

# Directive of Strate (Pty) Ltd

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Special Gazette No. S8-2022  
Strate Directive SC.2

Operational Market Windows - Off Market -  
Equities

**strate**

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## To provide for the operational timeframes for settlement of off-market transactions in equities

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# 1. General

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- 1.1 This Strate Directive should be read in conjunction with Directive SZ.1 - *Interpretations and Definitions*.
- 1.2 For consistency, all operational timings are based on the timestamp generated by the Strate System(s) when processing a particular instruction. For the sake of clarity is recorded that:
  - 1.2.1 the 'Received Time' generated by the Strate System is used for all incoming messages;
  - 1.2.2 the 'Sent Time' generated by the Strate System is used for all outgoing messages; and
  - 1.2.3 the 'Processing Time' generated by the Strate System is used for all internal system processes.
- 1.3 These timing rules apply only to those parties that interface directly with the Strate System.
- 1.4 Where an interfacing party requires input from an underlying 3<sup>rd</sup> party, it remains the responsibility of that interfacing party to manage those 3<sup>rd</sup> parties in a way that allows them sufficient time to meet the timing rules set out in this Strate Directive.
- 1.5 The operational timings that have been set in terms of this Strate Directive represent the time by which a particular transaction acceptance, confirmation and/or commitment must have been concluded at Strate. It is possible that the Strate System might accept inputs beyond these timings and such acceptances should not be seen as an assurance that the transactions will settle.
- 1.6 Transactions captured outside the operational time parameters may result in the levying of a fine against the Participant or Business Partner responsible.
- 1.7 The matching criteria for all Off-market transactions (all Client types) consists of first and second level matching.
  - 1.7.1 First level matching is:
    - BPID
    - ISIN
    - Settlement type (RVP/DVP/RFP/DFP)
    - Securities Quantity
    - Trade Date
    - Settlement Date
    - Trading Party's/Counterparty's Client Securities Account Number
  - 1.7.2 The second level matching is:
    - Client type
    - Consideration/Rand Amount (for tolerance level, see section 9 of this Strate Directive)
    - Taxable Indicator
- 1.8 A Participant must reconcile its 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 a Participant, and sends it to Participants. If there are any discrepancies, a

Participant is required to request the audit trail details by requesting a statement of transactions message.

## 2. Off-Market Transactions

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- 2.1 All Off-market transactions for Client type “00” must conform to a T+3 cycle.
- 2.2 The settlement of Off-market transactions is not guaranteed.
- 2.3 Off-market transactions are reported by the seller and purchaser of Securities to their appointed Participant.
- 2.4 Participants must report and should match the Off-market transaction instruction for Client type “00” by 13h00 on T+2 (S-1).
- 2.5 In the event that a Participant receives an Off-market transaction instruction after the cut-off for reporting transactions to Strate, or the transactions do not match by the cut-off, the Participant may facilitate the Settlement process by reporting the Off-market transaction instruction to Strate for the next available Settlement date. This facilitation process may continue for a maximum of 9 (nine) Business Days after the trade date of the original instruction, after which the original instruction must be cancelled. The Participants are not permitted to amend the trade date of the original instruction.
- 2.6 Participants must commit to the Off-market transaction for Client type “00” by 15h00 on T+2 (S-1).
  - 2.6.1 Back-to-Back Links to committed Off-market transactions for Client type “00” must be in place by 18h00 on T+2 (S-1). If a Back-to-Back Link is created for uncommitted transactions, it must conform to the commit cut-off applicable to each linked transaction.
  - 2.6.2 Back-to-Back Links may be created or removed on S for transactions affected by the relevant Exchange failed trade management process. In such instances the following procedure must be followed:
    - 2.6.2.1 the requesting Participant must send a written request to Strate Settlement Services and the counterparty Participant;
    - 2.6.2.2 the counterparty Participant must send a written acceptance of the request to Strate Settlement Services;
    - 2.6.2.3 Strate Settlement Services will review both the request and acceptance and, where Strate, in consultation with the relevant Exchange Settlement Oversight function has determined that there is no On-market dependency or potential market risk, Strate Settlement Services may open the Back-to-Back window for a maximum of 30 (thirty) minutes and permit the requesting Participant to create or remove a Back-to-Back link. If there is an On-market dependency, Strate Settlement Services may, in consultation with the relevant Exchange Settlement Oversight function, open the window and permit the requesting Participant to create a Back-to-Back link.
- 2.7 If a Dependency Link is created for uncommitted transactions, this link must conform to the commit cut-off applicable to each linked transaction.

- 2.8 Same Day Settlement of Off-market transactions for Client type “00” is not permitted, except as provided in section 8 of this Strate Directive.
- 2.9 A Participant may uncommit to an Off-market transaction where there is no On-market dependency up until 15h00 on T+2 (S-1) but this is dealt with in terms of 2.10 below if the order is in a 'Ready for Settlement' status.
- 2.10 In the event a Participant intends to uncommit to an Off-market transaction for Client type “00” in a 'Ready for Settlement' status:
- 2.10.1 the requesting Participant must send a written request to Strate Settlement Services and the counterparty Participant;
  - 2.10.2 the counterparty Participant must send a written acceptance of the request to Strate Settlement Services; and
  - 2.10.3 Strate Settlement Services will review both the request and acceptance and, where Strate, in consultation with the applicable Exchange Settlement Oversight function, has determined that there is no On-market dependency or potential market risk, Strate Settlement Services may open the uncommit window for a maximum of 30 (thirty) minutes and permit the requesting Participant to uncommit.
- 2.11 A Participant must report all internal Off-market transactions to Strate (i.e. all those transactions where the Participant is settling both legs of the transactions).
- 2.12 Instructions reported incorrectly to Strate must be cancelled or corrected and not left to fail in the system. Corrections of Off-market transactions for Client type “00” must be made prior to 15h00 on T+2 (S-1) in terms of 2.10. Cancellations of uncommitted transactions are permitted until S.
- 2.13 Only the following transactions are allowed to fail in Strate:
- 2.13.1 transactions that are reported against a counterparty who does not match the transaction, and such transactions are not reported for Settlement at a future date in terms of this Strate Directive;
  - 2.13.2 transactions that are reported but are short of Securities; or
  - 2.13.3 Settlement not funded during the specified payment window.
- 2.14 The onus remains that of a Participant to monitor the status of their own transactions (unmatched or first level matched).
- 2.15 When reporting an Off-market transaction to Strate, Participants are required to populate the 'Taxable Indicator Field', to indicate whether or not Securities Transfer Tax (STT) is payable in accordance with the STT Act. Unless the client is exempt from STT, Participants must default the 'Taxable Indicator Field' to 'Yes' (Y). In the event that a Client is exempt from STT the 'Taxable Indicator' must be set to 'No'(N).
- 2.16 A Participant must ensure that if its Client will be the beneficial owner of BEE Securities and subject to the manner of BEE Verification specified in the relevant BEE Ownership Scheme, that its Client:
- 2.16.1 is a BEE Compliant Person;
  - 2.16.2 has signed a BEE Contract together with the other relevant persons who should be parties to that BEE Contract;

- 2.16.3 if a natural person, has furnished the Participant with a copy of his/her identity document or a naturalisation affidavit, as the case may be, for the purposes of the Client satisfying the requirements of the BEE Contract; and
  - 2.16.4 if not a natural person, has furnished the Participant with a valid BEE Certificate; or
  - 2.16.5 the Participant has obtained a BEE Verification in respect of its Client, prior to reporting an Off-market transaction in respect of BEE Securities on behalf of that Client.
- 2.17 Payment runs are initiated by Strate as required. The first payment run is initiated once the first SAMOS settlement window has been opened (at 07h30) and the last payment run must be initiated prior to 15h00. 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 for subsequent payment runs.
- 2.18 In the event of an Off-market transaction being impacted by an Exchange's Failed Trade management process, Strate may extend the operating windows to enable Participants to uncommit, commit, create Back-to-Back or Dependency Links, or remove Back-to-Back Links.

### 3. Securities Lending

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- 3.1 In respect of Off-Market Securities Lending and Borrowing (SLB), SLB Return, Collateral and Collateral Return Transactions:
- 3.1.1 A minimum T+0 Settlement cycle is permitted, unless there is an On-market or Off-market dependency, in which case a minimum T+1 Settlement cycle is required. The Client type for SLB, SLB Return, Collateral and Collateral Return Transactions is "50" for Participants. Securities Lending Business Partners may use Client type "50" under exceptional circumstances.
  - 3.1.2 SLB, SLB Return, Collateral and Collateral Return Transactions issued by Participants must be reported to Strate by 13h00 on S; or by 13h00 on S-1, where there is an On-market or Off-market dependency
  - 3.1.3 SLB, SLB Return, Collateral and Collateral Return Transactions issued by Participants must be committed to by 15h00 on S; or by 15h00 on S-1, where there is an On-market or Off-market dependency.
  - 3.1.4 Same Day Settlement of SLB, SLB Return, Collateral and Collateral Return Transactions is permitted on Record Date (RD) for Securities where there is a pending Corporate Event, provided that the transactions are reported to Strate and matched by 09h00. Participants must commit by 10h00. Thereafter, Participants must adhere to section 8 of this Strate Directive.
  - 3.1.5 If a Back-to-Back Link is created for an SLB, SLB Return, Collateral or Collateral Return Transaction entered into for a transaction that is subject to Reverse Substitution or Principal Assumption, the Back-to-Back Link must be created by 18h00 on S-1.
  - 3.1.6 Special provision is made for instructions that originate from an Exchange in order to counter a securities shortage in respect of an On-market transaction.

- 3.1.7 SLB, SLB Return, Collateral and Collateral Return Transactions are not permitted in respect of BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme.
- 3.1.8 In the event that a Participant intends to uncommit to an SLB, SLB Return, Collateral or Collateral Return Transaction in a 'Ready for Settlement' status:
- 3.1.8.1 the Participant must send a written request to Strate Settlement Services and copy the counterparty Participant;
  - 3.1.8.2 the counterparty Participant must send a written acceptance of the request; and
  - 3.1.8.3 Strate Settlement Services will review both the request and acceptance and, where Strate, in consultation with the applicable Exchange Settlement Oversight function, has determined that there is no On-market dependency or potential market risk, Strate Settlement Services may open the uncommit window for a maximum of 30 (thirty) minutes and permit the requesting Participant to uncommit.
- 3.2 Securities Lending and Borrowing – Business Partners
- 3.2.1 Same Day Settlement of Securities Lending and Borrowing Transactions and Securities Lending and Borrowing Return Transactions is permitted, unless there is an On-market or Off-market dependency, in which case a minimum T+1 Settlement cycle is required.
  - 3.2.2 The Client type for a Securities Lending and Borrowing Transaction is “51”. The Client type for a Securities Lending and Borrowing Return Transaction is “52”.
  - 3.2.3 Securities Lending Business Partners must report Securities Lending and Borrowing Transactions and Securities Lending and Borrowing Return Transactions to Strate by 13h00 on S; or by 13h00 on S-1, where there is an On-market or Off-market dependency. The Securities Lending Business Partner should also ensure that their Clients have instructed their Participant to act on the Securities Lending and Borrowing Transactions by these timelines.
  - 3.2.4 Securities Lending and Borrowing Transactions and Securities Lending and Borrowing Return Transactions reported by Securities Lending Business Partners must be committed to by 15h00 on S; or by 15h00 on S-1, where there is an On-market or Off-market dependency.
  - 3.2.5 Same Day Settlement of Securities Lending and Borrowing transactions is permitted on Record Date (RD) for Securities where there is a pending Corporate Event, provided that the transactions are reported to Strate and matched by 09h00. The Participant must commit by 10h00. Thereafter, Securities Lending Business Partners must adhere to section 8 of this Strate Directive.
  - 3.2.6 If a Back-to-Back Link is created for a Securities Lending Transaction entered into for a transaction that is subject to Reverse Substitution or Principal Assumption, the Back-to-Back Link must be created by 18h00 on S-1.
  - 3.2.7 Special provision is made for instructions that originate from an Exchange in order to counter a securities shortage in respect of an On-market transaction.

- 3.2.8 Participants must commit to the Securities Lending and Borrowing transactions concluded by the Exchange within 30 (thirty) minutes of receipt of an e-mail notification sent by Strate Settlement Services. Where the Participant is unable to commit within 30 (thirty) minutes, that Participant must, within 20 (twenty) minutes of the e-mail notification, inform Strate Settlement Services of the reason why they are unable to commit.
- 3.2.9 In the event that a Participant intends to uncommit to a Securities Lending and Borrowing Transaction or a Securities Lending and Borrowing Return Transaction in a 'Ready for Settlement' status:
- 3.2.9.1 the Participant must send a written request to Strate Settlement Services and copy the counterparty Participant;
  - 3.2.9.2 the counterparty Participant must send a written acceptance of the request; and
  - 3.2.9.3 Strate Settlement Services will review both the request and acceptance and, where Strate, in consultation with the applicable Exchange Settlement Oversight function, has determined that there is no On-market dependency or potential market risk, Strate Settlement Services may open the uncommit window for a maximum of 30 (thirty) minutes and permit the requesting Participant to uncommit.

## 4. Account Transfers

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- 4.1 Same Day Settlement of Account Transfers, between Participants and internally involving a single Participant, is permitted. The Client type for an Account Transfer is "30".
- 4.2 Subject to 4.4 below, all Account Transfers must be reported to Strate, matched, and committed by 18h00 on S.
- 4.3 Account Transfers are permitted provided that there is no change in beneficial ownership.
- 4.4 Account Transfers are permitted on Record Date (RD) provided it is within the same CSA.
- 4.5 Same Day Settlement of Account Transfers, between Participants and between Central Securities Accounts when the transfer involves a single Participant, is not permitted on RD for Securities where there is a pending Corporate Event, except as provided in section 8 of this Strate Directive.
- 4.6 Participants must process Account Transfers with the free of payment Settlement type (RFP/DFP).

## 5. Depository Receipts (DRs)

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- 5.1 A minimum T+1 Settlement cycle is permitted. The Client type for a DR is "40".



- 5.2 DR transactions issued by Participants must be reported to Strate and matched by 13h00 on S-1 and committed by 15h00 on S-1.
- 5.3 In the event that a Participant receives a DR instruction after the cut-off for reporting transactions to Strate, or the transactions do not match by the cut-off, the Participant may facilitate the Settlement process by reporting the DR instruction to Strate for the next available Settlement date. This facilitation process may continue for a maximum of 9 (nine) Business Days after the trade date of the original instruction after which it must be cancelled. The Participants are not permitted to amend the trade date of the original instruction.
- 5.4 Same Day Settlement of DR transactions is not permitted, except as provided in section 8 of this Strate Directive.
- 5.5 In the event that a Participant intends to uncommit to a DR transaction in a 'Ready for Settlement' status:
  - 5.5.1 the Participant must send a written request to Strate Settlement Services and copy the counterparty Participant;
  - 5.5.2 the counterparty Participant must send a written acceptance of the request to Strate Settlement Services; and
  - 5.5.3 Strate Settlement Services will review both the request and acceptance and, where Strate, in consultation with the applicable Exchange Settlement Oversight function, has determined that there is no On-market dependency or potential market risk, Strate Settlement Services may open the uncommit window for a maximum of 30 (thirty) minutes and permit the requesting Participant to uncommit.

## 6. Portfolio Movements

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- 6.1 Same Day Settlement of Portfolio Movements, between Participants and internally involving a single Participant, is permitted. The Client type for a Portfolio Movement is "31".
- 6.2 Subject to 6.5 below, all Portfolio Movements must be reported to Strate, matched and committed by 18h00 on S.
- 6.3 Portfolio Movements are permitted provided that there is no change in beneficial ownership.
- 6.4 Portfolio Movements are permitted on Record Date (RD) provided it is within the same CSA.
- 6.5 Same Day Settlement of Portfolio Movements, between Participants and between Central Securities Accounts where the transfer involves a single Participant, is not permitted on Record Date (RD) for Securities where there is a pending Corporate Event, except as provided in section 8 of this Strate Directive.
- 6.6 Participants must process Portfolio Movements with the free of payment Settlement type (RFP/DFP).

## 7. Corporate Action Transactions

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- 7.1 A minimum T+1 Settlement cycle is permitted for reporting Corporate Action transactions between Participants and Strate or Participants and Issuers. The Client type for a Corporate Action transaction is “23”.
- 7.2 Participants must report all Corporate Action transactions to Strate by 15h00 on S-1.
- 7.3 Other than as provided for in 7.4, Participants must commit to Corporate Action transactions by 17h00 on S-1
- 7.4 Corporate Action transactions may be committed to by the Participant of the Issuer on a same day basis and in terms of the following parameters:
  - 7.4.1 for free of payment transactions, committed to by 18h00 on S; and
  - 7.4.2 for transactions involving payment, committed to by 14h00 on S.
- 7.5 Same Day Settlement of Corporate Action transactions is not permitted, except as provided in section 8 of this Strate Directive.
- 7.6 New issues are handled on the basis of DvP and RvP orders that are captured by the Participant of the Issuer and the creation of the opposite leg by the counterparty Participant. The Client type for a new issue transaction is “23”.

## 8. Same Day Settlement

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- 8.1 The prohibition against same day transactions as stipulated in clauses 2.8, 5.4 and 7.5 of this Strate Directive applies.
- 8.2 Notwithstanding 8.1 above, Same Day Settlement may be allowed at the discretion of Strate if:
  - 8.2.1 the request for the Same Day Settlement has been sent electronically by the Participant to [SettlementServices@Strate.co.za](mailto:SettlementServices@Strate.co.za):
    - 8.2.1.1 before 13h00 for transactions involving payment in order to allow sufficient time for consideration, approval and processing before the final SAMOS payment run; and
    - 8.2.1.2 before 18h00 for free of payment transactions.
  - 8.2.2 On Record Date for Securities where there is a pending Corporate Event, the request for Same Day Settlement has been sent electronically by the Participant or Securities Lending Business Partner to [SettlementServices@strate.co.za](mailto:SettlementServices@strate.co.za) (the Securities Lending Business Partner must copy the relevant Participant via email) and all transactions must be reported to Strate and matched by 09h00 and the Participant must commit by 10h00;
  - 8.2.3 Same Day Settlement of SLB, SLB Return, Collateral and Collateral Return Transactions reported after 09h00 on Record Date for Securities where there is a

pending Corporate Event, must adhere to paragraph 8.2.1 subject to submission of an electronic request to [SettlementServices@strate.co.za](mailto:SettlementServices@strate.co.za).

- 8.2.4 The prior approval in electronic form is obtained from Strate Settlement Services and Strate Corporate Actions; and
- 8.2.5 The payment of the same day administration fee as defined in the Strate Equities Depository and Settlement Fee schedule
- 8.3 Where a Same Day Settlement has been allowed in terms of 8.2.1 the instruction must be reported to Strate, matched and committed by the Participant by 14h00 on Settlement date. For securities on Record Date, transactions must be reported to Strate matched and committed by the Participant by 10h00.
- 8.4 Same Day Settlement transactions may be linked via Back-to-Back functionality, subject to a request being sent electronically to [SettlementServices@strate.co.za](mailto:SettlementServices@strate.co.za).
- 8.5 Prior to requesting authority for the Same Day Settlement as stated in 8.2 the Participant must have evaluated, and assumed responsibility for, the potential Corporate Action implications resulting from a Same Day Settlement. Participants must communicate their intention to conclude a Same Day Settlement to Strate Corporate Actions via telephone and followed up by email confirmation to [corporateactions@strate.co.za](mailto:corporateactions@strate.co.za).
- 8.6 Where a Same Day Settlement has been allowed in terms of this Strate Directive, it does not attract a fine as stipulated in Strate Directive SF.2 – *Fines Schedule – On-market and Off-market – Equities*, but a same day administration fee as defined in the Strate Equities Depository and Settlement Fee schedule.
- 8.7 A Same Day Settlement that has been allowed in terms of this Strate Directive will not adversely affect the performance evaluation of the Participant by Strate Supervision.

## 9. Tolerance Level

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- 9.1 In order to facilitate and ensure that Settlement in Off-market transactions is affected, the Controlling Body of Strate has approved an acceptable tolerance level on the matching criteria of Off-market transactions. The tolerance level applicable to Off-market transactions involving payment is presently R50.
- 9.2 Strate, together with its Participants, shall determine, monitor and from time to time may revise the Strate System tolerance level for Off-market transactions. Any changes must be notified to Participants.
- 9.3 The matching process is deemed successful if by using the RVP's Rand amount as a base, the consideration matches with a DVP figure that is within the agreed Strate System tolerance level.

## 10. Collateral Account Transfers and Lending Account Transfers

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- 10.1 Same Day Settlement for Collateral Account Transfers and Lending Account Transfers between Participants and internally involving a single Participant are permitted. The Client type for a Collateral Account Transfer and Lending Account Transfer is “33”.
- 10.2 Subject to 10.4 below all Collateral Account Transfers and Lending Account Transfers must be reported to Strate matched and committed by 18h00 on S.
- 10.3 Collateral Account Transfers and Lending Account Transfers are permitted provided that there is no change in beneficial ownership. Collateral Account Transfers and Lending Account Transfers are not permitted in respect of BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme.
- 10.4 Same Day Settlement of Collateral Account Transfers and Lending Account Transfers, between Participants and between Central Securities Accounts when the transfer involves a single Participant is not permitted on Record Date (RD) for Securities where there is a pending Corporate Event, except as provided in section 8 of this Strate Directive.
- 10.5 Participants must process Collateral Account Transfers and Lending Account Transfers with the free of payment Settlement type (RFP / DFP).

## 11. Collateral and Collateral Return Transactions

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- 11.1 A minimum T+0 Settlement cycle is permitted for Collateral and Collateral Return transactions.
- 11.2 The Client type for a Collateral transaction is “53” for Securities Lending Business Partners. The Client type for a Collateral Return transaction is “54” for Securities Lending Business Partners.
- 11.3 Securities Lending Business Partners must report Collateral and Collateral Return transactions to Strate by 13h00 on S; or by 13h00 on S-1, where there is an On-market or Off-market dependency. The Securities Lending Business Partner should also ensure that their Clients have instructed their Participant to act on the Collateral and Collateral Return transaction by 13h00 on S; or 13h00 on S-1 where there is an On- market or Off-market dependency.
- 11.4 Collateral and Collateral Return transactions reported by Securities Lending Business Partners must be committed to by 15h00 on S; or 15h00 on S-1 where there is an On-market or Off-market dependency.
- 11.5 Where there is a pending Corporate Action, Securities Lending Business Partners must report the affected Collateral and Collateral Return transactions to Strate for Same Day Settlement by 09h00 on RD, and the Participants must commit to such transactions by 10h00 on RD. Thereafter, Securities Lending Business Partners or Participants must adhere to section 8 of this Strate Directive.
- 11.6 Securities Lending Business Partners may cancel Collateral and Collateral Return transactions on S provided that the orders are not in a “matched ready for Settlement” status.

- 11.7 If a Back-to-Back Link is created for a Collateral and Collateral Return transaction entered into for a transaction that is subject to Reverse Substitution or Principal Assumption, the Back-to-Back Link must be created by 18h00 on S-1. Same day Collateral and Collateral Return transactions may be linked via Back-to-Back functionality, subject to a request being sent electronically to [SettlementServices@strate.co.za](mailto:SettlementServices@strate.co.za).