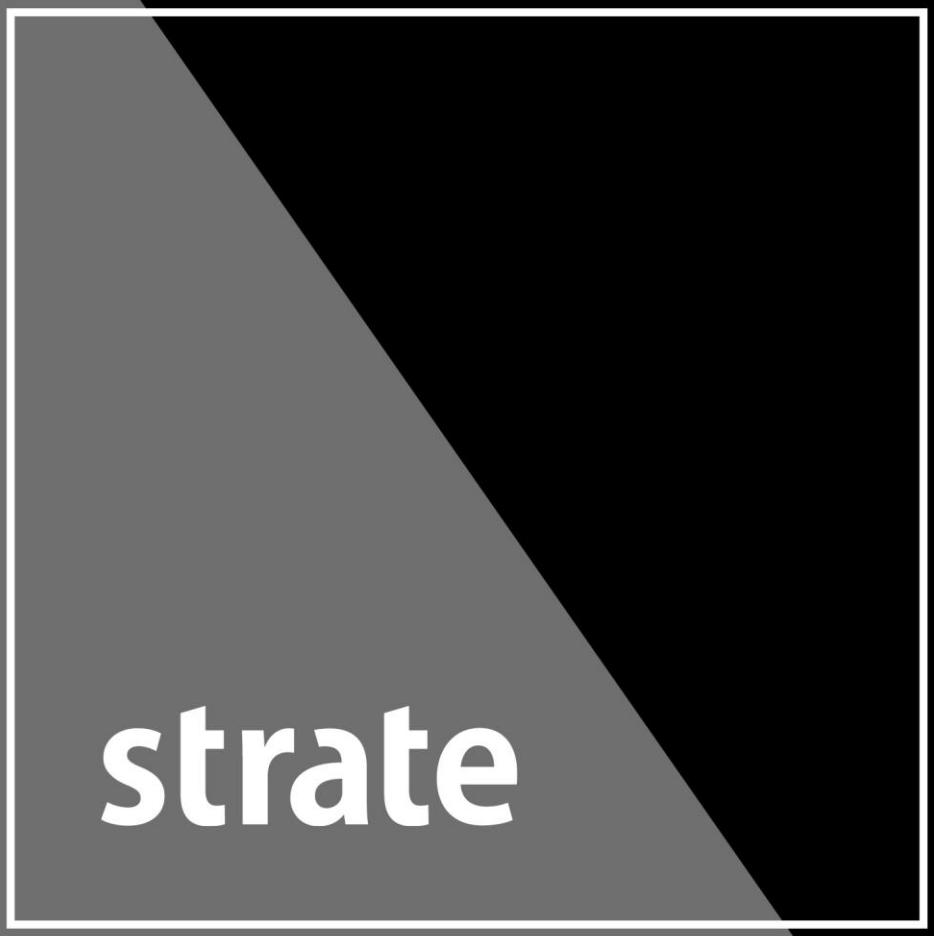
Directive of Strate (Pty) Ltd

Special Gazette No. S7-2025
Strate Directive SE.5

Processing of Capital Events - Money Market Securities



To provide for the efficient processing of coupon and maturity payments in respect of money market securities

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1. Disclaimer

1.1 Strate is not liable to any person for any delays in the sending or non-receipt of payments and other entitlements.

1.2 Strate is not responsible or liable to any person for any loss or damage resulting from:

1.2.1 any delay, act or omission on the part of any third party;

1.2.2 incorrect, inaccurate, defective or misleading information furnished or supplied by the MM Securities Issuer or any third party; or

1.2.3 the interruption or failure of communications links, power failure, the loss or destruction of any data and any loss or damage caused by natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause.

1.3 Strate is not liable for any loss incurred by any person as a result of any amendment and/or cancellation of any Capital Event or variable Coupon Rate indices by the MM Securities Issuer, Issuer Agent or any third party.

2. Interpretation and Definitions

This Strate Directive should be read in conjunction with Strate Directive SZ.1 - *Interpretation and Definitions.*

3. Coupon Payment/Reset Interval

3.1 The Coupon Payment Interval must be one of the following:

3.1.1 Monthly;

3.1.2 Quarterly;

3.1.3 Semi-annually;

3.1.4 Annually;

3.1.5 Term (Coupon Payment is made on Maturity Date);

3.1.6 Issuer Defined (Issuer or Issuer Agent can define a set of payment dates)

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3.2 The Coupon Reset Interval must be one of the following:

3.2.1 Monthly;

3.2.2 Quarterly;

3.2.3 Semi-annually;

3.2.4 Annually;

3.2.5 Issuer Defined (Issuer or Issuer Agent can define a set of reset dates);

3.2.6 Ad hoc.

4. Coupon Payment Date

4.1 Where a Coupon Payment Date is not specified by the MM Securities Issuer or Issuer Agent, the default Coupon Payment Date is on the day of the month on which the MM Security was issued. This is applicable for monthly, quarterly, semi-annually and annual Coupon Payment Intervals.

4.2 Where the specified or default Coupon Payment Date is on a day greater than the number of days in the month in which the Coupon Payment Interval falls, then the last day of the month is deemed to be the Coupon Payment Date.

4.3 Where the final Coupon Payment Date is not specified by the MM Securities Issuer or Issuer Agent, the default Coupon Payment Date is the Maturity Date of the MM Security.

4.4 Where the Coupon Payment Date is a Sunday or public holiday, the payment is made on the next Business Day and the Coupon Payment is accrued up to and including the Reconciliation Date.

5. Coupon Payment Period

5.1 Where the Coupon Payment Date is the same day of the month as the date on which the MM Security was issued:

5.1.1 the first Coupon Payment Period is based on the Coupon Payment Interval calculated from the date of issue of the MM Security to the day before the Coupon Payment Date, inclusive;

5.1.2 any additional interim Coupon Payment Periods are based on the Coupon Payment Interval calculated from the last Coupon Payment Date to the day before the current Coupon Payment Date, inclusive;

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5.1.3 the final Coupon Payment Period is based on the number of days from the last Coupon Payment Date to the day before Maturity Date, inclusive.

5.2 Where the Coupon Payment Date is specified by the MM Securities Issuer or Issuer Agent:

5.2.1 the first Coupon Payment Period is based on the number of days from the date of issue of the MM Security to the day before the Coupon Payment Date, inclusive;

5.2.2 any additional interim Coupon Payment Periods are based on the Coupon Payment Interval calculated from the last Coupon Payment Date to the day before the current Coupon Payment Date, inclusive;

5.2.3 the final Coupon Payment Period is based on the number of days from the last Coupon Payment Date to the day before Maturity Date, inclusive.

5.3 A Coupon or Maturity Payment will not be made on a non-Business Day. When a Coupon Payment Date or Maturity Date falls on a non-Business Day, the payments will be made on the Modified Following Business Day.

6. Reconciliation Date

6.1 On Reconciliation Date, Strate sends Capital Event details to the MM Securities Issuer or Issuer Agent, and Participants.

6.2 A Participant may elect to receive Capital Event details per event in the following formats, or a combination thereof:

6.2.1 Coupon Payment amount per Central Securities Account;

6.2.2 total Coupon Payment amount per Participant and MM Security Issuer, per ISIN.

7. Automated Calculation of Coupon Payments

7.1 Where the MM Securities Issuer or Issuer Agent has elected to have automated Coupon Payment calculation:

7.1.1 the Coupon Payment is calculated for all entitled holders in the Uncertificated Securities Register for MM Securities that have a Coupon Payment or Maturity Date falling on the next Business Day;

7.1.2 the Coupon Payment calculated is recorded in the Uncertificated Securities Register per Central Securities Account;

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7.1.3 The MM Securities Issuer or Issuer Agent must notify Strate which of the following Coupon Payment calculation methods must be used when calculating a Coupon Payment per Central Securities Account:

7.1.3.1 Coupon Payment calculation method 1 (minimum tradeable denomination)

Coupon Payment per Central Securities Account = {[(Minimum tradable denomination * Coupon Rate * No. Days at Coupon Rate)/365] rounded to 7 decimal places} * [(Central Securities Account Nominal Value/Minimum tradable denomination)] rounded to 2 decimal places;

7.1.3.2 Coupon Payment calculation method 2 (using Nominal Value of 1 Rand)

Coupon Payment per Central Securities Account = [(Central Securities Account Nominal Value * Coupon Rate * No. Days at Coupon Rate)/365] rounded to 2 decimal places;

7.1.3.3 Coupon Payment calculation method 3 (MM Issuer or Issuer Agent calculated)

The Coupon Payment method used when the MM Issuer or Issuer Agent has calculated the Coupon Payments and is supplying the total Coupon Payment as the basis from which Coupon Payments at Central Securities Accounts level are calculated: **Coupon** Payment per Central Securities Account=[(Central Securities Account Nominal Value/Total Eligible Nominal Value) *Total Coupon Payment amount supplied by the M M Issuer or Issuer Agent] rounded to 2 decimal places.

8. Processing of Automated Capital Events

8.1 Each Capital Event is assigned a unique Capital Event identification number by the Strate System.

8.2 Automated Capital Event payments are processed in terms of the time intervals stipulated in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities.*

8.3 On the date on which an MM Security is issued, an MM Securities Issuer or Issuer Agent must notify Strate whether it will Settle Capital Event payments through its own system or via the Strate System.

8.4 Where the MM Securities Issuer or Issuer Agent has elected automated Capital Events (only applicable for Generic Category 2 MM Securities), it must, through its Issuer Agent, indicate to Strate whether it wishes Strate to calculate the total Coupon Payment amount, or if it will notify Strate of the total Coupon Payment amount. If the MM Securities Issuer or Issuer Agent elects to notify Strate of the Coupon Payment amount, then Strate must notify such MM Securities Issuer or Issuer Agent of the amount in issue.

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8.5 For Generic Category 3 and 4 MM Securities, the Issuer or Issuer Agent must notify Strate of the total Coupon Payment amount based on the amount in issue provided by Strate.

8.6 An MM Securities Issuer or Issuer Agent that elects automated Capital Event payments via the Strate System must fund the payment through its Settlement Bank.

8.7 An automated Capital Event payment is paid to the Participants of entitled Central Securities Accounts via the Participants' Settlement Banks.

8.8 A Participant must distribute the Capital Event payment amounts received to its entitled Clients. The payment of an automated Capital Event is not made from the MM Securities Issuer's Settlement Bank into the bank accounts nominated by the Participants' Clients.

8.9 A Capital Event payment is not made for any amount accruing to the MM Securities Issuer's holdings of its own issued MM Securities. On Maturity Date, the MM Securities Issuer's holdings of its own issued MM Securities in its Central Securities Account is cleared to zero.

8.10 Where a MM Security has been pledged, a Coupon Payment accrues to the Participant whose Client has pledged the Security.

8.11 Three days prior to the Maturity Date of an MM Security, the Strate System sends a notification of the pending maturity to the Participants of both the pledgor and the pledgee. The onus is on a Participant to follow up on pledged MM Securities.

8.12 On Reconciliation Date, the Strate System automatically releases holdings that remain pledged by the pledgor, to the pledgor's Free Balance in its Central Securities Account and the Maturity Payment accrues to the pledgor. The Strate System automatically releases holdings that remain pledged by the pledgor from the pledgee's Pledge From Balance in the pledgee's Central Securities Account.

8.13 Where a Participant has frozen its Client's Central Securities Account, a Capital Event payment is made to such Participant.

8.14 At BOD on Maturity Date, the MM Security is flagged as "*inactive*" in the ISIN Register. Once Maturity Payments have been paid to Participants and confirmation of Settlement of the Maturity Payment has been received from SARB or a Settlement Bank (in respect of On- us transactions), the associated MM Security holdings in the Uncertificated Securities Register are set to zero.

8.15 Where an MM Securities Issuer or Issuer Agent withdraws a Capital Event before Reconciliation Date, the MM Securities Issuer or Issuer Agent must inform Strate and request Strate to remove the Capital Event from the Strate System.

8.16 On Reconciliation Date, the Strate System sends notification of the Coupon Payment, including a unique Capital Event number, to the MM Securities Issuer or Issuer Agent and Participants. Where a Participant has opted to receive preliminary and final notifications of Coupon Payments, these notifications will be sent on RD-15 and RD-10, respectively. Where the MM Securities

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Issuer or Issuer Agent has elected that Strate perform the calculation of the total Coupon Payment amount, this amount is included in the notification of the Coupon Payment.

8.17 Where the MM Issuer or Issuer Agent has elected Strate to calculate the total Coupon Payment amount (only applicable for Generic Category 2 MM Securities), the MM Securities Issuer or Issuer Agent must check the total Coupon Payment amount advised by the Strate System and send a message to the Strate System to confirm whether it is in agreement with the amount. Should the MM Securities Issuer or Issuer Agent disagree with the calculation, Strate will liaise with the MM Securities Issuer or Issuer Agent and, where required, notify Participants of the updated total Coupon Payment amount.

8.18 The Strate System sends a Payment Advice to the MM Securities Issuer or Issuer Agent, including the Capital Event identification number, for the amount to be paid by the MM Securities Issuer or Issuer Agent to each Participant.

8.19 Where an Issuer has appointed an Issuer Agent, the Issuer Agent must communicate the funding instructions received from Strate to the MM Securities Issuer on whose behalf it is acting.

8.20 The MM Issuer's Settlement Bank must send:

8.20.1 a settlement instruction to SAMOS RTL for each Participant to be paid; and

8.20.2 a payment advice to the Settlement Bank of each Participant to be paid.

8.21 Where the MM Securities Issuer and a Participant use the same Settlement Bank, the Settlement Bank must send confirmation of any intra-bank (On-us) settlements to the Strate System.

8.22 SAMOS sends the Strate System confirmations of payments made.

8.23 Once the Strate System has reconciled the settlement confirmations received from SAMOS, and the On-us confirmations received from the MM Securities Issuer's Settlement Bank, to the total Capital Event amount, it sends confirmation messages to the MM Securities Issuer or Issuer Agent, and each Participant that was paid, confirming that the total Capital Event payment has been Settled.

8.24 Where a Capital Event cannot be settled by the MM Securities Issuer's Settlement Bank within the time stipulated in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities*, Strate will facilitate the processing of the Capital Event up to PD+2.

8.25 Where Strate does not receive payment by:

8.25.1 12h00 on PD, Strate may charge the Issuer an additional fee for the late payment;

8.25.2 15h00 PD+2, Strate shall withdraw the Capital Event from its system and notify Participants of the withdrawal of the Capital Event by 17h30 on PD+2. After PD+2, Settlement of the Capital Event must be handled outside the Strate System.

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8.26 Once Strate is notified by the MM Securities Issuer or Issuer Agent of full settlement of a Maturity Payment, the associated MM Security holdings in the Uncertificated Securities Register is set to zero.

8.27 Where Strate is notified by the MM Securities Issuer or Issuer Agent of partial settlement of the Maturity Payment, the associated MM Security holdings in the Uncertificated Securities Register is reduced accordingly. Strate will maintain the remaining MM Security holdings in the Uncertificated Securities Register in accordance with Strate's record retention procedures.

9. Sell and Buy-Back Transactions

9.1 Should the second leg of a Sell and Buy-Back Transaction be open 3 (three) days prior to Maturity of the ISIN, the Participant is notified of the upcoming Maturity.

9.2 On Reconciliation Date, should the second leg still be open, that second leg is failed and the proceeds of the Maturity is paid to the Participant of the holder of the MM Security.

9.3 Each trader must monitor its open second legs and report the replacement legs within the time stipulated in Strate Directive SE.3 – *Operational Market Windows – Money Market Securities* and in accordance with Strate Directive SE.4 – *Trade Reporting, Commitment and Settlement - Money Market Securities.*

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