

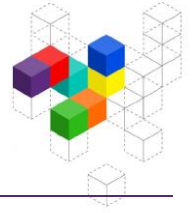
Directive of Strate Proprietary Limited

Special Gazette No B1-2016

Strate Directive SF.3

Fines Schedule – On-market and Off-market – Bonds - JSE





To cater for the imposition of fines by Strate for the contravention of Strate Directive SD.1 – Operational Market Windows – On-Market – Bonds – JSE and Strate Directive SD.2 – Operational Market Windows – Off-Market – Bonds - JSE¹

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. APPLICATION

3. FINES

Transaction Reporting

Commitment to Settlement

Settlement Problem Lists

Exclusions

Settlement Runs

Further Contraventions

4. PAYMENT AND PUBLICATION OF FINES

5. CAPTURING ERRORS

6. TECHNICAL DIFFICULTIES

¹ 'CSD' and 'the CSD' changed to 'Strate' throughout the document with effect from 1 August 2016. 'Rules' and 'Directives' changed to 'Strate Rules' and 'Strate Directives' throughout the document with effect from 1 August 2016



1 INTERPRETATIONS AND DEFINITIONS²

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.

‘Batch’ means multiple transactions sent to Strate in one single electronic file, identified by a single system time stamp;

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

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

‘JSE’ means JSE Limited Registration Number 2005/022939/06;

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

‘Off-market transaction’ means a transaction in bonds not concluded on an Exchange trading system and which is reported by the seller and purchaser to the relevant Participant for settlement through Strate;

‘On-exclusion’ means a transaction leg, the settlement position of which 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;

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

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

‘Same Day Settlement’ means a transaction booked to Strate on the same day on which settlement occurs, irrespective of the actual trade date;³

‘Second Settlement Run’ means the Second Settlement Run on S, at which time Securities are settled on a gross trade by trade basis;

‘Strate Operations’ means the operations division of Strate responsible for communication between Participants, Business Partners, Exchanges, SARB and Strate relating to settlement operations;⁴

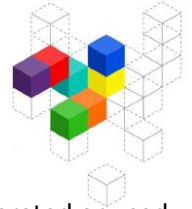
‘STRATE Supervision’ means the supervision division of Strate headed by the Head of STRATE Supervision and set up by the Controlling Body in terms of the Strate Rules;⁵

² Definitions amended with effect from 8 August 2016

³ Inserted with effect from 2 June 2014

⁴ ‘Custody and Settlement’ changed to ‘Operations’ throughout the document with effect from 24 July 2014

⁵ Amended with effect from 14 July 2014



‘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 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; and

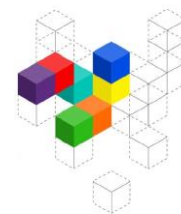
‘Trade Exclusion’ means a transaction leg that is excluded from the First Settlement Run by a Participant, and placed in the Second Settlement Run, in circumstances where there are insufficient Securities, funds or no Client Instructions.

2 APPLICATION⁶

- 2.1 The following fines, which do not attract Value Added Tax, may be levied on Participants, by Strate for contravention of *Strate Directive SD.1 – Operational Market Windows – On-Market – Bonds - JSE* and *Strate Directive SD.2 – Operational Market Windows – Off-market – Bonds - JSE*.
- 2.2 Notwithstanding the imposition of a fine in terms of this Strate Directive, further penalties may be imposed against a Participant in terms of the Strate Rules.⁷
- 2.3 Where any time is stipulated by Strate Directive, the time as reflected on the Strate system will be applicable.

⁶ Section amended with effect from 8 August 2016

⁷ Amended with effect from 14 July 2014



3 FINES

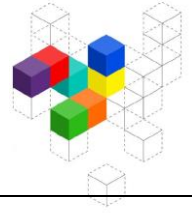
CONTRAVENTION	SD.2 CROSS REFERENCE	SD.1 CROSS-REFERENCE	FINE
Transaction Reporting⁸			
3.1.1 Reporting of a transaction more than 10 (ten) Business Days after the trade date.	2.1.7	N/A	R1 000 per day per transaction leg reported to Strate more than 10 (ten) Business Days after the trade date.
3.1.2 All internal transactions, where the Participant is settling both legs of the transactions, must be reported to Strate.	2.1.2	4.1.3	Not reporting such transactions to Strate attracts a fine of R25 000 per transaction and in addition to the fine, the Participant may be subject to disciplinary action in terms of the Strate Rules.
Commitment to Settlement⁹			
3.2.1 Failure by a Participant to commit to transactions settling in the First Settlement Run by 10h30 on S.	2.2.2	4.2.1	R5 000 for the first 15 minutes delay (or part thereof) of the First Settlement Run, and an additional R1 000 per each subsequent 15 minutes delay (or part thereof).
3.2.2 Requests to extend the Second Settlement Run beyond 14h30 on S or committing to a transaction without prior written approval during the extension of the Second Settlement Run.	2.2.4 2.2.5	4.2.3 4.2.4	R10 000 for the first 15 minutes delay (or part thereof) of the Second Settlement Run, and an additional R5 000 for the next 15 minutes delay (or part thereof), or R10 000 per unauthorised transaction committed to during the extension of the Second Settlement Run.
3.2.3 Failure to notify the counterparty Participant or not notifying the counterparty Participant of the affected problematic transactions within 1 (one) hour of becoming aware of such transactions. ¹⁰	2.2.6		R5 000 per transaction leg where the Participant fails to notify counterparty Participant or does not notify the counterparty Participant within 1 (one).
3.2.4 Reporting of unauthorised commit or un-commit instructions during the opening of the commit or un-commit window. ¹¹	2.2.7	4.2.5	R10 000 per transaction leg

8 Amended with effect from 15 June 2015

9 Amended with effect from 8 August 2016

10 Section 3.2.3 inserted with effect from 2 June 2014

11 Inserted with effect from 9 March 2015



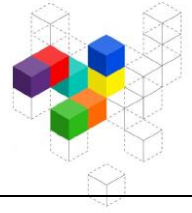
<p>Settlement Problem Lists</p> <p>3.3.1 Failure by a Participant to submit the list, submitting a list late or submitting an incomplete list of transactions unable to settle to the JSE and Strate Operations by 15h30 on S-1; and 08h00 on S. The 08h00 list must include reasons for the inability to commit. This clause 3.3.1 does not apply to the SARB.</p>	<p>2.3.1 2.3.2</p>	<p>4.3.1 4.3.2</p>	<p>R1 000 per list not submitted;</p> <p>R1 000 per list submitted late;</p> <p>R1 000 per transaction leg omitted from the list;</p>
<p>Trade Exclusions¹²</p> <p>3.4.1 Failure to notify the counterparty Participant of the intention to exclude corresponding transaction legs prior to capturing Trade Exclusions or On-exclusions.</p> <p>3.4.2 Extensions for or on behalf of Participants of the exclusion window beyond 10h00 on S.</p> <p>3.4.3.¹³ Deviations from the Settlement Problem Lists and omitting a transaction from the final list of transactions unable to settle sent at 08h00 on S and that transaction results in a settlement exclusion.</p> <p>3.4.4 Failure to report transaction leg details of Trade Exclusions within 1 (one) hour of notification by Strate of completion of the First Settlement Run.¹⁴</p>	<p>2.4.1 2.4.3 2.4.2 2.4.5</p>	<p>4.4.1 4.4.4 4.4.3 4.4.5</p>	<p>R5 000 per instance where counterparty Participant were not notified to accept and confirm Trade Exclusions or On-exclusion.</p> <p>R5 000 for the first 15 minutes delay (or part thereof), and an additional R1 000 per each subsequent 15 minutes delay (or part thereof).</p> <p>R1 000 per transaction leg excluded.</p> <p>R1 000 for failure to submit a list of Trade Exclusions transaction details; or</p> <p>R1 000 for submitting the list of Trade Exclusions transaction details late.</p> <p>R1 000 per transaction leg omitted from the list of Trade Exclusions transaction details.</p>
<p>Settlement Runs¹⁵</p> <p>3.5.1 Failure by the Participant to fund the SAMOS CPL within 30 minutes of receipt of the funding advice from Strate.</p>	<p>2.5.3</p>	<p>4.7.3</p>	<p>R20 000 for failure to fund within 30 minutes of receipt of the funding advice, and an additional R10 000 for each additional 30 minutes (or part thereof) during which the SAMOS CPL remains unfunded.</p>

12 Amended with effect from 8 August 2016

13 Amended with effect from 15 June 2015

14 Amended with effect from 2 June 2014

15 Point 3.5.2 removed with effect from 1 July 2013



<p>Further Contraventions</p> <p>3.6.1 Where a contravention of this Strate Directive in relation to an individual transaction, results in a further contravention in respect of the same incident, a fine may be imposed for the first and any subsequent contravention.</p> <p>3.6.2 Where a Batch of transactions results in a contravention of this Strate Directive, a fine may be imposed for each transaction within the batch.</p>			
---	--	--	--

4 PAYMENT AND PUBLICATION OF FINES

- 4.1 A Participant must, unless it has lodged an objection in terms of 4.2, pay the fines stipulated by this Strate Directive within 20 (twenty) Business Days of receipt of the monthly confirmation by STRATE Supervision of the fines incurred in that month by such Participant.¹⁶
- 4.2 Where a Participant wishes to object to a fine imposed by Strate, it must lodge such objection in writing, supported by mitigating evidence, within 5 (five) Business Days of receipt of notification of the fine.
- 4.3 Strate may, at the discretion of the Regulatory and Supervisory Committee, publish the circumstances giving rise to (and the details of) any fine imposed on Participants in terms of this Strate Directive.

5 CAPTURING ERRORS¹⁷

- 5.1 Capturing errors which introduce risk to Strate, an Exchange, other Participants, Issuers or Clients are not accepted as grounds for mitigation or the waiving or reversal of fines.

6 TECHNICAL DIFFICULTIES¹⁸

- 6.1 Where technical difficulties impair a Participant’s ability to perform within the stipulated time frames, such difficulties may only be taken into account as mitigation where the Participant has advised Strate Operations timeously. Where technical difficulties of one Participant affect the ability of another Participant to perform within the stipulated time frames, such difficulties may be taken into account as mitigation for the other Participant.

¹⁶ Amended with effect from 8 August 2016

¹⁷ Amended with effect from 8 August 2016

¹⁸ Amended with effect from 8 August 2016