After settlement has been completed on Record Date, Strate shall provide the Issuer or its agent with details of the aggregate number of Securities and or cash due to Strate on Payment Date in respect of Participants' entitlements.
- 7.6 After settlement has been completed on Record Date, Strate shall advise the Participants of the holdings per SCA on which calculations for their entitlements were based, and their expected entitlements, based on such holdings.

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





- 7.7 In those cases where the entitlement is distributed through the clearing and settlement system of Strate, the details of the settlement are advised as soon as the orders have been generated by Strate on RD+1.

## 8. PAYMENT DATE<sup>12</sup>

- 8.1 The Issuer must irrevocably fund its bank account with the total cash entitlements in respect of the dematerialised holdings, as provided to the Issuer or its agent by Strate, by no later than 10h00 on Payment Date.
- 8.2 The Issuer or its agent must ensure that the Securities are available for distribution by BOD on Payment Date to enable settlement to take place.
- 8.3 Strate will not facilitate the distribution of the cash entitlements or send an MT 566 message to Participants until the cash has been cleared and credited to the Issuer's bank account, in full, and within the time and method outlined in paragraph 8.1. Where payment is made to the Issuer's bank account after 14h30 on Payment Date, Strate shall notify the Participants of the late payment and process payment to Participants on the next Business Day.
- 8.4 Where the Issuer does not fund in full in accordance with 8.1, or Strate does not receive either all or part of the Securities in accordance with 8.2, Strate shall have the right to withhold distribution of cash and or Securities until after such cash and/or Securities have been received in accordance with 8.1 and or 8.2, and cleared or settled in full. Strate shall not be liable for any interest claims or other liability attaching to non-payment or late distribution of cash or Securities. Where the Issuer does not fund in full in accordance with 8.1, or Strate does not receive all the Securities in accordance with 8.2, and, within 48 (forty-eight) hours from the Payment Date stipulated in the Announcement, Strate shall withdraw the Corporate Action from its system and notify the Participants accordingly. Any entitlements received thereafter will be processed outside the Strate system.
- 8.5 Where a Participant or Client entitled to receive the cash, chooses to distribute cash entitlements prior to receiving the cash, Strate will not accept or be held liable for any interest claims or other liability attaching to the payment of funds.
- 8.6 Fractions of Securities are calculated and distributed in the manner stipulated by the Issuer in the Announcement sent by Strate.
- 8.7 Participants must ensure that they pay their Clients on the same day that payment is received.

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<sup>12</sup> Section 8 Amended with effect from 1 February 2017



## 9. DIVIDEND RE-INVESTMENTS

- 9.1 Where Issuers have Securities with an option for re-investment of dividends, such as Exchange Traded Funds, Participants are required to re-pay to Issuers, via Strate, the dividends received and to be re-invested, less any applicable tax deducted.
- 9.2 Participants must irrevocably fund Strate's designated bank account with the total cash entitlements to be re-invested in respect of the dematerialised holdings, as provided by their Clients, via SAMOS by 12h00 on PD+1, and no later than 12h00 on PD+2.
- 9.3 Strate will pay to the Issuer any cash entitlements received from Participants where such cash has been credited to Strate's bank account, in full, within the time and method outlined in paragraph 9.2. Where Strate receives payment after 15h00 on PD+1, it shall notify the Issuer of the late payment and pay the Issuer on the next Business Day.<sup>13</sup>
- 9.4 Where Strate does not receive any payment by 12h00 on PD+2 or other date stipulated in the Announcement, Strate shall pay to the Issuer any additional cash received thus far and notify the Issuer accordingly. Any cash not received by Strate by 12h00 on PD+2 must be processed outside Strate system.
- 9.5 Strate shall not be liable for any interest claims or other liability attaching to pre-payment, non-payment or late distribution of cash.
- 9.6 Where an Issuer entitled to receive the cash for re-investment, chooses to re-invest cash prior to receiving the cash from Strate, Strate will not accept or be held liable for any interest claims or other liability attaching to the payment or re-investment of funds.

## 10 GENERAL<sup>14</sup>

- 10.1 Where a Corporate Action does not conform to Strate's system functionality or to the procedures set out in this Strate Directive, such event is processed as determined by Strate in consultation with the Issuer or its agent and, where practical, the Participants.
- 10.2 All messages referred to in this document are dispatched in terms of the Strate Directive SC.1 – *Operational Market Windows – On-market – Equities - JSE*.

<sup>13</sup> Amended with effect from 3 November 2014

<sup>14</sup> Section 10 deleted and Section 11 re-numbered with effect from 1 December 2016