

Directive of Strate (Pty) Ltd

Special Gazette No X2-2019
Strate Directive SI.1

Operational Market Windows and Securities
Processing - Equity Securities – A2X

The logo consists of a white rectangular border containing the word "strate" in a bold, lowercase, sans-serif font. The background of the entire page is split diagonally from the top-left to the bottom-right. The upper-left portion is dark grey, and the lower-right portion is black. A teal-colored triangle is located in the bottom-right corner of the page, overlapping the black area.

strate

To cater for the Settlement of transactions in Securities traded on A2X, to provide for special circumstances under which commitments to Settle transactions in equity Securities traded on A2X may be reversed, and to cater for other related matters

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1. INTERPRETATION AND DEFINITIONS¹

1.1 Types of Transactions:

DVP – Delivery Versus Payment
RVP – Receive Versus Payment
DFP – Deliver Free of Payment
RFP – Receive Free of Payment
RMO – Receive Money Only
PMO – Pay Money Only

1.2 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.

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

‘A2X Settlement Committee’ means the settlement committee of A2X, as defined in the A2X rules, responsible for managing the Settlement of transactions in Securities effected through the A2X Trading System;

‘A2X Trading System’ means the computer system or systems and associated network or networks operated or used by A2X for the purpose of providing a market for the trading of Securities;

‘A2C’ means the A2X Clearing System operated by A2X;

‘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;

‘BOD’ means ‘Beginning of Day’ and is the time as stipulated in this Strate Directive;

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

‘Capital Exposure Requirement’ means Securities or funds provided by Members to cover their exposures on A2X, for the assurance of Settlement;

‘Compulsory Principal Assumption’ means a transaction that has been booked on the A2C system to a Client where the Client fails to meet its obligations and the A2X Member assumes the obligation to Settle the Client’s transaction through the A2X Member’s Participant. This has the same effect as Compulsory Reverse Substitution;

‘Compulsory Reverse Substitution’ means a transaction that has been booked on the ECS system to a Non-controlled Client where the Non-controlled Client fails to meet its obligations and the JSE Broker assumes the obligation to Settle the transaction through such JSE Broker’s Participant. This has the same effect as Compulsory Principal Assumption;

‘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;

¹ Amended with effect from 15 November 2018

‘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;

‘EOD’ means ‘End of Day’ and is the time as stipulated in this Strate Directive;

‘Failed Trade’ means an On-Exchange Trade that is declared by the A2X Settlement Committee to be a Failed Trade in terms of the A2X rules;

‘Failed Trade Procedures’ means the actions to be taken by the A2X Settlement Committee in respect of On-Exchange Trades that are unlikely to Settle, as set out in the A2X rules;

‘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 an Exchange in terms of the Exchange rules to perform such Securities Services as the Exchange rules may permit;

‘Off-Exchange Transaction’ or ‘Off-Exchange’ means a transaction in Securities which is not executed on the A2X Exchange or any other Exchange;

‘On-Exchange Trade’ or ‘On-Exchange’ means a transaction in Securities executed on the A2X Exchange;

‘Principal Assumption’ means a Compulsory Principal Assumption or a Voluntary Principal Assumption;

‘Record Date’ or ‘RD’ means the date on which the holdings, upon which the Corporate Action entitlement is based, are ascertained;

‘S’ means Settlement date, which is the Business Day on which a transaction in a particular Security is Settled through Strate;

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

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

‘T’ means trade date, the day on which a particular Security was traded;

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

‘Voluntary Principal Assumption’ means a transaction that has been booked to a Client’s account on the A2C system and is reversed to an A2X Member’s proprietary account.

2. SETTLEMENT OF ON-EXCHANGE TRADES

2.1 General

2.1.1 The following are the basic considerations and assumptions on which the operational timings in this Strate Directive are based:

- 2.1.1.1 the timings are those established in the Strate System;
- 2.1.1.2 for all incoming messages, it is 'Received Time' by the Strate System;
- 2.1.1.3 for all outgoing messages, it is 'Sent Time' by the Strate System;
- 2.1.1.4 for internal processing, it is 'Processing Time' by the Strate System; and
- 2.1.1.5 the same rules will apply to On-Exchange and Off-Exchange transactions.

A Participant must have at least one Central Securities Account at Strate.

The timings on transaction acceptance, confirmations and commitments, as provided for in this Strate Directive are not driven by system controls. As a result, it is possible that the Strate System might accept inputs beyond these timings. Such acceptances must not be seen as an assurance that the transactions will Settle.

2.2 Operational Timings – On-Exchange Trades²

The following operational timings apply in respect of the Settlement of transactions in equity Securities traded on the A2X Exchange. These operational timings are based on the assumptions and considerations provided in sub-section 2.1.

- 2.2.1 Strate's BOD is at 03h00. Strate's EOD is at 19h00. Should A2X or Participants require Strate to move the EOD parameter beyond 19h00, the requestor needs to inform Strate in writing by no later than 17h30 on such day.
- 2.2.2 The Settlement cycle for A2X On-Exchange Trades is T+3. A2X will send to Strate On-Exchange Trades as follows:
 - 2.2.2.1 allocations of Clients' On-Exchange Trades will be sent from 09h00 to 17h00 on T;
 - 2.2.2.2 re-allocations of Clients' On-Exchange Trades will be sent until 18h00 on T+1; and
 - 2.2.2.3 Member nett On-Exchange trades will be sent on T+1 at 19h00.
- 2.2.3 Where Strate receives On-Exchange Trades from A2X between 09h00 and 17h00 on T, Strate will send the On-Exchange Trades to Participants upon receipt on T. Strate will send to Participants re-allocations in real-time until 18h00 on T+1, and Member nett On-Exchange Trades at BOD on T+2.
- 2.2.4 Participants may reject On-Exchange Trades received from Strate. Participants must send their Settlement allegation rejections to Strate by 18h00 on the day of receipt of the Settlement allegation.
- 2.2.5 Participants must ensure that instructions are received from their Clients prior to committing to On-Exchange Trades.

² Amended with effect from 15 November 2018

- 2.2.6 Participants may “un-commit” to committed On-Exchange Trades up to 18h00 on T+1. Thereafter Participants may only un-commit to committed On-Exchange Trades between 18h00 on T+1 and 15h00 on T+2 subject to approval by the A2X Settlement Committee via Strate Operations, in accordance with section 3 below.
- 2.2.7 Participants must commit to On-Exchange Trades by 15h00 on T+2. If they are unable or not in a position to commit to the On-Exchange Trades, they must inform Strate Operations and A2X Settlement Committee of their intentions/reasons.
- 2.2.8 Back-to-Back Links for On-Exchange Trades must be in place by 15h00 on T+2. If a Dependency Link is created for un-committed transactions, it must be in place by 15h00 on T+2.
- 2.2.9 As required and in consultation with A2X, Participants and any other applicable Exchange, the removal program that breaks the Back-to-Back Links is initiated by Strate Operations.
- 2.2.10 A2X will initiate Principal Assumption at 16h00 on T+2 and generate On-Exchange Trades to Strate thereafter. Strate will send Principal Assumption On-Exchange Trades to Participants upon receipt from 16h00 on T+2, and Participants must commit to such On-Exchange Trades by 18h00 on T+2.
- 2.2.11 In the event that an On-Exchange Trade is identified as a potential Failed Trade, the A2X Settlement Committee may initiate the Failed Trade Procedures on T+2 after completion of Principal Assumption. A2X Settlement Committee may also initiate the Failed Trade Procedures between 10h00 and 12h00 on T+3 for any un-Settled transactions.
- 2.2.12 Upon completion of the Failed Trade Procedures, Strate will extend operating windows to enable Participants to un-commit, commit, create Back-to-Back or Dependency Links, or remove Back-to-Back Links.
- 2.2.13 Participants must reconcile their Securities positions in the Strate System. For this purpose, the Strate System generates a statement of holdings message at 18h00 on a daily basis or only on such days when there has been a change in Securities positions in a Central Securities Account, as required by Participants, and sends it to Participants. In case of any discrepancies, Participants are required to request the audit trail details by requesting a statement of transactions message.³
- 2.2.14 If On-Exchange Trades are rejected by Participants in terms of 2.2.4 above, A2X may send to Strate amended On-Exchange Trades from 09h00 on T up to 18h00 on T+1.
- 2.2.15 Settlement of committed On-Exchange Trades is initiated from BOD on S. Strate sends Settlement confirmation messages to Participants and A2X once Settlement is completed.
- 2.2.16 Payment runs are initiated by Strate as required. The first payment run is initiated at 07h30 and the last payment run is initiated at 15h00.
- 2.2.17 Participants must instruct their settlement bank to fund the applicable SAMOS accounts by 09h00 on S for the first payment run, and within 30 (thirty) minutes of their receipt of the payment advice from Strate Operations for subsequent payment runs.

³ Amended with effect from 21 October 2019

2.3 Operational Timings – Capital Exposure Requirement⁴

The following operational timings apply in respect of the Settlement of Capital Exposure Requirement transactions generated by A2X Exchange. These operational timings are based on the assumptions and considerations provided in sub-section 2.1.

- 2.3.1 The Settlement cycle for A2X Capital Exposure Requirement transactions is T+0. A2X will send to Strate Capital Exposure Requirement transactions as follows:
 - 2.3.1.1 cash collateral calls and refunds by 09h00 on T;
 - 2.3.1.2 Securities collateral calls and refunds by 09h00 on T.

3. SPECIAL CIRCUMSTANCES FOR THE REVERSAL OF COMMITMENTS

- 3.1 A committed transaction may only be reversed or un-committed between 18h00 on T+1 and 15h00 on T+2, under exceptional circumstances. All applications for such reversal or un-committing require approval by the A2X Settlement Committee via Strate Operations.
- 3.2 For the purposes of this Strate Directive, exceptional circumstances will be determined by the Controlling Body. The Controlling Body has determined the following circumstances. Additional circumstances may be determined by the Controlling Body upon request.
 - 3.2.1 An order or notice pertaining to an Insolvency Proceeding against a Client of a Participant;
 - 3.2.2 A notice of the death of a Client of a Participant; or
 - 3.2.2 Reversal instructions from the A2X Settlement Committee.
- 3.3 In the case of an Insolvency Proceeding or death in paragraphs 3.2.1 and 3.2.2 above, the Participant must obtain a copy of the relevant order or notice.
- 3.4 The Moment of Finality of Instructions referred to in the Strate Rules is:
 - 3.4.1 16h00 on T+2 for On-Exchange Trades; and
 - 3.4.2 the moment immediately preceding Settlement for SLB, SLB Return, Collateral or Collateral Return transactions.

⁴ Inserted with effect from 15 November 2018