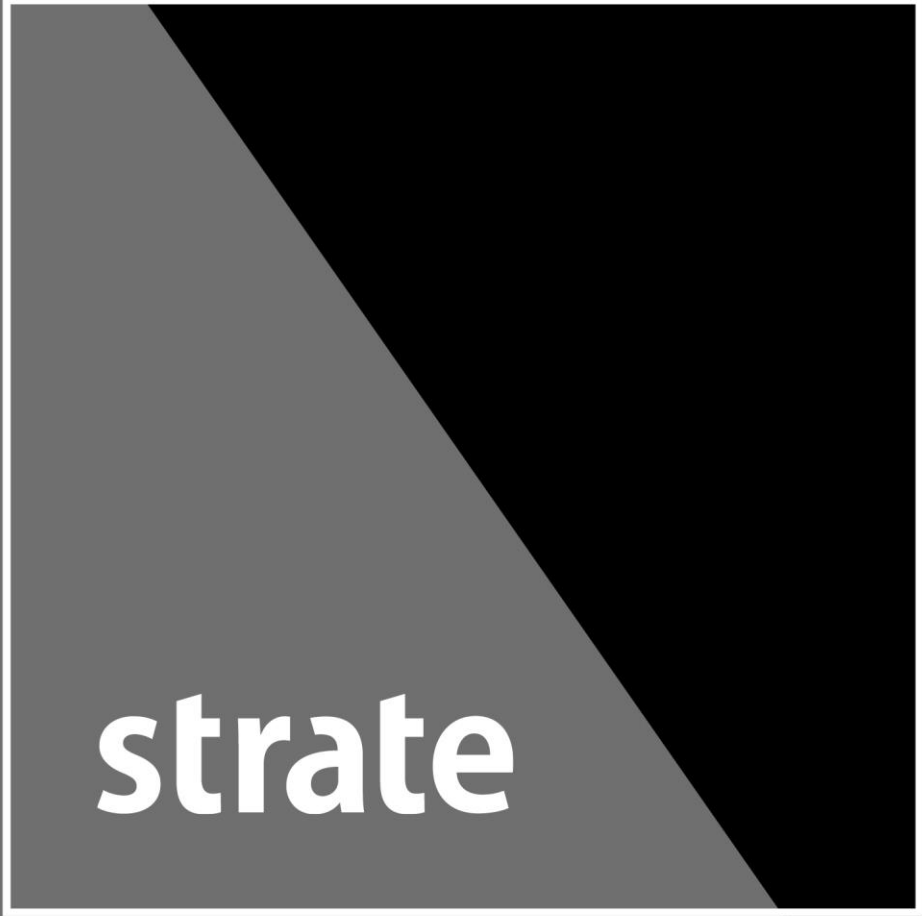


Directive of Strate (Pty) Ltd

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Strate Directive SD.2

Operational Market Windows - Off-Market -
Bonds - JSE

The logo consists of the word "strate" in a bold, white, sans-serif font, positioned in the lower-left corner of a white rectangular frame. The frame is set against a dark grey background that features a diagonal split: the upper-left portion is black, and the lower-right portion is a medium grey. The entire composition is on a white page with a teal triangle in the bottom right corner.

strate

To provide for the procedure for the settlement of off-market transactions in bonds

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1. Interpretation and Definitions

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

2. General

- 2.1 For consistency, all operational timings are based on the timestamp generated by the Strate System when processing a particular instruction. For the sake of clarity, it is recorded that:
- 2.1.1 the 'Received Time' generated by the Strate System is used for all incoming messages;
 - 2.1.2 the 'Sent Time' generated by the Strate System is used for all outgoing messages; and
 - 2.1.3 the 'Processing Time' generated by the Strate System is used for all internal system processes.
- 2.2 These timing rules apply only to those parties that interface directly with the Strate System.
- 2.3 Where an interfacing party requires input from an underlying 3rd party, it remains the responsibility of that interfacing party to manage those 3rd parties in a way that allows them sufficient time to meet the timing rules set out in this Strate Directive.
- 2.4 The operational timings that have been set in terms of this Strate Directive represent the time by which a particular transaction acceptance, confirmation and/or commitment must have been concluded at Strate. It is possible that the Strate System might accept inputs beyond these timings and such acceptances should not be seen as an assurance that the transactions will settle
- 2.5 Transactions captured outside the operational time parameters may result in the levying of a fine against the Participant responsible.
- 2.6 The matching criteria for all Off-market transactions (all Client types) consists of first and second level matching.
- 2.6.1 The first level matching is:
 - ISIN
 - Settlement type (RVP/DVP/RFP/DFP) Securities quantity
 - Trade date
 - Settlement date
 - Trading party's / counterparty's Client Securities Account number
 - 2.6.2 The second level matching is:
 - Client type
 - Consideration/Rand amount (for tolerance level, see section 10 of this Strate Directive)

- Taxable indicator

3. Off-market Transactions

The following operational timings are provided in this section, which are based on the assumptions and considerations provided in section 2.

3.1 Strate System

- 3.1.1 The Strate System BOD is run at 03h00. Strate informs the Exchange, Participants and Business Partners where there is a change in the timing of the BOD process.
- 3.1.2 If BOD is delayed beyond 03h00, shifting or compression of the rest of the Settlement and system activities take place as per Strate's business continuity plan, where applicable.
- 3.1.3 The start time of SAMOS is not controlled by the Strate System or Strate.
- 3.1.4 The Strate System EOD is at 19h00. Should an Exchange or Participant require the parameter to be moved beyond 19h00, the requestor needs to inform Strate in writing by no later than 17h30 on the date for which the request is made.
- 3.1.5 It is the responsibility of a Participant to reconcile its Securities' positions in the Strate System. For this purpose, the Strate System generates a statement of holdings message daily at 18h00 and sends it to Participants. In case of any discrepancies, a Participant is required to request a statement of transactions report via email from Strate Settlement Services in order to trace the origin of the discrepancy.

3.2 Transaction Reporting

- 3.2.1 An Off-market transaction for Client type "00" may conform to a T+3, T+2, T+1 or T+0 Settlement cycle. An Off-market transaction for Client type "00" may conform to a Same Day Settlement cycle subject to permission being granted by the Strate Executive based on criteria determined by the Controlling Body, or under exceptional circumstances.
- 3.2.2 An Off-market transaction is reported by the seller and purchaser of the Securities to the relevant Participant.
- 3.2.3 A Participant must report to Strate and match all Off-market transactions by 18h00 on S-1, except for T+0 transactions and Same Day Settlements for Client type "00". Where a Client has been granted permission under 3.2.1, a Participant must report by 12h00 on S.
- 3.2.4 A Participant must report to Strate all internal Off-market transactions where the Participant is settling both legs of the transaction.
- 3.2.5 In the event that a Participant receives an Off-market transaction instruction after the cut-off for reporting transactions to Strate the Participant may facilitate the settlement

process by reporting the Off-market transaction to Strate for the next available settlement date.

- 3.2.6 Where the transaction reported does not match or settle by the cut-off for original settlement date, the Participant may facilitate the settlement process by reporting the Off-market transaction to Strate for the next business day for settlement date as a same day transaction. The following criteria is allowed for the re-reporting of these transactions:

3.2.6.1 the original failed/cancelled or unmatched instruction was reported on time;

3.2.6.2 the trade is reported by 12h00 on S and committed to by 13h00 on S;

3.2.6.3 the consideration, settlement date and taxable indicator may be amended.

- 3.2.7 The facilitation process for both scenarios may continue for a maximum of 9 (nine) Business Days after the trade date of the original instruction for Client type "00", after which the original instruction must be cancelled. A Participant is not permitted to amend the trade date of the original instruction.

- 3.2.8 An instruction reported incorrectly to Strate must be cancelled or corrected, and not left to fail in the system. A correction of an Off-market transaction for Client type "00" must be made prior to 18h00 on S-1. A cancellation of an un-committed transaction is permitted until S.

- 3.2.9 The onus remains on the Participant to monitor the status of its own transactions (unmatched or first level matched).

- 3.2.10 A Participant may use the 'Query Facility' in CMFE in order to monitor its own transactions and check the transactions reported against it.

- 3.2.11 If a transaction is reported against a Participant and the Participant does not have the requisite instruction, then the Participant must confirm the transaction with its Client and the counterparty.

3.3 Commitment to Settlement

- 3.3.1 A Participant must process commitments to all Off-market transactions by 19h00 on S-1, except for T+0 transactions for Client types "00" and "55" and Same Day Settlements for Client type "00". Where a Client has been granted permission under 3.2.1, a Participant must commit by 13h00 on S.

3.3.1.1 For all Off-market transactions, a Back-to-Back Link must conform to the commit cut-off applicable to each linked transaction.

3.3.1.2 A Back-to-Back Link may be created after 09h30 on S for transactions affected by the JSE's Failed Trade management process, and the following procedure must be followed:

- a) the requesting Participant must send a written request to Strate and the counterparty Participant;

- b) the counterparty Participant must send a written acceptance of the request to Strate;
- c) Strate reviews the request and, where there is no On-market dependency or potential market risk, Strate may, upon receipt of a request from the Participant, open the Back-to-Back window for a maximum of 30 (thirty) minutes, and permit the requesting Participant to create a Back-to-Back Link. If there is an On-market dependency, Strate may open the window and permit the requesting Participant to un-commit, in consultation with the JSE Settlement Authority.

3.3.1.3 If a Dependency Link is created for un-committed transactions, it must conform to the commit cut-off applicable to each linked transaction.

3.3.2 A Participant may “un-commit” to an Off-market transaction or remove a Back-to-Back Link up until 08h30 on S without permission. In the event that a Participant intends to un-commit to a transaction or remove a Back-to-Back Link after 08h30 on S, then:

3.3.2.1 the requesting Participant must send a written request to Strate Settlement Services and the counterparty Participant;

3.3.2.2 the counterparty Participant must send a written acceptance of the request to Strate Settlement Services; and

3.3.2.3 Strate Settlement Services reviews both the request and the acceptance and, where there are no On-market dependencies or potential market risks, may open the un-commit window for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit. If there is an On-market dependency, Strate Settlement Services may consult with the JSE Settlement Authority prior to opening the un-commit window.

3.3.2.4 Should a Participant wish to re-commit to a transaction, this must be done by 13h00 on S.

3.3.3 A Participant must check the status of its own transactions by monitoring its status intimations.

3.3.4 In the event of an Off-market transaction being impacted by the JSE’s Failed Trade management process, Strate may extend the operating windows to enable Participants to un-commit, commit, create Back-to-Back or Dependency Links, or remove Back-to-Back Links.

3.3.5 The Settlement of Off-market transactions is not guaranteed.

3.4 Back-To-Back Removal

From 09h00 on S, Strate Settlement Services reviews the potential Back-to-Back Links to be removed, in consultation with the JSE Settlement Authority, where applicable, and Participants. At 13h00 on S, Strate Settlement Services will notify Participants of the final list of Back-to-Back Links to be removed, and a Participant must remove these Back-to-Back Links between 13h00

and 13h15 on S, and process re-commitments to the remaining transactions within 30 (thirty) minutes.

3.5 Moment of Finality of Instructions

The Moment of Finality of Instructions referred to in the Strate Rules is the moment immediately preceding Settlement on S.

3.6 Settlement Runs

- 3.6.1 The first free of payment and on-us run is initiated by Strate at 08h45.
- 3.6.2 Payment runs are initiated by Strate as required. The first payment run is initiated at 09h30 and the last payment run at 15h15. A Participant may only request Strate to delay the last Settlement run under exceptional circumstances.
- 3.6.2 A Participant must instruct its Settlement Bank to fund the applicable SAMOS account within 30 (thirty) minutes of its receipt of the payment advice from Strate Settlement Services.

3.7 Failed Transactions

- 3.7.1 Only the following transactions are allowed to fail in Strate:
 - 3.7.1.1 transactions that are un-matched;
 - 3.7.1.2 transactions that are reported but are short of Securities; and
 - 3.7.1.3 Settlement which is not funded during the specified Settlement window.

4. Securities Lending and Collateral Transactions

- 4.1 For Off-market Securities Lending and Borrowing (SLB) Transactions, Securities Lending and Borrowing Return (SLB Return) Transactions, repurchase transactions (first and second leg), Collateral Transactions and Collateral Return Transactions:
 - 4.1.1 A minimum T+0 Settlement cycle is permitted for SLB Transactions, SLB Return Transactions, Collateral Transactions and Collateral Return Transactions, unless there is an On-market or Off-market dependency, in which case a minimum T+1 Settlement cycle is required. The Client type for SLB Transactions, SLB Return Transactions, Collateral Transactions and Collateral Return Transactions is "50", and the Client type for repurchase transactions (first and second leg) is "55".

- 4.1.2 A Participant must report SLB Transactions, SLB Return Transactions, Collateral Transactions and Collateral Return Transactions to Strate by 12h00 on S; or by 18h00 on S-1, where there is an On-market or Off-market dependency.
- 4.1.3 A Participant must process commitments to SLB Transactions, SLB Return Transactions, Collateral Transactions and Collateral Return Transactions by 13h00 on S; or by 19h00 on S-1, where there is an On-market or Off-market dependency.
- 4.1.4 Same Day Settlement of SLB Transactions, SLB Return Transactions, Collateral Transactions and Collateral Return Transactions is permitted on Record Date (RD) for Securities where there is a pending Capital Event, provided that the transaction is reported to Strate and matched by 12h00 on S, and committed to by 13h00 on S. Thereafter, a Participant must adhere to section 8 of this Strate Directive.
- 4.1.5 In the event that a Participant intends to un-commit to a SLB Transaction, SLB Return Transaction, Collateral Transaction or Collateral Return Transaction that is in a 'Ready for Settlement' status:
 - 4.1.5.1 the requesting Participant must send a written request to Strate Settlement Services and the counterparty Participant;
 - 4.1.5.2 the counterparty Participant must send a written acceptance of the request to Strate Settlement Services; and
 - 4.1.5.3 Strate Settlement Services reviews both the request and the acceptance and, where there are no On-market dependencies or potential market risks, Strate Settlement Services may open the un-commit window for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit. If there is an On-market dependency, Strate Settlement Services may open the window and permit the requesting Participant to un-commit, in consultation with the JSE Settlement Authority.

5. Account Transfers

- 5.1 An Account Transfer is only permitted where there is no change in beneficial ownership.
- 5.2 Same Day Settlement of an Account Transfer, between Participants and internally involving a single Participant, is permitted. The Client type for an Account Transfer is "30".
- 5.3 Subject to 5.4 below, a Participant must report to Strate, match, and process commitments to an Account Transfer by 18h00 on S.
- 5.4 For Securities where there is a pending Capital Event, on Record Date a Participant must report to Strate and match an Account Transfer by 12h00 on S (RD), and process commitments by 13h00 on S (RD). For an Interest Payment Capital Event, SARB and affected Participants, in consultation with SARB and Strate, may be granted permission by Strate to report an Account Transfer after 12h00 on S under exceptional circumstances.

- 5.5 A Participant must process an Account Transfer with the free of payment settlement type (RFP/DFP).

6. Portfolio Movements

- 6.1 A Portfolio Movement is only permitted where there is no change in beneficial ownership.
- 6.2 Same Day Settlement of a Portfolio Movement, between Participants and internally involving a single Participant, is permitted. The Client type for a Portfolio Movement is “31”.
- 6.3 Subject to 6.4 below, a Participant must report to Strate, match and process commitments to a Portfolio Movement by 18h00 on S.
- 6.4 For Securities where there is a pending Capital Event, on Record Date a Participant must report to Strate and match a Portfolio Movement by 12h00 on S (RD), and process commitments by 13h00 on S (RD).
- 6.5 A Participant must process a Portfolio Movement with the free of payment settlement type (RFP/DFP).

7. Collateral Account Transfers and Lending Account Transfers

- 7.1 A Collateral Account Transfer and/or a Lending Account Transfer are only permitted where there is no change in beneficial ownership.
- 7.2 Same Day Settlement for a Collateral Account Transfers and/or a Lending Account Transfer, between Participants and internally involving a single Participant, is permitted. The Client type for a Collateral Account Transfer and a Lending Account Transfer is “33”.
- 7.3 Subject to 7.4 below, a Participant must report to Strate, match and process commitments to a Collateral Account Transfer and/or a Lending Account Transfer by 18h00 on S.
- 7.4 For Securities where there is a pending Capital Event, on Record Date a Participant must report to Strate and match a Collateral Account Transfer and/or a Lending Account Transfer by 12h00 on S (RD), and process commitments by 13h00 on S (RD).
- 7.5 A Participant must process a Collateral Account Transfer and a Lending Account Transfer with the free of payment settlement type (RFP/DFP).

8. Same Day Settlement And T+0 Transactions

- 8.1 Prior to reporting a Same Day Settlement or a T+0 transaction on RD, a Participant must have evaluated and assumed responsibility for the potential Capital Events implications resulting from the Same Day Settlement or T+0 transaction. A Participant must communicate its intention to conclude the Same Day Settlement or T+0 transaction on RD to Strate Debt Instruments Management via telephone and followed up by email confirmation to cdadmin@strate.co.za.
- 8.2 A Participant may report to Strate, match and process commitments to a “free-of-payment” Same Day Settlement or a T+0 transaction for Client types “00” and “55” by 18h00 on S. Where a “free-of-payment” Same Day Settlement or a T+0 transaction for Client types “00” and “55” is linked via Back-to-Back functionality to an “against payment” transaction, the relevant Participant must report to Strate, and match such “free- of-payment” transaction by 12h00 on S, and process commitments by 13h00 on S.

9. Tolerance Level

In order to facilitate and ensure that Settlement in Off-market transactions is effected, the Controlling Body of Strate has approved an acceptable tolerance level on the matching criteria of Off-market transactions, namely:

- 9.1 the Strate System tolerance level applicable to Off-market transactions involving payment is R50;
- 9.2 Strate together with the Participants, must monitor and from time to time may revise the Strate System tolerance level for Off-market transactions; and
- 9.3 the matching process is deemed successful if, by using the RVP’s Rand amount as a base, the consideration matches with a DVP figure that is within the agreed Strate System tolerance level.