



REGULATORY AND SUPERVISORY REPORT 2025

strate
SUPERVISION

Introduction

South Africa remains Africa’s primary financial centre, underpinned by deep capital markets, a well-developed banking sector, and strong regulatory institutions. Despite mounting domestic pressures and an increasingly complex global environment, the country continues to exert significant influence over the continent’s financial system.

The year 2025 tested the resilience of South Africa’s political structures and the economy. The Government of National Unity (GNU), formed following the 2024 elections, faced internal tensions over key policy directions, resulting in fluctuating levels of market confidence from both local and international stakeholders. The international trade environment added further complexity. South Africa’s trade relations with the United States deteriorated following the imposition of 30% reciprocal tariffs on most exports, including automotive and agricultural goods. Ongoing negotiations over the African Growth and Opportunity Act (AGOA) and potential tariff exemptions remained unresolved, threatening key export sectors and employment.

Against this backdrop, South Africa achieved a significant milestone with its removal from the Financial Action Task Force (FATF) greylist. The removal followed extensive reforms, including a 22-point action plan and strengthened regulatory oversight. This success reflects widespread collaboration across the financial sector, including the publication and implementation of Strate Rule 18, which strengthened beneficial interest reporting and improved transparency in capital markets. This achievement represents meaningful progress, but effective prosecution of money-laundering and terrorist-financing cases remains essential to sustaining international confidence.

Strate’s operating environment in 2025

Our business model is designed to create sustainable value for all stakeholders, both now and in the future. We operate within a complex environment shaped by domestic and global political, economic and regulatory developments that directly influence the stability and functioning financial system. South Africa’s financial system comprises an interconnected network of banks, exchanges and financial institutions, supported by key financial market infrastructures, including payment systems, a central clearing house and Strate as the central securities depository. Within this ecosystem, regulated exchanges operate such as the Johannesburg Stock Exchange, A2X Markets, the Cape Town Stock Exchange and the Integrated Exchange serving different market segments and asset classes. Together, these structures support efficient trading, clearing and settlement processes and form the market environment in which Strate performs its post-trade functions. To thrive in this context, we continuously research markets and investigate trends, helping us to take advantage of opportunities and adequately manage risks proactively.

The global financial landscape continued to face multiple challenges, including persistent geopolitical tensions, regional conflicts and shifting monetary policies in major economies. These forces heightened market volatility, amid concerns over global economic growth and inflationary pressures. At the same time, evolving regulatory requirements placed increased demands on financial institutions worldwide.

Strate’s external operating environment improved in 2025, largely driven by strengthened macroeconomic conditions. However, other infrastructure disruptions affecting essential services such as telecommunications and water supply remain a concern, contributing to South Africa’s constrained economic growth. These challenges, combined with broader operational issues and shared technology service disruptions, pose risks to market operations.

Digital innovation is enabling more efficient and sophisticated market operations, but it also increases cybersecurity threats. Enhanced impersonation techniques, more sophisticated phishing methods and increased computing power to breach digital security measures require ongoing vigilance and investment in protective capabilities.

We consider our operating context when determining risks and assessing their impact on our strategic priorities and enabling proactive strategic responses. Our consideration of risk is balanced across all the capitals we affect. Through ongoing vigilance, we are able to respond in an agile and responsive manner to an ever-changing financial landscape.

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

Strate balances maintaining operational resilience and excellence with pursuing strategic growth through the diversification of our service capabilities. Close monitoring of our operating environment and material matters is essential, as these can significantly affect our ability to create and preserve value. In this context, the material matters observed for 2025 are summarised in the following themes:



Navigating complexity:
South Africa’s
economic, political
and global crosswinds



Investment shifts:
navigating market
sentiment and evolving
technologies



Strate and its ecosystem



Resilience through
innovation for
operational excellence
and strategic growth



Balancing regulatory
compliance and strategic
growth



Talent shifts – shaping
our future in an
evolving ecosystem

The regulatory structure within which we operate

The Financial Sector Regulation Act 9 of 2017 establishes the foundation for regulatory oversight. Under this framework, the South African Reserve Bank (SARB) drives financial stability and systemic risk mitigation. Two key authorities operate under this structure: the Prudential Authority (PA), a SARB division, ensures the safety and soundness of market infrastructures and financial institutions, while the Financial Sector Conduct Authority (FSCA) handles market conduct supervision. The FSCA’s work spans market stability, financial sector transformation, customer protection and promoting efficiency through innovation.

The regulation of South Africa’s financial markets and market infrastructures is primarily governed by the Financial Markets Act 19 of 2012 (FMA), which provides the legislative framework for the licensing, regulation and supervision of exchanges, central securities depositories, clearing houses and market participants. The FMA sets out objectives aimed at promoting market integrity, protecting investors and reducing systemic risk. Within this framework, Strate operates as a licensed Central Securities Depository and self-regulatory organisation, performing its regulatory, supervisory and operational functions in accordance with the FMA, under the oversight of the FSCA and the prudential supervision of the PA.

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 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.

Governance

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:

Audit and Risk Committee	Regulatory and Supervisory Committee	Remuneration, Nominations and Social & Ethics Committee	Ecosystem Resilience and Participant Failure Committee
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Chairperson's Report



Elias Masilela (SOB)

Chairperson
Strate Regulatory and Supervisory Committee

The past year marked a period of purposeful progress for the regulatory and supervisory capability, set against a backdrop of continued stability and evolution in South Africa's capital markets, with a heightened focus on transparency and market integrity. As technological change accelerated and expectations around transparency and market conduct intensified, the regulatory and supervisory capability remained firmly focused on executing its mandate in a manner that promotes market integrity, resilience and confidence.

A key milestone during the year was the continued implementation of the enhanced Beneficial Interest Register (BIR) disclosure through Strate Rule 18 and Directive SA.8. While the introduction of enhanced disclosure requirements was initially met with market resistance, sustained supervisory engagement and active compliance monitoring have materially improved the quality, accuracy and completeness of beneficial interest data. Most Participants and FSCA-approved nominees demonstrated commendable progress in meeting these obligations, reinforcing transparency, ethical standards and the broader regulatory objectives underpinning market integrity.

The Regulatory and Supervisory Committee continued to review and enhance the supervisory and regulatory framework to ensure that it remains fit for purpose, responsive to evolving market dynamics and supports both current regulatory and supervisory capabilities and anticipated future growth. This included ongoing collaboration with other regulatory authorities on policy matters.

South Africa's exit from the Financial Action Task Force (FATF) grey list in October 2025 marked a significant milestone in restoring global confidence in the integrity of our country's financial system. This development underscores the importance of sustained, effective supervisory oversight and robust implementation of the transparency and beneficial interest framework, which will remain a focus area for 2026.

In parallel, Strate Supervision advanced its digitalisation journey in support of realising the strategic goal of a technologically enabled supervisory authority. In 2025, we made great strides in enhancing our supervisory technology, such as the BIR portal, which allows entities to view fines exposure and data-quality errors in near real time based on their most recent submissions. Simultaneously, the portal allows Strate Supervision to proactively monitor market compliance trends and identify emerging risks. The focus now shifts to the continued investment in digital supervisory solutions, including the ongoing development and delivery of the Supervision Amalgamated System. Supervisory technology to be introduced progressively strengthens oversight capabilities, increases efficiencies and enables risk-based supervision.

Market resilience was further reinforced through enhancements to the Participant failure management framework. Strate comprehensively updated the Participant Failure Manual and associated flowcharts across equities, bonds and money markets, followed by dedicated training sessions for Participants and exchange stakeholders. These efforts culminated in a comprehensive Participant failure simulation conducted in early 2026, which tested default management procedures and reaffirmed our commitment to operational resilience and regulatory preparedness.

The year also underscored the market's sensitivity to technological change. A significant participant system upgrade in August 2025 resulted in a temporary disruption. The incident reinforced the importance of robust change governance, rigorous testing, and proactive supervisory engagement, with lessons that will inform future oversight practices and strengthen ecosystem-wide resilience.

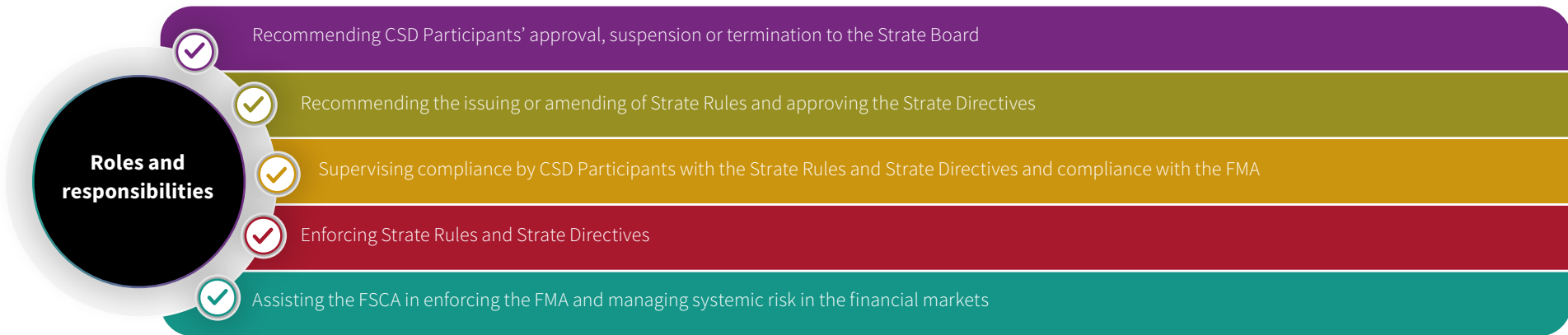
As we look ahead, we remain committed to advancing our supervisory mandate, supporting innovation responsibly, and ensuring that South Africa's capital markets remain resilient, credible and globally competitive, in close collaboration with stakeholders including the Johannesburg Stock Exchange and other market authorities.

In closing, I would like to thank our Participants, market stakeholders and the Strate Supervision team for their continued commitment to maintaining stable, transparent and well-functioning markets. I extend my sincere thanks to the members of the Regulatory and Supervisory Committee for their unwavering guidance and for the depth of expertise they bring in supporting the integrity and resilience of our regulatory framework.

STRATE REGULATORY AND SUPERVISORY COMMITTEE

Roles and responsibilities

The Regulatory and Supervisory Committee (the Committee) is a sub-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 Directives in its role as a self-regulatory organisation (SRO). These responsibilities are conferred and executed in accordance with a delegation of authority from the Board.



Committee members

The following independent non-executive members constituted the Committee in 2025:

				
Elias Masilela	Keith Getz	Nigel Payne	Helena Conradie	Mark Murning
Chairperson: Member Independent Non-Executive	Member Independent Non-Executive	Member Independent Non-Executive	Member Independent Non-Executive	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 in 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 it carries out its duties and responsibilities 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 2025

For Committee members to effectively discharge their duties of care and skill, they must receive 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 2025:

- CIS-UT and CSD-to-CSD: Links Global Funds Access service capabilities
- The lifecycle of an equity trade
- Interplay between beneficial interest register and data privacy laws
- Local CIS CNAV & VNAV
- Global Funds Access platform demonstration
- Strate Forward V1 demonstration

The management of regulatory and commercial conflicts of interest

The FMA places an obligation on Strate to 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 of 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. At Strate, these arrangements include establishing:

- The Committee – an independent committee of the controlling body that ensures Strate's regulatory activities are not used to benefit its commercial activities. This is achieved through appropriate controls that effectively segregate sensitive information and supervisory and enforcement activities from Strate's commercial operations.
- 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 Strate Directives that may create uncompetitive practices
- The use of the oversight role to allow Strate or any market participant to gain an unfair advantage in the market

THE STRATE REGULATORY AND SUPERVISORY COMMITTEE Continued

In fulfilling 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. The Committee conducts continuous assessments of any potential conflicts of interest.

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

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 2025 financial year, the Committee held four standard meetings and six special-purpose meetings.

	Standard	Special	Standard	Special	Special	Special	Special	Standard	Standard	Special
Attendees:	26 Feb ‘25	07 Mar ‘25	13 May ‘25	13 May ‘25	29 May ‘25	29 Jul ‘25	29 Jul ‘25	20 Aug ‘25	04 Nov ‘25	04 Nov ‘25
Members:										
 E Masilela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
 N Payne	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
 K Getz	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
 H Conradie	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
 M Murning	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Y = attended meeting N = absent with apology										

Legal and Regulatory Report



Andrew Henderson
Head of Legal

The regulatory landscape for capital markets remains stable, with no new substantive laws introduced in 2025. However, the Financial Sector Conduct Authority and the Prudential Authority have increased their supervisory focus on Strate. Strate welcomes this increased scrutiny as it enhances the regulators’ understanding of the market’s intricacies and its infrastructures.

Strate’s legal function monitors legislative changes and continually engages with our regulators on such issues, and we shall continue to do so. Strate’s regulatory function, in turn, is tasked with creating and updating the legal framework under which the central securities depository and its ecosystem must operate. This is achieved through two key mechanisms: the Strate Rules, which establish the principles of market conduct, and Strate Directives, which set out the details of day-to-day activities. Both Strate Rules and Directives are issued in accordance with and subject to the FMA.

As the market is in a state of constant change and innovation, it is essential that the Strate Rules and Directives aims to proactively guide market behaviour through regulatory interventions.

Strate Rule 18, which imposes greater obligations on Participants and clients of Participants to disclose the beneficial interests in the securities in their custody, was implemented in October 2024.

The JSE’s broker community has raised several challenges to the legality of the Rule, which did not previously affect them directly. Strate is confident that the Rule is binding on this community, although we are engaging constructively with the JSE to resolve the issue in the best interests of the market as a whole.

For 2026, we will continue the Strate Directive refresh project, which aims to align all directives to a common design and drafting standard. We will also consult with operational teams to determine their requirements for amendments to their processes.

We thank all CSD Participants, Strate compliance officers, issuers, exchanges, the Committee, Strate senior management, and our Strate colleagues. All these stakeholders contribute to the development of the Strate regulatory framework, for the benefit of investors and the South African financial market.

The table below lists the Directives that were amended or introduced in 2025:

Strate Directives	Implementation Date
Strate Directive SH.3 - Operational Market Windows for Open Market – Equities - CTSE	1 March 2025
Strate Directive SA.10 - Risk Management	1 March 2025
Strate Directive SC.2 - Operational Market Windows - Off-Market - Equities	1 March 2025
Strate Directive SA.8 - File Layout for Beneficial Interest Register - Equities Bonds and Participatory Interests	10 March 2025
Strate Directive SL.3 - Operational Market Windows and Distributions Processing - Global Funds Access	12 May 2025
Strate Directive SE.3 - Operational Market Windows - Money Market Securities	19 May 2025
Strate Directive SE.4 - Trade Reporting, Commitment and Settlement - Money Market Securities	19 May 2025
Strate Directive SE.5 - Processing of Capital Events - Money Market Securities	19 May 2025
Strate Directive SZ.1 - Interpretation and Definitions	19 May 2025
Strate Directive SA.9 – Accounts	25 August 2025
Strate Directive SB.1 - Procedure for Dematerialisation and Rematerialisation of Securities	25 August 2025
Strate Directive SL.1 - Operational Market Windows and Distributions Processing - Collective Investment Schemes (CNAV)	25 August 2025
Strate Directive SL.2 - Operational Market Windows and Distributions Processing - Collective Investment Schemes (VNAV)	25 August 2025
Strate Directive SZ.1 - Interpretation and Definitions	25 August 2025
Strate Directive SA.8 - File Layout for Beneficial Interest Register - Equities Bonds and Participatory Interests	15 September 2025
Strate Directive SA.2 - Requirements for Financial Soundness	10 November 2025
Strate Directive SZ.1 - Interpretation and Definitions	10 November 2025

Supervision and Enforcement Report



Thabile Omoighe
Head of Regulation and Supervision

Strate Supervision made strong progress in delivering its strategic objectives over the past year, with overall market compliance improving and non-compliance trends decreasing. Trading conditions remained stable throughout 2025, supported by a steady regulatory environment.

In 2025, Strate Supervision entered a phase of regulatory execution and consolidation, building on the supervisory groundwork, market engagements and capability investments. The focus for the year was firmly positioned on outcomes-based supervision, strengthened enforcement credibility, and the continued advancement of a risk-based, technology-enabled and data-led supervisory model that supports market integrity, resilience and confidence.

Strate Supervision's agenda for 2025 was aligned to the outcomes set out in the FMA, with an explicit emphasis on safeguarding the stability of the financial markets, promoting transparent and orderly market conduct, and ensuring that regulatory intervention remains proportionate and effective.

Strate Supervision's activities in 2025 were underpinned by a refined risk-tiered supervisory framework, enabling supervisory intensity to be directed toward areas of heightened regulatory, operational and systemic risk. This approach reflected a deliberate shift toward targeted supervision informed by risk indicators, CSD Participant behaviour and market impact.

The CSD Participant Performance Monitoring Model (PPMM) is designed to measure residual risk and monitor the compliance health of CSD Participants. Aligned with evolving regulatory risks, the PPMM now better supports proactive identification of control weaknesses and the development of tailored approaches that address the specific risks posed by each regulated entity, ensuring that supervisory attention is proportional and effective.

Key supervisory activities in 2025 included:

- The execution of risk-based onsite and desktop reviews, prioritising areas where control weaknesses, recurring non compliance or structural complexity presented elevated risk. The onsite review plan also included a review on CSD Participants' compliance and risk management functions, obtaining valuable insights from the engagements. We paid particular attention to activities related to corporate actions.
- Enhanced supervisory focus on market-wide initiatives, including rolling of settlement, Beneficial Interest Register (BIR) compliance, and cross-market operational dependencies.
- Continued refinement of supervisory tools and methodologies to support consistency and transparency in supervisory decision-making.
- Collaborated closely with a CSD Participant that upgraded its core custody platform.

Strate Supervision's enforcement approach during the year was characterised by a clear and consistent application of fines, regulatory interventions and escalation mechanisms to reinforce accountability and deterrence. This was underpinned by a continued emphasis on proportionality and fairness, ensuring that enforcement outcomes remain aligned with regulatory intent and market outcomes. We maintained ongoing engagement with CSD Participants to drive sustainable remediation and an improved compliance culture, supported by targeted supervisory follow-ups where necessary.

The expansion of Strate's regulatory perimeter remains a defining feature of the supervisory landscape. Strate Supervision continues to manage increased regulatory complexity arising from new CSD Participant applications, regulatory scope expansion into a new security type and evolving market structures, including Global Funds Access (GFA) and local Collective Investment Schemes (CIS). A key strategic focus is the embedding of supervisory frameworks that support innovation and market development without compromising market standards.

Recognising that regulatory excellence requires a dynamic balance of knowledge, experience, human resources, technology and continuous improvement, the SRO capability was extended, bringing in specialised and diverse skills in areas requiring growth to realise the objective of being a world-class regulator.

A key strategic focus for Strate Supervision remains our commitment to digital transformation. Strate Supervision has made considerable progress in automating its supervisory processes to enhance performance and responsiveness. Furthermore, the functionality of the interactive BIR portal was enhanced, which allows CSD Participants and nominees to view BIR-related exception reports, identify data quality errors and proactively address compliance gaps.

Operational resilience will be a core supervisory priority in 2026, reflecting the interconnectedness of market participants and the potential for operational events to have systemic consequences. Strate Supervision's activities in this area will include the assessment of Participant failure preparedness, including participation in market-wide failure simulation exercise aimed at testing default rules, business continuity arrangements and crisis coordination mechanisms. There will be continued supervisory focus on technology-related risks, including the management of technical disruptions, data integrity, and cybersecurity posture and close collaboration with internal stakeholders and co-regulators to strengthen incident management, escalation protocols and regulatory coordination.

Looking ahead to 2026, Strate Supervision remains steadfast in its commitment to enhancing the supervisory function through innovation, collaboration and agility. In early 2026, Strate Supervision hosted its first Regulatory and Supervisory Indaba, bringing together regulated entities, co-regulators, and stakeholders to engage on the future of South Africa's financial markets.

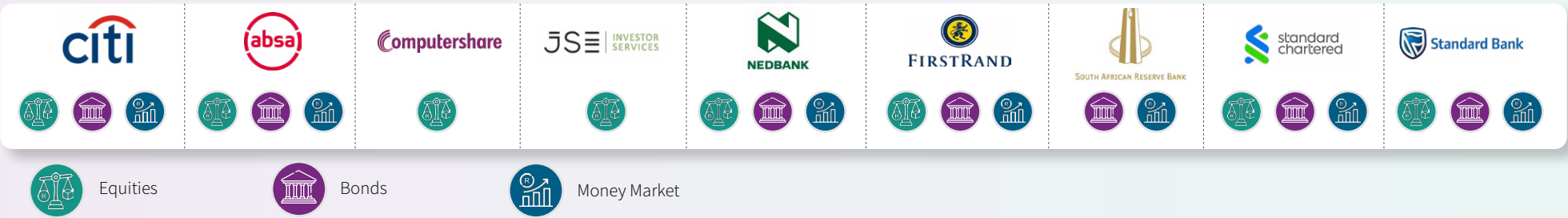
In closing, 2025 was a productive year. I would like to thank the Committee for its steadfast leadership, our regulators for their support, and Strate employees and the Strate Supervision team for their dedication. To our CSD Participants, your partnership in building a resilient and efficient market has been vital. It is through collaboration with our co-regulators, CSD Participants and all our governance structures and committees that we can contribute to systemic stability and confidence within the capital market. Thank you for your unwavering support. We look forward to advancing this shared journey in 2026.

SUPERVISION AND ENFORCEMENT REPORT Continued

Scope of Supervision

Strate Supervision operates as an independent regulatory arm, responsible for evaluating CSD Participants' compliance through a range of targeted supervisory activities. These interventions are designed to identify potential risks and exposures arising from CSD Participant conduct. When Supervision detects non-compliance, the Committee initiates enforcement actions, which Strate Supervision executes. Where financial penalties are warranted, Strate Supervision imposes fines on CSD Participants to reinforce adherence to regulatory standards.

Active CSD Participants as of the end of 2025 were:



CSD Participants

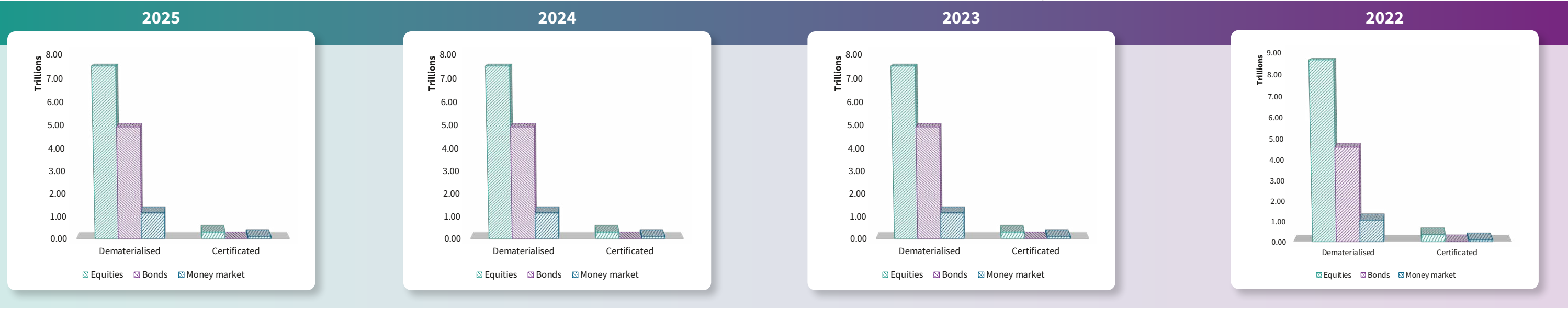
A Participant is defined in the FMA as “a person authorised by a licensed central securities depository to perform custody and administration services or settlement services or both in terms of the central securities depository rules and includes an external participant where appropriate”.

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)			

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



Divisional composition

Given the evolving regulatory environment, the team expanded, introducing specialised and diverse skills to carry out the strategic objectives of Strate Supervision as an SRO. The team comprises competent and experienced staff who deliver effective supervision, monitoring and support for CSD Participants. Employees undergo continuous development to enhance performance and are enabled to pursue career progression while delivering on strategic organisational requirements.

We monitor and supervise:

CSD Participation eligibility criteria	System capability, disaster recovery (DR) and business continuity plans (BCP)	Record keeping, maintenance and the Beneficial Interest Register	Employee knowledge and skills
Reconciliation	Financial soundness	Approval of nominees	Settlement and corporate action (CA) parameters and timeframes

SUPERVISORY ACTIVITIES IN 2025

Some of the key supervisory initiatives undertaken in 2025 explained in more detail.

Beneficial Interest Register	The market made significant progress in implementing Strate Rule 18 and Directive SA.8. Despite initial market resistance, these regulatory enhancements have strengthened transparency in beneficial interest reporting. Active compliance monitoring has improved the quality and accuracy of data submissions, reinforcing both regulatory priorities and ethical standards for market integrity. Most CSD Participants and FSCA-approved nominees have shown commendable adherence to the enhanced disclosure requirements.
Regulatory framework enhancements	Strate’s regulatory function advanced its mandate by reviewing fines directives and introducing a more targeted enforcement approach. In March 2025, amendments to Directives SC.2 and SD.2 introduced rolling settlement for equity and bond trades. Although the transition posed operational challenges, these were effectively mitigated to ensure market efficiency. Looking ahead, the anticipated adoption of the Conduct of Financial Institutions (COFI) Bill reflects our commitment to collaboration with the FSCA, Participants and co-regulators to maintain a safe and stable financial market.
Digitalisation journey	To align with technological advancements, Strate Supervision accelerated its digital transformation. The first phase of the Supervision Amalgamated System was developed, which automates fines management through system integration. This initiative addresses operational inefficiencies and enhances oversight capabilities. Future phases will extend automation across supervisory functions, supporting Strate Supervision’s broader innovation objectives.
On-site and Desktop reviews	Strate Supervision prioritised nominee and CSD Participant desktop and on-site reviews. As FSCA-approved nominees are recognised in the Strate environment, the nominee reviews focused on the operational effectiveness and controls performed when overseeing the beneficial interest input file download process in accordance to relevant Strate Rules and Directives. The CSD Participant reviews focused on ongoing supervisory monitoring as well as the compliance, risk management and corporate action functions.
Collective Investment Scheme initiatives	Preparations for the launch of GFA and CIS products included developing robust compliance frameworks to safeguard market stability. Strate Supervision is currently reviewing applications for CSD participation in the units’ class, with testing and governance engagements ongoing. To support market readiness, Strate Supervision and the CSD team delivered in-person and virtual training sessions, equipping Participants with the knowledge to navigate these frameworks effectively.
Participant failure simulation	Strate undertook several key initiatives to strengthen its Participant failure management framework. Strate comprehensively updated the Participant Failure Manual and associated flowcharts for all markets (equities, bonds and money market) to align with current operational requirements and regulatory standards. To facilitate understanding and implementation of these updates, Strate hosted two dedicated Participant Failure Management training sessions for CSD Participants and exchange stakeholders, providing detailed guidance on revised procedures and tools. In fulfilment of regulatory obligations, Strate subsequently conducted a comprehensive simulation of a Participant failure event in early 2026. This exercise tested the effectiveness of Strate’s default rules and procedures, reinforcing our commitment to market stability, operational resilience and regulatory compliance.
Participant system upgrade	In August 2025, a CSD Participant implemented a major upgrade to enhance settlement capabilities. While the change caused temporary disruption, close monitoring and coordination ensured stability, with no settlement failures. The incident highlighted the market’s sensitivity to technology changes and underscored the need for rigorous testing and strong change governance. From a supervisory perspective, it reinforced the importance of proactive engagement on significant system changes and collaborative incident response to safeguard market integrity. These lessons will shape future oversight practices and improve resilience across the ecosystem. Strate will build on this experience to refine its approach, focusing on early risk detection, robust technology assurance, and seamless execution of future upgrades, supported by stronger participant engagement.

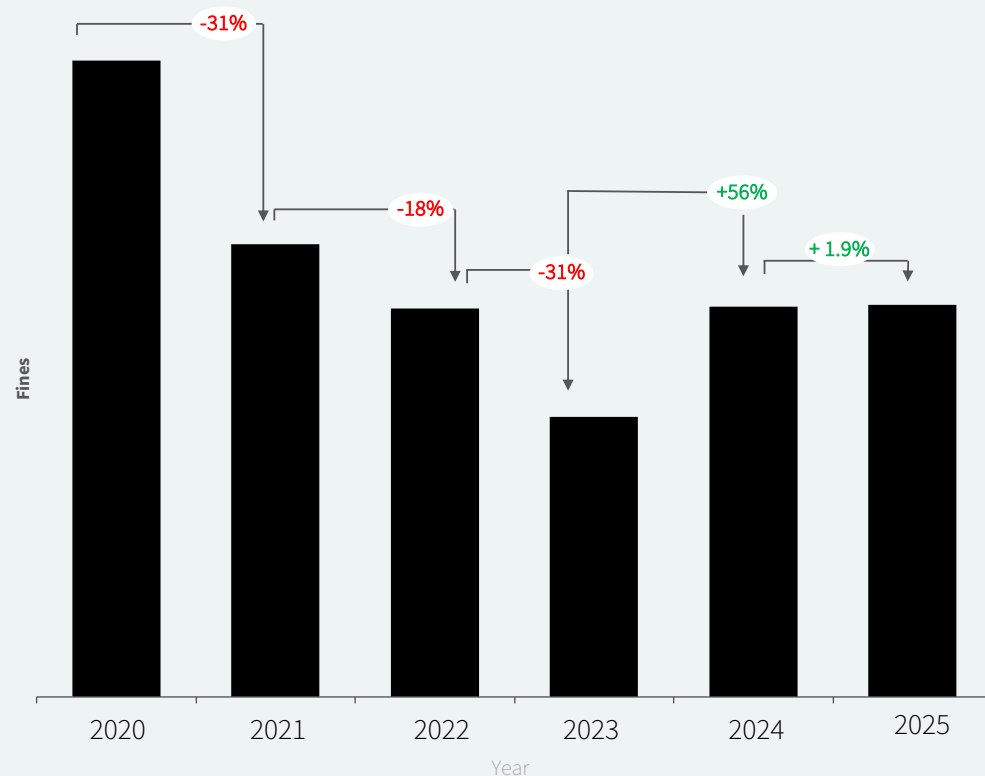
Appendices

Appendix 1 – Fines Overview

Market fines:

Following a declining trend from 2020 to 2023, levels increased in 2024 and 2025, primarily due to higher bond fines.

Market Fines Y-o-Y % change for the period 2020 - 2025



Equities fines

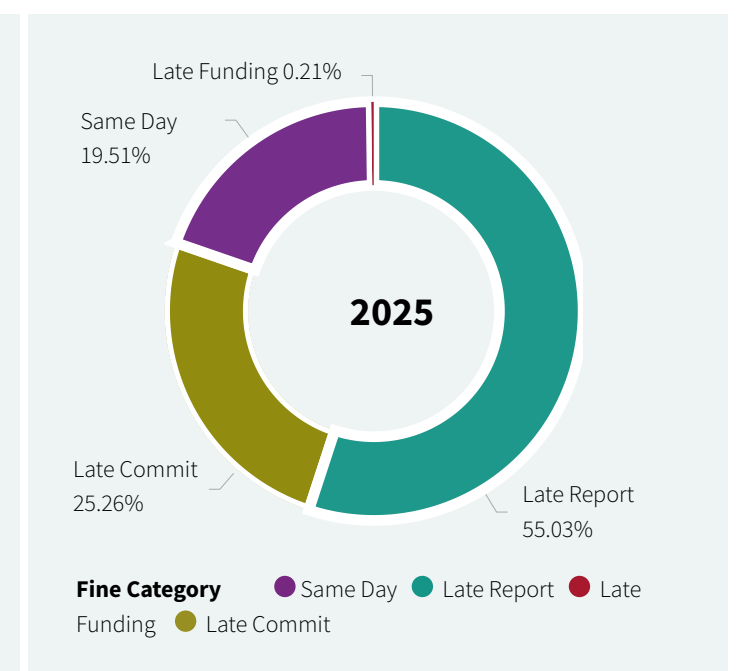
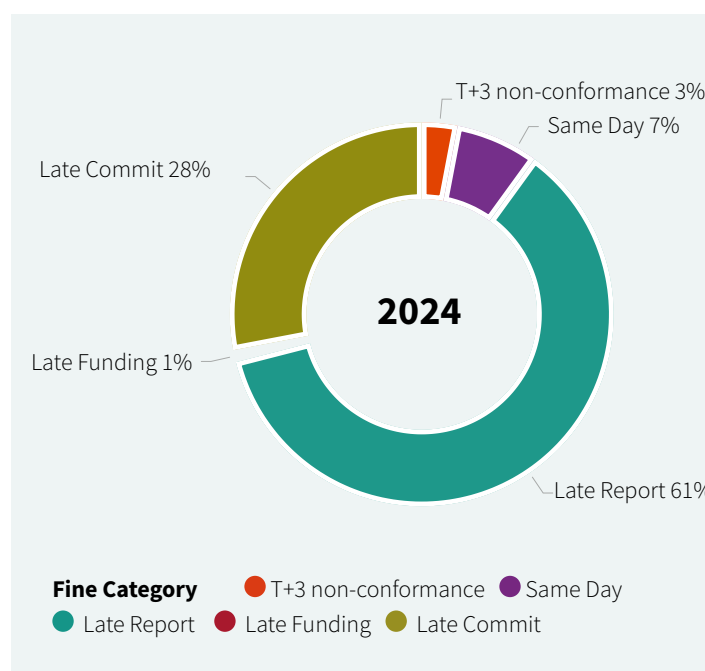
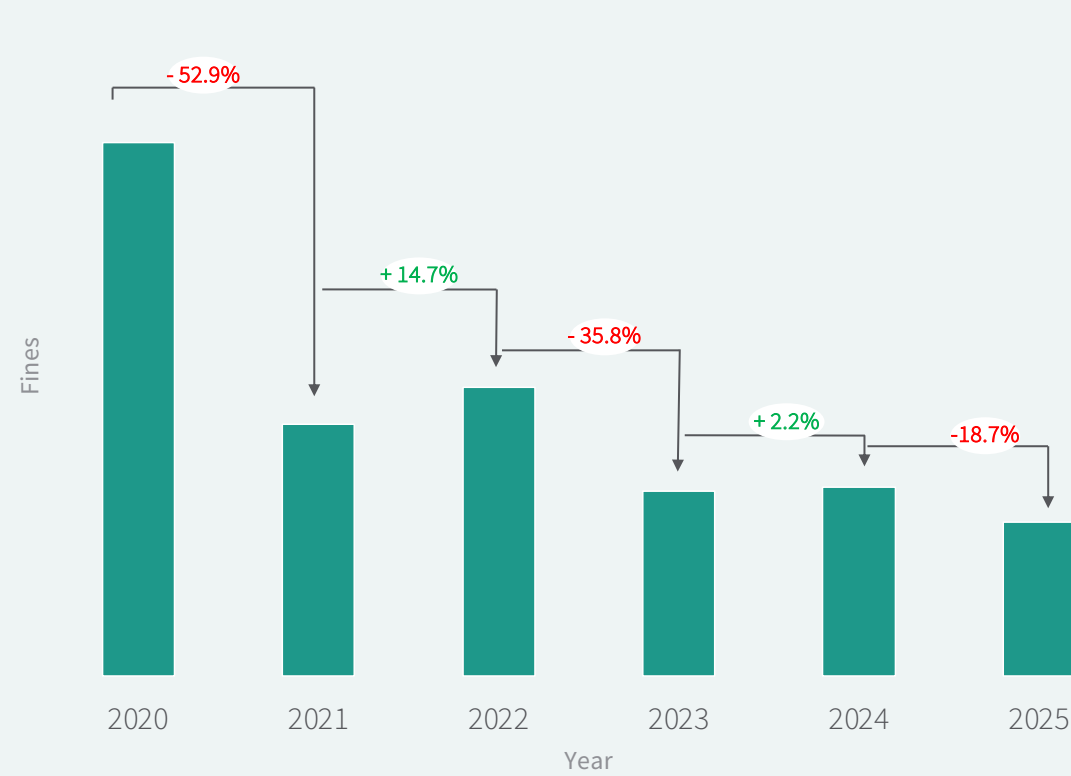
The equity market in 2025 showed steady progress in compliance, reflecting improved discipline and the impact of structural changes introduced in 2024. While some categories showed fluctuations, the broader trend points to stronger compliance across the market.

Key compliance observations:

- Changes implemented in 2024, such as extended settlement windows and SAMOS operating hour extensions, helped ease timing constraints and improve settlement flexibility. Total fines in equities have declined consistently over the multi-year period, signalling steady improvements in market discipline and aligning with broader industry efforts to enhance settlement efficiency.
- Late reporting has improved but remains the largest contributor to fines, accounting for 55% in 2025 (down from 61% in 2024 and 63% in 2023). This steady decline suggests better adherence to reporting timelines, supported by automation and stronger internal controls. However, it continues to highlight areas where systemic improvements remain necessary.
- Similarly, late committing has improved, accounting for 25% of fines in 2025, down from 28% in 2024 and 35% in 2023. While this decline indicates gradual improvement in pre-settlement readiness and internal controls, delays in receiving client instructions remain a key driver.
- Notably, same day fines increased to 19.5% in 2025, reversing the downward trend observed in 2024 (7%) and 2023 (2%). This increase largely reflects the impact of operational adjustments associated with recent regulatory changes.
- Late funding fines remained negligible at 0.2%, down from 1% in 2024, signalling strong adherence to funding obligations.

- While the overall trend suggests progress towards a stronger compliance culture, the concentration of breaches reporting and late committing categories indicates that systemic improvements are still required. Continued investment in digital solutions and targeted engagement with high-volume Participants and their clients will be critical to sustaining progress and reducing operational risk.

Overall Equity fines Y-o-Y % change for the period 2020 - 2025



Appendices

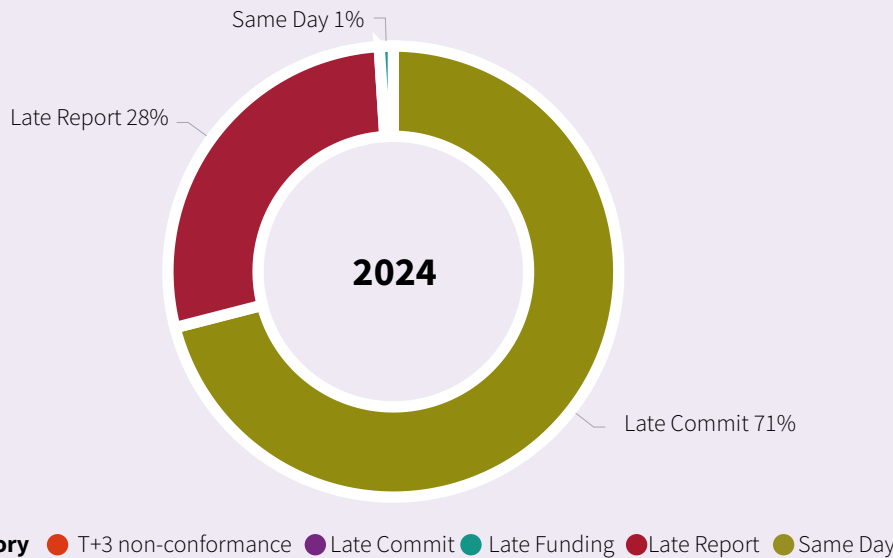
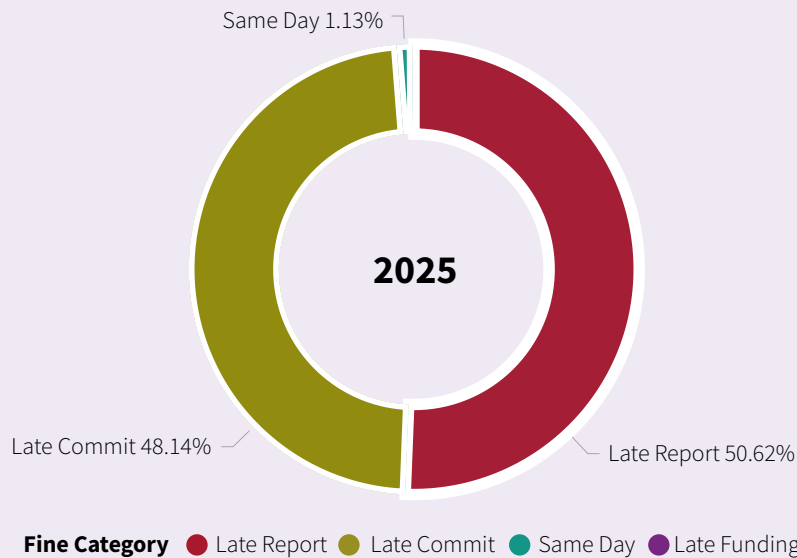
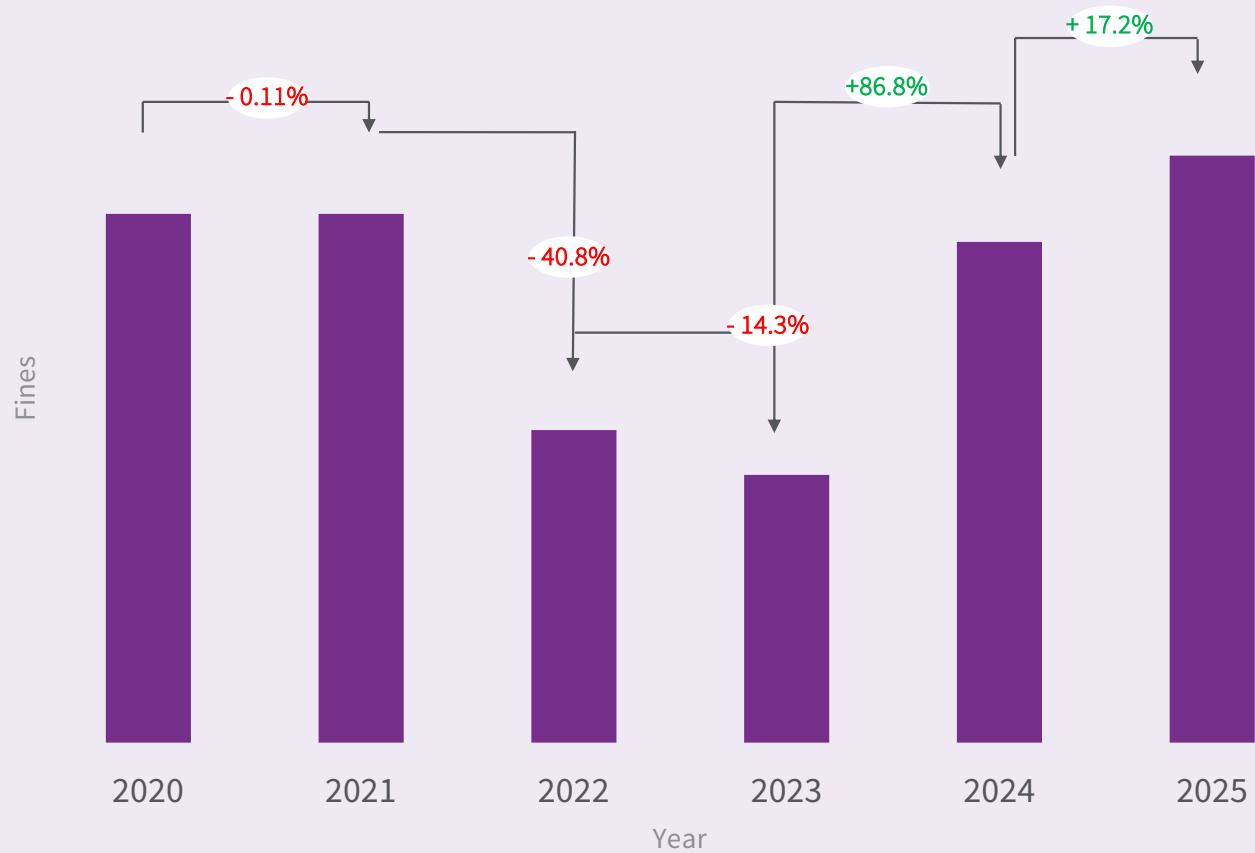
Bonds fines

In 2025, the bond market recorded the highest number of breaches across all three markets, making it the primary driver of fines for the year. While structural reforms introduced in 2024 improved settlement flexibility and reduced timing-related breaches, challenges with reporting and commitment timelines persisted.

Key compliance observations:

- Late reporting and late committing categories accounted for almost all bond fines: late reporting at 50.6% and late committing at 48.1%. This marks a sharp shift from 2024, when late reporting was 28% and same-day breaches were recorded at 33%.
- Same day fines fell to 1.1%, down from 33% in 2024 and 8% in 2023, signalling stronger settlement discipline and the positive impact of operational changes.
- Late funding fines were virtually absent, reinforcing strong compliance with funding obligations. It remains important to monitor this indicator, as any increase in late funding would present a material risk given its potential impact on liquidity, settlement efficiency and overall market stability.
- External drivers that contributed to bond market activities in 2025 were due to favourable market conditions such as attractive yields, low inflation and stable monetary conditions, which boosted trading volumes.
- Offshore processing constraints such as time zone differences and client instruction delays remained key contributors to late commitments and reporting breaches.
- Despite improvements, the bond market's dominance in overall breaches underscores the need for systemic enhancements. Greater automation streamlined client instruction processes and closer engagement with counterparties will be critical to reducing these breaches and strengthening market efficiency.

Overall Bond fines Y-o-Y % change for the period 2020 - 2025





Appendices Continued

Money market

In 2025, the money market had the lowest breach volumes of the three markets, consistent with historical trends, reinforcing its position as the least disruptive market. However, persistent settlement challenges remain evident, with late funding continuing to dominate the fines landscape. Unlike the other two markets, where structural reforms and external factors influenced breach patterns, money market breaches were largely operational in nature.

Key compliance observations:

- Late funding fines represented 80% of all money market breaches in 2025, underscoring persistent challenges in meeting Strate settlement Rules and Directives and ensuring SAMOS accounts are adequately funded.
- A penalty imposed by the Committee accounted for 20%, reflecting stricter enforcement and proactive measures to uphold compliance standards.
- In 2023, breaches were more varied: late reporting (20%), extensions of the settlement window (40%), and late funding (40%), pointing to broader operational inefficiencies during that period.
- Overall, money market fines remain significantly lower than those in equities and bonds, indicating lower systemic risk but emphasising the need for improved adherence to settlement timelines and SAMOS funding requirements.

Non-compliance penalties levied by the Committee

- Penalties imposed by the Committee are reserved for significant breaches involving non-compliance across multiple markets. These are applied sparingly and are intended to reinforce adherence to Strate’s Rules and Directives, particularly when breaches place the ecosystem at risk.
- 2022 and 2023: No Committee penalties were recorded, reflecting strong compliance across markets during these years.
- 2024: One penalty was imposed, marking the first intervention by the Committee in recent years.
- 2025: A second Committee penalty was levied, signalling a more assertive approach.

Appendices Continued

Appendix 2 - Annual conflicts of interest assessment report (2025)

Strate's annual assessment for the 2025 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.

The regulatory framework in South Africa employs a robust self-regulatory model, delegating a range of regulatory functions and responsibilities to licensed market infrastructures. These infrastructures are pivotal contributors to both economic development and the stability of the financial markets. Consequently, it is of paramount importance that actual (or perceived) conflicts of interest within market infrastructures are effectively managed, particularly those that may emerge between their commercial objectives and regulatory functions. Effectively managing conflicts of interest also supports the FMA's objective of ensuring confidence and trust in the financial markets.

Strate is committed to the safety and stability of the South African economy and the financial markets. To protect against conflicts of interest, Strate has established and firmly embedded a solid governance structure effectively using 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
- Independent, non-executive directors of the Board

To address conflicts that may arise 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 must 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 to the Board via the Remuneration, Nominations and Social & Ethics Committee (REMNUMSEC).

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 the handling of confidential information obtained through supervisory and enforcement activities.

Strate has ongoing monitoring controls 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 2025 is summarised in the following annexure.

Annexure

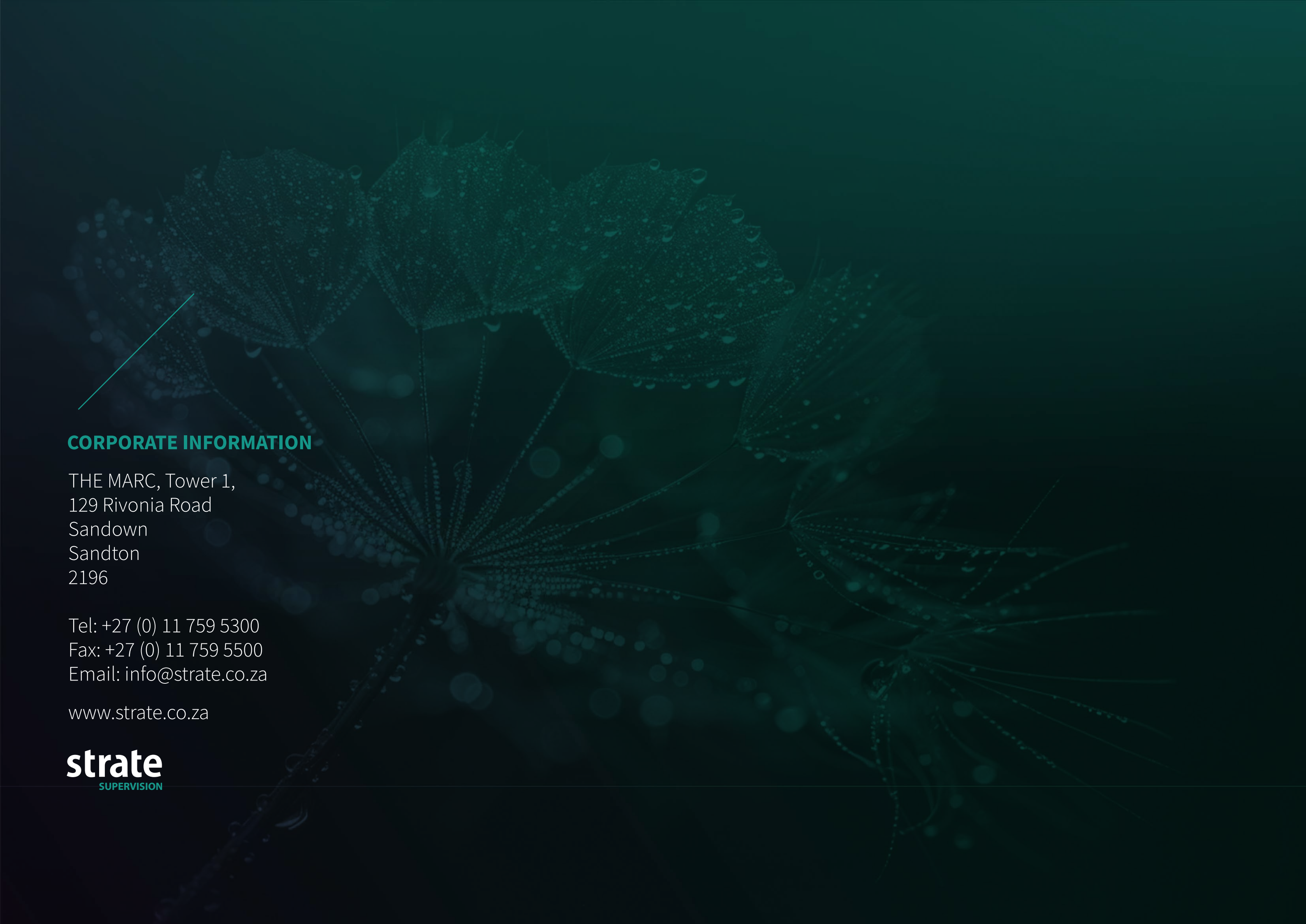
This annexure provides detail on adherence to measures that addressed actual, possible or perceived conflicts of interest, in terms of the Board-approved Regulatory and Commercial Conflicts of Interest Management Policy.

1. Confidentiality firewall structures – Strate's adherence to the current structures and procedures as set out in the relevant manual is as follows:
 - 1.1. Access to computer systems and Participant information – No reportable breaches or incidents.
 - 1.2. Human resources policies – No reportable breaches or incidents.
 - 1.3. Legal advice – No reportable breaches or incidents.
 - 1.4. Expurgation and circulation of documents – No reportable breaches or incidents. Maintained separate "confidential" and "sanitised" committee packs and minutes.
 - 1.5. Attendance at committee meetings – No reportable breaches or incidents. Conflicted committee members recuse themselves when confidential Participant or exchange-related matters are discussed.
 - 1.6. 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.
 - 1.7. Physical location – All Strate Supervision employees continued to work in a hybrid model throughout 2025.
 - 1.8. 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. Confidential documentation is kept in an access-controlled environment and access is monitored regularly.
 - 1.9. 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.
 - 1.10. Other – None.

2. Approval of Strate Rules and Strate Directives – No reportable breaches or incidents. The implemented approval processes and controls were adhered to.
3. 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 conflicts of interest 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 2025 carried out by the Strate Compliance team, 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 of and adherence to these measures.



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