

Directive of Strate (Pty) Ltd

Special Gazette No B1-2020

Strate Directive SD.3

Processing of Capital Events –

Bond Securities

strate

To facilitate, *inter alia*, the payment by Participants to Clients of interest, dividends and all other entitlements, received from Issuers, and the distribution by Participants to Clients of notices and other information received from Strate.

Issuers, Brokers and Nominees are reminded of their obligation in terms of the Act and the Strate Rules.

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1 **DISCLAIMER¹**

- 1.1 Strate does not make any representations or warranties, express or implied, as to the accuracy, completeness or reliability of information contained in any Capital Event Information published by Issuers, or an Exchange, and sent by Strate.
- 1.2 Strate will not be liable to any person for any delays in the sending or non-receipt of:
 - 1.2.1 Capital Event Information or other information published by Issuers or Issuer Agents, or an Exchange; or
 - 1.2.2 payments and other entitlements.
- 1.3 Strate will not be responsible or liable to any person for any loss or damage resulting from:
 - 1.3.1 any delay, act or omission on the part of any third party;
 - 1.3.2 incorrect, inaccurate, defective or misleading information furnished or supplied by the Issuer or Issuer Agent, an Exchange or any third party; or
 - 1.3.3 the interruption or failure of communications links, power failure, the loss or destruction of any data and any loss or damage caused by natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause.
- 1.4 Strate will not be liable for any loss incurred by any person as a result of amendment and / or cancellation of any Capital Event Information by the Issuer or Issuer Agent, an Exchange or any third party.
- 1.5 Strate will not be liable for any loss, damage or claim incurred by any person, including but not limited to Issuers, Participants and/or Clients of Participants, as a result of the bank, in whose account the cash entitlements are held, being declared insolvent, becoming the subject of business rescue proceedings or having a curator appointed in terms of any law, prior to those cash entitlements being distributed.

¹ Amended with effect from 1 March 2019

2 INTERPRETATIONS AND DEFINITIONS

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.

‘Beginning of Day (BOD)’ means the time as stipulated in Strate *Directive SD.1 – Operational Market Windows – On-market – Bond Securities – JSE*;

‘Books Closed Period’ means the time between Record Date and Payment Date during which time any transaction in a Security excludes the right to receive entitlements relating to the relevant Capital Event;

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

‘Capital Event Information’ means the essential terms of the Security, including Interest Payments, Redemption, RD, PD, tax or any other information as stipulated by the Issuer;

‘CSA’ means Central Securities Account;

‘DvP’ means delivery versus payment;

‘End of Day (EOD)’ means the time as stipulated in Strate *Directive SD.1 – Operational Market Windows – On-market – Bond Securities – JSE*;

‘JSE’ means the JSE Limited Registration Number 2005/022939/06;

‘JSE Settlement Authority’ means the person or persons appointed by the JSE to manage the settlement of transactions in equity Securities effected through the JSE Trading System;

‘Interest Payments’ means income payments due to the holders of Securities as stipulated in the Capital Event Information or as stipulated by the Issuer;

‘Interest Rate Trading System’ means the computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of bond Securities;

‘Issuer Agent’ means any person appointed by an Issuer to act as its agent in the performance of the functions set out in this Strate Directive;

‘ISIN’ means the International Securities Identification Number which is a unique internationally recognised Securities identification number that identifies the specific Security;

‘Member’ means an Authorised User, being a person authorised by the JSE in terms of the JSE rules to perform such Securities services as the JSE rules may permit;

‘MT XXX’ means the applicable SWIFT message type as identified by SWIFT from time to time;

‘Payment Date’ means the date on which entitlements are paid;

‘PD+X’ means the Payment Date plus X Business Days, ‘X’ being the number of Business Days stipulated in the Announcement and or Strate Directive;

‘Record Date (RD)’ means the date on which the holdings, upon which the Capital Event entitlement is based, are ascertained;

‘Redemption’ or Redemption Payments’ means the repayment to investors by an Issuer of the principal or other applicable amount as specified by the Issuer;

‘RD+X’ means the Record Date plus X Business Days, ‘X’ being the number of Business Days stipulated in the Announcement and or Strate Directive;

‘RD-X’ means the Record Date minus X Business Days, ‘X’ being the number of Business Days stipulated in the Announcement and or Strate Directive;

‘RvP’ means receive versus payment;

‘Same Day Settlement’ means a transaction booked to Strate on the same day on which Settlement occurs, irrespective of the actual trade date;

‘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 Lending and Borrowing Return Transaction’ means the return of Securities which had been loaned in terms of a Securities Lending and Borrowing Transaction;

‘Securities Lending Transaction’ or ‘Securities Lending and Borrowing Transaction’ means an arrangement in terms of which a person (lender) lends Securities to another person (borrower) subject to the borrower agreeing to return the loaned Securities within an agreed time period. Once the loaned Securities have settled, ownership of the Securities is transferred to the borrower. The borrower has the right to sell or on-lend the Securities during the life of the loan. In return, the borrower agrees to compensate the lender for any Capital Events in respect of the Securities which that lender would have been entitled to receive during the period of the loan had the arrangement not been entered into;

‘SWIFT’ means Society for Worldwide Interbank Financial Telecommunications;

‘T’ means Trade Date, which is the date on which a particular transaction was entered into;

‘T+X’ means Trade Date plus X Business Days, ‘X’ being a number of Business Days; and

‘Unlisted Securities’ means Securities that are not listed on an Exchange.

3 CAPITAL EVENT INFORMATION

- 3.1 The Issuer or Issuer Agent must in a time, manner and form as set out by Strate, provide Strate with the Capital Event Information and, in respect of Unlisted Securities, confirmation on whether the Interest Payments are subject to withholding tax.
- 3.2 Where the Issuer or Issuer Agent fails to provide any Capital Event Information, Strate will default the relevant indicators of such Capital Event to 'No'.
- 3.3 Subject to 3.1 above, Strate will electronically send to Participants:²
 - 3.3.1 a preliminary notification of the Capital Event Information 30 (thirty) Business Days before Payment Date,
 - 3.3.2 a final notification of the Capital Event Information 20 (twenty) Business Days before Payment Date,or within such period as may be determined by the Issuer in consultation with Strate.
- 3.4 Participants must notify their Clients who hold the respective Securities of the Capital Event Information upon receipt from Strate of the notifications referred to in 3.3 above.

4 DEMATERIALISATION AND REMATERIALISATION ORDERS³

With respect to Securities affected by a Capital Event:

- 4.1 Participants and Issuers or Issuer Agents must finalise the processing of any Dematerialisation or Rematerialisation orders by 13h00 on Record Date.
- 4.2 Participants must not send any Dematerialisation or Rematerialisation orders to Strate on Record Date. Participants must only recommence sending any dematerialisation or rematerialisation orders from RD+1.
- 4.3 Issuers or Issuer Agents may send instructions for the cancellation or reduction of Securities to Strate on Record Date, subject to the timelines stipulated in *Directive SD.2 – Operational Market Windows – Off-market – Bond Securities – JSE*.

5. RECORD DATE⁴

- 5.1 Determining Record Date holdings requires Participants and Clients to take into account all transactions that are due to settle on or before Record Date.
- 5.2 Holdings for the purpose of calculating Interest Payments will be those holdings held in Strate after Settlement has been completed on Record Date.
- 5.3 Holdings for the purpose of calculating the partial or full Redemption Payments will be those holdings held in Strate after Settlement has been completed on Record Date.

² Amended with effect from 1 March 2019

³ Section amended with effect from 1 March 2019

⁴ Section amended with effect from 1 March 2019

- 5.4 After Settlement has been completed on Record Date, Strate will provide the Issuer or Issuer Agent with details of the aggregate cash due to Participants on Payment Date in respect of Participants' entitlements.
- 5.5 After Settlement has been completed on Record Date, Strate will advise the Participants of the holdings per CSA on which calculations for their entitlements were based, and their expected entitlements, based on such holdings.
- 5.6 In those cases where the entitlement is distributed through the Strate System used for the processing of Settlement, the details of the Settlement are advised as soon as the orders have been generated by Strate on RD+1.
- 5.7 Any Securities that are Deposited or transferred in the records of Strate or Participants during the Books Closed Period, will not be eligible for the purpose of calculating Interest Payments.

6. PAYMENT ADVICE⁵

- 6.1 The Issuer or Issuer Agent must provide Strate with the Interest Payment or partial / full Redemption Payment amount and method of payment by EOD on PD-2 for Securities Generic Categories 1, 2, 3 and 4; and by 12h00 on PD, under exceptional circumstances, for Securities Generic Category 4.
- 6.2 Where Strate does not receive the payment advice as stipulated in 6.1, it will:
 - 6.2.1 notify Participants of such non-receipt; and
 - 6.2.2 not be obliged to facilitate the distribution of the cash entitlements to Participants; and Participants, Issuers and the Issuer Agents indemnify Strate from any liability arising from non-payment.
- 6.3 In the event of an error in the payment advice stipulated in 6.1, Strate may facilitate the rectification of such error between Participants, Issuers and the Issuer Agents, and Strate may charge the Issuer an additional fee for such facilitation.

⁵ Section amended with effect from 1 March 2019

7. PAYMENT DATE⁶

- 7.1 The Issuer must irrevocably fund its designated bank account with the total cash entitlements in respect of the dematerialised holdings, as provided to the Issuer or Issuer Agent by Strate, by 09h00 on Payment Date. Strate will facilitate the distribution of cash entitlements. Where the Issuer funds its designated bank account after:
- 7.1.1 09h00 on Payment Date, Strate may⁷ charge an additional fee for the late payment; and
 - 7.1.2 14h30 on Payment Date, Strate will:
 - 7.1.2.1 notify Participants of the late payment; and
 - 7.1.2.2 process payment to Participants on the next Business Day.
- 7.2 Strate will not facilitate the distribution of the cash entitlements or send an MT 566 message to Participants until the cash has been cleared and credited to the Issuer's bank account, in full, and within the time and method outlined in paragraph 7.1.
- 7.3 Where the Issuer does not fund in full in accordance with 7.1, Strate will have the right to withhold distribution of cash until after such cash has been received in accordance with 7.1 and cleared in full. Strate will not be liable for any interest claims or other liability attaching to non-payment or late distribution of cash. Where the Issuer does not fund in full in accordance with 7.1, and, within 48 (forty-eight) hours from the Payment Date stipulated in the Capital Event Information, Strate will withdraw the Capital Event from the Strate System and notify the Participants accordingly. Any entitlements received thereafter will be processed in consultation with the applicable Issuer outside the Strate System.
- 7.4 Where a Participant or Client entitled to receive the cash, chooses to distribute cash entitlements prior to receiving the cash, Strate will not accept or be held liable for any interest claims or other liability attaching to the payment of funds.
- 7.5 Participants must ensure that they pay their Clients on the same day that payment is received.

8 GENERAL⁸

Where a Capital Event does not conform to the Strate System functionality or to the procedures set out in this Strate Directive, such event may be processed as determined by Strate in consultation with the Issuer or Issuer Agent and the Participants.

⁶ Section amended with effect from 1 March 2019

⁷ Amended with effect 2 November 2020

⁸ Section amended with effect from 1 March 2019