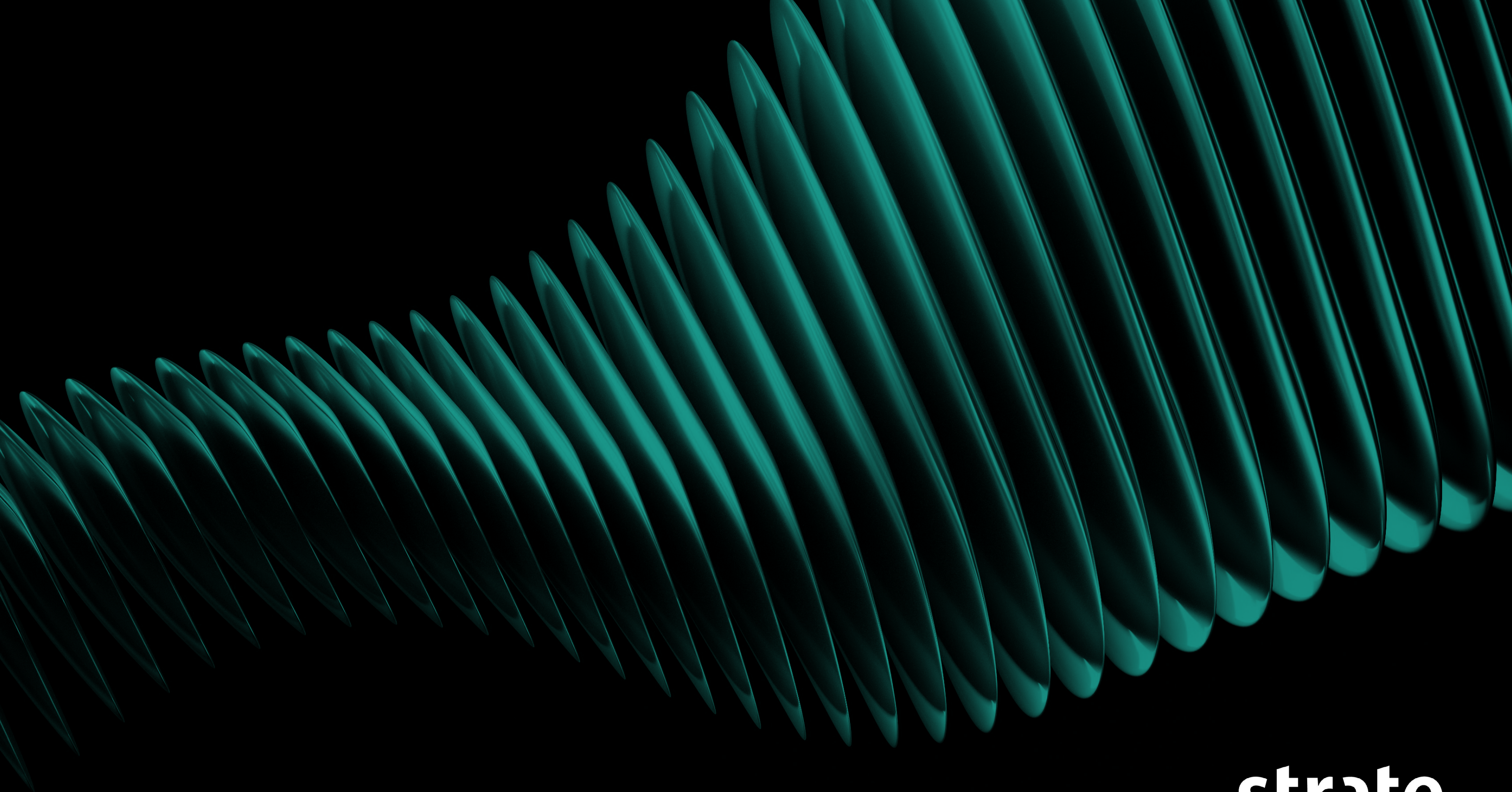




strate
SUPERVISION

REGULATORY AND
SUPERVISORY REPORT 2024

Introduction

South Africa maintains its position as a sophisticated financial market with deep capital markets and advanced banking systems, supported by robust regulatory oversight. As one of Africa's leading economies, the country continues to play a crucial role in the continent's financial landscape, despite facing significant domestic and global challenges.

The year 2024 has been marked by notable political transitions and ongoing economic challenges. The establishment of the Government of National Unity (GNU) following the 2024 elections has drawn both local and international attention, with stakeholders closely monitoring its ability to implement growth-enabling policies and build confidence in the South African financial system.

A significant challenge facing South Africa's financial sector continues to be its presence on the Financial Action Task Force (FATF) greylist. While extensive efforts have been made to address the identified deficiencies, including the notable publication of amendments to Strate Rules in October to enhance beneficial ownership reporting and transparency in capital markets, concerns persist about the country's ability to demonstrate sufficient progress in prosecuting money laundering and terrorist financing cases before the February 2025 deadline.

South Africa's assumption of the G20 Chair in December 2024 presents strategic opportunities to advance financial sector initiatives that could stimulate economic growth. Strate has identified key initiatives it is well positioned to enable, focused on strengthening market infrastructure and efficiency to help address South Africa's sovereign rating challenges and attract foreign investment. Notably, Strate's recent approval as a licensed Trade Repository marks a significant milestone in aligning South Africa's financial market infrastructure (FMI) with other G20 member capabilities.

Strate's operating environment in 2024

Operating within the framework of the Financial Markets Act 19 of 2012 (FMA), Strate continues to evolve its service offerings across security, market, and trade types. Our growth initiatives are carefully aligned with core regulated central securities depository (CSD) functions, focusing on building market confidence, maintaining standardisation, enhancing operational efficiencies, and protecting investors while mitigating risks.

The global financial landscape continues to face multiple challenges, including persistent geopolitical tensions, ongoing conflicts in various regions, and shifting monetary policies in major economies. Market volatility has been heightened by concerns over global economic growth, inflationary pressures, and the evolving regulatory requirements for financial institutions worldwide. The international focus on climate-related financial risks and the acceleration of digital transformation have prompted FMIs to adapt their operational frameworks and risk management approaches.

The external operating environment remains challenging, characterised by infrastructure disruptions affecting essential services such as electricity, telecommunications, and water supply. These disruptions, combined with broader operational challenges including labour unrest and shared technology service issues, continue to impact market operations. Cybersecurity remains a critical concern, with ransomware emerging as a significant threat to essential infrastructure, while online scams persist as the most common form of digital crime targeting both individuals and organisations.

As a trusted FMI, Strate maintains its commitment to promoting market stability, enhancing efficiency, and upholding the integrity of South Africa's financial markets. Through collaboration with regulatory authorities and market participants, we continue to strengthen our role in supporting the resilience and growth of the South African financial ecosystem.

The regulatory structure within which we operate

The South African financial system comprises an integrated network of banks, exchanges, market infrastructures and financial institutions, supported by a comprehensive regulatory framework. Six FMIs form the backbone of this system - four payment systems, a central clearing house and Strate.

Through this sophisticated infrastructure, the market provides investors with access to a diverse range of financial instruments and investment opportunities across multiple asset classes. Market participants operate within a mature environment that enables efficient trading, clearing and settlement of securities.

The Johannesburg Stock Exchange (JSE) continues to maintain its position as South Africa's primary securities exchange, ranking among the world's top 20 exchanges by market capitalisation and the largest exchange in Africa. Alongside the JSE are three specialised exchanges - the Cape Town Stock Exchange, A2X Markets and the Integrated Exchange, I-Ex (previously Equities Express Securities Exchange) – each serving distinct market segments with targeted offerings.

As an active member of the G20, South Africa remains steadfast in its commitment to implementing global best practices. This commitment is reflected in our robust regulatory framework, which prioritises effective supervision, systemic stability, institutional safety and consumer protection.

The regulatory landscape is governed by the Financial Sector Regulation Act 9 of 2017, which empowers the South African Reserve Bank (SARB) to oversee and enhance financial stability while implementing measures to mitigate systemic risk. Operating as a division of the SARB, the Prudential Authority (PA) focuses on maintaining a stable financial system by ensuring the safety and soundness of market infrastructures and financial institutions.

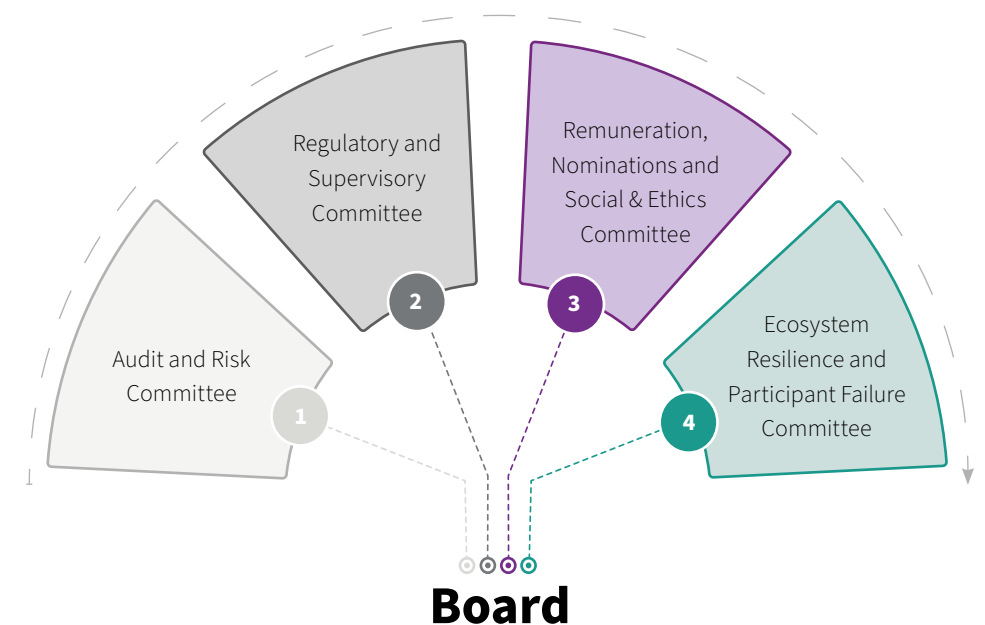
Market conduct oversight falls under the purview of the Financial Sector Conduct Authority (FSCA), which supervises financial institutions, including market infrastructures. The FSCA's mandate encompasses multiple objectives: ensuring market stability, advancing financial sector transformation, safeguarding fair treatment of customers and fostering market efficiency through innovation.

The role of Strate Supervision

Operating as a self-regulatory organisation (SRO), Strate maintains an operationally independent supervisory division that oversees the activities of licensed central securities depository (CSD) participants within the Strate environment. This division, Strate Supervision, upholds market confidence through the rigorous enforcement of Strate Rules and Directives alongside the Financial Markets Act 19 of 2012 (FMA), employing comprehensive risk management frameworks and supervisory tools.

To ensure independence of oversight, Strate Supervision maintains direct reporting lines to Strate's Regulatory and Supervisory Committee (the Committee), distinct from its relationship with Strate as the CSD. The Committee provides dedicated oversight of Strate Supervision's activities. The Committee plays a vital role in ensuring Strate executes its regulatory mandate, maintaining robust supervisory mechanisms and carrying out effective investigation and enforcement actions in accordance with legislative requirements and regulatory expectations.

In fulfilling its fiduciary responsibilities to the market infrastructure, Strate's Board of Directors is supported by several permanent committees, each tasked with specific oversight functions. These are:



Chairperson's Report



Elias Masilela (SOB)

Chairperson
Strate Regulatory and Supervisory Committee

The 2024 year has been dynamic for South Africa's financial markets. We began the year with uncertainty surrounding both global and local elections, while continuing to observe the trend of delistings on the Johannesburg Stock Exchange (JSE), raising important considerations about the future stability and sustainability of our capital markets.

In this context, Strate Supervision faced several key challenges and opportunities. A significant focus was navigating regulatory uncertainty while awaiting approval of proposed amendments to the Strate Rules, which sought to introduce important regulatory changes to the CSD SRO regulatory landscape. Central to these proposals was the expansion of the disclosure requirements for the central securities register contained in the Rules to promote better transparency. During this time, we maintained market oversight through moral suasion. The impact of third parties, particularly critical service providers to the CSD, on the stability of the financial market and broader financial sector was another trend that was closely tracked through the year encouraging wider discussions relating to collaboration with other market players and regulatory structures on proactive mitigation initiatives.

A notable milestone this year was the Regulatory and Supervisory Committee's strategic session, which confirmed our strategic alignment with the Financial Markets Act 12 of 2012 (FMA) objectives, which are sacrosanct to our regulatory and supervisory mandate. This sets our direction for the coming years as we develop frameworks, processes, and procedures to execute our mandate within this strategic context and in terms of our regulatory licence.

Our CSD Participants have demonstrated remarkable resilience throughout the year, successfully navigating significant market events. A key learning from these events highlighted the necessity for enhanced oversight of heavily manual processes. The successful migration of a CSD Participant's systems exemplified this resilience, while the absence of overnight debit balances reported by CSD Participants this year is particularly commendable.

Cybersecurity remains a top risk within the financial sector, prompting a comprehensive review of CSD Participants' security strategies to mitigate and respond to cyber risk vectors. Our commitment to technological advancement is evidenced by the development of an interactive portal providing CSD Participants and nominees submitting data relating to beneficial interest with a consolidated view of identified errors and associated fine quantum. This innovation marks our first step towards deploying regulatory technology (regtech), refining data quality and ensuring compliance with Directive SA.8 and beneficial disclosure requirements.

We have also strengthened our market training initiatives by updating the Strate Academy learning materials to better equip compliance officers, operational staff within CSD Participants, regulators and the broader market with essential information for the effective execution of their roles.

As we look to the future, our focus remains on partnering with CSD Participants, promoting the objectives of the FMA, and increasing market competition while ensuring South Africa's capital markets maintain global competitiveness. This will not be easy as we pursue operational efficiency and balance the need for sustainable market growth while working to navigate current challenges without introducing systemic risk into the environment.

I extend my appreciation to our CSD Participants, market stakeholders, and the Strate Supervision team for their dedication to maintaining market stability and integrity. I especially thank the Regulatory and Supervisory Committee members for their guidance and oversight throughout the year.

Looking ahead to 2025, we remain committed to our core mandate of supporting market resilience while advancing initiatives that strengthen South Africa's position in the global financial landscape.

THE STRATE REGULATORY AND SUPERVISORY COMMITTEE

Roles and responsibilities

The Regulatory and Supervisory Committee (Committee) is a committee of the Board. The Committee is responsible for overseeing the regulatory, supervisory, investigative and enforcement functions of Strate in terms of the FMA and the Strate Rules and Strate Directives in its role as an SRO. These responsibilities are acquired and executed in accordance with a delegation of authority from the Board.



Committee members

The following independent non-executive members constituted the Committee in 2024:



**Elias Masilela
(60)**

Chairperson:
Member
Independent
Non-Executive



**Keith Getz
(69)**

Member
Independent
Non-Executive



**Nigel Payne
(65)**

Member
Independent
Non-Executive



**Helena Conradie
(57)**

Member
Independent
Non-Executive



**Mark Murning
(65)**

Member
Independent
Non-Executive

Approval by the Committee

The Committee acknowledges its responsibility to ensure the integrity of this report and has applied its collective mind to the preparation and presentation of the information contained within it.

Committee workplan

The Committee's formal workplan is tabled at each standard Committee meeting. The activities listed in the workplan are aligned with the Committee's Terms of Reference to ensure its duties and responsibilities are carried out effectively. The Committee's Terms of Reference are reviewed and updated annually, or as and when new responsibilities or activities are identified.

Committee training programme 2024

For members of the Committee to effectively discharge their duties of care and skill, it is imperative that they are provided with ongoing education and training to keep them abreast of financial market developments and matters that affect the securities industry.

To this end, external and internal Strate product experts are regularly invited to present to the Committee and Board on important topics.

Training on the following topics took place in 2024:

- Market abuse and insider trading
- Cyber awareness
- IOSCO - Principles for Financial Market Infrastructures
- Initial margin

The management of regulatory and commercial conflicts of interest

The FMA places an obligation on Strate to appropriately and effectively manage perceived or actual conflicts of interest that may arise between the regulatory function and any commercial services offered by the company. Board Notice 1 2015, issued by the Registrar of Securities Services (Registrar), provides additional guidance on this matter, and specifically calls on Strate to establish appropriate and effective internal governance processes to manage conflicts of interest between these functions. These arrangements at Strate have included the establishment of:

- The Committee – an independent committee of the controlling body that ensures Strate's regulatory activities are not utilised to benefit or further its commercial activities. This is achieved through appropriate controls that effectively separate sensitive information or activities performed by its supervisory and enforcement activities.
- Strate Supervision – responsible for the execution of the supervisory and enforcement obligations of Strate in terms of the FMA.

The Committee considers, on an ongoing basis, whether the scope of the Strate Rules and Strate Directives provides an adequate framework for the regulation and supervision of CSD Participants. In addition, in line with the International Organisation of Securities Commissions (IOSCO) recommendations, the Committee is tasked with avoiding:

- The introduction of Strate Rules and/or Strate Directives that may create uncompetitive practices, and
- The use of the oversight role to allow Strate or any market participant to gain an unfair advantage in the market.

In delivering on its obligations, the Committee ensures that any conflicts of interest between Strate's commercial interests and its regulatory functions, in terms of the FMA, are eliminated or appropriately mitigated. Membership of the Committee is limited to independent non-executive directors from the Strate Board, which ensures its independence. In addition, only non-executive directors may attend Committee meetings, upon a special invitation from the chairperson of the Committee. Continuous assessments of any potential conflicts of interest are conducted.

Strate has established and enforces the Regulatory and Commercial Conflict of Interest Management Policy, along with appropriate procedures and structures, to ensure that appropriate standards of fairness and confidentiality are upheld and that Strate fulfils its obligations under the FMA.

THE STRATE REGULATORY AND SUPERVISORY COMMITTEE Continued

Meetings

The FSCA and the PA both have standing invitations to Committee meetings, as independent observers. In addition, Strate's Chief Executive Officer is a standing invitee to meetings.

During the 2024 financial year, the Committee held four standard meetings, five special-purpose meetings, a strategy session and a workshop.

	Standard	Special	Special	Standard	Special	Strategy	Standard	Special	Standard	Special	Workshop
Attendees:	27 Feb '24	28 Feb '24	09 Apr '24	07 May '24	28 Jun '24	14 Aug '24	19 Aug '24	01 Oct '24	05 Nov '24	05 Nov '24	28 Nov '24
Members:											
 E Masilela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
 N Payne	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
 K Getz	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
 H Conradie	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
 M Murning	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

 = attended meeting

 = absent with apology

Legal and Regulatory Report



Andrew Henderson
Head of Legal

The regulatory landscape for capital markets remained stable, with no new substantive laws introduced in 2024. Strate's legal function monitors legislative changes and regularly engages with our regulators on such issues, and will continue to do so.

The objectives of the FMA are the guiding principles by which Strate steers. We continuously research improved and more efficient services that support these objectives. Such evolution requires a supportive and knowledgeable regulator that understands South Africa's challenges and opportunities. During 2024, Strate held a number of positive engagements with the FSCA and the PA on our vision for the evolution of the capital markets.

Strate's regulatory function is tasked with creating and updating the legal framework under which the central securities depository and its ecosystem operate. This is achieved through two key mechanisms: the Strate Rules, which establish the principles of market conduct, and the Strate Directives, which set out the details of day-to-day activities. Both Strate Rules and Strate Directives are issued in accordance with and subject to the FMA. The dynamic nature of the market and ongoing innovation requires that the Strate Rules and Strate Directives must remain up-to-date and relevant for all in the Strate ecosystem.

Strate has also initiated a strategy to proactively influence and guide market behaviour through regulatory interventions that align with the objectives of the FMA.

The table below sets out the Directives that were amended or introduced in 2024:

Strate Directives	Implementation Date
Directive SA.12 – Pledge and Cession in Securitatem Debiti	7 May 2024
Directive SD.2 – Operational Market Windows – Off-market – Bond Securities - JSE	2 December 2024
Directive SD.5 – Operational Market Windows – Unlisted – Bond Securities	2 December 2024
Directive SF.1 – Fines Schedule – Rules	1 September 2024
Directive SF.8 – Fines Schedule – On-Exchange and Off-Exchange – I-EX	1 September 2024
Directive SJ.1 – Operational Market Windows and Securities Processing – Equities – I-EX	1 September 2024
Directive SJ.2 - Operational Market Windows and Securities Processing – Bonds – I-EX	1 September 2024
Directive SZ.1 – Interpretation and Definitions	2 December 2024

We would like to thank all CSD Participants, Strate compliance officers, issuers, exchanges, the Committee, Strate senior management, and our colleagues from the Operations and Change, CSD Services, Legal, Risk and Compliance, and Supervision divisions of Strate. All these entities contribute towards the development of the Strate regulatory framework, for the benefit of investors and the South African financial market.

Supervision and Enforcement Report



Thabile Omoighe

Head of Strate Supervision

As I reflect on my first year as Head of Supervision, I am proud to highlight the significant strides we have made in supervising compliance with Strate Rules, Strate Directives and the FMA by CSD Participants, nominees and business partners. Stepping into this role, I carried a strong sense of responsibility and optimism for what lay ahead. Over the past year, we have navigated unique challenges and embraced opportunities, and I am grateful for the dedication and passion of our Supervision team. Notably, 2024 proved to be a stable year for financial markets, providing a solid foundation for our efforts. I commend the regulated entities' ability to navigate the year without introducing systemic risk to the South African financial market and their commitment to ensuring market integrity and stability.

In 2024, Strate Supervision undertook a comprehensive Capability Impact Assessment to evaluate and enhance our regulatory maturity in alignment with global best practices. Recognising that regulatory excellence requires a dynamic balance of knowledge, experience, human resources, technology and continuous improvement, the assessment highlighted areas for growth and development to realise the objective of being a world-class regulator. While challenges such as prescriptive legislation and heightened stakeholder expectations remain, Strate Supervision continues to adapt and innovate to effectively address them.

Our focus on digital transformation continues. Strate Supervision has made significant progress in automating its supervisory processes to enhance performance, responsiveness and alignment with its risk-based, data-driven and technology-enabled strategy. In our effort to operationalise Directive SA.9, we made significant strides in automating processes related to the submission of accurate Beneficial Interest Register (BIR) files. Through close collaboration with the Register Services and Data Services teams, Supervision developed an interactive portal to enhance transparency and data quality. This portal allows CSD Participants and Nominees to view BIR-related exception reports, identify data quality errors and address compliance gaps. This initiative aims to strengthen data validation processes, improve compliance with Directive SA.8, and align with South Africa's commitments to the Financial Action Task Force (FATF).

Strate Supervision made significant strides in enhancing its risk-based supervision framework. We developed the Strate Supervision Risk Tiering Model (SRTM) to enable robust and timely risk assessments of CSD Participants, informing our supervisory strategies and plans. This dynamic model allows Strate Supervision to develop tailored approaches that address the specific risks posed by each regulated entity, ensuring that supervisory attention is proportional and effective. Additionally, we revised the CSD Participant Performance Monitoring Model (PPMM) to align with evolving regulatory risks. Designed to measure residual risk and monitor the compliance health of CSD Participants, the PPMM now better supports proactive identification of control weaknesses and regulatory trends. By leveraging these tools, we reinforce our commitment to effective risk-based supervision, ultimately strengthening the resilience of our financial markets ecosystem.

Strate Supervision played a critical role in overseeing key developments within the market, including the successful system migration of a major CSD Participant's custody system. The migration concluded successfully, with no major issues impacting the business or broader market.

Final recognition was granted to two nominees – LifeCycle Nominees and Professional Provident Society Nominees – following a rigorous process that included a satisfactory desktop review by Strate Supervision. These recognitions underscore the critical role nominees play in providing accurate and validated beneficial interest registers for issuers, enabling Strate to fulfil its market obligations.

We undertook a comprehensive review and redesign of Strate's learning materials to enhance their relevance, accessibility and alignment with the FMA objectives. The updated modules aim to equip compliance officers, operational staff and market participants with the knowledge required to execute their roles effectively. The streamlined structure ensures an efficient learning experience, reflecting Strate's commitment to advancing workplace skills and fostering continuous learning within the financial ecosystem.

As we look ahead to 2025, Strate Supervision remains steadfast in its commitment to enhancing its supervisory function through innovation, collaboration and agility. Building on the progress made in automation and data-driven supervision, we aim to fully operationalise our integrated supervisory systems, enabling seamless oversight and informed decision making. By leveraging data analytics, we will continue to refine our risk-based approach, proactively identifying trends and addressing emerging risks to safeguard the financial market ecosystem.

We will continue to engage with co-regulators, our CSD Participants and stakeholders to ensure we are well-equipped to manage the evolving regulatory landscape, including the implementation of new legislation and regulatory requirements. By fostering a culture of innovation and collaboration, we are committed to strengthening our supervisory function and contributing to a more resilient and stable financial markets ecosystem.

In closing, I would like to express my gratitude to the Regulatory and Supervisory Committee for their unwavering leadership and guidance throughout 2024. To the regulators, including the FSCA, PA and the NPS Oversight Division, your collaboration and support have been invaluable in navigating the challenges and opportunities. I extend my appreciation to Strate employees and the dedicated Supervision team for their commitment and hard work in maintaining a resilient financial market ecosystem. To the CSD Participants who have partnered with us and contributed to the success of our shared objectives, thank you. We look forward to continuing this journey together in 2025.

SUPERVISION AND ENFORCEMENT REPORT Continued

Scope of Supervision

Strate Supervision acts as an independent supervisory arm, assessing CSD Participants' compliance levels through various activities. These supervisory interventions aim to identify risks and exposures that may be introduced through the conduct of CSD Participants. In instances where we identify non-compliance, enforcement decisions are executed through the Committee and fulfilled by Strate Supervision. Where appropriate, fines are levied against CSD Participants.

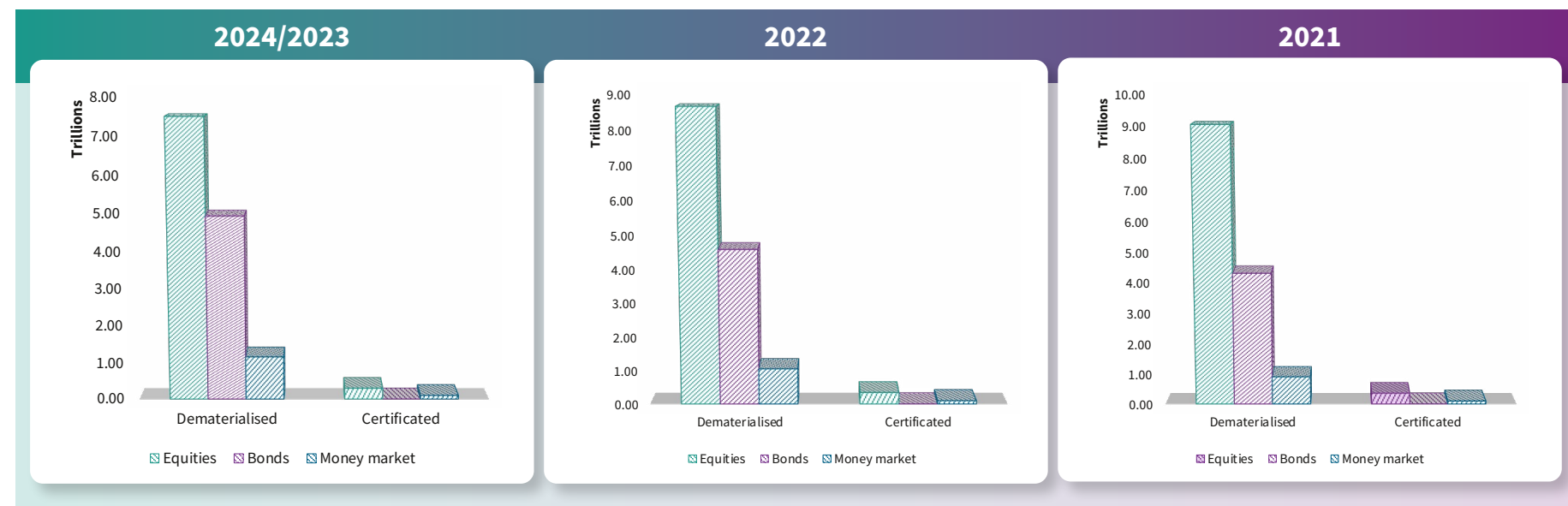
CSD Participants

A Participant is defined in the FMA as "a person authorised by a licensed central securities depository to perform custody and administration services or settlement services or both in terms of the central securities depository rules and includes an external participant where appropriate".

Active CSD Participants as of the end of 2024 were:



The values of dematerialised securities under custody as of the end of December for each year are listed below

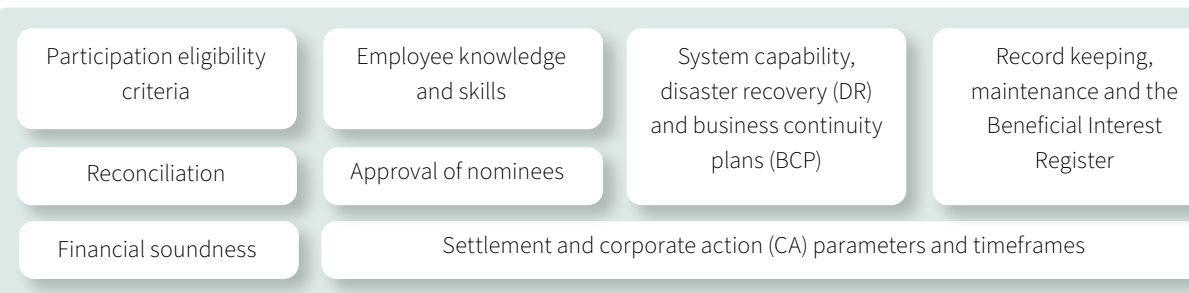


Divisional composition

The new Head of Supervision took office from January 2024 and the division appointed a Supervision learner in April 2024. Aside from this, the team remains stable and resourced with competent and experienced staff to deliver effective supervision, monitoring and support for CSD Participants. The division held a workshop with the Committee to discuss strategic focus areas for Strate Supervision and the key strategic recommendations to enable a step change in efficiency. A key outcome was a recommendation to change the divisional composition to support employee development, enhance performance management, enable career progression and drive strategic organisational alignment.

The Legal, Risk and Compliance divisions continued to provide the necessary supervisory support to enhance the division's risk management capabilities. The Committee continually assesses and monitors the resources and skills needed to enable Strate's regulatory and supervisory functions.

We monitor and supervise:



Supervisory and enforcement tools

Strate Supervision has developed several tools to effectively monitor the performance of regulated entities on an ongoing basis. These tools include:

Attendance at market meetings	Bi-annual Compliance Officer Reports and ad hoc reports	Beneficial Interest Register reports	Registered auditor's reports - Strate Circular	Capital adequacy reporting – non-bank participants
Moral suasion	Onsite reviews	Participant and nominee entry criteria	Participant Performance Monitoring Model (PPMM)	System-generated exception reports
FMA, Strate Rules and Strate Directives	Technical difficulties and DR testing	Informal sources – information in the public domain or from third parties (internal or external)		

SUPERVISION AND ENFORCEMENT REPORT Continued

Supervisory activities in 2024

Some of the key supervisory initiatives undertaken in 2024 are explained in more detail below:



Participants' system changes

One Participant migrated to a new custody system, increasing reliance on a single vendor, as several Participants now use the same system. The project followed a collaborative approach, with Strate's Change Management capability providing operational support to the Participant during implementation. Strate Supervision closely monitored the Participant's activities to identify and mitigate significant risks and potential disruptions to the market.



Nominees

Professional Provident Society Nominees (RF) (Pty) Ltd received final recognition effective 20 September 2024, and LifeCycle Nominees (RF) (Pty) Ltd from 19 December 2024, following a rigorous review process. Allan Gray Nominees (Pty) Ltd received provisional recognition. A nominee's request to appoint more than one Participant to hold securities was approved following a thorough risk assessment.



BIR disclosures

The Financial Action Task Force (FATF) added South Africa to the grey list in February 2023 for not meeting terrorist financing and anti-money laundering requirements. To support South Africa's commitments to FATF, Strate has collaborated with the Financial Intelligence Centre (FIC) and Companies and Intellectual Property Commission (CIPC) to implement an integrated beneficial ownership register that aligns with FATF requirements and includes data validation.

Strate has developed an interactive portal that gives Participants and Nominees a complete view of identified errors and the associated fine quantum. This will improve data quality, ensure compliance with Directive SA.8, and enable Supervision to effectively enforce compliance with beneficial disclosure requirements.



Risk Tiering Model

We have developed a Strate Supervision Risk Tiering Model (SRTM) to strengthen a risk-based approach to regulation through measuring risk using defined parameters. Categorising regulated entities into tiers assists with a risk-weighted approach to managing risks to the ecosystem. A dynamic, integrated risk assessment helps ensure that supervisory judgements about regulated entities are accurate, timely and robust with appropriate regulatory and supervisory attention for each entity.

The SRTM enables Strate Supervision to make robust and timely risk assessments of Participants and develop appropriate supervision strategies and plans to address the level of risk.



Participant Performance Monitoring Model

Strate completed a comprehensive content review and redesign of its Strate Compliance Officer training modules to align with the FMA objectives and provide the market with intellectual property that advances skills and workplace competence. The modules' structure has been redesigned to create a seamless learning experience and eliminate duplicate content.

The redesign ensures the content remains relevant, accessible and referenceable, supporting continuous learning for compliance officers and market players.



Compliance Officers Forum (COF)

Each Participant has two registered Compliance Officers. Four COF meetings were held in 2024. The purpose of the COF is to:

- Assist Strate Compliance Officers to keep abreast of changes to Strate Rules, Strate Directives, practices and other material matters that impact the operational interactions between Strate and Participants
- Create a dynamic forum for Strate Compliance Officers and Alternate Strate Compliance Officers to share best practices and stay informed of market developments
- Discuss and collaborate on strategic topics and issues affecting the capital markets and their impact on Participants and their clients
- Collectively research and assess the impact of regulatory changes and new market initiatives on Participants and their clients



Onsite/remote desktop reviews

Strate Supervision considers onsite reviews the most effective way to evaluate the operation and effectiveness of Participants' internal controls and determine their compliance with the FMA, Strate Rules and Strate Directives.

Reviews in the first half of 2024 focused on understanding controls, processes and procedures for business continuity plans, third-party dependencies and backup arrangements to ensure ongoing connectivity and communication during systemic events. The financial crime review examined the client verification onboarding process to ascertain whether Participants were taking reasonable measures to verify client names and identities.

The overall average level of compliance was satisfactory, and corrective measures have been implemented in areas where findings were raised.



Co-regulators

In 2024, Strate Supervision maintained an open and collaborative relationship with its regulators, ensuring effective communication and active engagement on key regulatory matters.

Key highlights included:

- Submission of reports and follow-ups on onsite reviews with the FSCA, ensuring transparency and compliance with supervisory requirements
- Progress on finalising the Memorandum of Understanding with the SARB and consultations on new standards for resolution activities
- Participation in international training programmes facilitated by the World Bank on risk-based approaches to AML/CFT supervision, demonstrating our commitment to aligning with global best practices and strengthening regulatory capabilities.

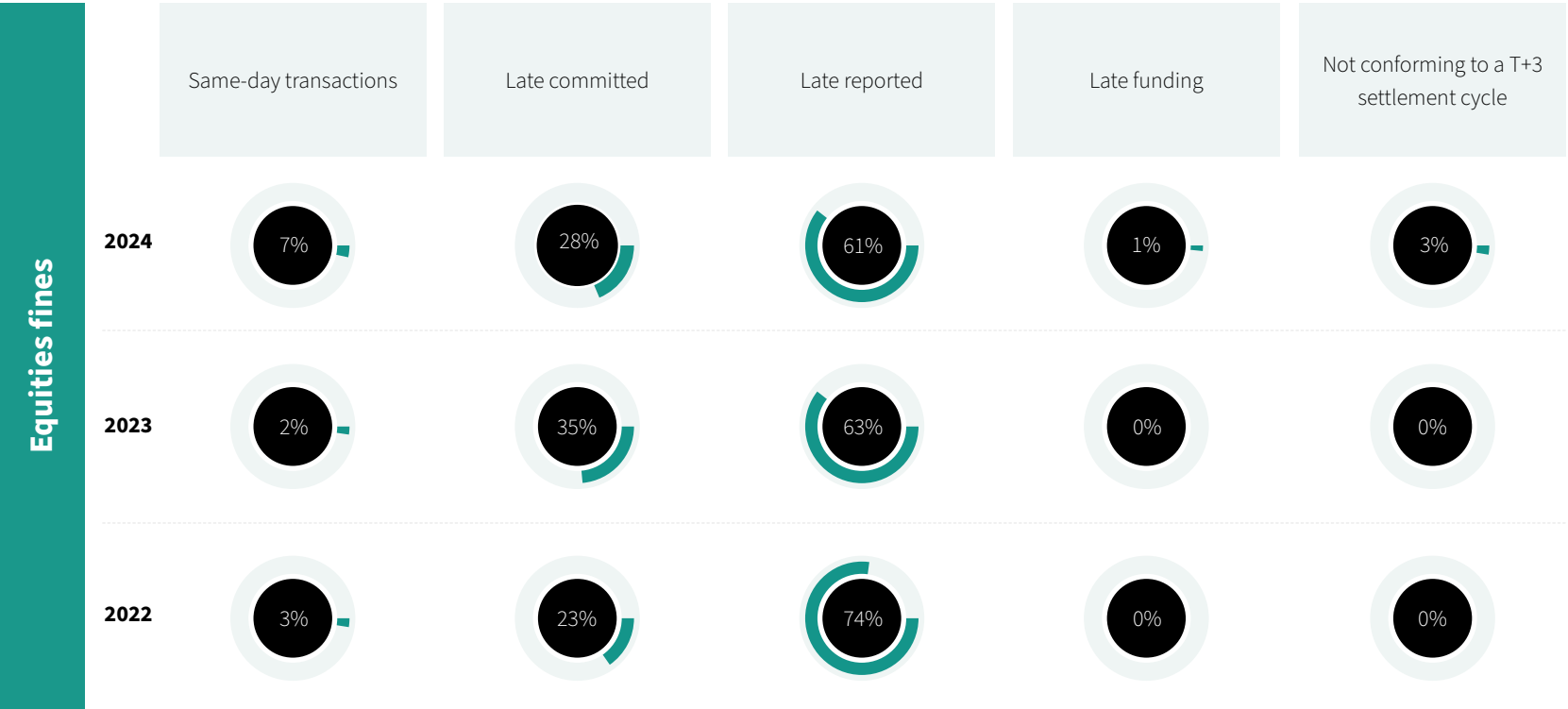
Through attendance at working committees and quarterly engagements, Strate Supervision demonstrated its dedication to staying informed about market developments and fostering a cooperative environment with regulators and Participants.

Appendices

Appendix 1 – Proportion of fines levied per infringement against the total fines imposed.

Equities fines

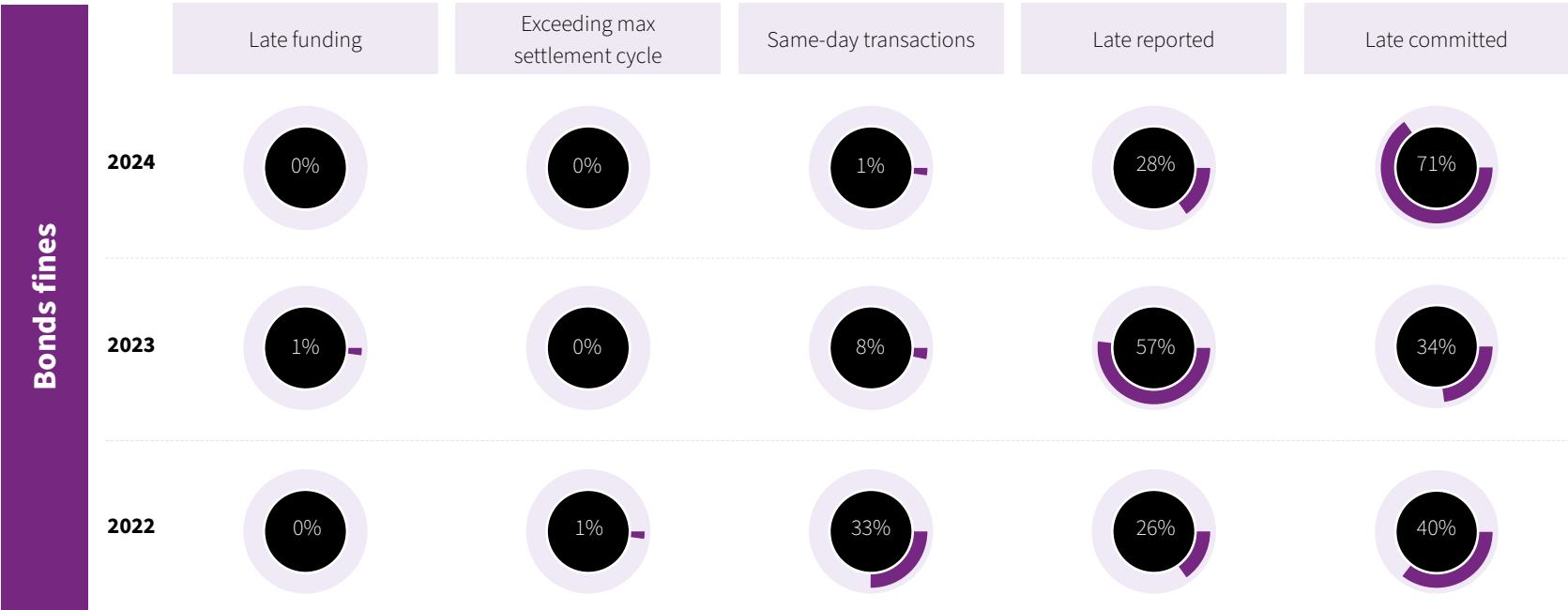
- 1. Increased fines were observed in same-day transactions, late funding, and T+3 settlement cycle fines categories.
- 2. Same-day transaction fines fluctuated across the three years, representing 3% in 2022, 2% in 2023 and 7% in 2024.
- 3. Compared to 2022 and 2024, 2023 saw a peak in late-committed fines, fluctuating from 23% in 2022 to 35% in 2023 before slightly decreasing to 28% in 2024.
- 4. Late reported fines have consistently decreased, from 74% in 2022 to 63% in 2023 and 61% in 2024. This signals improved compliance with reporting requirements over time.
- 5. Late funding fines increased from 0% in 2022 and 2023 to 1% in 2024.
- 6. There were no fines levied for non-conformance with the T+3 settlement cycle in 2022 and 2023. However, these fines increased to 3% in 2024.



Appendices Continued

Bonds fines

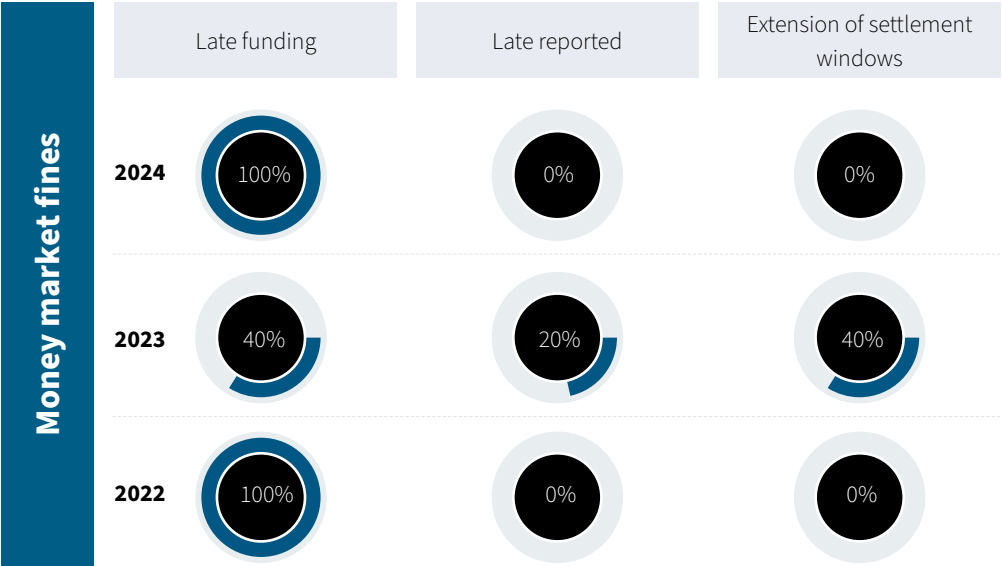
- 1. We observed an increase in late committed fines, while other fine categories decreased or remained the same.
- 2. Fines due to late funding declined in 2022 and 2024 and recorded 1% in 2023.
- 3. Compliance with the maximum settlement cycles improved from 1% in 2022 to no fines levied in 2023 and 2024.
- 4. Same-day transaction fines declined sharply, from 33% in 2022 to 8% in 2023, then to 1% in 2024.
- 5. Late reported fines fluctuated from 26% in 2022 to 57% in 2023 before sharply declining to 28% in 2024.
- 6. Late committed fines were 40% in 2022 and although they decreased to 34% in 2023, they sharply increased to 71% in 2024. This indicates worsening delays in committing transactions in 2024.



Appendices Continued

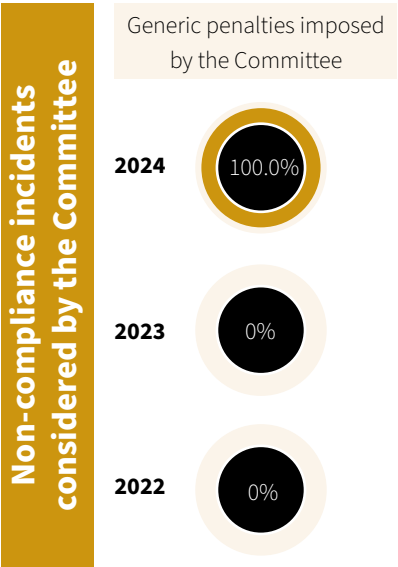
Money market fines

- 1. Late funding fines remain an issue, although we observed a slight dip to 40% in 2023.
- 2. Late reporting (20%) and extensions of the settlement window (40%) fines were recorded in 2023.
- 3. Overall, money market fines volumes remain low compared to equities and bonds.



Non-compliance penalties levied by the Committee

There were no generic penalties imposed by the Committee in 2022 and 2023, while one penalty was levied in 2024. These are penalties imposed for non-compliance in more than one market.



APPENDICES Continued

Appendix 2 - Annual conflicts of interest assessment report (2024)

The annual assessment for the 2024 financial year was undertaken in accordance with the requirements of Board Notice 1 of 2015 issued by the Registrar in terms of section 62 of the FMA. The assessment reviewed the mechanisms Strate has in place to ensure, among others, the management of actual (or perceived) conflicts of interest.

South Africa employs a strong self-regulatory model, allocating a number of regulatory functions to licensed market infrastructures. These infrastructures play an integral role in economic growth and in financial market stability. Thus, it is critically important that actual (or perceived) conflicts of interest are effectively managed within market infrastructures, particularly those that could arise between their commercial and regulatory functions.

As Strate is mindful of the need to protect against such conflicts, it has established and entrenched a solid governance structure that makes optimal use of the Board, its various committees and the Executive Committee to identify and manage conflicts (or perceived conflicts).

The Committee has been specifically tasked with performing the regulatory, supervisory and enforcement functions of Strate. In performing these functions, the Committee serves as an independent check on the appropriateness of Strate's regulatory activities. The Committee also evaluates, on an ongoing basis, the manner in which any conflicts (or perceived conflicts) of interest between the commercial and regulatory functions of Strate are managed.

The Committee establishes a regular reporting line between the Supervision division and the Board, and comprises:

- An independent chairperson, and
- Independent, non-executive directors of the Board

To address conflicts arising from market practitioners' participation on the Committee, meetings are divided into confidential and non-confidential matters. A formal procedure ensures all agendas and minutes are cleared of confidential information prior to circulation, to exclude conflicted parties from specific matters.

This procedure also applies to meetings of the Board and other committees, when necessary, and conflicted parties have to recuse themselves.

The Committee operates under documented Terms of Reference that are reviewed and approved by the Board on an annual basis. Both the Committee and individual members are subject to an annual effectiveness evaluation, with the outcomes of this exercise communicated via the Remuneration, Nominations and Social & Ethics Committee to the Board.

The Supervisory Framework sets out how Strate Supervision discharges its supervisory activities. The Framework includes the management of conflicts of interest between Strate's regulatory function and its commercial activities, and handling confidential information obtained through supervisory and enforcement activities.

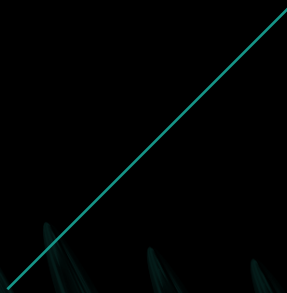
As in previous years, ongoing monitoring controls are in place to identify and address any actual, possible or perceived conflicts of interest, in terms of the Regulatory and Commercial Conflicts of Interest Management Policy. The annual review of the effectiveness of these controls for 2024 is summarised in the following annexure.

Annexure

This annexure provides detail on adherence to measures that addressed actual, possible or perceived conflicts of interest, in terms of the Board-approved Regulatory and Commercial Conflicts of Interest Management Policy.

- Confidentiality firewall structures – Strate's adherence to the current structures and procedures as set out in the relevant manual is as follows:
 - Access to computer systems and Participant information – No reportable breaches or incidents.
 - Human resources policies – No reportable breaches or incidents.
 - Legal advice – No reportable breaches or incidents.
 - Expurgation and circulation of documents – No reportable breaches or incidents. Maintained separate “confidential” and “sanitised” committee packs and minutes.
 - Attendance at committee meetings – No reportable breaches or incidents. Conflicted committee members recuse themselves when confidential Participant or exchange-related matters are discussed.
 - Disclosure of confidential information to a member of the Committee – No reportable breaches or incidents. Separate “confidential” and “sanitised” committee packs and minutes are maintained. Conflicted Committee members recuse themselves from sections of meetings where confidential Participant or exchange-related matters are considered.
 - Physical location – All Strate Supervision employees continued to work in a hybrid model throughout 2024.
 - Interaction between Strate Supervision and Strate's CSD functions – No reportable breaches or incidents. Confidential enforcement and supervisory matters are not discussed with CSD employees without the express permission of the affected Participant.
 - Strate audit assurance – Periodic reviews of conflict-of-interest management and confidential information management are carried out as determined by the Committee in its annual work plan.
 - Other – None.
- Approval of Strate Rules and Strate Directives – No reportable breaches or incidents. The implemented approval processes and controls were adhered to.
- Strate's commercial versus regulatory and supervisory roles and responsibilities – No reportable breaches of or incidents related to Strate's policy on the management of conflict of interests between its regulatory functions and commercial activities. In performing its regulatory and supervisory roles, the Committee has not taken any action that benefits, or could be seen to benefit, Strate's commercial activities.

Conclusion and recommendations – Following the conflict-of-interest assessment in 2024, we are satisfied with the current controls implemented in Strate to manage conflicts of interest between its regulatory and commercial functions, as well as employees' level of awareness and adherence to these measures.



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