

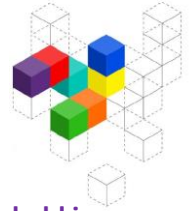
Directive of Strate Proprietary Limited

Special Gazette No S4-2017

Strate Directive SC.7

Operational Market Windows – Unlisted – Equity Securities





To cater for the procedure for the settlement of transactions in respect of unlisted Securities held in uncertificated form in the Strate environment

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¹ Index amended with effect from 11 July 2016
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1. INTERPRETATIONS AND DEFINITIONS²

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 In this Strate³ Directive, any interpretation, word, or expression to which a meaning has been assigned in the Strate⁴ Rules bears the meaning so assigned to it.

‘Back-to-Back Link’ or ‘Back-to-Back’ means the functionality which links two or more transactions of the same settlement date, when 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;

‘BIC Code’ means Bank Identifier Code, which is the SWIFT identifier code of organisations with a SWIFT address;

‘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;

‘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;

‘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;

‘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;

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

‘LDT’ means Last Day to Trade, which is the last date that anyone can trade Off-market in order to qualify or participate in a Corporate Action. LDT is 3 (three) Business Days before Record Date;

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

² “Definitions” amended with effect from 11 July 2016

³ “Rule/s” and “Directive/s” become “Strate Rule/s” and “Strate Directive/s” throughout this document with effect from 11 July 2016

⁴ “CSD” and “the CSD” amended to “Strate” throughout the document with effect from 11 July 2016

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‘Unlisted transaction’ means a transaction in respect of a Security that is not listed on an Exchange;

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

‘S’ means settlement date, the 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 days stipulated in the Strate Directive;

‘SAFE’ means the Front End Strate System;

‘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;

‘T’ means trade date, the day on which a particular 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.



2. GENERAL⁵

- 2.1 The following are the basic considerations and assumptions on which the operational timings are based:
- 1.1.5 The timings are with respect to the Strate System;
 - 1.1.6 For all incoming messages, it is 'Received Time' by the Strate System;
 - 1.1.7 For all outgoing messages, it is 'Sent Time' by the Strate System; and
 - 1.1.8 For internal processing, it is 'Processing Time' by the Strate System.
- 2.2 The matching criteria for all Unlisted 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 5 of this Strate Directive)
 - Taxable Indicator
- 2.3 The Strate System BOD is run from 03h00. Strate informs 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 in writing by no later than 17h30.⁶
- 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.⁷

⁵ Section amended with effect from 11 July 2016

⁶ Amended with effect from 4 August 2016

⁷ Amended with effect from 4 August 2016

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3. UNLISTED TRANSACTIONS⁸

- 3.1. The client type for Unlisted transactions is “00”.
- 3.2. All free and against payment Unlisted transactions must conform to a minimum T+0 and a maximum T+3 settlement cycle.
- 3.3. Unlisted transactions must be reported by the seller and purchaser of unlisted Securities to the relevant Participant. The settlement cycle is determined by the buyer and seller, taking into consideration the minimum and maximum settlement cycles detailed in 3.2 above.
- 3.4. The Participant must report the Unlisted transaction to Strate on Business Days between 07h00 and 18h00.
- 3.5. The cut-off time for transaction reporting, matching and commitment of against payment Unlisted transactions is 14h00 on S.
- 3.6. The cut-off time for transaction reporting, matching and commitment of free of payment Unlisted transactions is 18h00 on S.
- 3.7. In the event that a Participant receives an Unlisted 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 Unlisted 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 it must be cancelled. The actual settlement cycle including the facilitation process may not exceed T+9. The Participants are not permitted to amend the trade date of the original instruction.
- 3.8. Back-to-Back Links to committed transactions must be in place by 18h00 on S-1. Back-to-Back Links are permitted on S, subject to permission being granted from Strate Operations. If a Back-to-Back Link or Dependency Link is created for uncommitted transactions, it must conform to the commit cut-off applicable to each linked transaction.
- 3.9. Participants may un-commit to Unlisted transactions. If the order is in a 'Ready for Settlement' status, then it is dealt with in terms of 3.10 below.
- 3.10. In the event a Participant intends to un-commit to an Unlisted transaction in 'Ready for Settlement' status:
 - 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; and

⁸ Section amended with effect from 19 December 2016
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- c. Strate Operations reviews both the request and the acceptance and where Strate Operations has determined that there is no 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.⁹
- 3.11 The Unlisted transaction capture facility allows for referencing of the ultimate buyer and seller. A Participant must enter its Client's Securities Account number.
- 3.12 All internal Unlisted transactions, where the Participant is settling both legs of the transactions, must be reported to Strate.
- 3.13 Instructions booked incorrectly to Strate must be cancelled or corrected and not left to fail in the system. Cancellations of uncommitted transactions are permitted until S.
- 3.14 Only proper failed transactions are allowed to fail in Strate. Proper failed transactions refer to:
- 3.14.1 A transaction that is reported against a counterparty who does not match the transaction;
 - 3.14.2 A transaction that is reported but is short of Securities; or
 - 3.14.3 Settlement not funded during the specified payment window.
- 3.15 A Participant must check the status of its own transactions by monitoring its status intimations.
- 3.16 The 'Query Facility' in SAFE /CMFE available to Participants must be utilised to monitor their own transactions and check the transactions reported against it.
- 3.17 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.

SAMOS business cycle days are as per the SAMOS published document.

- **Window 1 – 07h30 to 11h00**
- **Window 2 – 13h00 to 14h00**
- **Window 3 – 15h00 to 16h00**

⁹ Amended with effect from 26 June 2017
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4 CORPORATE ACTION TRANSACTIONS¹⁰

The Corporate Actions covered by this section of the Directive include, but are not restricted to, all offers and excess rights allocations.

- 4.1. A minimum T+1 settlement cycle is required for reporting Corporate Action transactions between Participants and Strate or Participants and Issuers. The client type for a Corporate Action transaction is “23”.
- 4.2. Participants must report to Strate and match all Corporate Action transactions by 15h00 on S-1.
- 4.3. Other than as provided for in 4.4, Participants must commit to Corporate Action transactions by 17h00 on S-1.
- 4.4. 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:
 - 4.4.1 For free of payment transactions, committed to by 18h00 on S; and
 - 4.4.2 For transactions involving payment, committed to by 14h00 on S.
- 4.5. All internal Corporate Action transactions where the Participant is settling both legs of the transactions must be reported to Strate.
- 4.6. 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”.¹¹

¹⁰ Section amended with effect from 11 July 2016

¹¹ Inserted with effect from 1 December 2016

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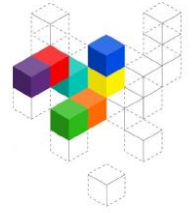


5 TOLERANCE LEVEL¹²

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

- 5.1 The Strate System tolerance level applicable to Unlisted transactions involving payment, is R50. Any changes in terms of 5.2 must be notified to Participants.
- 5.2 Strate together with the Participants shall determine, monitor and from time to time may revise Strate System tolerance level for Unlisted transactions.
- 5.3 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.

¹² Section amended with effect from 11 July 2016
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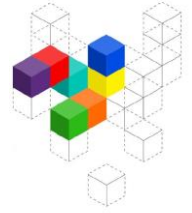


6. ACCOUNT TRANSFERS^{13 14}

- 6.1 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”.
- 6.2 All Account Transfers must be reported to Strate, matched and committed by 18h00 on S.
- 6.3 Account Transfers are permitted provided that there is no change in beneficial ownership.
- 6.4 Participants must process Account Transfers with the free of payment settlement type (RFP/DFP).

¹³ Section inserted with effect from 11 July 2016

¹⁴ 6.3 deleted and section re-numbered with effect from 19 December 2016
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7. PORTFOLIO MOVEMENTS¹⁵

- 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 All Portfolio Movements must be reported to Strate, matched and committed by 18h00 on S.
- 7.3 Portfolio Movements are permitted provided that there is no change in beneficial ownership.
- 7.4 Participants must process Portfolio Movements with the free of payment settlement type (RFP/DFP).

¹⁵ 7.3 deleted and section re-numbered with effect from 19 December 2016
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