

Strate's Collateral Management Services

For Securities Lending and Borrowing

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Cost, Support and Contact Details

The services are free for receivers of non-cash collateral and Strate's dedicated Support Desk is available to resolve any collateral-related queries. Should you wish to find out more about these services, please e-mail collateral@strate.co.za, or contact 011 759 5496/5314.

About Strate

As South Africa's Central Securities Depository (CSD), Strate is licensed to be the independent provider of post-trade products and services for the financial markets. Strate is internationally recognised as a Financial Market Infrastructure (FMI) that is trusted

to use its state-of-the-art technology, international expertise and sound risk management framework to support and promote the safety and efficiency of the financial markets.

Tri-Party Collateral Management – The Power of Three

Local and global regulatory trends point to the need for greater collateralisation of financial instruments. The consequence of this leads to more focus being placed on the need to centralise and streamline collateral management functions across lenders, borrowers and intermediaries, as new securities lending challenges arise. These challenges include:

- A move to a shorter T+3 settlement cycle for equities, which will increase the timing and administrative pressure on lending for settlements;
- Managing an increased number of share counters that are eligible for collateral on both an out-and-out cession and pledge basis; and
- The accurate record keeping of the quantity and the asset class received, as well as the associated concentration risk.

Strate's Collateral Management Services (SCMS) provide a cost-effective automated solution for givers, receivers and intermediaries associated with the securities lending market. Since SCMS access is flexible, there is the ability to access the system via the web-based front end, or alternatively via internal system integrations. These services have the ability to fully integrate to many of the leading bilateral collateral management vendors, providing market-wide collateral optimisation.

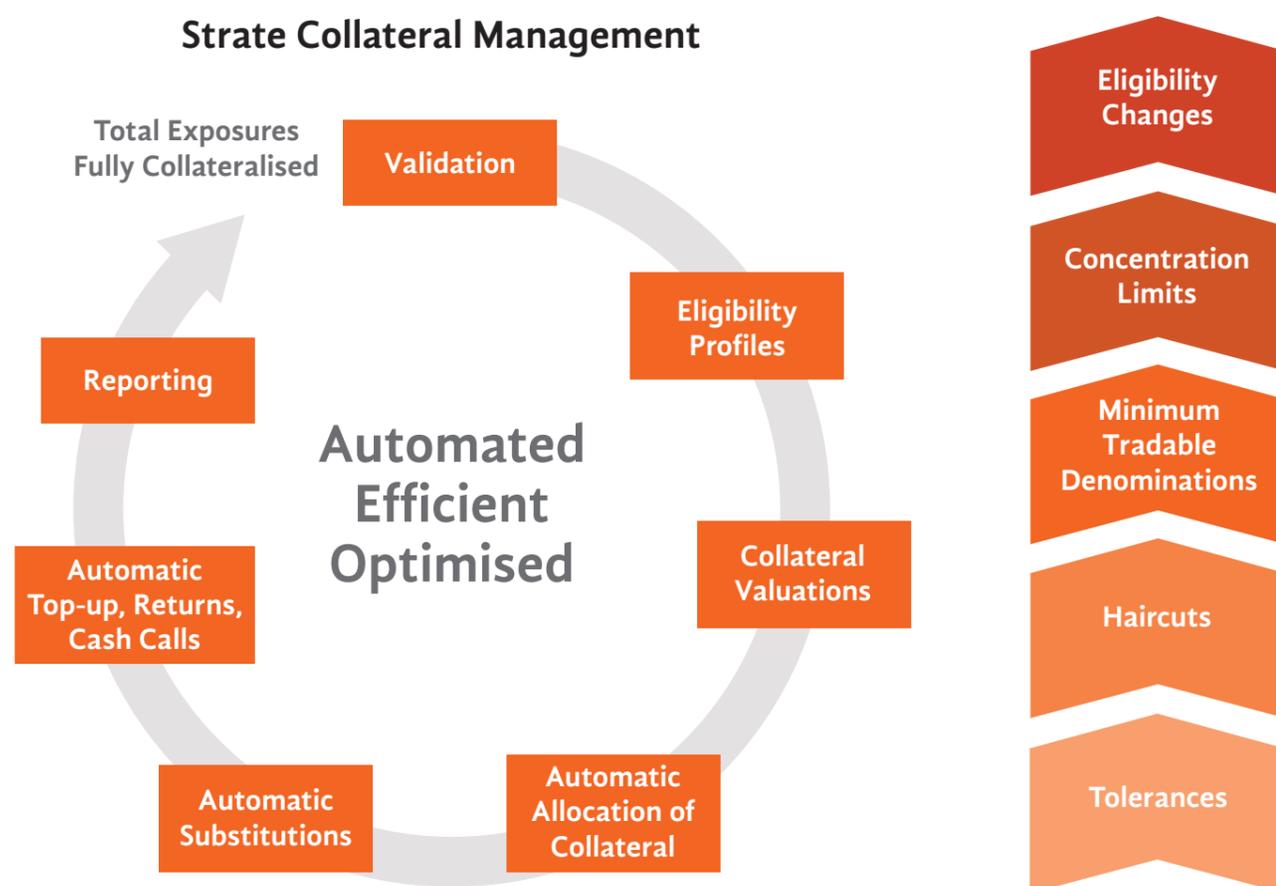


How does SCMS benefit the Securities Lending Market?

Strate, as the tri-party collateral management service provider, undertakes all the collateral management functions from the lending transaction's inception to maturity. By signing Strate's tri-party collateral management services agreement, Strate is mandated to perform all the necessary back-office collateral management functions and administration. Be it cash, securities, or a combination thereof, the administration of collateral is outsourced in a transparent, simple and cost-effective way through using the SCMS solution. This includes the automatic selection, allocation, valuation and management of cash and securities collateral. Intermediaries are able to leverage off of the benefits to both collateral givers and receivers, from top-ups and reductions, to withdrawals, monitoring

of corporate actions and capital events of securities placed as collateral, and providing transparency with frequent intraday reporting of collateral activities in various formats.

Through centralising collateral management, intermediaries have a full view of counterparty relationships and are able to automate the administrative burden associated with managing both the lender and borrower's exposures by outsourcing the monitoring and managing of numerous activities. Collateral placed is evaluated and reconciled daily, ensuring all exposures are optimally covered, while eligibility and sufficiency of collateral for both giver and receiver is monitored in real-time.



Benefits for the Collateral Giver and Receiver

An efficient and automated collateral function is fundamental to effectively optimising the funding requirements of borrowers and the collateral requirements of lenders. The services are able to provide collateral givers and collateral receivers a vast number of benefits when utilising the solution, while intermediaries can expect to experience the combined benefits of both:

Benefit Realised	Collateral Giver	Collateral Receiver
Fully automated collateral management utilising globally benchmarked technology	X	X
Efficient use of non-cash collateral compared to the expensive use of cash	X	
Market-wide collateral optimisation and the reduction of internal and external silos; cross-product and cross-location	X	X
The opportunity to reduce costs of maintaining or purchasing collateral management systems	X	X
Improved asset safety from the use of securities and Segregated Depository Accounts	X	
Efficient and accurate monitoring of exposures	X	X
Automated top-up and withdrawals in line with the Credit Support Annex (CSA)	X	X
Right of substitution of collateral is guaranteed	X	
Ability to limit or allow collateral reuse , as per agreements between counterparties	X	
Reduction in operational risk incurred when utilising securities as collateral	X	X
Back office efficiency from outsourcing collateral functions to a collateral agent	X	X
Centralisation of concentration risk and credit risk	X	X
Facilitation of both pledge and transfer of title collateral moves	X	X
The certainty of the size and location of available collateral securities / cash	X	X
Enabling the move to a shorter settlement cycle (T+3) with automated T+0 near-time collateral moves	X	X
Simplicity and ease of service through utilising one collateral solution across many different types of financial exposures	X	X

1. Clients can have their securities safe keeping accounts opened directly in the books of the CSD in order to further protect themselves in the event of an Insolvency Proceeding being instituted against their chosen Custodian or CSD Participant in the local market. The SDA functionality significantly enhances the portability of a client's holdings, allowing them to engage with an alternate service provider at short notice thereby ensuring that if there was an Insolvency Proceeding instigated against their Participant, their account would not be frozen by the Insolvency Administrator and the Client could continue trading in that account in a relatively seamless manner.