



SPECIAL GAZETTE

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GENERAL INFORMATION

DIRECTIVE SDJ – PROCESSING OF CORPORATE ACTIONS

Following approval by the STRATE Regulatory Committee, the amended Processing of Corporate Actions Directive is hereby released. This Directive will be implemented with immediate effect.

This replaces Special Gazette S5-2002 dated 23rd April 2002.

MARIA VERMAAS
Head – Regulations

13th February 2003



DIRECTIVE SDJ – PROCESSING OF CORPORATE ACTIONS

1. ANNOUNCEMENTS

- 1.1 All company announcements relating to companies listed on the JSE Securities Exchange SA ("JSE") are published through The Stock Exchange News Service ("SENS"). Once the announcement is received from SENS (or any other system that the JSE may choose to use for this service) even in those cases where the announcement does not contain all the pertinent details, STRATE creates the corporate event in the STRATE system. STRATE distributes the announcement to all the CSDPs who in turn are responsible for notifying all clients who hold the respective securities.

Amongst the clients to whom the message from the CSDPs will be dispatched are intermediaries such as brokers, fund managers, global custodians etc.

Brokers are responsible for informing their clients of corporate events. This is based on the information received from their CSDPs. CSDPs may choose to notify all their clients, irrespective of whether they hold these securities or not.

- 1.2 As more information relating to the corporate event is published, the original message will be enhanced and the new message, incorporating the additional or altered information, will be distributed as set out in paragraph 1.1 above.
- 1.3 All the pertinent information relative to the corporate event becomes irrevocable on Last Day to Trade minus 5 (LDT-5) and a "final message" will be dispatched by STRATE as stated in paragraph 1.1 above. This message will be clearly marked "(COMP)".
- 1.4 In terms of the JSE Listings Requirements the "final announcement" referred to in paragraph 1.3 above must contain at least the following information:
- 1.4.1 Name and ISIN of the security on which the corporate event has been announced.
 - 1.4.2 Name and ISIN of any other security affected by or resulting from the corporate event.
 - 1.4.3 The type of corporate event.
 - 1.4.4 The bases for calculation.
 - 1.4.5 The default election.
 - 1.4.6 Last date to dematerialise/rematerialise or change registration for certificated holdings.
 - 1.4.7 Last Day to Trade ("LDT"). This information is included in the company announcement but is derived from the RD and is not part of the MT 564.
 - 1.4.8 Ex-date.
 - 1.4.9 Record Date ("RD").
 - 1.4.10 The election deadline date (RD- 2).
 - 1.4.11 Payment date (normally RD+1).
 - 1.4.12 First date to trade in entitlement (this will be a mandatory field in all cases where the entitlement is a security that has not yet been issued in this form when announcement is made).
 - 1.4.13 The name of the security referred to in paragraphs 1.4.1 and 1.4.2 above is included in the issuer's announcement on SENS, but is not included in the SWIFT MT 564 message ("MT 564") sent by STRATE.

2. TRADE DATE

- 2.1 Trade Date is the date on which a trade is concluded.
- 2.2 All on-market trades are currently settled on a T+5 cycle.
- 2.3 All Off-market trades are settled in terms of Directive SCV "Best Practices for off-market trades".
- 2.4 Securities Lending and Borrowing ("SLB") trades are settled on a minimum of a T+1 cycle.

3. RECORD DATE

- 3.1 Record Date is the date on which the holding, upon which the corporate event entitlement is based, is ascertained.
- 3.2 All affected parties (CSDPs, brokers and investors) will have to anticipate their holdings for RD by taking into account all unsettled trades concluded on or before LDT and are due to settle on or before RD. All off-market and SLB trades concluded after LDT, but where settlement will take place on or before RD, must also be taken into account. This will enable investors to provide their CSDPs or brokers with their election based on their anticipated RD holdings by the election deadline date.
- 3.3 Once settlement has run on RD, STRATE will reconcile the CSDP's election with the holdings in that CSDP's Safe Custody Accounts ("SCAs").
- 3.4 In the event of a discrepancy between the election received from the CSDP and the holdings in the respective SCA of the CSDP in STRATE, the following action will automatically be taken:
 - 3.4.1 If the CSDP's election exceeds the holdings in the SCA in the case of an offer, the election will be reduced by the amount of the excess.
 - 3.4.2 If the CSDP's election exceeds the holdings in the SCA and the election covers more than one option, the election in respect of the default option will be reduced by the amount of the excess.
 - 3.4.3 If the discrepancy exceeds the quantity elected for the default option, this quantity will be eliminated and the remaining discrepancy subtracted from the next option. If there are more than two options STRATE will decide which one to adjust and advise the relevant CSDP accordingly.
 - 3.4.4 If the CSDP's election is less than the holdings in its SCA the default option will be applied to the remaining holding.
 - 3.4.5 If there is only one option, the adjustment will be made to that option.
 - 3.4.6 Once these changes have been made STRATE will provide the CSDPs with the relevant details per phone within 30 minutes of the running of the final settlement. The telephone calls will be made in terms of the escalation details provided by the CSDP. This telephone call will be confirmed by e-mail.
- 3.5 STRATE will ensure that the aggregate of the elections of all the individual CSDPs, as adjusted where applicable in terms of 3.4, agree with the election made by STRATE on the total dematerialised holdings. This total will be agreed with the records of the company or its transfer secretary.

- 3.6 STRATE provides the issuer or its transfer secretary with details of the number of securities and or payment due to STRATE on payment date (RD+1) in respect of its entitlements. This information is provided to the issuer or its transfer secretary as soon as settlement on RD has been completed or by no later than 18:00 on RD. This is based on the aggregate of the election instructions, received from the CSDPs adjusted where applicable in terms of 3.4.

The details of securities or payment due to STRATE are provided to the issuer or its transfer secretary for all entitlements, even for mandatory corporate events where no election is made.

- 3.7 The issuer or its transfer secretary will already have ascertained the reconciled holdings on which the election from STRATE is expected.
- 3.8 STRATE will advise the CSDPs after settlement has been completed by no later than 18H00, what the holdings in their SCAs are. These will be the holdings on which their elections have been based. This message from STRATE will also contain the CSDP's expected entitlements per SCA based on this figure.
- 3.9 In those cases where the entitlement is distributed through the clearing and settlement system the details of the settlement will be advised as soon as the orders have been generated by STRATE on RD+1. This advise will be in the form of the MT 548/251 and MT 548/601.

4. RECORD DATE PLUS 1 (RD+1)

- 4.1 Dematerialisation and Rematerialisation orders and registration changes for certificated investors re-commence for the security affected by the corporate event from RD+1.

5. LAST DAY TO TRADE MINUS 5 (LDT-5)

- 5.1 LDT-5 is the date on which the corporate event and its details become irrevocable (i.e. no further changes to any of the pertinent details can be made by the issuer and the corporate event can only be cancelled in circumstances detailed in paragraph 5.2 below). This applies to companies with their primary listing in South Africa.
- 5.2 Please note that in exceptional cases (withdrawal of an underwriter or any other circumstances that would make the corporate event impossible to execute):
- The Listings Department of the JSE may sanction the cancellation of a corporate event provided this takes place on or before RD.
 - In those cases where a change to the information provided is necessary this can also only be affected by canceling the corporate event on or before RD. A new corporate event will have to be raised with the necessary minimum period of time i.e. before LDT-5 based on the new RD. This will follow the same rules as for any other new corporate event.
 - Should a sale of the expected entitlement fail as a result of the cancellation of the corporate event the normal fail trade process will apply. If the investor suffers a loss as a result of such a cancellation they are entitled to claim this loss from the issuer.
- In the case of an IPO or similar issue of new securities that will only be issued for the first time on RD+1 this problem will not arise as the first date to trade these entitlements will be RD+1. In these instances, if this corporate event is cancelled it will have no affect on trading.

6. LAST DATE TO TRADE (LDT)

- 6.1 LDT is the last date that anyone can trade on market in order to qualify or participate in the corporate event.
- 6.2 All trades done on the JSE from LDT+1 will be excluding entitlements.
- 6.3 After LDT the investors can ascertain what their projected holdings will be on RD and decide what election they need to make, if necessary.
- 6.4 The only changes that can take place to the dematerialised holdings in the company after LDT will be as a result of the fulfilment of the dematerialisation /rematerialisation orders open on LDT. This will enable the issuer or its transfer secretary to pre-plan the position on which the full entitlement will be based.
- 6.5 Should any certificated investor be prevented from transferring all or part of their certificated holdings during the period from LDT to RD, or the transfer prevents the entitled holder from receiving the entitlement, the claim or payment will have to be arranged between the deliverer and the receiver respectively. Note that, instances of this nature should be minimised as off-market trades are settled through STRATE in dematerialised form in terms of Directive SDV Best Practices for Off-Market Trades.
- 6.6 No dematerialisation or rematerialisation orders will be accepted by STRATE after LDT. These orders will be accepted again from RD+1.
- 6.7 The certificated register will for practical purposes also be closed from LDT+1 to RD for transfers.
- 6.8 All dematerialisation or rematerialisation orders that are outstanding as at End of Day (EOD) on LDT must be finalised before 16H00 on RD-1.
- 6.9 In respect of non-elective events the Issuers or their transfer secretaries will be able to prepare the payments or entitlements for those investors holding their securities in certificated form from close of business on LDT after taking into account any unprocessed dematerialisation or rematerialisation orders. The certificated investors' positions can not be changed from LDT.

7. EX-DATE

- 7.1 All trades concluded on the JSE for a particular company's shares that is undergoing a corporate event, from ex-date will exclude the right to receive entitlements relating to that event.
- 7.2 Ex-date will be the first business day after LDT (LDT+1).
- 7.3 The recipient of Off-market or SLB related trades concluded after ex-date but where settlement of the trade takes place on or before RD will still be entitled to participate in the corporate event.
- 7.4 The first date from which Dematerialisation/Rematerialisation orders will be blocked by STRATE.

8. LAST DATE TO ELECT

- 8.1 Last date to elect is the date by which the CSDPs must have received the election instructions.

- 8.2 CSDPs must reconcile the holdings on which the clients have elected against the projected holdings in their records for each client; aggregate these across all their clients linked to the CSDPs specific SCA at STRATE; and provide STRATE with the election instruction for each of their SCA's at STRATE.
- 8.3 The brokers will undertake the same process across all their clients to come up with the aggregated election per SCA they maintain with their CSDPs.
- 8.4 If any investor has not provided his/her broker or CSDP with his/her election instruction by the date and time stipulated by the CSDP or broker the CSDP or broker must apply the default option, to the holding.

9. PAYMENT DATE

- 9.1 Issuers will be required to fund STRATE's designated bank account with the total cash entitlements in respect of the dematerialised holdings, as provided to their transfer secretaries by STRATE, via SAMOS by no later than 10H00 on payment date.
- 9.2 The issuer or its transfer secretary must ensure that the securities are available for distribution by Beginning of Day (BOD) to enable settlement to take place. This is particularly important in those cases where the investor has sold their entitlement.
- 9.3 It is absolutely essential that the issuer and its transfer secretary understand the importance of ensuring that the payments of cash and/or securities are made by the time and method stated in paragraph 9.1 above. STRATE will not distribute the cash entitlements to CSDPs, until the cash has been credited to STRATE's bank account in the method outlined in paragraph 9.1 above. STRATE will only distribute the cash and dispatch the MT 566 message to the CSDPs once the cash has been received.
- 9.4 Where a CSDP or broker chooses to distribute cash entitlements prior to receiving the cash from STRATE, STRATE will not accept or be held liable for any interest claims.
- 9.5 The Listings department of the JSE will assist with the recovery of any claims that may arise as a result of the late payment of cash or securities by the issuer.
- 9.6 Interest claims against STRATE for the late payment of cash entitlements will be handled in terms of Directive SDL.

10. NEW ISSUES

- 10.1 New issues are handled on the basis of DvP (Delivery versus Payment) and RvP (Receive versus Payment) orders that will be captured by the CSDP of the issuer or its transfer secretary and the creation of the opposite leg by STRATE on behalf of the respective CSDP.
- 10.2 Clients must make application for the number of securities for which they wish to subscribe through their respective CSDPs. The CSDP must record the application at this stage and submit an MT 565 message to STRATE with the aggregate of all their clients' instructions.
- 10.3 If an application form is received by the issuer or its transfer secretary the form must be accompanied by a cheque in payment of the subscription cost. Any securities that are allocated to the applicant will be in certificated form.

- 10.4 STRATE will submit the MT 565 messages to the transfer secretary who will handle the messages in the same way as if they had been received in paper form.
- 10.5 The CSDPs and brokers must provide the issuer or its transfer secretary with a list of the clients' individual applications making up the number included in the MT 565 message. Skeleton spreadsheet provided to the CSDP by the transfer secretary must be used for this purpose. This spreadsheet must contain the information requested by STRATE. The spreadsheet must include a reference to the MT 565 message that the list relates to.
- 10.6 The CSDPs will, by submitting the MT 565 message, add its commitment to settlement of the deal on allocation up to the number and cost subscribed for. This is to ensure that all securities allocated are in fact taken up. It is up to each CSDP to decide how it will manage this risk.
- 10.7 Once the allotment of securities has been made, the CSDP of the issuer or its transfer secretary will raise a DvP order for the number of securities allocated per MT 565 message received from the CSDP and the cost. The relevant CSDPs will receive an MT 548 message from STRATE advising it of the RvP trade created by STRATE on its behalf which must be indicated in the status of "matched ready for settlement".
- 10.8 The list referred to in 10.5 will be returned to the CSDP and broker by the transfer secretary reflecting the actual allocation made per individual client within 60 minutes of them having captured the DvP order for the allocated shares.
- 10.9 On settlement date a further MT 548 message together with an MT 566 message will be sent to the CSDP.
- 10.10 The dates of these orders will be closing date +1. The settlement date will be included in the MT 564 message submitted by STRATE.
- 10.11 On settlement of these trades the payment/cash moves to the issuer or its transfer secretary simultaneously with the allocation of the securities to the subscriber (DvP).

11. OFFERS TO TAKE UP ADDITIONAL SECURITIES IN AN EXISTING COMPANY

- 11.1 Offers to take up additional securities in an existing company will follow the same process as described under New Issues in paragraph 10 above.

12. TAKE UP OF SECURITIES/NIL PAID LETTERS (NPL) IN RESPECT OF A RIGHTS ISSUE

- 12.1 A typical Rights Issue is handled as three different corporate events:
 - 12.1.1 Rights Issue – This is the corporate event where NPL's are created based on the holdings of the "mother" share. The NPLs trade in parallel with the "mother" share for a period of time before resulting in new securities being issued or the offer lapsing. From a processing point of view it is the same as for a capitalisation issue.
 - 12.1.2 Rights Closure – This is the corporate event that removes or wipes out the NPL's after the closing of the take-up period. From a processing point of view this is the same as a liquidation without payout.
 - 12.1.3 Rights Take-up – This is the corporate event that handles the clients who wish to take up the rights to receive the new securities. These instructions must be conveyed to STRATE by the CSDPs by using an MT 565 message.

- 12.1.3.1 The dates of these orders will be RD. The settlement date of RD+1 is included in the MT 564 message created by STRATE.
- 12.1.3.2 On settlement date a further MT 548 message together with an MT 566 message will be sent to the relevant CSDPs.
- 12.1.3.3 The payment for the take up will be made on RD+1, simultaneously with the allocation of the new securities (DvP).
- 12.1.3.4 These securities are then available for the settlement of any trades concluded on these securities from the first date to trade (LDT+1).
- 12.1.3.5 The money for the take-up remains in the name of the investor until the settlement date of the trades as referred to in paragraph 12.1.3.1

13. APPLICATION TO TAKE UP ADDITIONAL SECURITIES IN CONJUNCTION WITH A RIGHTS ISSUE (EXCESS RIGHTS TAKE-UP)

- 13.1 An excess Rights Take-up follows the same process as for New Issues (see paragraph 10 above).
- 13.2 It will always be handled as a different corporate event to the Rights Issue and take up of NPL's (see paragraph 12 above).
- 13.3 This corporate event will normally follow the same time-line as the rights take up the details of which will be included in the MT 564.
- 13.4 The CSDPs and brokers must provide the issuer or its transfer secretary with a list of the clients' individual excess application details making up the number included in the MT 565 message. This list contains the client's name, address, custody account number at the CSDP or broker; the number of excess rights applied for; and their value, any other information that may be necessary for that particular event and a reference to the MT 565 message that the list relates to.

14. ELECTION

The election process on optional corporate events settling through the corporate action system takes place as follows:

- 14.1 STRATE elects on its total holdings in terms of the election instructions received from each CSDP, per SCA. In other words, the election is the aggregate of each CSDP's election by SCA.
- 14.2 The CSDPs elect on their holdings per SCA with STRATE, in terms of the election instructions received from each of their clients (brokers will be a client in the records of the CSDP). The CSDP's election will be the aggregate of each individual client's election instruction.
- 14.3 The broker, fund manager or global custodian elect on their holdings per SCA with the CSDP in terms of the instructions received from each of their own clients. Their election will also be the aggregate of all their client's election instructions.

14.4 The number of securities received by STRATE, the CSDPs, brokers, fund managers, global custodians or any other entity, may not correspond with the number required to satisfy the individual entitlements of each of their clients due to rounding. These securities would have to be purchased or sold by STRATE, the CSDP, broker or relevant entity to increase or decrease their holdings in their SCA to bring it in line with the aggregate of all their clients' accounts in their records. In the case of cash, the shortfall in respect of the payments to their clients must be made good by the entity that was short. Any surpluses will be used to off-set the cost of acquiring additional securities or the payment of additional cash. It may, therefore be necessary to sell the surplus securities that (may) have been received. Beneficial holders must in all cases receive the correct entitlement based on the rounded results when multiplying the ratio by the number of securities.

15. FRACTIONS OF SECURITIES RESULTING FROM THE CALCULATION OF ENTITLEMENTS

15.1 Fractions of securities are no longer paid out in cash but are rounded up or down based on the standard rounding convention (less than 0.5 round down and 0.5 and greater round up).

15.2 The bases or scrip ratios utilised in the calculation of entitlements will always be announced to five decimal places.

15.3 Cash entitlements are announced through SENS or in the press as a number of cents per share. In the case of the messages distributed by STRATE and to comply with the SWIFT standards it is necessary to convert the announcement as a number of Rand per share. In this event, STRATE will convert the company's announced rate to 5 decimal places in cents per share, to a Rand rate at 7 decimal places in Rands per share.

16. CLAIMS IN RESPECT OF ENTITLEMENTS ON OPEN ON-MARKET TRADES AS AT RD

16.1 The introduction of LDT ensures that claims in respect of entitlements on open on-market trades as at RD will no longer arise.

16.2 STRATE will co-operate with, the Settlement Authority, in any adjustments to, or payment of, entitlements to clients that may be affected by the action taken by the Settlement Authority in rectifying a failed trade in terms of the JSE Rules.

17. PROXY VOTING

17.1 Proxy Voting will be handled in terms of STRATE directive SDV – Proxy Voting Procedures and directive SDK – Proxy Voting Procedure in Respect of Foreign Listed Companies

18 DIRECTIVE SCC – OPERATIONAL MARKET WINDOWS

18.1 Wherever reference is made to EOD or BOD in this document the times relative to these terms can be found in Directive SCC – Operational Market Windows.

18.2 All messages referred to in this document are dispatched in terms of the Directive SCC – Operational Market Windows.