

# Directive of Strate (Pty) Ltd

Special Gazette Number S5 2020  
Strate Directive SF.1

Fines Schedule – Strate Rules

**strate**

To cater for the imposition of fines for the contravention of the Strate Rules

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<sup>2</sup> Amended with effect from 1 August 2017

## 1 INTERPRETATIONS AND DEFINITIONS<sup>3</sup>

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

‘Batch’ means multiple transactions sent to Strate in one single electronic file, identified by a single system time stamp;

‘BOD’ means “Beginning of Day” and is the time as stipulated in the Strate Directives;

‘Corporate Action or Corporate 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;

‘EOD’ means End of Day which is the time as stipulated in the Strate Directives;

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

‘S’ means settlement day, the day on which a transaction in a particular Security is settled through Strate;

‘Strate Operations’ means the operations division of Strate responsible for communication between Participants, Business Partners, Exchanges, SARB and Strate relating to settlement operations;

‘Strate Supervision’ means the supervision division of Strate headed by the Head of Strate Supervision and set up by the Controlling Body in terms of the Strate Rules; and

‘Strate System’ means the computer system or systems and associated network or networks operated or used by Strate for the purpose of clearing and settlement of transactions in Securities, or any other purpose performed by Strate in terms of the Act.

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<sup>3</sup> Amended with effect from 1 November 2017

## 2 APPLICATION

- 2.1 The following fines, which do not attract Value Added Tax, may be levied on Participants, by Strate for contravention of the Strate Rules.
- 2.2 Notwithstanding the imposition of a fine in terms of this Strate Directive, further penalties may be imposed against a Participant in terms of the Strate Rules.
- 2.3 Where any time is stipulated by Strate Directive, the time as reflected on the Strate system is applicable.

3 FINES<sup>4</sup>

| CONTRAVENTION   | FINE   |
|---|--|
| <p><b>3.1 Unconditional commit of Securities</b><br/>           Contravention of Strate Rule 7.3.2.1</p> <p>Once a Participant’s conditional commitment to settlement of a transaction in Securities becomes unconditional as stipulated by Strate Directive, it must ensure that the transaction settles on S.</p> | <p>R10 000 per transaction leg where the transaction leg is in an “Overdue Lack of Securities” status at BOD on S.</p> <p>Transaction legs that remain unsettled after the final payment run of the day and which fail by EOD, may, in addition to the fine, result in disciplinary action being taken against the Participant in terms of sections 11 and 12 of the Strate Rules.</p> |
| <p><b>3.2 Balancing of Counters</b><br/>           Contravention of Strate Rule 5.3</p> <p>Participants must reconcile balances with Strate on a daily basis.</p>   | <p>R2 500 per ISIN per Business Day in which the Participant’s records remain out of balance with those of Strate, except where such imbalance has been caused by the processing of a dematerialisation or rematerialisation order, or a Corporate Action. All imbalances will be dealt with on a case by case basis.</p>  |
| <p><b>3.3 Debit Balances</b><br/>           Contravention of Strate Rule 7.4</p> <p>A Participant must not give, or give effect to, an instruction which would result in any of the Securities Accounts maintained by the Participant reflecting a Debit Balance.</p>   | <p>R50 000 per instance where a Securities Account reflects a Debit Balance.</p> <p>Where a Participant does not notify Strate Supervision within 24 (twenty-four) hours of the occurrence of a Debit Balance, this will be reported to the Regulatory and Supervisory Committee who may impose a further penalty in accordance with 2.2.</p>  |
| <p><b>3.4 Internalisation</b><br/>           Contravention of Rule 5.6.1</p> <p>All internal Off-market Trades, where the Participant is settling both legs of the transactions, must be booked in Strate.</p>  | <p>Not reporting such settlement transactions to Strate attracts a fine of R25 000 per settlement transaction and in addition to the fine, the Participant may be subject to further disciplinary action in terms of the Strate Rules.</p>   |

<sup>4</sup> Amended with effect from 1 November 2017

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| <p><b>3.5 Effecting Entries<sup>5</sup></b><br/>         Contravention of Rule 6.2.1.9</p> <p>A Participant must ensure that all Securities credited or debited to its Clients' Central Securities Accounts are credited or debited to the relevant Securities Accounts in its Records.</p> <p><i>Note: The fine for contravention of Strate Rule 6.2.1.9 is only applicable to the failure to effect debit entries.</i></p>                          | <p>R50 000 per instance for failure to effect a debit entry of Securities in the Participant's Records upon the completion of a corresponding debit of Securities in the applicable Central Securities Account; except where such failure has been caused by a timing delay that is beyond the control of the Participant, associated with the processing of a dematerialisation or rematerialisation order, pledge or release pledge, allotment or a Corporate Action. All such failures will be dealt with on a case by case basis.</p> |
| <p><b>3.6 Further Contraventions</b></p> <p>3.6.1 Where a contravention of this Strate Directive in relation to an individual transaction, results in a further contravention in respect of the same incident, a fine may be imposed for the first and any subsequent contravention.</p> <p>3.6.2 Where a Batch of transactions results in a contravention of this Strate Directive, a fine may be imposed for each transaction within the batch.</p> |   |

<sup>5</sup> Inserted with effect from 28 September 2020

#### **4 PAYMENT AND PUBLICATION OF FINES**

- 4.1 A Participant must, unless it has lodged an objection in terms of 4.2, pay the fines stipulated by this Strate Directive within 20 (twenty) Business Days of receipt of the monthly confirmation by Strate Supervision of the fines incurred in that month by such Participant.
- 4.2 Where a Participant wishes to object to a fine imposed by Strate, it must lodge such objection in writing, supported by mitigating evidence, within 5 (five) Business Days of receipt of notification of the fine.
- 4.3 Strate may, at the discretion of the Regulatory and Supervisory Committee, publish the circumstances giving rise to (and the details of) any fine imposed on Participants in terms of this Strate Directive.

#### **5 TECHNICAL DIFFICULTIES**

Where technical difficulties impair a Participant's ability to perform within the stipulated time frames, such difficulties may only be taken into account as mitigation where the Participant has advised Strate Operations timeously of such difficulties. Where technical difficulties of one Participant affect the ability of another Participant to perform within the stipulated time frames, such difficulties may be taken into account as mitigation for the other Participant.<sup>6</sup>

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<sup>6</sup> Section 5 "Capturing Errors" deleted with effect from 1 August 2017. Section 6 re-numbered with effect from 1 August 2017