

The logo for Strate, featuring the word "strate" in a lowercase, sans-serif font. The letter "e" is stylized with three horizontal bars extending to the right.

South Africa's Central Securities Depository

GUIDANCE NOTE OF STRATE PROPRIETARY LTD

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GUIDANCE NOTE - INTERPRETATION OF DIRECTIVES

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GUIDANCE NOTE - INTERPRETATION OF DIRECTIVES

In terms of the Financial Markets Act 19 of 2012, the CSD has the authority to issue CSD Rules and Directives. The objective of a Directive is to supplement and not to alter anything contained in the CSD Rules. That is, the Directives are intended to provide operational, technical or practical details in support of the CSD Rules.

The purpose of this Guidance Note is to provide guidance to the users regarding the interpretation and application of the Directives. For the purpose of this Guidance Note, Directive SC.2 (*Operational Market Windows - Off-Market - Equities*) will be used as an example to illustrate how the Directives should be interpreted and applied.

1. INTERPRETATION AND DEFINITIONS

It is common for a Directive to contain the following statement in the ‘Interpretation and Definitions’ section:

“In this Directive, any interpretation, word, or expression to which a meaning has been assigned in the CSD Rules (“the Rules”) bears the meaning so assigned to it”.

This statement suggests that the definitions contained in the CSD Rules are not repeated in a Directive. Therefore, the user is required to refer to the ‘Interpretation and Definitions’ section in the CSD Rules in order to get the meaning of the relevant word. For example, the word ‘Participant’ is not defined in Directive SC.2 because its definition is contained in the CSD Rules.

2. THE BODY OF A DIRECTIVE

When interpreting a Directive, the user should always give effect to the relevant provisions of the CSD Rules. That is, the Directive should always be read in conjunction with the applicable or corresponding provisions of the CSD Rules.

For example: the word ‘Business Day’ is defined in section 1.2 of the CSD Rules as follows:

“all days excluding Saturdays, Sundays and South African public holidays. Any public holiday on which the South African Reserve Bank keeps the National Payment System open will be treated as a Business Day”.

This definition of ‘Business Day’ in the CSD Rules specifically excludes Saturdays, Sundays and South African public holidays when calculating Business Days. As such, public holidays in other countries or jurisdictions cannot be considered.

Application:

The following clause 3.1 of Directive SC.2 is used to illustrate how the Directives should be read in conjunction with the CSD Rules:

“All Off-market transactions for Client type “00” must conform to a T+5 cycle”.

(Please also note the following definition of ‘T+X’ in Directive SC.2 - “means trade date plus X Business Days ‘X’ being the number of Business Days stipulated in the Directive”).

So, when applying clause 3.1 of Directive SC.2, days in the T+5 cycle should be reckoned with cognisance to the definition of ‘Business Days’ in terms of the CSD Rules, that is, excluding Saturdays, Sundays and South African public holidays.

3. RECOMMENDATIONS

The users of the Directives are advised to read the Directives in conjunction with the relevant or applicable provisions of the CSD Rules. Users are further advised to look for definitions in the CSD Rules where a word has not been defined in the Directive.

NOTE:¹

In light of the importance of the matters above, Strate’s Legal and Regulatory Division has issued this Guidance Note to assist in dealing with highly complex issues. Please note that this Guidance Note is issued for your information, with the aim of assisting you in interpreting the legal and regulatory requirements, but do not form part of the CSD Rules and Directives. It must therefore be noted that, notwithstanding the Guidance Note, readers should still exercise their own judgments regarding the information and interpretation. If there is any doubt about the application of these guidelines, please consult the Legal and Regulatory Division of Strate (Pty) Ltd at Strate-Regulation@strate.co.za.

¹ Note added with effect from 3 November 2015