

Directive of Strate (Pty) Ltd

Special Gazette No B6-2018
Strate Directive SB.3

Registers and Central Securities Accounts
Administration – Bond and Money Market
Securities

strate

The purpose of this Strate Directive is to define the minimum information that is required from Participants and Business Partners in order for Strate to maintain the integrity of registers and Accounts in the bond and money market environments

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1. INTERPRETATION AND DEFINITIONS

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

‘BPID’ means a unique Business Partner Identification Number assigned to every Participant and Business Partner linked to the Strate System;

‘Business Partner’ means an entity which is not a Participant and which electronically interfaces with Strate to perform an essential market function or service;

‘Capital Event’ means an action taken by an Issuer or any other entity or third party, which affects the holders of Securities in terms of entitlements or notifications;

‘Central Client Register’ means the register in the Strate System in which the details of Clients are recorded in accordance with this Strate Directive;

“Client Static Data” means the details of a Client referred to in paragraph 3.3.1;

‘Full Participant’ means a Participant, excluding a Corporate Participant;

‘ISIN Register’ means the register in the Strate System in which all Securities issued, and all the details thereof, are recorded in accordance with this Strate Directive;

‘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;¹

‘MFA’ means Master File Administration comprising the ISIN Registers maintained in accordance with this Directive;

‘National Numbering Agency’ or ‘NNA’ means the national numbering agency appointed by the International Association of National Numbering Agencies for the allocation of ISINs to South African securities;

‘SAMOS CBPL’ means the SAMOS continuous batch processing line;

‘SARS’ means South African Revenue Services;

‘Securities Generic Category’ means the broad category of debt Securities based on certain common broad fundamental characteristics underlying the different types of Securities issued. The four categories are:

- Category 1 – Discount Securities;
- Category 2 – Fixed coupon rate; fixed maturity date;
- Category 3 – Variable coupon rate; fixed maturity date; and
- Category 4 – Variable coupon rate; maturity date (optional);

‘Securities Type’ means the type of Security, determined by the Security’s underlying unique characteristics, which may be classified into one or more of Securities Generic Categories;

¹ Amended with effect from 6 August 2018

‘Settlement Bank’ means a bank which is a settlement system participant in SAMOS and is responsible for funding the SAMOS CBPL (continuous batch processing line) for the Settlement of transactions;

‘Unique Client Code’ means a code specified and created by Strate, identifying the holder of Securities and linking the Central Securities Accounts in the Uncertificated Securities Register with the relevant holder thereof.

2. **BPIDs**

Strate must allocate unique BPIDs to Participants and Business Partners in the bond and money market environments.

3. **REGISTERS**

The 4 (four) registers to be maintained in the Strate System through the MFA function are:

- 3.1 Participant / Business Partner Register;
- 3.2 ISIN Register;
- 3.3 Central Client Register; and
- 3.4 Uncertificated Securities Register.

3.1 **Participant / Business Partner Register**

3.1.1 A Business Partner may choose to take on a single or several roles, noted below, and as such may choose to have one BPID for all the roles it has assumed or individual BPID numbers for each role in the Strate System:

3.1.1.1 **Single role:**

- Central Securities Depository (CSD) – only one role is reserved for Strate.
- National Numbering Agency (NNA) – only one role is reserved for JSE Limited.
- South African Multiple Option Settlement (SAMOS) System – only one role is reserved for the South African Reserve Bank (SARB).
- SARB – only one role is reserved for the Bank Supervision Department of SARB.

3.1.1.2 **Multiple roles:**

- Issuer;
- Issuer Agent;
- Member (where applicable) / Trade reporting party;
- Settlement Bank;
- Full Participant;
- Corporate Participant;
- Exchange (where applicable).

- 3.1.2 A Participant and a Business Partner must each:
- 3.1.2.1 report its BPID in all electronic communications to Strate System; and
 - 3.1.2.2 maintain its own master static data with Strate.
- 3.1.3 The following information must be provided by an Issuer or Issuer Agent in order for Strate to apply the necessary and correct linking throughout the Strate System:
- 3.1.3.1 Issuer name;
 - 3.1.3.2 Client code;
 - 3.1.3.3 Issuer Agent;
 - 3.1.3.4 Central Securities Account number;
 - 3.1.3.5 Participant;
 - 3.1.3.6 Settlement Bank;
 - 3.1.3.7 Issuer's bank account number at a Settlement Bank.
- 3.1.4 The Issuer may appoint more than one Issuer Agent, Participant and Settlement Bank, and consequently may have more than one Central Securities Account, and must immediately notify Strate of any changes thereof. The Issuer may act as its own Issuer Agent. The Issuer only has one Client code linked to each of its Central Securities Accounts.
- 3.1.5 A Settlement Bank must be a SAMOS participant.

3.2 ISIN Register

- 3.2.1 An ISIN Register records all Uncertificated Securities issued and details the minimum unique underlying characteristics and generic categories of Securities.
- 3.2.2 An ISIN Register records an ISIN for each Security issued in accordance with *Strate Directive SB.4 - Issuing of Securities – Bond Securities and Money Market Securities*.
- 3.2.3 Any amendment to the issued amount recorded in an ISIN Register must be reported to the Strate System by an Issuer or Issuer Agent, or by an Exchange in respect of listed Securities.
- 3.2.4 The reporting in terms of paragraph 3.2.3 updates the issued amount in the Strate System.²

² Amended with effect from 6 August 2018

3.3 Central Client Register

3.3.1 When opening Central Securities Account(s) for their Clients, Full Participants must add the following Client Static Data into the Central Client Register:³

	Client Information	Description
1	Name and surname	Full names and surname of a Client
2	Identifying number	E.g. identity number, company registration number, trust registration number, etc. of a Client
3	SARS income tax number (subject to paragraph 3.3.4)	Income tax number issued by SARS
4	Title	E.g. Mr, Mrs, Miss, Dr, Rev, Adv, Gen, Col, Prof, Sir, etc.
5	Address	Client's business, residential or postal address
6	E-mail address (if available, unless the Client has declined to provide it)	Electronic mail address of a Client (e.g. abc@imail.co.za)
7	Telephone number	E.g. mobile telephone number or fixed telephone number of a Client
8	Country code	Client's country of domicile
9	Client category	Indicates whether a Client is a South African citizen, South African permanent resident, South African emigrant, foreign citizen, etc.
10	Classification code	Indicates the type of Client (e.g. natural person, pension fund, public body, etc.)
11	Institutional sector code	A sector code issued in accordance with SARB Institutional Sector Classification Guide (February 2005)
12	Report indicator	Indicates whether a Client wants to receive reports from an Issuer or Issuer Agent

3.3.2 If a Full Participant requires its own Central Securities Account, it must add "itself" as a Client in the Central Client Register.

3.3.3 A Participant is responsible for ensuring the correctness of the Client Static Data, and must inform Strate of any changes thereof.

³ Amended with effect from 6 August 2018

3.3.4 A Participant must also provide the following unique Client identification data for the following Client categories:⁴

	Client Category	Unique Client identification data
1	South African citizens	South African identification number* + SARS income tax number**
2	South African permanent residents	South African identification number* + SARS income tax number**
3	South African emigrants	South African identification number* + SARS income tax number**
4	Foreign citizens	Personal reference number* + Country of residence (Conditional) + Date of birth (Optional)
5	South African close corporations	Close Corporation registration number* + SARS income tax number*
6	South African companies	Company registration number* + SARS income tax number*
7	Foreign companies	Incorporation number* + Country of incorporation*
8	Other legal persons	Legal form reference number*
9	Trusts	Trust deed registration number* + SARS income tax number*

*** Indicates mandatory information**

**** The SARS income tax number must be provided if it has been issued to the Client**

3.3.5 Unique Client identification data is recorded only once for a Client in the Central Client Register and the Strate System assigns such Client a Unique Client Code, regardless of the number of Full Participants such Client has a relationship with. Where a Full Participant adds its Client's unique Client identification data into the Central Client Register in order to open a Central Securities Account for the Client, the Strate System notifies such Full Participant immediately of its Client's assigned Unique Client Code and the Central Securities Account number.

3.3.6 A Corporate Participant may not load its own Client Static Data into the Central Client Register or open Central Securities Accounts for a Client. Only Strate may add a Corporate Participant's details into the Central Client Register and opens Central Securities Account(s) for a Corporate Participant.

3.3.7 The Client Static Data in the Central Client Register may only be amended by electronic instruction from a Client's Full Participant, or, in the case of a Corporate Participant, by written communication to Strate.

⁴ Amended with effect from 6 August 2018

3.4 Uncertificated Securities Register

- 3.4.1 An Uncertificated Securities Register comprises the aggregate of all Central Securities Accounts opened and maintained in accordance with paragraph 4.
- 3.4.2 In respect of Money Market Securities, an Issuer or Issuer Agent may, in a manner determined by Strate, access the following information in the Uncertificated Securities Register:⁵

	Client Information	Description
1	Name and surname	Full names and surname of a Client
2	Identifying number	E.g. identity number, company registration number, trust registration number, etc. of a Client
3	Title	E.g. Mr, Mrs, Miss, Dr, Rev, Adv, Gen, Col, Prof, Sir, etc.
4	Address	Client's business, residential or postal address
5	E-mail address (if available, unless the Client has declined to provide it)	Electronic mail address of a Client (e.g. abc@imail.co.za)
6	Telephone number	E.g. mobile telephone number or fixed telephone number of a Client
7	Country code	Client's country of domicile
8	Client category	Indicates whether a Client is a South African citizen, South African permanent resident, South African emigrant, foreign citizen, etc.
9	Classification code	Indicates the type of Client (e.g. natural person, pension fund, public body, etc.)
10	Institutional sector code	A sector code issued in accordance with SARB Institutional Sector Classification Guide (February 2005)
11	Report indicator	Indicates whether a Client wants to receive reports from an Issuer or Issuer Agent

- 3.4.3 In respect of Bond Securities, an Issuer or Issuer Agent may access the information in the Uncertificated Securities Register in accordance with the requirements set out in *Strate Directive SA.8 - File Layout for Disclosure of Beneficial Ownership (BND) – Equity and Bond Securities*.

(Pending amendment: Following approval by the Regulatory and Supervisory Committee, paragraph 3.4.3 will be amended as indicated in this box with effect from the date to be determined by Strate via a Special Gazette).

3.4.3 In respect of bond Securities:

3.4.3.1 a Participant must provide Strate with a beneficial ownership download (BND) information or file in accordance with *Strate Directive SA.8 - File Layout for Disclosure of Beneficial Ownership (BND) – Equity and Bond Securities*; but where the Participant does not provide Securities Services to a Nominee, such Participant may after making the necessary operational arrangements with Strate, be exempted from providing the beneficial ownership download (BND) information or file to Strate;

⁵ Amended with effect from 6 August 2018

3.4.3.2 an Issuer or Issuer Agent may access the information in the Uncertificated Securities Register in accordance with the requirements set out in *Strate Directive SA.8 - File Layout for Disclosure of Beneficial Ownership (BND) – Equity and Bond Securities*.

4. CENTRAL SECURITIES ACCOUNTS

4.1 Opening of Central Securities Accounts

- 4.1.1. A Full Participant may open one or more Central Securities Accounts in the name of a Client.
- 4.1.2. A Full Participant may utilise an existing Client's Central Securities Account in the bond or money market environment. A Client may have more than one Central Securities Account.
- 4.1.3. A Corporate Participant may open a Central Securities Account, but only for Securities held by it. A Corporate Participant may utilise an existing Central Securities Account in the bond or money market environment.
- 4.1.4. A Full Participant must open its own Central Securities Account separate from its Clients.

4.2 Operation of Central Securities Accounts

- 4.2.1. A Central Securities Account records the Securities holdings per ISIN for a Client.
- 4.2.2. A Participant must add and maintain details of Central Securities Accounts for its Clients. This data is held per Client and not as part of the Central Client Register.
- 4.2.3. Each Security in a Client's Central Securities Account is held as a separate set of balances (nominal values) and reflects the status of the Client's holdings as follows:
 - 4.2.3.1. **Free Balance:** the nominal value of the unencumbered holdings;
 - 4.2.3.2. **Trading Reserve Balance:** the nominal value of the holdings reserved for Settlement committed to by the Client's Participant, or by the Corporate Participant trading on its own Central Securities Account. Once transactions reported are matched and committed to by Participants, the Securities holdings are reserved in the Central Securities Account of the seller, i.e. the holdings to satisfy the delivery for the transaction are moved from the Free Balance to the Trading Reserve Balance of the seller. Once Settlement is confirmed to the Strate System, the Trading Reserve Balance is reduced accordingly and the buyer's Free Balance is increased;
 - 4.2.3.3. **Pledge To Balance:** the nominal value of the Securities that have been pledged are moved from the Free Balance to the Pledge To Balance by the Strate System. Securities in the Pledge To Balance are not available for delivery against any transactions reported by the Client until the pledge is released. Once the pledge is released, the Nominal Value of the Securities in the Free Balance is increased and the Pledge To Balance is reduced accordingly.
- 4.2.4. The total holdings in the Central Securities Account is the aggregate of the Free Balance, the Trading Reserve Balance and the Pledge To Balance.

- 4.2.5 The nominal value of Securities recorded in the Central Securities Account as “Pledge From Balance” represents Clients from whom Securities have been pledged. These Securities are recorded as a separate balance in the Central Securities Account of the Client to whom Securities have been pledged for information purposes only and do not constitute the total holdings in the Client’s Central Securities Account.

4.3 Maintenance of Central Securities Accounts

- 4.3.1 Where there has been no activity and no holdings in a Central Securities Account for a period of at least 3 (three) years, Strate may record such Central Securities Account as dormant and notify the relevant Participant about such recording. No transactions may be recorded against a Central Securities Account that has been recorded as dormant, until the relevant Participant reinstates such Central Securities Account.
- 4.3.2 Strate may delete a Central Securities Account:
- 4.3.2.1 where the Central Securities Account has been recorded as dormant in terms of paragraph 4.3.1, and it remains dormant for a further period of at least 2 (two) years; or
 - 4.3.2.3 upon request by the Participant,
- and notify the relevant Participant about such deletion.
- 4.3.3 A Participant may freeze a Client’s Central Securities Account where the Participant is required to do so in terms of the Act, Strate Rules, Strate Directives or any other law. No transactions may be recorded against a frozen Central Securities Account until the Participant reinstates such Central Securities Account.
- 4.3.4 Only Strate may delete all Records of Central Securities Accounts from the Strate System and archive and retain such Records for a minimum period of 7 (seven) years.