

# Directive of Strate (Pty) Ltd

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Special Gazette No S4-2018  
Strate Directive SB.2

Procedures for Dematerialisation and  
Rematerialisation of Bond Securities

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To define the process that Participants, and Issuers / Issuer Agents must follow for an orderly and regulated Dematerialisation/Immobilisation and Rematerialisation process so that there is no duplication of Securities on the register, the Securities holder is not dispossessed and to limit the risk faced by Strate, Participants and Issuers in this process

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## INDEX<sup>1</sup>

1. DISCLAIMER
  
2. INTERPRETATION AND DEFINITIONS
  
3. DEMATERIALISATION
  - 3.1. Dematerialisation Initiated by the Client
  
  - 3.2. Dematerialisation Initiated by the Issuer
  
4. REMATERIALISATION

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<sup>1</sup> Amended with effect from 26 September 2017

## 1. DISCLAIMER

The content of this Strate Directive is presented on a logical level to facilitate understanding of the business processes. Strate cannot accept responsibility and cannot be held liable for any consequential damages should any person misinterpret the contents or draw incorrect conclusions. Any assumptions or conclusions should be verified.

## 2. INTERPRETATION AND DEFINITIONS<sup>2</sup>

In this Strate Directive, any interpretation, word, or expression to which a meaning has been assigned in the Strate Rules bears a meaning so assigned to it.

‘Issuer Agent’ means an entity that is appointed by an Issuer to act as an agent of, or on behalf of the Issuer in the performance of the Issuer’s role and functions in terms of the Strate Rules and Strate Directives. The Issuer may perform the roles assigned to the Issuer Agent in terms of this Strate Directive; and

‘Rematerialisation’ means Withdrawal, being the process of converting Uncertificated Securities to certificated Securities.

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<sup>2</sup> Amended with effect from 26 September 2017

### 3. DEMATERIALISATION

#### 3.1. Dematerialisation Initiated by the Client

If a Client initiates the Dematerialisation of the Securities held by that Client, then the following process will apply:

- 3.1.1. The Client submits a certificate or document of title to a Participant for the purposes of Dematerialisation in the Uncertificated Securities Register held by Strate.
- 3.1.2. The Participant must inform the Issuer or Issuer Agent about the Client's Dematerialisation request. The Participant must also deliver the certificate and document of title to the Issuer Agent, who must issue a receipt to the Participant.
- 3.1.3. The Issuer Agent must verify the details of the certificate or document of title, and if satisfied, instruct Strate to make an Entry into the Issuer's Central Securities Account, in order to record the nominal value and class of Securities as Uncertificated Securities Deposited in Strate. By instructing Strate to make an Entry in terms of this paragraph 3.1.3, the Issuer Agent warrants to Strate and the Participant that it has:<sup>3</sup>
  - 3.1.3.1. complied with any applicable legislation;
  - 3.1.3.2. recorded in the Issuer's Securities register the increase of the holdings in Strate in that class of Securities by the nominal value of Securities Deposited; and
  - 3.1.3.3. cancelled the certificate or document of title received from the Participant.
- 3.1.4. Through the "Deliver Free of Payment" (DFP) and "Receive Free of Payment" (RFP) Settlement mechanisms:
  - 3.1.4.1. the Issuer's Participant must Transfer the Dematerialised Securities from the Issuer's Central Securities Account; and
  - 3.1.4.2. the Client's Participant must allocate such Securities into the relevant Client's Central Securities Account.

#### 3.2. Dematerialisation Initiated by the Issuer

If an Issuer initiates the Dematerialisation of the Securities issued by that Issuer, then the following process will apply:

- 3.2.1. The Issuer Agent must reconcile and validate the total of Securities to be Dematerialised with the certificate, document of title or record of ownership that it has, in terms of any applicable legislation.
- 3.2.2. The Issuer Agent submits a Dematerialisation instruction with the relevant details of a certificate, document of title or record of ownership to its preferred Participant for the purposes

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<sup>3</sup> Amended with effect from 15 October 2018

of Dematerialisation in the Uncertificated Securities Register held by Strate. By submitting a Dematerialisation instruction to the Participant in terms of this paragraph 3.2.2, the Issuer Agent warrants to Strate and the Participant that:<sup>4</sup>

- 3.2.2.1. it has complied with any applicable legislation; and
  - 3.2.2.2. the detail of such certificate, document of title or record of ownership is valid, correct and accurate.
- 3.2.3. The Issuer Agent instructs Strate to make an Entry into the Issuer's Central Securities Account, in order to record the nominal value and class of Securities as Uncertificated Securities Deposited in Strate. By instructing Strate to make an Entry in terms of this paragraph 3.2.3, the Issuer Agent warrants to Strate and the Participant that it has:
- 3.2.3.1. complied with any applicable legislation;
  - 3.2.3.2. recorded in the Issuer's Securities register the increase of the holdings in Strate in that class of Securities by the nominal value of Securities Deposited; and
  - 3.2.3.3. cancelled the certificate, document of title or record of ownership that it has.
- 3.2.4. Through the "Deliver Free of Payment" (DFP) and "Receive Free of Payment" (RFP) Settlement mechanisms:
- 3.2.4.1. the Issuer's Participant must Transfer the Dematerialised Securities from the Issuer's Central Securities Account; and
  - 3.2.4.2. the Client's Participant must allocate such Securities into the Central Securities Account(s) of the relevant Client(s), or where applicable, the Issuer's Participant must allocate such Securities into a Central Securities Account(s) that the Issuer or Issuer Agent may have designated for Dematerialisation purposes.

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<sup>4</sup> Amended with effect from 15 October 2018

#### 4. REMATERIALISATION

If a Client initiates the Rematerialisation of the Securities held by that Client in order to obtain a certificate or document of title in respect of all or part of those Securities, then the following process will apply:

- 4.1. The Client must request the relevant Participant to facilitate the removal of the Securities from the Uncertificated Securities Register.
- 4.2. The Participant must:
  - 4.2.1. inform the relevant Issuer or Issuer Agent of the Client's Rematerialisation request; and
  - 4.2.2. Transfer the Securities to be Rematerialised from the Client's Central Securities Account to the relevant Issuer's Central Securities Accounts using a "Deliver Free of Payment" (DFP) or "Receive Free of Payment" (RFP) Settlement mechanism.
- 4.3. The Issuer Agent must:
  - 4.3.1. reduce the amount on issue in the Issuer's Uncertificated Securities Register for the particular Securities by the Rematerialised amount; and
  - 4.3.2. prepare and deliver to the relevant Participant, a certificate or written instrument in respect of the Rematerialised bond Securities. The Issuer Agent must not mail the certificate or document of title to the Participant, but must ensure that the certificate or document of title is collected at its place of business.
- 4.4. By reducing the amount in issue in terms of paragraph 4.3.1, or Issuer Agent warrants to Strate and the Participant that it has:<sup>5</sup>
  - 4.4.1. complied with any applicable legislation;
  - 4.4.2. recorded in the Issuer's Securities register the reduction of the Securities held in Strate in that class of Securities by the nominal value of the Rematerialised bond Securities; and
  - 4.4.3. issued a certificate or document of title in the name of the Client or the relevant person in whose name the Rematerialised Securities must be registered in the Issuer's Securities register.

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<sup>5</sup> Amended with effect from 15 October 2018