

# Directive of Strate (Pty) Ltd

Special Gazette No B1-2021  
Strate Directive SF.3

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

**strate**

**To cater for the imposition of fines by Strate for the contravention of Strate Directive SD.1 – Operational Market Windows – On-market – Bond Securities – JSE and ETP,<sup>1</sup> Strate Directive SD.2 – Operational Market Windows – Off-market – Bond Securities – JSE and Strate Directive – SD.5 Operational Market Windows - Unlisted – Bond Securities<sup>1 2</sup> and Strate Directive SH.5 - Operational Market Windows for Open Market – Bond Securities – <sup>3</sup>Cape Town Stock Exchange (CTSE)**

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<sup>1</sup> Amended with effect from 18 July 2018

<sup>2</sup> Inserted with effect from 23 August 2021

<sup>3</sup> Amended with effect 13 October 2021

<sup>4</sup> Amended with effect from 26 September 2017

## 1 INTERPRETATIONS AND DEFINITIONS<sup>5</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.

<sup>6</sup>‘CTSE’ or ‘the Exchange’ means Cape Town Stock Exchange Proprietary Limited (registration number 2013/031754/07);

‘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;

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

‘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;

‘Collateral Account’ means a Securities Account or Central Securities Account, or a balance in a Securities Account or Central Securities Account, in which a Client places Securities available for the purpose of a Collateral Agreement;

‘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;

<sup>7</sup>‘Collateral Return Transaction’ means a transaction where Securities are returned by the Collateral Taker to the 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;

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<sup>5</sup> Amended with effect from 26 September 2017 and 18 July 2018

<sup>6</sup> Inserted with effect from 23 August 2021

<sup>7</sup> Inserted with effect from 23 August 2021

<sup>8</sup>'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;

'CSA' means a 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;

'ETP' means the Electronic Trade Platform;

'ETP Trading System' means the computer system or systems and associated network or networks operated or used by the National Treasury and the JSE for the purpose of providing the ETP market for the trading of bond Securities;

'Lending Account' means a Securities Account or Central Securities Account, or a balance in a Securities Account or Central Securities Account, in which a Client places Securities available for lending to the market;

'Lending Account Transfer' means an Account Transfer from a Client's Securities Account or Central 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;

'National Treasury' means the National Treasury of the Republic of South Africa, the department responsible for managing South Africa's national government finances;

'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 Capital Event entitlement is based, are ascertained;

'S' means Settlement date, the day on which a transaction in a particular Security is Settled through Strate;

'Same Day Settlement' means a T+3, T+2, T+1, T+n, Account Transfer, Portfolio Movement, Collateral Account Transfer or Lending Account Transfer transaction reported to Strate on the same day on which Settlement occurs;

'Same Day Trade' or T+0' means a transaction in respect of which the trade date equals the Settlement date;

<sup>9</sup>'Securities Lending Business Partner' means a Business Partner that reports Securities Lending Transactions, Securities Lending and Borrowing Return Transactions, Collateral and Collateral Return Transactions;

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<sup>8</sup> Inserted with effect from 23 August 2021

<sup>9</sup> Inserted with effect from 23 August 2021

<sup>10</sup>'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 a certain time period. Once the loaned Securities have Settled, ownership and other rights attached to the Securities are transferred to the borrower. The borrower has the right to sell or re-lend the (borrowed) Securities during the life of the loan. In return, the borrower agrees to compensate the lender for any Capital Event distributions in respect of the Securities which that lender would have been entitled to receive during the period had the arrangement not been entered into;

<sup>11</sup>'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;

<sup>12</sup>'Strate Supervision' means the supervision division of Strate set up by the Controlling Body in terms of the Strate Rules;

'T' means trade date, which is the Business Day on which a particular Security was traded. Where a particular Security was traded on a non-Business Day, 'T' means the next Business Day following such non-Business Day on which such Security was traded;

'T+X' means trade date plus X Business Days, 'X' being the number of Business Days stipulated in the Strate Directive;

'Unlisted transaction' or 'Unlisted' means an Off-market transaction in respect of a Security that is not listed on an Exchange.

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<sup>10</sup> Inserted with effect from 23 August 2021

<sup>11</sup> Inserted with effect from 23 August 2021

<sup>12</sup> Amended with effect from 23 August 2021

## 2 APPLICATION

2.1 The following fines, which do not attract Value Added Tax, may be levied on Participants and <sup>13</sup>Securities Lending Business Partners, by Strate <sup>14</sup>Supervision for contravention of Strate Directive SD.1 – Operational Market Windows – On-Market – Bond Securities – JSE and ETP, Strate Directive SD.2 – Operational Market Windows – Off-market – Bond Securities – JSE, <sup>15</sup>Strate Directive SD.5 – Operational Market Windows – Unlisted – Bond Securities<sup>16</sup> <sup>17</sup>and Strate Directive SH.5 - Operational Market Windows for Open Market – Bond 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 Business Partner 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.

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<sup>13</sup> Inserted with effect from 23 August 2021

<sup>14</sup> Inserted with effect from 23 August 2021

<sup>15</sup> Amended with effect from 23 August 2021

<sup>16</sup> Amended with effect from 26 September 2017 and 18 July 2018

<sup>17</sup> Inserted with effect from 23 August 2021

### 3 FINES<sup>18</sup>

CONTRAVENTION	SD.2 and SD.5 CROSS- REFERENCE	*SD.1 <u>and</u> <sup>19</sup> SH.5 CROSS- REFERENC E	FINE
<p><b>3.1 Reporting of unauthorised Same Day Settlement transactions in respect of:</b></p> <p>Off-market and Unlisted transactions for Client types 00 and 55 (except for Same Day Settlement for Client type 00 transactions where permission has been granted or under exceptional circumstances and T+0 transactions).</p>	par 3.2.1	par 5.2.1 <sup>20</sup>	R5 000 per transaction leg reported to Strate.
<p><b>3.2 Late reporting of transactions in respect of:</b></p> <ul style="list-style-type: none"> <li>Off-market and Unlisted transactions for Client types 00 and 55 where S does not equal RD (except for T+0 transactions for Client types 00 and 55 and Same Day Settlement for Client type 00).</li> <li>Off-market and Unlisted transactions for Client types 00 and 55 where S equals RD.</li> <li>Off-market and Unlisted versus payment T+0 transactions for Client types 00 and 55 and Same Day Settlement for Client type 00.</li> <li>Off-market and Unlisted free of payment T+0 transactions and Same Day Settlement for Client types 00 and 55.</li> <li>Off-market and Unlisted transactions for Client type 50 where S does not equal RD.</li> <li>Off-market and Unlisted transactions for Client type 50 where S equals RD.</li> <li>Off-market and Unlisted transactions for Client types 30, 31, and 33 where S does not equal RD.</li> </ul>	<p>par 3.2.3</p> <p>par 8</p> <p>par 9.1</p> <p>par 9.5</p> <p>par 4.1.2</p> <p>par 4.1.4</p> <p>par 5.2, 6.2 and 7.2</p> <p>par 5.4, 6.4 and 7.4</p>	<p>par 5.2.3<sup>21</sup></p> <p>par 10.1 and 10.2<sup>22</sup></p> <p>par 11.1<sup>23</sup></p> <p>par 11.5<sup>24</sup></p> <p>par 6.1.2<sup>25</sup></p> <p>par 6.1.4<sup>26</sup></p> <p>par 7.2, 8.2 and 9.2<sup>27</sup></p>	<p>R1 000 per transaction leg reported to Strate after the set time parameter.</p>

<sup>18</sup> Amended with effect from 26 September 2017 and 18 July 2018

<sup>19</sup> Inserted with effect from 23 August 2021

<sup>20</sup> Inserted with effect from 23 August 2021

<sup>21</sup> Inserted with effect from 23 August 2021

<sup>22</sup> Inserted with effect from 23 August 2021

<sup>23</sup> Inserted with effect from 23 August 2021

<sup>24</sup> Inserted with effect from 23 August 2021

<sup>25</sup> Inserted with effect from 23 August 2021

<sup>26</sup> Inserted with effect from 23 August 2021

<sup>27</sup> Inserted with effect from 23 August 2021

<ul style="list-style-type: none"> <li>Off-market and Unlisted transactions for Client types 30, 31, and 33 where S equal RD.</li> </ul>		par 7.4, 8.4 and 9.4	
<p><b>3.3 Late committing to transactions in respect of:</b></p> <ul style="list-style-type: none"> <li>Off-market and Unlisted transactions for Client types 00 and 55 where S equals RD.</li> <li>Off-market and Unlisted versus payment T+0 transactions for Client types 00 and 55 and Same Day Settlement for Client type 00.</li> <li>Off-market and Unlisted free of payment T+0 transactions and Same Day Settlement for Client types 00 and 55.</li> <li>Off-market and Unlisted transactions for Client type 50 where S does not equal RD.</li> <li>Off-market and Unlisted transactions for Client type 50 where S equals RD.</li> <li>Off-market and Unlisted transactions for Client types 30, 31, and 33 where S does not equal RD.</li> <li>Off-market and Unlisted transactions for Client types 30, 31, and 33 where S equal RD.</li> <li>All T+0 On-market transactions.</li> <li>All T+3 On-market transactions executed on the ETP Trading System.</li> </ul>	<p>par 8</p> <p>par 9.1 and 9.3</p> <p>par 9.5 and 9.3</p> <p>par 4.1.3</p> <p>par 4.1.4</p> <p>par 5.2, 6.2 and 7.2</p> <p>par 5.4, 6.4 and 7.4</p>	<p>par 10.1 and 10.2<sup>28</sup></p> <p>par 11.1 and 11.3<sup>29</sup></p> <p>par 11.5 and 11.3<sup>30</sup></p> <p>par 6.1.3<sup>31</sup></p> <p>par 6.1.4<sup>32</sup></p> <p>par 7.2, 8.2 and 9.2<sup>33</sup></p> <p>par 7.4, 8.4 and 9.4<sup>34</sup></p> <p>par 3.3.1.2 par 3.3.1.2<sup>35</sup></p> <p>*par 3.3.1.3</p>	R1 000 per transaction leg committed to after the set time parameter.
<p><b>3.4 Exceeding the maximum Settlement cycle</b></p> <p>Client type 00 transactions must not exceed the maximum Settlement cycle after the trade date of the original Client instruction.</p>	par 3.2.5	par 5.2.5 <sup>36</sup>	R1 000 per transaction leg which exceeds the maximum Settlement cycle of 9 (nine) Business Days after the original trade date.
<p><b>3.5 Unauthorised un-commit of SARB reverse repurchase transactions</b></p> <p>Un-committing to SARB reverse repurchase transactions without approval from the SARB.</p>		*par 3.3.3	R10 000 per transaction leg.

<sup>28</sup> Inserted with effect from 23 August 2021

<sup>29</sup> Inserted with effect from 23 August 2021

<sup>30</sup> Inserted with effect from 23 August 2021

<sup>31</sup> Inserted with effect from 23 August 2021

<sup>32</sup> Inserted with effect from 23 August 2021

<sup>33</sup> Inserted with effect from 23 August 2021

<sup>34</sup> Inserted with effect from 23 August 2021

<sup>35</sup> Inserted with effect from 23 August 2021

<sup>36</sup> Inserted with effect from 23 August 2021



<p><b>3.6 Back-to-Back and Dependency Links</b></p> <p>Back-to-Back Links and Dependency Links must be in place by the stipulated timeframe.</p>	<p>par 3.3.1.1 and 3.3.1.3</p>	<p>*par 3.3.4 par 3.3.3, 5.3.1.1 and 5.3.1.3<sup>37</sup></p>	<p>R1 000 per transaction leg in the Back-to-Back Link or Dependency Link that is not in place by the stipulated time.</p>
<p><b>3.7</b> Account Transfers, Collateral Account Transfers, Lending Account Transfers and Portfolio Movements must be processed with the free of payment Settlement type.</p>	<p>par 5.5, 6.5 and 7.5</p>	<p>par 7.5, 8.5 and 9.5<sup>38</sup></p>	<p>R1 000 per transaction leg that is reported to Strate against payment.</p>
<p><b>3.8</b> Account Transfers, Collateral Account Transfers, Lending Account Transfers and Portfolio Movements are permitted provided that there is no change in beneficial ownership.</p>	<p>par 5.3, 6.3 and 7.3</p>	<p>par 7.3, 8.3 and 9.3<sup>39</sup></p>	<p>R1 000 per transaction leg that is reported to Strate with the taxable indicator as “yes”.</p>
<p><b>3.9 Funding of the applicable SAMOS account on S</b></p> <p>Failure by the Participant to fund the applicable SAMOS account within 30 minutes of receipt of the payment advice from Strate Operations.</p>	<p>par 3.6.2</p>	<p>par 3.7.2 par 3.6.2<sup>40</sup></p>	<p>R20 000 for failure to fund within 30 minutes of receipt of the payment advice, and an additional R10 000 for each additional 30 minutes (or part thereof) during which the applicable SAMOS account remains unfunded.</p> <p>The fine in respect of failure to fund for the first Settlement run will only be applicable from 10h00 on S, or 30 minutes after receipt of the applicable payment advice, whichever is later.</p>
<p><b>3.10 Further Contraventions</b></p> <p>3.10.1 Where an individual transaction results in a contravention of this Strate Directive any further contravention arising from the same incident, may result in further fines.</p> <p>3.10.2 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>			

\* This clause is applicable to Directive SD.1 only

<sup>37</sup> Inserted with effect from 23 August 2021

<sup>38</sup> Inserted with effect from 23 August 2021

<sup>39</sup> Inserted with effect from 23 August 2021

<sup>40</sup> Inserted with effect from 23 August 2021

## 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 <sup>41</sup>Strate Supervision of the fines incurred in that month by such Participant or Securities Lending Business Partner.<sup>42</sup>
- 4.2 Where a Participant or Securities Lending Business Partner wishes to object to a fine imposed by Strate <sup>43</sup>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 Strate <sup>44</sup>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<sup>45</sup>

- 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 or <sup>46</sup>Securities Lending\_Business Partner affect the ability of another Participant or <sup>47</sup>Securities Lending\_Business Partner to perform within the stipulated time frames, such difficulties may be taken into account as mitigation for the other Participant or <sup>48</sup>Securities Lending Business Partner.

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<sup>41</sup> Amended with effect from 23 August 2021

<sup>42</sup> Inserted with effect from 23 August 2021

<sup>43</sup> Inserted with effect from 23 August 2021

<sup>44</sup> Inserted with effect from 23 August 2021

<sup>45</sup> "Capturing Errors" deleted and "Technical Difficulties" re-numbered with effect from 26 September 2017

<sup>46</sup> Inserted with effect from 23 August 2021

<sup>47</sup> Inserted with effect from 23 August 2021

<sup>48</sup> Inserted with effect from 23 August 2021