

Directive of Strate Proprietary Limited

Special Gazette No M5-2016

Strate Directive SE.1

Issuing of Money Market Securities





The purpose of this Directive is to define the procedures to be followed and information required for issuing Money Market Securities into Strate¹

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¹ 'CSD' changed to 'Strate' throughout the document with effect from 1 December 2016



1. INTRODUCTION AND PURPOSE²

This Strate Directive highlights the Business Partners involved in the process of issuing Money Market Securities (MM Securities) and defines the minimum information to be submitted by the Issuer Agent for the electronic issuing and allocation of a related, unique ISIN. The Strate Directive includes the procedures to be followed to amend the amount in issue and/or cancel an ISIN.

MM Securities have been categorised into four broad categories based on certain common broad fundamental characteristics underlying the different types of Securities issued. The four categories are:

- Category 1 – Discount Securities;
- Category 2 - Fixed coupon rate; fixed maturity date;
- Category 3 – Variable coupon rate; fixed maturity date; and
- Category 4 – Variable coupon rate and maturity date.

MM Securities issued through Strate are recorded in the Money Market Securities Register in the MMSS, in accordance with Strate Directive SE.2 – *Master File Administration – Money Market Securities*.

The MMSS facilitates the messaging between the NNA and the Issuer Agent for the issuing, cancellation and maturity of ISINs.

2. DEFINITIONS AND INTERPRETATION

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.

‘Business Partner’ means an entity which is not a Participant and which interfaces with Strate to perform an essential market function in the issue, investment and settlement of MM Securities. Business Partners in the MM environment include MM Issuers, Issuer Agents, traders and Settling Banks;

‘BPID’ means a unique Business Partner Identification Number allocated to every Participant and Business Partner linked to the MMSS;

‘Capital Event’ means an action taken by an MM Issuer or Issuer Agent which affects the holding or entitlement of the owners of MM Securities;

‘Coupon Rate’ means the percentage at which interest is calculated for the Coupon Payments;

‘Coupon Rate Type’ means the type of Coupon Payment which may be at fixed or variable rate;

‘Coupon Payment’ means a Capital Event which involves payment of interest by an MM Issuer to the owners of the MM Securities;

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



‘Coupon Payment Interval’ means the time interval between two consecutive Coupon Payments;

‘Coupon Reset Date’ means the date on which the Coupon Rate is adjusted for the next Coupon Payment Interval;

‘Coupon Reset Interval’ means the time interval between two consecutive Coupon Reset Dates;

‘CPI’ means Consumer Price Index;

‘Eligible Nominal Value’ means the total Issued amount per ISIN minus the balance in the Issuer’s MM Securities Account;

‘JIBAR’ means Johannesburg Inter Bank Average Rate;³

‘ISIN’ means International Standard Identification Number which is an internationally recognised securities identification number which uniquely identifies a specific security or other financial instrument in the international markets.

‘Issue Date’ means the date on which the MM Security is issued;

‘MFA’ or ‘Master File Administration’ means the administration of the MM Securities registers maintained in accordance with Strate Directive SE.2 - *Master File Administration - Money Market Securities*;

‘MM Securities Account’ means a Securities Account opened and maintained by or on behalf of a Participant for a Client, or for itself, in the Securities Ownership Register reflecting the Client Identification Data of such Client, or itself, and the nominal value of MM Securities deposited and all entries made in respect of such MM Securities;

‘MMSS’ means the electronic Money Market Settlement System that facilitates securities services with regards to MM Securities;

‘MM Securities Generic Category’ means the broad category of debt Securities based on certain common broad fundamental characteristics underlying the different types of Securities issued. The four categories are:

- Category 1 – Discount Securities;
- Category 2 – Fixed coupon rate; fixed maturity date;
- Category 3 – Variable coupon rate; fixed maturity date; and
- Category 4 – Variable coupon rate and maturity date;

‘MM Securities Type’ means the type of MM Security, determined by the MM Security’s underlying unique characteristics, which may be classified into one or more of the MM Securities Generic Categories;

³ Amended with effect from 3 November 2014



‘Money Market Securities Register’ or ‘MMSR’ means the register in the MMSS in which all MM Securities issued, and details thereof, are recorded in accordance with Strate Directive SE.2 – *Master File Administration – Money Market Securities*;

‘NNA’ means the National Numbering Agency appointed by the International Association of National Numbering Agencies for the allocation of ISINs to South African securities;

‘Non-JIBAR’ means any underlying index that is not linked to JIBAR, including but not limited to Prime, CPI, SABOR and SARB Repo;

‘On-us’ means settlement through accounting entries within a Settling Bank acting for both the seller and purchaser of an MM Security, or acting for an MM Issuer making Coupon and Maturity Payments, and a Participant with a Client qualifying to receive Coupon and Maturity Payments from the MM Issuer;

‘Prime’ means the prime lending rate that commercial banks use when issuing variable interest rate loans to their customers;

‘SABOR’ means South African Benchmark Overnight Rate;

‘SARB Repo Rate’ means South African Reserve Bank’s interest rate;

‘Settling Bank’ means a bank which is a settlement system participant in SAMOS and is responsible for funding the SAMOS RTL for the settlement of transactions, Coupon and Maturity Payments. The Settling Bank also confirms On-us settlement of transactions, Coupon and Maturity Payments.

3. ISSUING OF MM SECURITIES AND ALLOCATION OF ISINs

- 3.1 Prior to issuing MM Securities, the MM Issuer must be an approved Business Partner, have appointed one or more Issuer Agent(s), Participant and Settling Bank and have at least one MM Securities Account;
- 3.2 Only Issuer Agents may issue MM Securities into Strate on behalf of MM Issuers.
- 3.3 Issuer Agents may only issue the MM Securities Types so authorised by the MM Issuer.
- 3.4 The NNA must electronically allocate an ISIN prior to the issue of an MM Security. The NNA must allocate an Issuer code for all Issuers, which Issuer Agents must include in the Security short name.
- 3.5 The Issuer Agent must electronically request an ISIN from the MMSS in accordance with Strate Directive SE.3 – *Operational Market Windows – Money Market Securities*. The MMSS facilitates the communication between the NNA and the Issuer Agent.



- 3.6 The Issuer Agent must electronically communicate the following mandatory data to the MMSS, unless otherwise required by Strate. This data, noted in the table below, confirms the definitive characteristics of the MM Security and is communicated to the NNA for the allocation of the ISIN. Where the Issuer Agent fails to provide information on whether an MM Security's Coupon Payment is subject to withholding tax, Strate will default the relevant indicator to 'No'.⁴

⁴ Sentence inserted with effect from 8 June 2015



Data Required	Security Data Required per MM Securities Generic Category				Definitive Characteristics used for ISIN Generation Per MM Securities Generic Category			
	1	2	3	4	1	2	3	4
ISIN	✓	✓	✓	✓				
Issuer BPID	✓	✓	✓	✓	✓	✓	✓	✓
Issuer Agent BPID	✓	✓	✓	✓	✓	✓	✓	✓
MM Securities Type	✓	✓	✓	✓	✓	✓	✓	✓
Security short name	✓	✓	✓	✓	✓	✓	✓	✓
Security long name								
MM Securities Generic Category	✓	✓	✓	✓	✓	✓	✓	✓
Issue Date	✓	✓	✓	✓	✓	✓	✓	✓
Maturity date	✓	✓	✓		✓	✓	✓	
Coupon Rate Type		✓	✓	✓				
Coupon Rate calculation description			✓	✓				
Coupon Rate		✓	✓	✓		✓	✓	✓
Coupon Payment Interval		✓	✓	✓		✓	✓	✓
Number of days in Coupon period		✓	✓	✓		✓	✓	✓
Authorised amount (Optional)		✓	✓	✓		✓	✓	✓
Issued amount	✓	✓	✓	✓	✓	✓	✓	✓
Acceptor	✓				✓			
Coupon Payment day (Optional)								
Final Coupon Payment on Maturity		✓	✓	✓				
Cap rate(optional)			✓					
Floor rate(optional)			✓					
Coupon Payment indicator		✓	✓	✓				
Automated Coupon Payment calculation		✓	✓	✓				
Automated Coupon Payment only		✓	✓	✓				
Coupon payment calculation method		✓	✓	✓				
Minimum issue denomination (Optional)								
Minimum Tradable Denomination	✓	✓	✓	✓				
Variable Coupon Rate source			✓				✓	
Variable Coupon Rate spread			✓				✓	
Coupon Reset Interval			✓					
Coupon Reset start date			✓					
Coupon Reset Dates (If Coupon Reset Frequency is Issuer Defined)			✓					
Coupon compounding frequency			✓					
Coupon Payment dates (If Coupon Payment Interval is Issuer Defined)		✓	✓					



Data Required	Security Data Required per MM Securities Generic Category				Definitive Characteristics used for ISIN Generation Per MM Securities Generic Category			
	1	2	3	4	1	2	3	4
Tax details (If the MM Security's Coupon Payment is subject to withholding tax, the applicable tax and the rate thereof) ⁵	✓	✓	✓	✓	✓	✓	✓	✓

- 3.7 The Issuer Agent may request a new ISIN for the issue of an MM Security already issued on behalf of the MM Issuer.
- 3.8 The NNA records the ISIN allocated and all the related definitive characteristics of the MM Security. If the MMSS does not receive the ISIN allocation confirmation from the NNA within 15 (fifteen) minutes, Strate may contact the NNA and request an ISIN allocation manually. Strate will reject any ISIN subsequently automatically generated by the NNA in respect of the ISIN allocated manually.
- 3.9 All the characteristics of the MM Security to be issued and its allocated ISIN are recorded by Strate in the Money Market Securities Register in the MMSS.
- 3.10 Strate must broadcast the ISIN and all relevant details of the MM Security to only the relevant Issuer Agent and Participants immediately upon issue.
- 3.11 Participants may only inform their Clients of any of the details of the MM Security after a period of 48 hours from the time of issue of a new ISIN.
- 3.12 Any query or report request in respect of a new ISIN made on the MMSS by Business Partners, excluding the Issuer Agent referred to in 3.10, within 48 hours of issue of the ISIN must exclude Coupon Rate, Coupon Payment Interval and Maturity Date of the MM Security.
- 3.13 After 48 hours from the time of issue of a new ISIN, all the details of the MM Security may be published by the NNA, distributed by Participants to their Clients and be accessed from the MMSS via query or report request.
- 3.14 On Issue Date, the full amount of the MM Securities issued is transferred into the Issuer's MM Securities Account and the ISIN is active in the MMSS and the MM Security can be traded.
- 3.15 An Issuer Agent may request an ISIN for a future dated issue of an MM Security.
- 3.16 An Issuer Agent may elect to prescribe its own Coupon Payment Dates in respect of Generic Category 2 instruments. If the Coupon Payment Dates are not prescribed by the Issuer Agent, the MMSS derives such dates based on the Coupon Payment Interval.

⁵ Amended with effect from 8 June 2015



- 3.17 An Issuer Agent may elect to prescribe its own Coupon Payment Dates and Coupon Reset Dates in respect of Generic Category 3 instruments. If these dates are not prescribed by the Issuer Agent, the MMSS derives such dates based on the Coupon Payment Interval and Coupon Reset Interval, respectively.
- 3.18 The Coupon Payment calculation method referred to in Strate Directive SE.5 – *Processing of Capital Events – Money Market Securities* must be 3 (Issuer Agent calculated).

4. AMENDMENT TO AMOUNT IN ISSUE

- 4.1 An Issuer Agent may electronically request the MMSS to increase or reduce the amount of an MM Security already in issue.
- 4.2 Where an Issuer Agent requests an increase or reduction of the amount in issue in terms of 4.1, Strate must update the Money Market Securities Register and the Issuer's MM Securities Account and must notify the Issuer Agent and the Issuer's Participant of any increase or reduction of the amount in issue for the MM Security.

5. MM SECURITY ISIN CANCELLATION

- 5.1 An Issuer Agent may only request to cancel an MM Security ISIN, in accordance with the timelines applicable in 3.5, if the full amount in issue is held in the Issuer's MM Securities Account into which the MM Security was issued, and there have been no trades against that MM Security.
- 5.2 Subject to 5.1, Strate instructs the NNA to cancel the ISIN of the MM Security.
- 5.3 Strate must inform the Issuer Agent and Participants when an ISIN has been cancelled, immediately upon receipt of confirmation from the NNA.

6. MM SECURITY VARIABLE COUPON RATE NOTIFICATION

- 6.1.1 Where an ISIN is linked to JIBAR in respect of Generic Category 3, Strate obtains from the JSE JIBAR updates on a daily basis as detailed in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities*. The MMSS computes the current Coupon Rate based on the spread, cap and floor rates (if applicable), associated with the ISIN and notifies the NNA, Participants and Business Partners as detailed in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities*.
- 6.1.2 If JIBAR is not published by the JSE as detailed in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities*, Strate obtains the current day's rate from the JSE, updates the MMSR and notifies the NNA, Participants and Business Partners. If the JSE amends the published JIBAR, Strate updates the MMSR and notifies the NNA, Participants and Business Partners within thirty (30) minutes.



- 6.2 Where an ISIN is linked to Non-JIBAR indices in respect of Generic Category 3, the new rate is updated in the MMSR as detailed in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities*. The MMSS computes the current Coupon Rate based on the spread, cap and floor rates (if applicable), associated with the ISIN and notifies the NNA, Participants and Business Partners as detailed in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities*.