

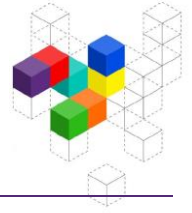
Directive of Strate Proprietary Limited

Special Gazette No M2-2016

Strate Directive SE.3

Operational Market Windows – Money Market Securities





To cater for the operational time frames for issuing, transaction reporting, clearing, commitment and settlement of MM Securities transactions, and processing of Capital Events

Contents of this material are protected under South African copyright law. No part of this material may be copied, completely or partially, either electronically or manually, without the written consent of Strate (Pty) Ltd.

This material remains the sole property of Strate (Pty) Ltd.

INDEX

1. INTERPRETATIONS AND DEFINITIONS
2. CONSIDERATIONS AND ASSUMPTIONS
3. OPERATIONAL TIMINGS



1. INTERPRETATIONS AND DEFINITIONS¹

- 1.1 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

‘Beginning of Day (BOD)’ means the time as stipulated in this Strate Directive;

‘Business Day’ means all days excluding Saturdays, Sundays and public holidays. Ad hoc public holidays declared by the South African Reserve Bank with less than five (5) Business Days’ notice constitute a Business Day;

‘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;

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

‘CPI’ means Consumer Price Index;

‘End of Day (EOD)’ means the time as stipulated in this Strate Directive;

‘Electronic Trade Matching Engine (ETME) means an application system which is situated between a Business Partner with a trade reporting role and the Money Market Settlement System (MMSS) and is used as a bulk matching and transaction allocation tool that reports transactions for settlement to the MMSS;

‘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

‘Maturity’ and ‘Maturity Payment’ means a Capital Event which involves the repayment of capital by an MM Issuer to the owners of the MM 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;

¹ “CSD” and “the CSD” amended to “Strate” throughout the document with effect from 12 May 2016

² “Rule/s” and “Directive/s” become “Strate Rule/s” and “Strate Directive/s” throughout this document with effect from 12 May 2016

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 Directive SE.2 – *Master File Administration – Money Market Securities*;

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

‘Modified Following Business Day’ means the first following Business Day, unless the first following Business Day is in the next calendar month, in which case the applicable date will be the last Business Day of that month;

‘NNA’ means the National Numbering Agency appointed by the International Association of National Numbering Agencies for the allocation of ISINs to South African securities;⁴

‘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;

‘Payment Date’ means the day on which Capital Events are paid;

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

‘Reconciliation Date’ means the EOD on the day before Payment Date of a Capital Event’;

‘S’ means settlement date, the day on which a transaction in a particular Security is settled through Strate;⁵

‘SAMOS RTL’ means the SAMOS Real Time Line payment stream;

‘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;

‘Strate Operations’ means the operations division of Strate responsible for communication between Participants, Business Partners and Strate relating to settlement operations;⁶

⁴ Definition added with effect from 2 June 2014

⁵ Definition added with effect from 2 June 2014

⁶ Inserted with effect from 12 May 2016



‘STRATE Supervision’ means the supervision division of Strate headed by the Head of STRATE Supervision and set up by the Controlling Body in terms of the Strate Rules;⁷

‘T’ means Trade Date, the day on which a particular transaction was entered into; and

‘T+n’ means Trade Date plus n Business Days, ‘n’ being the number of Business Days stipulated in the Strate Directive.

2. CONSIDERATIONS AND ASSUMPTIONS

- 2.1 The following are the basic considerations and assumptions on which the operational timings are based:
 - 2.1.1 The timings are with respect to the MMSS and ETME;
 - 2.1.2 For all incoming messages, it is ‘Received Time’ by MMSS and ETME;
 - 2.1.3 For all outgoing messages, it is ‘Sent Time’ by MMSS and ETME;
 - 2.1.4 For internal processing, it is ‘Processing Time’ by MMSS and ETME.
- 2.2 An MM Issuer and Client must open an MM Securities Account in the Securities Ownership Register through their appointed Participant. The MM Securities Account is required for electronic issue and settlement of transactions in MM Securities.
- 2.3 The operational timings stipulated in this Strate Directive are with respect to Business Days.
- 2.4 The timings on ISIN request, transaction reporting, confirmations, commitments and settlements as provided for in this Strate Directive, are driven by system controls in accordance with market consensus. On any Business Day, a written request may be submitted to Strate to extend a trade reporting, commitment or settlement window.
- 2.5 Transactions executed on a T+0 or T+n basis for settlement on a Saturday may only be conducted under exceptional circumstances.
- 2.6 The start time of SAMOS is not controlled by the MMSS or Strate.
- 2.7 The SAMOS business cycles are as per Information Paper NPS 05 entitled “Same Day Square-off in the South African Multiple Option Settlement (SAMOS) System”, published by the National Payment System Department of the South African Reserve Bank (SARB) and available from the SARB’s website at <http://www.resbank.co.za>.

⁷ Definition amended with effect from 14 July 2014



3. OPERATIONAL TIMINGS

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

3.1 MMSS

- 3.1.1 The MMSS BOD commences at 05h00. Strate informs Participants and Business Partners where there is a change in the timing of the BOD process.
- 3.1.2 If BOD is delayed beyond 05h00, shifting or compression of the rest of the settlement and system activities takes place as per Strate's business continuity plan. Strate must inform the Participants and Business Partners via e-mail where there is a change in the timing of the BOD or EOD times and of any amendments to the Operational Windows.
- 3.1.3 Participants must daily reconcile their Clients' MM Securities Account positions in the MMSS. For this purpose, the MMSS generates a Statement of Holdings message daily at 18h00, which it sends to Participants. In case of any discrepancies, the Participants must request the audit trail details via a Statement of Transactions message, by 18h00 on the following Business Day.
- 3.1.4 The MMSS EOD is at 19h00. Should a Participant require the parameter to be moved beyond 19h00, it must submit a request to Strate in writing before 16h30.

3.2 ISIN Issue

- 3.2.1 Requests for ISINs by an Issuer Agent are accepted from 07h00 and the cut-off time for requests for new ISINs and cancellation of ISINs is 18h00.
- 3.2.2 ISINs requested for same day trading and settlement must be requested before the close of the trade reporting window.
- 3.2.3 Requests by the Issuer Agent for a report of the Amount in Issue per ISIN from Strate must take place before 18h00.
- 3.2.4 Strate must daily reconcile the total issued amount for every MM Security issued by the Issuer. For this purpose, the Issuer Agent must electronically send the Amount in Issue to Strate before 18h00.
- 3.2.5 Strate obtains daily updates to JIBAR at 10h00 from the JSE, updates the MMSR and notifies the NNA, Participants and Business Partners by 10h30. If JIBAR is not published by the JSE by 11h00 or if the JSE amends the published JIBAR, Strate follows the process detailed in *Strate Directive SE.1 – Issuing of Money Market Securities*.



- 3.2.6 Strate obtains any changes to Non-JIBAR rate by 16h00, depending on the Coupon Reset Date of the MM Security. Strate's process for obtaining changes to Non-JIBAR indices is outlined within the Non-JIBAR Rates document posted to Strate's website, www.strate.co.za. Strate updates the MMSR and notifies the NNA, Participants and Business Partners by 16h30.

3.3 Transaction Reporting, Matching, Clearing, Commitment and Settlement⁸

- 3.3.1 Transaction reporting, matching, clearing, commitment and settlement commence at 07h00.
- 3.3.2 From the time a transaction is reported to the ETME, the counterparty to the transaction has 60 (sixty) minutes in which to report its leg of the transaction. This 60 (sixty) minutes window is only applicable from 10h30, notwithstanding the non-receipt of JIBAR. Where the transactions reported to the ETME are not matched within 60 (sixty) minutes, the ETME sends a status intimation message to the party reporting the transaction, which party must do the following:
- 3.3.2.1 notify the trader of the discrepancy, and the trader must in turn notify its counterparty trader; and
 - 3.3.2.2 following consultation by the trader with its counterpart, the party who reported the transaction incorrectly must report a suitable replacement message to the ETME.
- 3.3.3.1 The cut-off time for transaction reporting and matching of "against payment" transactions is 15h00 on S⁹.
- 3.3.3.2 The cut-off time for commitment of "against payment" transactions is 15h30 on S.
- 3.3.3.3 The cut-off time for settlement of "against payment" transactions is 16h00 on S. Participants must notify STRATE Supervision of each request to extend SAMOS settlement beyond 16h00.¹⁰
- 3.3.4 The cut-off time for SAMOS settlement is as per the SAMOS business cycles detailed in 2.7. Participants must instruct their settlement bank to fund the applicable SAMOS accounts within 60 (sixty) minutes of their receipt of the payment advice from Strate Operations.
- 3.3.5 The cut-off time for transaction reporting, matching, clearing, commitment and settlement of "free of payment" transactions is 18h00 on S.
- 3.3.6 The Moment of Finality of Instructions referred to in the Strate Rules is the moment immediately preceding settlement, on S.

⁸ Section amended with effect from 12 May 2016

⁹ 3.3.3.1 and 3.3.3.2 amended with effect from 1 October 2010 and 2 June 2014

¹⁰ Amended with effect from 2 June 2014



3.4¹¹ Transaction Reporting, Matching, Clearing, Commitment and Settlement – Reconciliation Date

On Reconciliation Date of an MM Security:

- 3.4.1 the cut-off time for transaction reporting, matching, clearing and commitment of “against payment” and “free of payment” transactions is 15h00 on S.
- 3.4.2 the cut-off time for settlement of “against payment” and “free of payment” transactions is 15h30 on S.¹²

3.5 Capital Events – Reconciliation Date

- 3.5.1 Capital Events are generated by Strate as part of BOD processes.
- 3.5.2 Where Strate calculates the Coupon Payments:
 - 3.5.2.1 Strate must immediately after settlement of “against payment” transactions on Reconciliation Date:
 - 3.5.2.1.1 notify the Issuer Agent of the unique Capital Event number and total Coupon Payment calculation by 15h30,
 - 3.5.2.1.2 notify Participants of the unique Capital Event number, eligible holdings and the Coupon Payment entitlements by 15h30;
 - 3.5.2.2 the Issuer Agent must confirm Strate’s calculation of the total Coupon Payment amounts to Strate by 17h30;
 - 3.5.2.3 if the Issuer Agent disagrees with Strate’s calculation of the total Coupon Payment, or fails to respond, then Strate must notify the Issuer Agent and Participants of withdrawal of the Capital Event by 17h30.
- 3.5.3 Where the Issuer Agent calculates the Coupon Payments:
 - 3.5.3.1 Strate must immediately after settlement of “against payment” transactions on Reconciliation Date notify the Issuer Agent of the unique Capital Event number and total Eligible Nominal Value;
 - 3.5.3.2 the Issuer Agent must notify Strate of the total Coupon Payment amounts by 16h30;
 - 3.5.3.3 Strate must, upon notification by the Issuer Agent in terms of 3.5.3.2, notify the Participants of the unique Capital Event number, eligible holdings and Coupon Payment entitlements.

¹¹ Section amended with effect from 12 May 2016

¹² Amended with effect from 2 June 2014



- 3.5.3.4 if the Issuer Agent fails to notify Strate, then Strate must:
 - 3.5.3.4.1 notify the Issuer Agent of the withdrawal of the Capital Event immediately after 16h30;
 - 3.5.3.4.2 notify Participants of the unique Capital Event number and eligible nominal value by 17h00;
 - 3.5.3.4.3 notify Participants of the withdrawal of the Capital Event after a delay of 30 (thirty) minutes from the action referred to in 3.5.3.4.2.
- 3.5.4 Strate must immediately after settlement of “against payment” transactions on Reconciliation Date notify the Issuer Agent and Participants of the unique Capital Event number and total Maturity Payment (excluding any amount due to the balance in the MM Issuer’s MM Securities Account).
- 3.5.5 Coupon and Maturity Payments will not be made on non-Business Days. When a Coupon Payment Date or Maturity Date falls on a Non-Business Day, these payments will be made on the Modified Following Business Day.

3.6 Capital Events – Payment Date

- 3.6.1 The payment advice from Strate to an Issuer Agent is sent at 09h00 on Payment Date.
- 3.6.2 Funding and payment processing of Capital Events by the MM Issuer’s Settling Bank must be completed by 12h00 on Payment Date.