

Directive of Strate Proprietary Limited

Special Gazette No B1-2016

Strate Directive SD.1

Operational Market Windows – On-market – Bonds - JSE



To cater for the settlement of transactions concluded on the Interest Rate Market, or transactions reported to the JSE and to provide settlement parameters and timelines in terms of the Strate Rules and the Act¹

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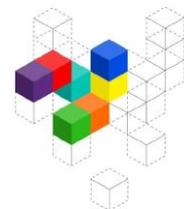
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¹ 'CSD' and 'the CSD' changed to 'Strate' throughout the document with effect from 1 August 2016
² Inserted with effect from 1 August 2016



1 INTERPRETATIONS AND DEFINITIONS³

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.⁴

‘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;

‘Central Order Book’ means the order matching mechanism of the Interest Rate Market Trading System where orders are matched anonymously on the basis of price-time priority;

‘First Settlement Run’ means the first settlement run on S at which time Securities are settled on a net basis;

‘Give-up Transaction’ means a transaction introduced by the JSE Settlement Authority to ensure settlement where it has been unsuccessful with failed transaction management and which will be opposite to the original transaction and includes compensation to the non-defaulting party;

‘Interest Rate Market’ means the market operated by the JSE in terms of the Act to facilitate trading in Securities listed on the Interest Rate Market;

‘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 debt Securities;⁵

‘JSE’ means the JSE Limited Registration Number 2005/022939/05;

‘JSE Settlement Authority’ means the person or persons appointed by the JSE to manage the settlement of transactions in loan stock effected through the Interest Rate Market Trading System in terms of the JSE’s Interest Rate Market rules and directives and the Strate Rules and Strate Directives;

‘LU’ means logical unit of work;

‘Member’ means an authorised user of the JSE’s Interest Rate Market;

‘Money Lending Transaction’ means a transaction whereby the JSE Settlement Authority lends funds to an Interest Rate Market trading member or client to ensure settlement;

‘On-exclusion’ means a transaction leg that is affected by a Trade Exclusion (through a knock-on effect) and which transaction leg, if unresolved, will need to be excluded from the First Settlement Run by a Participant, and placed in the Second Settlement Run;⁶

‘S’ means settlement day, the day on which that particular Security will be settled through Strate;

³ Definitions amended with effect from 1 August 2016

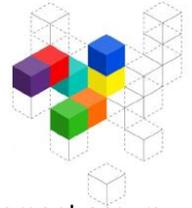
⁴ ‘Rules’ and ‘Directives’ changed to ‘Strate Rules’ and ‘Strate Directives’ throughout the document with effect from 1 August 2016

⁵ Inserted with effect from 2 June 2014

⁶ Amended with effect from 2 June 2014

Directive of Strate (Pty) Ltd

Registration Number 1998/022242/07



‘Same Day Settlement’ means a transaction reported to Strate on the same day on which settlement occurs, irrespective of the actual trade date;⁷

‘SAMOS CPL’ means the SAMOS (South African Multiple Option Settlement System) Central Processing Line account as designated by the Participant, which is used for the purposes of funding the settlement of transactions;

‘Second Settlement Run’ means the second settlement run on S at which time Securities are settled on a gross transaction by transaction basis;

‘Securities Lending and Borrowing’ 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 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;

‘Strate Operations’⁸ means the operations division of Strate responsible for communication between Participants, Business Partners, Exchanges, SARB and Strate relating to settlement operations;

‘STRATE Supervision’ means the supervision division of Strate headed by the Head of Supervision and set up by the Controlling Body in terms of the Strate Rules;⁹

‘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;

‘T’ means trade date, the day on which a particular transaction was entered into;

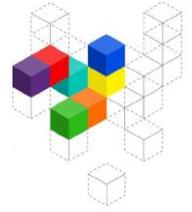
‘Trade Exclusion’ means a transaction that is excluded from the First Settlement Run by a Participant, and placed in the Second Settlement Run; and

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

⁷ Inserted with effect from 2 June 2014

⁸ ‘Custody and Settlement’ changed to ‘Operations’ throughout the document with effect from 24 July 2014

⁹ Amended with effect from 14 July 2014



2 CONSIDERATIONS AND ASSUMPTIONS¹⁰

- 2.1 The following are the basic considerations and assumptions on which the operational timings are based:
- 2.1.1 The timings are those established in the Strate System;
 - 2.1.2 For all 'create record' LU messages, it is a create timestamp by the Strate System;
 - 2.1.3 For all 'update record' LU messages, it is an update timestamp by the Strate System;
 - 2.1.4 For all 'delete record' LU messages, it is a delete timestamp by the Strate System; and
 - 2.1.5 For all 're-instate record' LU messages, it is a create timestamp by the Strate System.
- 2.2 Each Participant must have at least one Central Securities Account at Strate.

3 OPERATIONAL TIMINGS AND PERIODS

The following operational timings and periods provided in this section are based on the considerations and assumptions provided in the previous sub-section.

3.1 Strate System

- 3.1.1 The beginning of day commences at 05h00.
- 3.1.2 The transaction reporting window is available from 07h00 to 18h00. In the event that this parameter needs to be moved beyond 18h00, the JSE must inform Strate in writing by no later than 16h30.
- 3.1.3 The Strate System is available to Participants from 07h00 to 19h00. Should a Participant or the JSE require the parameter to be moved beyond 19h00 the requestor must inform Strate in writing by no later than 16h30.

3.2 Interest Rate Trading System

The corrective window is opened by the JSE between 07h00 and 09h00 on S to allow for transactions affecting the First Settlement Run to be corrected. The corrective window may be extended by 30 (thirty) minutes on request by the JSE.

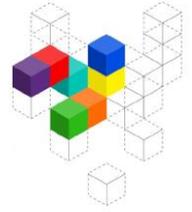
4. SETTLEMENT

4.1 Transaction Reporting

- 4.1.1 Transactions must be reported to Strate via the Interest Rate Trading System between 07h00 and 18h00 on any Business Day. Subject to clause 3.1.2, any transaction captured outside this transaction reporting window shall be rejected by the Strate System.
- 4.1.2 Same Day transactions may be reported between 07h00 and 13h30.¹¹

¹⁰ Amended with effect from 2 June 2014

¹¹ Amended with effect from 9 March 2015 and 21 April 2015



4.1.3 All internal transactions, where the Participant is settling both legs of the transactions, must be reported to Strate.

4.2 Commitment to Settlement¹²

4.2.1 Participants must commit to final net settlement positions for the First Settlement Run, after the Trade Exclusion process, by 10h30 on S. Participants may request Strate Operations to extend the First Settlement Run for a maximum period of 30 (thirty) minutes, subject to the request having been received in writing by 10h15. Failure to commit by the cut-off time will result in the delay of the First Settlement Run.

4.2.2 Notwithstanding 4.2.5.1, Participants must commit to transactions settling in the Second Settlement Run by 14h00 on S.

4.2.3 Participants may request Strate Operations to extend the Second Settlement Run for a maximum period of 30 (thirty) minutes, subject to the request having been received in writing by 14h15. Participants must commit to transactions within the time parameters of the extension granted, failing which the transactions will fail.

4.2.4 Only the Participant, for whom the Second Settlement Run has been extended, may commit to further transactions between 14h30 and 15h00 on S.

4.2.5¹³

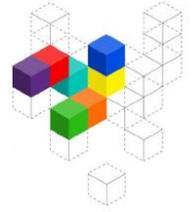
4.2.5.1 In the event that a Participant intends to commit or un-commit to a transaction 30 (thirty) minutes prior to the commencement of the Second Settlement Run, then:

- a) The initiating Participant must send a written notification to the counterparty Participant and copy Strate Operations on the same notification;
- b) The counterparty Participant must agree to the opening of the commit or un-commit window in writing; and
- c) Once the counterparty Participant has agreed in writing, the initiating Participant must telephonically request Strate Operations to open the commit or un-commit window. Upon receipt of the telephonic request, Strate Operations opens the commit or un-commit window for a maximum period of 30 (thirty) minutes.

4.2.5.2 No unauthorised commit or un-commit instructions may be reported during the opening of the commit or un-commit window in terms of 4.2.5.1.

¹² Section amended with effect from 1 August 2016

¹³ Amended with effect from 1 August 2016



4.3 Settlement Problem Lists¹⁴

- 4.3.1 Participants must advise Strate Operations and the JSE Settlement Authority of transactions that they are unable to commit to by 15h30 on S-1 and 08h00 on S. Any amendments to the 15h30 settlement problem list must be sent to Strate Operations and the JSE Settlement Authority between 15h30 and 18h00 on S-1. The 08h00 settlement problem list must include reasons for the inability to commit.
- 4.3.2 Participants must include the details of the first Member affected by any Trade Exclusion on all the lists submitted in terms of 4.3.1.

4.4 Exclusions¹⁵

- 4.4.1 Participants must, in writing, notify the counterparty Participant to the affected problematic transactions, of their intention to exclude corresponding transaction legs on their side, prior to capturing Trade Exclusions or On-exclusions.
- 4.4.2 Strate Operations opens the exclusion window at 07h00 on S.
- 4.4.3 Participants must only capture transaction details that are listed on the 08h00 settlement problem list.
- 4.4.4 Participants must resolve the knock-on effects of Trade Exclusions by 10h00 on S.
- 4.4.5 Participants must send, in writing, to Strate Operations and the JSE transaction leg details and corresponding counterparty transaction leg numbers of the Trade Exclusions within 1 (one) hour of completion of the First Settlement Run if they have not yet already done so.
- 4.4.6 Participants must pursue resolution of the knock-on effect with their Clients and reconstitute the settlement position by 10h00 on S. If the settlement positions are not resolved by 10h00 on S, Participants must request extension of the Trade Exclusion window.

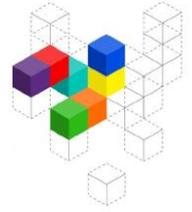
4.5 Securities Lending and Borrowing, Money Lending and Carry Transactions by the JSE Settlement Authority¹⁶

- 4.5.1 Where the JSE Settlement Authority:
- 4.5.1.1 Sources Interest Rate Securities on behalf of Participants' Clients, Interest Rate Members or their Clients between 14h00 and 16h00 on S-1;
 - 4.5.1.2 Submits Securities Lending and Borrowing transactions, Money Lending Transactions and Carry Transactions to Strate; and

¹⁴ Section amended with effect from 1 August 2016

¹⁵ Section amended with effect from 1 August 2016

¹⁶ Section amended with effect from 9 March 2015



4.5.1.3 Advises Strate Operations of the action to be taken by the Participant.

Strate Operations shall notify the Participant of the transaction leg numbers of the Securities sourced by the JSE Settlement Authority and the Participant must commit to these transactions within 30 (thirty) minutes or inform Strate Operations as to why they cannot do so.

4.6 Failed Transactions Management¹⁷

4.6.1 Where transactions are not committed to by 10h30 on S, they shall be regarded as failed transactions and the JSE Settlement Authority will implement their failed transaction management procedures. Give-up Transactions shall be submitted to Strate by the JSE Settlement Authority who shall advise Strate Operations of any action to be taken by a Participant. Where the JSE Settlement Authority at any stage becomes aware of a potential failed transaction, they may initiate failed transaction management procedures, as they deem fit.

4.6.2 Participants must commit to Give-up Transactions within 30 (thirty) minutes of receipt of written notification from Strate Operations or inform Strate Operations as to why they cannot commit to these transactions. Strate Operations shall inform affected Participants of the transaction leg numbers of these Give-up Transactions upon notification by the JSE Settlement Authority.

4.7 Settlement Runs¹⁸

4.7.1 The First Settlement Run commences at 10h30 on S once all Participants have committed to their net settlement positions. Strate advises Participants systematically of the funding requirements they need to fund through SAMOS.

4.7.2 The Second Settlement Run commences at 14h30 on S and any transactions not committed by 14h30 will fail. Strate advises Participants systematically of the funding requirements they need to fund through SAMOS.

4.7.3 Participants must fund their designated SAMOS CPL accounts within 30 (thirty) minutes of receiving the funding advice from Strate.

4.8 Moment of Finality of Instructions¹⁹

4.8.1 The Moment of Finality of Instructions referred to in the Strate Rules is:

4.8.1.1 in respect of transactions that settle on a net basis, 10h30 on S; and

4.8.1.2 in respect of transactions that settle on a gross basis, 14h30 on S.

¹⁷ Section amended with effect from 9 March 2015

¹⁸ Section amended with effect from 9 March 2015

¹⁹ Inserted with effect from 1 August 2016