

Directive of Strate (Pty) Ltd

Special Gazette Number S3-2021
Strate Directive SF.2

Fines Schedule – On market, Off-market
and Unlisted – Equity Securities

The logo for Strate, consisting of the word "strate" in a bold, lowercase, sans-serif font, enclosed within a white rectangular border. The background of the logo area is a dark grey triangle pointing towards the top-left corner, set against a black background.

strate

To cater for the imposition of fines by Strate for the contravention ¹of the following operational directives: Strate Directive SC.1 – Operational Market Windows – On-market – Equity Securities – JSE, Strate Directive SC.2 – Operational Market Windows – Off-market – Equity Securities - JSE² and A2X, Directive SH.3 - Operational Market Windows for Open Market - Equity Securities – ³Cape Town Stock Exchange (CTSE), Strate Directive – SI.1 Operational Market Windows and Securities Processing – A2X and Strate Directive - SC.7 Operational Market Windows – Unlisted – Equity Securities

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¹ Inserted with effect from 23 August 2021

² "Equities" changed to "Equity Securities" throughout the document with effect from 1 August 2017

³ Amended with effect 13 October 2021

⁴ Amended with effect from 1 August 2017

1 INTERPRETATIONS AND DEFINITIONS

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.

⁵‘CTSE’ or ‘the Exchange’ means Cape Town Stock Exchange Proprietary Limited (registration number 2013/031754/07);

‘CTSE Failed Trade Procedures’ means the actions to be taken by the CTSE in respect of On-market Trades executed on CTSE that are unlikely to Settle, as set out in the CTSE rules;⁶

‘A2X’ means A2X Proprietary Limited (registration number 2014/147138/07);⁷

‘Account Transfer’ means a free of payment transfer, resulting in no change in beneficial ownership, between a Client’s Securities Accounts, either at a single Participant or between Participants;

‘Back-to-Back Link’ or ‘Back-to-Back’ means the functionality which links two or more transactions of the same settlement date, and where the delivery of Securities is dependent upon the successful receipt of the same Securities. The criteria for applying these links are that the Securities, the settlement date and the CSA must be the same for all the settlement orders within the link;

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

‘Broker’ means an authorised user, being a person authorised by an Exchange in terms of the Exchange rules to perform such Securities services as the Exchange rules may permit;

⁸‘Business Partner’ means an entity which is not a Participant and which electronically interfaces with Strate to perform an essential market function;

⁹‘Collateral Account’ means a Securities Account or Central Securities Account in which a Client places Securities available for the purpose of a Collateral Agreement, or a balance in a Securities Account or Central Securities Account which has been designated by a Client as available for the purpose of a Collateral Agreement;

¹⁰‘Collateral Account Transfer’ means an Account Transfer from a Client’s Securities Account or Central Securities Account to the Client’s Collateral Account, and vice versa;

‘Collateral Agreement’ means an agreement between a Collateral Provider and a Collateral Taker, in terms of which a Collateral Provider grants or transfers an interest in Securities to a Collateral Taker, whether by means of a pledge, cession *in securitatem debiti* (cession to secure a debt) or an out-and-out cession (outright transfer), in order to secure the performance of relevant obligations;

‘Collateral Provider’ means a person who grants or transfers an interest in Securities to a Collateral Taker under a Collateral Agreement;

⁵ Inserted with effect from 23 August 2021

⁶ Inserted with effect from 23 August 2021

⁷ Inserted with effect from 6 October 2017

⁸ Inserted with effect from 23 August 2021

⁹ Inserted with effect from 23 August 2021

¹⁰ Inserted with effect from 23 August 2021

‘Collateral Return Transaction’ means a transaction where Securities are returned by a Collateral Taker to a Collateral Provider under a Collateral Agreement;

‘Collateral Taker’ means a person to whom an interest in Securities is granted or transferred by a Collateral Provider under a Collateral Agreement;

‘Collateral Transaction’ means a transaction affecting the granting or the transfer of an interest in Securities to a Collateral Taker by a Collateral Provider under a Collateral Agreement;

‘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;

‘CSA’ means Central Securities Account;

‘Dependency Link’ means the functionality which links two or more transactions across different settlement dates, and where the delivery of Securities is dependent upon the successful receipt of the same Securities; The criteria for applying these links are that the Securities and CSA must be the same for all the Settlement orders within the link;

‘Depository Receipt’ means a Security traded on a local Exchange or Off-market that represents a Security, usually in the form of equity, traded on an external Exchange;

‘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;

‘LDT’ means Last Day to Trade, which is the last date that anyone can trade On-market in order to qualify or participate in a Corporate Action;

‘LDT+X’ means Last Day to Trade plus X Business Days, ‘X’ being the number of Business Days stipulated in the Strate Directive;

‘Lending Account’ means a Securities Account or Central Securities Account in which a Client places Securities available for lending to the market, or a balance in a Securities Account or Central Securities Account which has been designated by a Client as available for lending to the market;¹¹

‘Lending Account Transfer’ means an Account Transfer from a Client’s Securities Account to the Client’s Lending Account, and vice versa;

‘Member’ means an authorised user being a person authorised by an Exchange in terms of the Exchange rules to perform such Securities services as the Exchange rules may permit;¹²

¹³‘On-Market Trade’ or ‘On-Market’ means a transaction in Securities executed on an Exchange;

‘Portfolio Movement’ means a free of payment transfer, resulting in no change in beneficial ownership, of a Client’s Securities portfolio when such Client changes service providers. The Portfolio Movements may take place between two Participants, two Brokers, two Investment managers or a combination thereof;

‘Record Date (RD)’ means the date on which the holdings, upon which the Corporate Action entitlement is based, are ascertained. RD is equal to LDT+5;

11 Amended with effect from 1 August 2017

12 Inserted with effect from 6 October 2017

¹³ Inserted with effect from 23 August 2021

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

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

‘SAMOS CPL’ means the SAMOS (South African Multiple Option Settlement System) Continuous Processing Line account as designated by the Participant, which is used for the purposes of funding the settlement of transactions;

‘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 Corporate 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;

‘Securities Lending Business Partner’ means a Business Partner that reports Securities Lending Transactions, Securities Lending and Borrowing Return Transactions, Collateral and Collateral Return Transactions;

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

‘Strate Operations’ means the operations division of Strate responsible for communication between Participants, Business Partners, Exchanges, SARB and Strate relating to settlement operations;¹⁴

‘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;¹⁵

‘T’ means trade date, the day on which a particular transaction was entered into; and

‘T+X’ means trade date plus X Business Days, ‘X’ being the number of Business Days stipulated in the Strate Directive.

2 APPLICATION

2.1 The following fines, which do not attract Value Added Tax, may be levied on Participants and Securities Lending Business Partners, by Strate ¹⁶Supervision for contravention of Strate Directive SC.1 *Operational Market Windows – On-market – Equity Securities – JSE*, Strate Directive SC.2 – *Operational Market Windows – Off-market – Equity Securities – JSE* and A2X, Strate Directive SI.1 – *Operational Market Windows and Securities Processing – A2X* and Strate Directive SC.7 – *Operational Market Windows – Unlisted – Equity Securities*^{17 18} and Strate Directive SH.3 – *Operational Market Windows for Open Market – Equity Securities – Cape Town Stock Exchange (CTSE)*.

2.2 Notwithstanding the imposition of a fine in terms of this Strate Directive, further penalties may be imposed against a Participant or Securities Lending Business Partner in terms of the Strate Rules.

¹⁴ Amended with effect from 6 October 2017

¹⁵ Amended with effect from 9 September 2019

¹⁶ Inserted with effect from 23 August 2021

¹⁷ Amended with effect from 1 November 2017

¹⁸ Inserted with effect 23 August 2021

2.3 Where any time is stipulated by Strate Directive, the time as reflected on the Strate System is applicable.

3 FINES¹⁹

CONTRAVENTION	SC.2 (SC.1) CROSS- REFERENCE	SC.7 (SI.1) CROSS- REFERENCE	SH.3 CROSS- REFERENCE	FINE
<p>3.1 Booking of same day transactions in respect of:</p> <ul style="list-style-type: none"> Off-market transactions for Client type 00. Depository Receipt (DR) transactions. Corporate Actions. <p>Transactions reported for Same Day Settlement in terms of section 9 of Strate Directive SC.2 ²⁰ and section 11 of Strate Directive SH.3 do not incur a fine, but an administration fee is payable to Strate.</p>	<p>par 3.8</p> <p>par 6.4</p> <p>par 8.5</p>	<p>par 4.1</p>	<p>par 6.7²¹</p> <p>par 9.4²²</p> <p>par 16.5²³</p>	<p>R5 000 per transaction leg reported to Strate.</p>
<p>3.2 Late reporting of transactions in respect of:</p> <ul style="list-style-type: none"> Off-market transactions for Client type 00 where S does not equal RD. Off-market transactions for Client types 00, 40, 50, 51 and 52 where S equals RD. Securities Lending and Borrowing, Securities Lending and Borrowing Return, Collateral and Collateral Return transactions issued by Participants²⁴ Securities Lending and Borrowing transactions and Securities Lending and Borrowing Return transactions 	<p>par 3.4</p> <p>par 9.2.2</p> <p>par 4.1.2</p> <p>par 4.2.3</p> <p>par 6.2</p>	<p>par 3.5</p> <p>par 4.2</p>	<p>par 6.4²⁶</p> <p>par 11.2.2²⁷</p> <p>par 7.1.2 and 7.1.4²⁸</p> <p>par 7.2.3 and 7.2.5²⁹</p>	<p>R1 000 per transaction leg reported to Strate after the set time parameter.</p>

¹⁹ Amended with effect from 1 November 2017. The fine in respect of SI.1 is inserted with effect from 6 October 2017. Amended with effect from 9 September 2019.

²⁰ Inserted with effect from 23 August 2021

²¹ Inserted with effect from 23 August 2021

²² Inserted with effect from 23 August 2021

²³ Inserted with effect from 23 August 2021

²⁴ Amended with effect from 23 August 2021

²⁶ Inserted with effect from 23 August 2021

²⁷ Inserted with effect from 23 August 2021

²⁸ Inserted with effect from 23 August 2021

²⁹ Inserted with effect from 23 August 2021

<p>issued by Securities Lending Business Partners.²⁵</p> <ul style="list-style-type: none"> • Depository Receipt (DR) transactions. • Corporate Action transactions. • Collateral and Collateral Return transactions (Client types 53 and 54) issued by Securities Lending Business Partners where S does not equal RD. • Collateral and Collateral Return transactions (Client types 53 and 54) issued by Securities Lending Business Partners where S equals RD. 	<p>par 8.2</p> <p>par 12.3</p> <p>par 12.5</p>		<p>par 9.2³⁰</p> <p>par 16.2³¹</p> <p>par 14.3³²</p> <p>par 14.5³³</p>	
<p>3.3 Late committing to transactions in respect of:</p> <ul style="list-style-type: none"> • Off-market transactions for Client type 00 where S does not equal RD. • Off-market transactions for Client types 00, 40, 50, 51 and 52 where S equals RD. • Securities Lending and Borrowing, Securities Lending and Borrowing Return, Collateral and Collateral Return transactions issued by Participants.³⁴ • Securities Lending and Borrowing transactions and Securities Lending and Borrowing Return transactions issued by Securities Lending Business Partners.³⁵ • Depository Receipt (DR) transactions. • Corporate Action transactions. • Collateral and Collateral Return transactions (Client types 53 and 54) issued by Securities Lending 	<p>par 3.6, 3.7.1 and 3.7.3</p> <p>par 9.2.2</p> <p>par 4.1.3</p> <p>par 4.2.4</p> <p>par 6.2</p> <p>par 8.3</p>	<p>par 3.5</p> <p>par 4.3</p>	<p>par 6.6 and 6.6.1³⁸</p> <p>par 11.2.2³⁹</p> <p>par 7.1.3 and 7.1.4⁴⁰</p> <p>par 7.2.4 and 7.2.5⁴¹</p> <p>par 9.2⁴²</p> <p>par 16.3 and 16.4⁴³</p>	<p>R1 000 per transaction leg committed to after the set time parameter.</p>

²⁵Amended with effect from 23 August 2021

³⁰ Inserted with effect from 23 August 2021

³¹ Inserted with effect from 23 August 2021

³² Inserted with effect from 23 August 2021

³³ Inserted with effect from 23 August 2021

³⁴ Amended with effect from 23 August 2021

³⁵ Amended with effect from 23 August 2021

³⁸ Inserted with effect from 23 August 2021

³⁹ Inserted with effect from 23 August 2021

⁴⁰ Inserted with effect from 23 August 2021

⁴¹ Inserted with effect from 23 August 2021

⁴² Inserted with effect from 23 August 2021

⁴³ Inserted with effect from 23 August 2021

<p>Business Partners where S does not equal RD.</p> <ul style="list-style-type: none"> Collateral and Collateral Return transactions (Client types 53 and 54) issued by Securities Lending Business Partners where S equals RD. 	<p>³⁶par 12.4</p> <p>³⁷par 12.5</p>		<p>par 14.4⁴⁴</p> <p>par 14.5</p>	
<p>3.4 Unauthorised Account Transfers, Lending Account Transfers and Portfolio Movements on Record Date⁴⁵</p> <p>Account Transfers, Collateral Account Transfers, Lending Account Transfers and Portfolio Movements, between Participants and between Central Securities Accounts when the transfer involves a single Participant, are not permitted on RD in respect of Securities where there is a pending Corporate Event.</p> <p>Transactions reported for Same Day Settlement on RD in terms of section 9 of Strate Directive SC.2⁴⁶ and section 11 of Strate Directive SH.3 do not incur a fine, but an administration fee is payable to Strate.</p>	<p>par 5.4, 7.4 and 11.4</p>		<p>par 8.4, 10.4 and 13.4⁴⁷</p>	<p>R10 000 per transaction leg reported to Strate during this time frame.</p>
<p>3.5 Unauthorised transactions on Record Date for Client types 00, 40, 50, 51, 52, 53 and 54</p> <p>Transactions, between Participants and between Central Securities Accounts where the transfer involves a single Participant, are not permitted after 09h00 on RD in respect of Securities where there is a pending Corporate Event.</p>	<p>par 9.2.2</p>		<p>par 11.2.2⁴⁸</p>	<p>R10 000 per transaction leg reported to Strate during this time frame.</p>
<p>3.6 Back-to-Back Links</p> <p>Back-to-Back links must be in place by stipulated timeframe.</p>	<p>par 3.7.1</p> <p>par 4.1.5</p> <p>par 4.2.6</p>		<p>par 6.6.1</p> <p>par 7.1.5</p> <p>par 7.2.6</p>	<p><i>(In terms of Strate Directive SF.1 - Fines Schedule – Strate Rules clause 3.1, the overdue</i></p>

³⁶ Inserted with effect from 23 August 2021

³⁷ Inserted with effect from 23 August 2021

⁴⁴ Inserted with effect from 23 August 2021

⁴⁵ Section amended with effect from 7 November 2019

⁴⁶ Inserted with effect from 23 August 2021

⁴⁷ Inserted with effect from 23 August 2021

⁴⁸ Inserted with effect from 23 August 2021

	par 12.7		par 14.7 ⁴⁹	<i>deliver transaction attracts a fine of R10 000.)</i>
<p>3.7 All Off-market transactions in listed Securities for Client type 00 must conform to a T+3 settlement cycle.</p> <p>Transactions reported for Same Day Settlement in terms of section 9 of Strate Directive SC.2 ⁵⁰and section 11 of Strate Directive SH.3 do not incur a fine, but an administration fee per transaction is paid to Strate.</p> <p>All transactions in unlisted Securities for Client type 00 may not exceed a T+3 settlement cycle.</p>	par 3.1	par 3.2	par 6.1 ⁵¹	R1 000 per Off-market transaction leg that is reported and settled to Strate on a shorter than T+3 settlement cycle (listed) or greater than T+3 settlement cycle (unlisted).
3.8 Account Transfers, Portfolio Movements, Collateral Account Transfers and Lending Account Transfers must be processed with the free of payment settlement type.	par 5.5, 7.5 and 11.5	par 6.4 and 7.4	par 8.5, 10.5 and 13.5 ⁵²	R1 000 per transaction leg that is reported and settled to Strate against payment.
3.9 Account Transfers, Portfolio Movements, Collateral Account Transfers and Lending Account Transfers are permitted provided that there is no change in beneficial ownership.	par 5.3, 7.3 and 11.3	par 6.3 and 7.3	par 8.3, 10.3 and 13.3 ⁵³	R1 000 per transaction leg that is reported to Strate with the taxable indicator as “yes”.
<p>3.10 Funding of the SAMOS CPLaccount on S</p> <p>Failure by the Participant to fund the SAMOS CPL by 09h00 for the first settlement run or within 30 minutes of receipt of the payment advice from Strate for subsequent runs.</p>	par 3.18 <i>(par 3.4.3)</i>	par 3.17 <i>(par 2.2.17)⁵⁴</i>	par 2.2.14 and par 6.17 ⁵⁵	R20 000 for failure to fund by 09h00 for the first settlement run or within 30 minutes of receipt of the payment advice for subsequent settlement runs, and an additional R10 000 for each additional 30 minutes (or part thereof) during which the SAMOS CPL remains unfunded.
<p>3.11 Further Contraventions</p> <p>3.11.1 Where an individual transaction results in a contravention of this</p>				

⁴⁹ Inserted with effect from 23 August 2021

⁵⁰ Inserted with effect from 23 August 2021

⁵¹ Inserted with effect from 23 August 2021

⁵² Inserted with effect from 23 August 2021

⁵³ Inserted with effect from 23 August 2021

⁵⁴ Inserted with effect from 6 October 2017

⁵⁵ Inserted with effect from 23 August 2021

<p>Strate Directive any further contravention arising from the same incident, may result in further fines.</p> <p>3.11.2 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>			
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4 PAYMENT AND PUBLICATION OF FINES

- 4.1 A Participant or Securities Lending Business Partner 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 Participant⁵⁶ or Securities Lending Business Partner.
- 4.2 Where a Participant or Securities Lending Business Partner wishes to object to a fine imposed by Strate,⁵⁷ Supervision 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 Strate⁵⁸ Supervision 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

- 5.1 Where technical difficulties impair a Participant's or Securities Lending Business Partner's ability to perform within the stipulated time frames, such difficulties may only be taken into account as mitigation where the entity has advised Strate Operations timeously of such difficulties. Where technical difficulties of one Participant or⁵⁹ Securities Lending Business Partner affect the ability of another Participant or⁶⁰ Securities Lending Business Partner to perform within the stipulated time frames, such difficulties may be taken into account as mitigation for the other Participant or⁶¹ Securities Lending Business Partner.⁶²

⁵⁶ Inserted with effect from 23 August 2021

⁵⁷ Inserted with effect from 23 August 2021

⁵⁸ Inserted with effect from 23 August 2021

⁵⁹ Inserted with effect from 23 August 2021

⁶⁰ Inserted with effect from 23 August 2021

⁶¹ Inserted with effect from 23 August 2021

⁶² Section 5 "Capturing Errors" deleted with effect from 1 August 2017. Section 6 re-numbered with effect from 1 August 2017