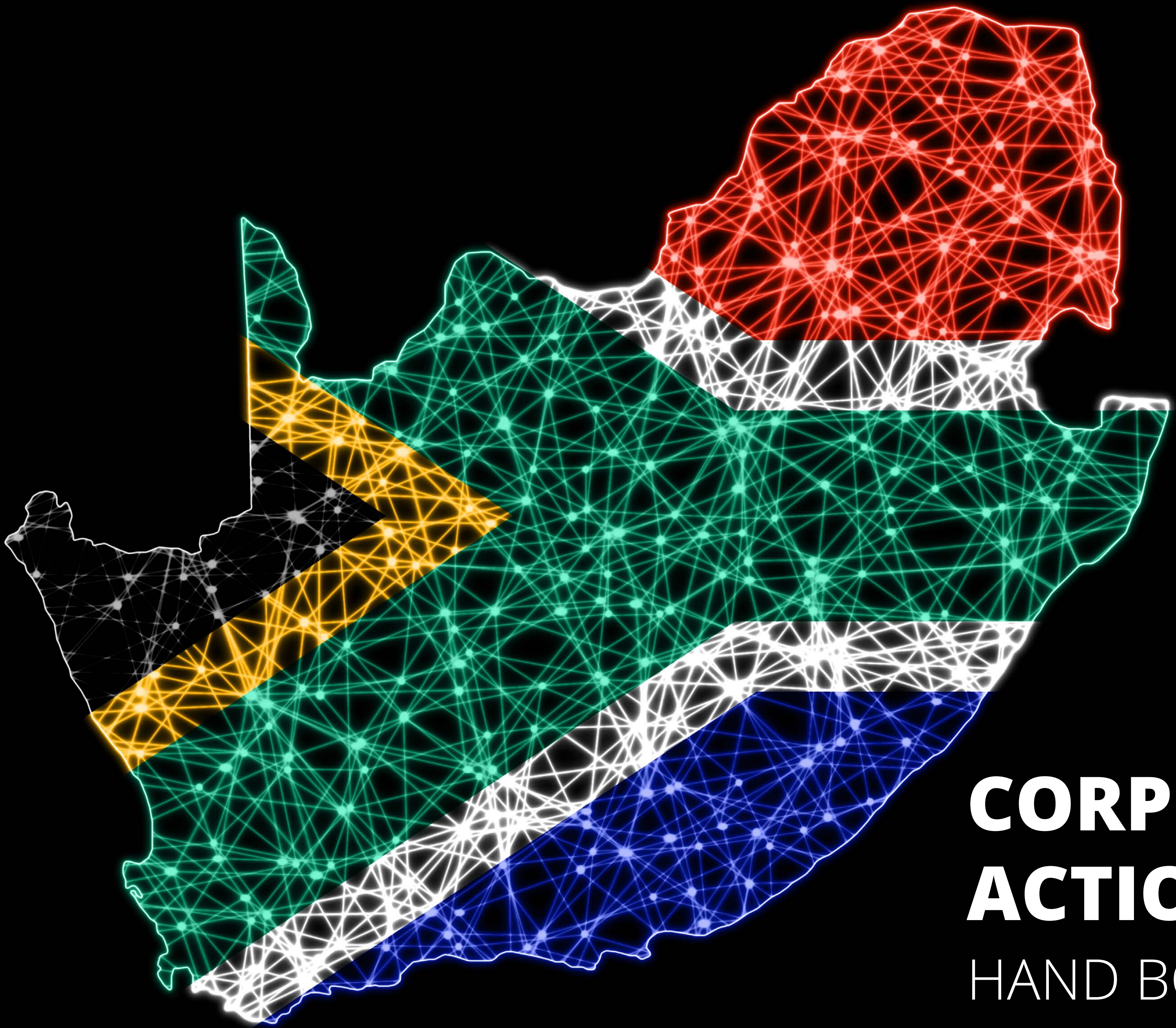
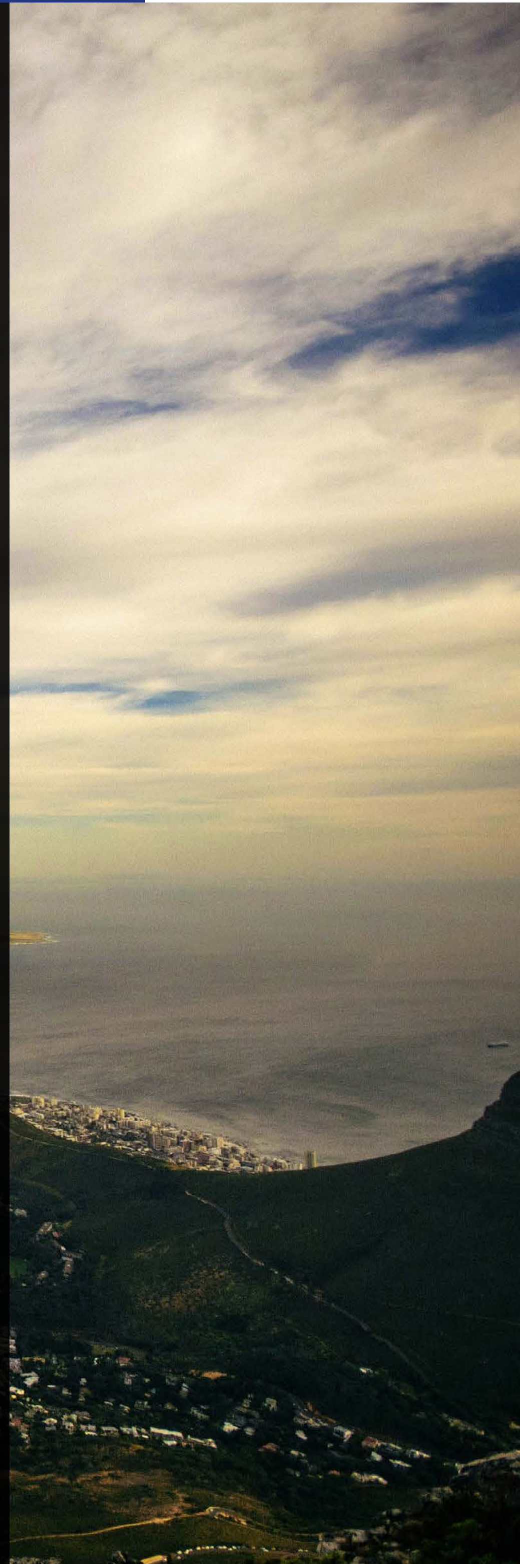


CORPORATE ACTIONS

HAND BOOK



1. EXECUTIVE SUMMARY

The rationale for a Corporate Actions Handbook for the market is primarily twofold:

i) to highlight to stakeholders the complexities associated with certain corporate events and create awareness of the risks and challenges faced by the market when there are unique requirements for a corporate event, and
ii) to offer key insight into the roles of the various intermediaries in the corporate action chain of events.

At the core of our ecosystem are issued securities, and the market exists because of issuers, both listed and unlisted, and their shareholders. Other stakeholders connect these two parties and play an equally important role in facilitating trading, settlement, safekeeping, recording and execution of rights associated with the shareholding.

As role-players in the South African financial market infrastructure ecosystem, regulators and custodians need to promote the country as an attractive investment destination to ensure our sustainability. There is a requirement to provide a world-class service and accommodate issuer requests where possible, bearing in mind that most events are fully automated. The number of corporate action events for equities up to 31 October 2022, is 1462. Across all three asset classes, i.e., equities, bonds and money market, for the same period it is 22 168 events. The principle of straight through processing applies to more than 99% of these events. In any given year, there are seldom more than five high-risk complex events, but those are the ones where risk is elevated. These events require careful planning and analysis to ensure seamless execution.

The corporate actions landscape in South Africa is complex, and any action taken by one party is likely to affect several others in the value chain. The market must be enabling for issuers without compromising the protection of shareholders. Corporate events are managed within a legislative framework that impact all parties in the ecosystem. What has become clear following some of the challenging events of the past two years is that there is a need for greater clarity and increased transparency related to complex corporate actions to create more certainty for all stakeholders.

Large, complex corporate actions, such as the Naspers/ Prosus complex corporate action in August 2021, have highlighted a number of issues facing the industry. In light of this, industry members have provided valuable insight during in-depth engagement with a wide range of stakeholders in the drafting of a Corporate Actions Handbook. The themes and concerns that have emerged are captured in this handbook as a starting point to create more transparency and certainty for corporate actions. This is a working document that will evolve based on input received and market changes.

The themes and concerns raised are wide-ranging and encompass the following:

- Insufficient information on complex events
- Lack of transparency of ownership in nominee structures
- A requirement for greater transparency of company registers
- Better ways to obtain shareholder information when required
- A different settlement cycle to major international markets complicates corporate actions
- Striking a balance between issuer regulation and shareholder protection
- Adherence to timelines
- Perceived unwillingness of some CSD Participants to work with the market to find solutions

Many parties expressed concern that there is often insufficient information on complex events, which results in shareholder queries and uncertainty in terms of processing. This often relates to matters of participation, entitlement and tax treatment.

The lack of transparency of ownership was raised, which is particularly evident in nominee structures. The drive to avoid greylisting may necessitate greater transparency and a market debate about the benefits versus costs of a Securities Ownership Register.

Almost all issuers expressed the desire for greater transparency of their company registers to facilitate shareholder engagement. The quality of information received from brokers, FSCA-approved nominees and CSD Participants to generate the Beneficial Owner Register, is poor. Stricter regulation and enforcement in this regard may be required to drive market standards.

Manual processing via Excel spreadsheets when beneficial shareholder information is required, is frowned upon. The belief across the board is that in the digital era, there must be better ways to obtain shareholder information.

Some raised the point that the market should address the settlement cycle to mirror major international markets, as it is difficult to coordinate corporate action timetables across different jurisdictional territories, to ensure fair and equitable treatment of all shareholders.

Globally, the number of listed companies has declined. South Africa is no different. In the late 1980s there were over 700 listings on the JSE. Today, it is a little under 300. Many issuers are grappling with the benefits of being listed versus the financial and regulatory burden placed on listed entities. Removing complexity in terms of regulation and striking a balance between issuer regulation and shareholder protection, especially for mid-cap and smaller listed institutions, should be considered. Stakeholders want an enabling market.

Key risk for most exchanges and custodians is adherence to the timelines and ensuring shareholders will receive entitlement on the due date of the event. In addition, systems should be able to accommodate processing and reduce manual intervention.

Local and foreign issuers and sponsors commented on the perceived unwillingness of some CSD Participants to work with the market to find solutions to execute complex events. Some institutions aim at being enablers and will do whatever it takes to assist and achieve the desired outcome. Others focus solely on systems and risk mitigation, citing standardisation as an obstacle when bespoke requirements are expected. Parties often propose solutions that work for them, not necessarily the market. This mindset is not promoting South Africa as an investment destination.

Issuers at large believe the market to be sophisticated and able to serve issuers and shareholders well.

2. INTRODUCTION

The Corporate Actions Handbook aims to give an honest status report of corporate actions as experienced by various stakeholders, including exchanges, issuers, sponsors, brokers, transfer secretaries, CSDs and CSD Participants, fund managers and administrators. In addition, the views of the legal fraternity and ASISA have been included. The handbook will supplement forums such as the Corporate Action Work Group, CSDP Forum and Strate Market Meetings. In terms of the scope, only equities as an asset class is covered.

Corporate actions departments are part of a larger ecosystem within custodians' business models. There are multiple in-house touchpoints between the various other departments housed in the custody services businesses and corporate actions departments. Other service areas include Settlements, Data Management, Securities Lending and Borrowing, Fund Accounting, Collateral Management, and the management of physical securities. Corporate actions are potentially impacted by each of these departments when a complex corporate action is being processed. Apart from the in-house touchpoints, multiple external stakeholders are involved in devising and planning a corporate event, communicating it to the market and processing events to finality.

Corporate action departments have had to deal with many challenges over the past two decades. In the physical share environment, share certificates often had to be manually surrendered to transfer secretaries. This created a huge administrative burden for large, listed companies that have thousands of shareholders, leading to substantial losses and risk where certificates were misplaced, not surrendered in time or tainted. Following the first electronic settlement of equities by Harmony on 9 November 1999, Strate initiated the electronic processing of corporate actions in South Africa. Corporate action departments were rationalised with the move away from physical securities. The Corporate Actions Enhancement Project in 2010 brought further benefits to the market. In 2015 Strate introduced a new corporate action solution to improve the way in which corporate action payments were processed via the South African Reserve Bank Real Time Gross Settlement system. These changes revolutionised the way processing was done in corporate action departments.

Some CSD Participants embarked on major automation projects within corporate actions departments and developed programmes aimed at:

- efficient client communication;
- workflow tools to automate manual processes; and
- outsourced dedicated processing hubs to process corporate actions to mitigate risk.

Moving from a paper-based processing methodology to a totally electronic settlement model necessitated major changes to operational models. Globally, the 5-series SWIFT message standards relating to corporate actions were adopted. SWIFT message types are the format or schema used to send messages to financial institutions on the SWIFT network. The original message types were developed by SWIFT. A subset was retrospectively conceived into an ISO standard, ISO 15022, and ISO 20022. In most instances, SWIFT message types between custodians follow the ISO standards.

ISO 15022 is the preferred choice of messaging standards for securities messaging for Financial Market Infrastructures (FMIs) around the world. The SARB's Samos V8 project implemented payment messaging standards based on ISO 20022 in September 2022. Some broker and asset management firms use non-SWIFT messaging and templates with event details are dispatched to their clients. Some non-bank CSD Participants do not use SWIFT and provide event information via email or portals to clients. Clients log onto these portals and can receive corporate action event information in this manner if they elect not to receive email notification.

In the past two decades corporate actions processing became more standardised and aligned to the Securities Market Practice Group (SMPG) principles – this approach catered for the bulk of the processing volume in corporate actions and straight through processing methodology is applied. This benefits the industry as most corporate actions are processed in a seamless and efficient manner.

Deviation from standard processing methodology or unique requirements for a specific corporate event creates challenges in highly automated systems and processes. These deviations can be of a simple nature such as:

- ✓ changes to the processing timelines; or
- ✓ unique requests such as shareholders liable for securities transfer tax which is not part of corporate actions processing under normal circumstances.

Issuers devise corporate actions in line with the company strategy and pay specific attention to shareholder restrictions, tax treatment and apportionment of costs where applicable. Any deviation requires changes to the tried and tested processes. This normally requires engagement with the CSD or custodians' system vendors to accommodate unique processing. This can be more easily accommodated at some CSD Participants than others due to inter-operability between departments.

The COVID-19 global pandemic tested the resilience and strength of corporate action departments internationally with entire departments having to change their working models expeditiously. Many processes had to be re-engineered in ways previously thought impossible. Today, few corporate actions departments still use physical files. The industry moved to electronic file-keeping almost overnight. All departments went through a rigorous audit process with the overwhelming majority passing with flying colours. This is testament to the resilience of these highly complex and mostly, extremely busy departments.

2021 was an exceptionally busy year for corporate actions as several large, listed companies announced high-risk corporate events. The requirements from the issuers and sponsors, as well as the high trading price of the securities, led several CSD Participants to raise their concerns to Strate about these events. In addition, some CSD Participants suffered losses on these corporate events. There is a clear need for a review of the current processes and practices and overarching principles must be agreed.

In response, Strate initiated a special project to deal with corporate action concerns. As part of this, Strate commissioned an independent consultant to facilitate the drafting of a Corporate Actions Handbook for the market. All four of the exchanges that trade in equities were consulted in producing this handbook. Exchange neutrality is an ideal but is not practical at this stage as most corporate events are announced by the JSE which plays a dominant role in this regard. The JSE listing requirements, processes and JSE Schedule 2 Form H, feature predominantly in this handbook. As the market grows and evolves, this will be revisited. A growing number of JSE primary listed securities are being secondary listed on A2X. To the extent that an event is announced by an issuer that is secondary listed on A2X, it is important to consider the impact to A2X from a trading and settlement perspective. A similar pattern is developing with CTSE. While the issuer regulations departments of the various exchanges govern the relationship with listed issuers, the handbook aims to provide issuers and sponsors with context to some of the challenges faced by custodians in the value chain.

It is well worth perusing the annexures at the end of the handbook as they play a critical role in the corporate actions ecosystem and cover legislation, message standards and critical information required per event type. For detailed information on the Corporate Event templates, refer to SMPG Event Template 2022 under the addendum section. The SMPG guide to Corporate Actions gives an overview of corporate actions, some message structures and fields.

3. LEGISLATION

Corporate actions are devised, coordinated, and executed within an extensive legislative framework. This applies to all locally listed issuers and more so to dual listed entities that must adhere to multi-jurisdictional legislation. This section highlights the most important South African legislation that impacts on corporate actions. On 1 April 2018 South Africa adopted a new financial regulation model called Twin Peaks, which came into effect through the Financial Regulation Act 2017. It aims to strengthen the regulatory framework and move away from the multiple regulator model that had individual oversight of the various financial services areas.

The Twin Peaks model consists of two regulators:

1. Prudential Authority (PA); and
2. the Financial Sector Conduct Authority (FSCA).

The Prudential Authority (PA)

The Prudential Authority operates within the administration of the South African Reserve Bank (SARB), which is the Central Bank of South Africa. The SARB is responsible for licensing, regulating, and providing oversight to South African banks and monitors their activities in line with the Banks Act 94 of 1990, the Mutual Banks Act 123 of 1993, and international regulatory and supervisory standards as set out by the multiple international financial regulators. The Prudential Authority, which replaced the SARB's supervision department, is responsible for ensuring the soundness and safety of banks, insurance companies, multiple other financial institutions, and certain financial market infrastructures, in order to maintain financial stability.

The Financial Sector Conduct Authority (FSCA)

The FSCA supervises the actions of financial services firms and how they conduct their business, to enhance the integrity of the financial system and to protect financial customers, which includes ensuring they are treated fairly by these institutions. The Commissioner heading up the Financial Sector Conduct Authority is appointed by the Minister of Finance.

Exchanges and CSDs are self-regulated organisations and play a critical role in the financial market infrastructure and regulation. Exchanges regulate their members while CSDs regulate their participants. Legislation impacts all role-players in the market. Some of the most important South African legislation impacting the custody industry includes:

- ✓ The Companies Act 71 of 2008;
- ✓ The Financial Markets Act 19 of 2012;
- ✓ The JSE Listings Requirements;
- ✓ Strate Rules and Directives;
- ✓ Financial Intelligence Centre Act 38 of 2001; and
- ✓ Protection of Personal Information Act 4 of 2013.

Besides this legislation, foreign legislation such as Shareholder Directive II (SRDII) and the ambit of foreign organisations such as the Financial Action Task Force (FATF), must be considered as these may impact South Africa.

SRDII and FATF

Shareholder Directive II (SRDII), which applies in the UK and Europe, is much debated. While there are some matters to be resolved in SRDII, in the interest of transparency issuers are looking at beneficial owner information irrespective of the jurisdiction in which shareholders reside. SRDII has an extraterritorial scope, meaning that it applies to all financial intermediaries holding SRD eligible securities, wherever they are in Europe or outside Europe. Therefore, it relates to any client-holding in listed equities from European issuers, which need to comply with SRD II provisions. *(See annexure 9 Impact of Shareholders Directive II – Strate July 2020)*.

It is going to impact the South African market in future when some of our largest listed companies will have to comply with SRDII requirements, which will have a ripple effect on the local market. South Africa will have to gauge what is happening from a global perspective and manage the impact on the market to ensure compliance. The current ownership structure for the equities model is complex and opaque due to the nominee structure. Multiple foreign nominees have very large holdings within the market.

As of October 2022, South Africa is potentially facing greylisting by the international Financial Action Task Force (FATF), the global money laundering and terrorist financing watchdog. One issue raised is the opaque ownership structure in South Africa and the inability to easily obtain beneficial ownership information.

In an International Monetary Fund plenary in July 2021, the discussion focused on the joint FATF, and Eastern and Southern Africa Anti-Money Laundering Group assessment of South Africa's measures to combat money laundering and terrorist financing. The Plenary concluded that South Africa has a solid legal framework for combating money laundering and terrorist financing, but significant shortcomings remain. In particular, the country needs to pursue money laundering and terrorist financing in line with its risk profile, including proactively seeking international cooperation, detecting and seizing illicit cash flows, and improving the availability of beneficial ownership information. Authorities need to make better use of the financial intelligence products provided by South Africa's financial intelligence unit. The country should also improve the application of the risk-based approach by obligated entities and supervisors.

This may be an opportunity to address the matter with urgency and bring about some changes to the corporate actions landscape as well. The increased scrutiny that follows after a country is greylisted means that every counterpart across the world will have to apply higher levels of due diligence to South African businesses and individuals with offshore interests. A FATF greylisting will result in FATF increasing its monitoring of South Africa, and the country would be deemed to pose a higher risk of money laundering and terrorist financing. Countries on the list face economic sanctions from the likes of the IMF and development funders like the European Union and World Bank. Countries that have been greylisted include Panama, Yemen, Barbados and Pakistan. South Africa has previously been found wanting in most of the task force's effectiveness measures to combat money laundering and the financing of terrorism. An ownership structure that provides beneficial owner information will go some way to deter the risk of being greylisted.

Many market practices have not been extensively reviewed in the last two decades. Many changes are taking place globally, and the South African market needs to take cognisance of changes and the impact on the ecosystem to accommodate them.

The acts, rules, requirements and directives impacting corporate actions are briefly dealt with below:

Companies Act 71 of 2008

https://www.gov.za/sites/default/files/gcis_document/201409/321214210.pdf

The Companies Act 71 of 2008 provides for the incorporation, registration, organisation and management of companies. All companies, whether listed or unlisted, are subject to the Act, which seeks to promote transparency and accountability in the South African corporate sector. Corporate governance looks at the processes, structures and decision making within the organisation, with the aim of promoting good corporate governance. It defines the relationship between companies and their respective shareholders, provides opportunities for redress for investors and provides for the establishment of various institutions such as the Companies and Intellectual Property Commission, the Takeover Regulation Panel, a Companies Tribunal, and the Financial Reporting Standards Council.

As this has relevance for corporate actions in the custody industry, specific reference is made to section 56 of the Companies Act 71 of 2008, which deals with beneficial ownership of securities. The relevance stems from requests by issuers for beneficial shareholder information. A brief extract from the Act stipulates the following:

Beneficial interest in securities

56. (1) Except to the extent that a company's Memorandum of Incorporation provides otherwise, the company's issued securities may be held by, and registered in the name of, one person for the beneficial interest of another person.

(2) A person is regarded to have a beneficial interest in a security of a public company if the security is held nomine officii by another person on that first person's behalf, or if that first person—

- ✓ (a) is married in community of property to a person who has a beneficial interest in that security;
- ✓ (b) is the parent of a minor child who has a beneficial interest in that security;
- ✓ (c) acts in terms of an agreement with another person who has a beneficial interest in that security, and the agreement is in respect of the co-operation between them for the acquisition, disposal or any other matter relating to a beneficial interest in that security;
- ✓ d) is the holding company of a company that has a beneficial interest in that security;

- ✓ (e) is entitled to exercise or control the exercise of the majority of the voting rights at general meetings of a juristic person that has a beneficial interest in that security; or
- ✓ (f) gives directions or instructions to a juristic person that has a beneficial interest in that security, and its directors or the trustees are accustomed to act in accordance with that person's directions or instructions.

(3) If a security of a public company is registered in the name of a person who is not the holder of the beneficial interest in all of the securities in the same company held by that person, that registered holder of security must disclose—

- ✓ (a) the identity of the person on whose behalf that security is held; and
- ✓ (b) the number and class of securities held for each such person with a beneficial interest.

(4) The information required in terms of subsection (3) must—

- ✓ be disclosed in writing to the company within five business days after the end of every month; and
- ✓ (b) otherwise be provided on payment of a prescribed fee charged by the registered holder of securities. .

(5) A company that knows or has reasonable cause to believe that any of its securities are held by one person for the beneficial interest of another, by notice in writing, may require either of those persons to—

- ✓ (a) confirm or deny that fact;
- ✓ (b) provide particulars of the extent of the beneficial interest held during the three years preceding the date of the notice; and
- ✓ (c) disclose the identity of each person with a beneficial interest in the securities held by that person.

(6) The information required in terms of subsection (5) must be provided not later than 10 business days after receipt of the notice.

(7) A company that falls within the meaning of "regulated company" as set out in section 117(1)(i) must—

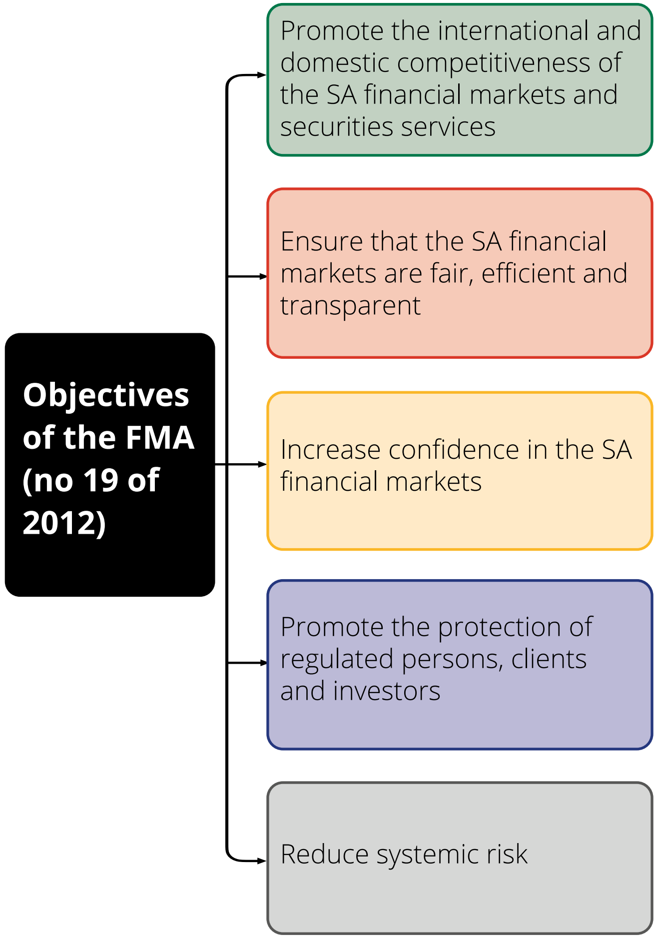
- ✓ (a) establish and maintain a register of the disclosures made in terms of this section;
- ✓ (b) publish in its annual financial statements, if it is required to have such statements audited in terms of section 30(2), a list of the persons who hold beneficial interests equal to or in excess of 5% of the total number of securities of that class issued by the company, together with the extent of those beneficial interests."

While some CSD Participants have objected to providing information to issuers due to the onerous and often manual process to contact nominee clients, this requirement is governed by the Companies Act 71 of 2008. Information requested by issuers must be provided. The market is considering the following options under the Strate Corporate Actions Special Projects Workshops:

1. Review the current equities model to allow for transparency, which talks to visibility of ownership that would eliminate the requirement for spreadsheets.
2. Retain the model and accept that spreadsheet requirements are part of the process and fully automate these processes where possible.
3. Investigate a market platform where registered nominee shareholders can provide beneficial ownership information onto a platform or tool, thereby taking ownership of providing the information to the issuer.

Financial Markets Act 19 of 2012

The Financial Markets Act 19 of 2012 (the FMA) is the legislative framework regulating the South African financial markets. The objectives of the FMA are, amongst others to,



The FMA can be accessed via the link below:

https://www.gov.za/documents/financial-markets-act

JSE Listings Requirements

The JSE Listings Requirements is a comprehensive document covering all aspects of listing on the JSE. It contains general and specific principles that are set out in over 450 pages. The document can be accessed via the link below:

https://www.jse.co.za/sites/default/files/media/documents/2019-04/JSE%20Listings%20Requirements.pdf

The following topics are covered in the Listings Requirements:

✓	Section 1	Authority of the JSE
✓	Section 2	Sponsors
✓	Section 3	Continuing Obligations
✓	Section 4	Conditions for Listing
✓	Section 5	Methods and Procedures of bringing Securities to Listing
✓	Section 6	Pre-Listing Statements
✓	Section 7	Listing Particulars
✓	Section 8	Financial Information
✓	Section 9	Transactions
✓	Section 10	Transactions with Related Parties
✓	Section 11	Circulars, Pre-listing Statements/ Prospectuses and Announcements
✓	Section 12	Mineral Companies
✓	Section 13	Property Entities
✓	Section 14	Pyramid Companies
✓	Section 15	Investment Companies
✓	Section 16	Documents to be submitted to the JSE
✓	Section 17	Listing and other Fees
✓	Section 18	Dual Listings and Listings by External Companies
✓	Section 19	Specialist Securities
✓	Section 20	Hybrid Financial Instruments
✓	Section 21	Alternative Exchange
✓	Section 22	Accreditation of Audit Firms, Reporting Accountants, Reporting Accountant
✓		Specialists and IFRS Advisers to provide accounting and/or advisory services to applicant issuers
✓		Schedules
✓		Practice Notes
✓		Index
✓		JSE Limited Listings Requirements Guidance letters

Strate Rules

Strate rules can be found on https://www.strate.co.za/wp-content/uploads/2022/11/Strate-Rules-August-2021.pdf and in terms of Section 2, covers the following aspects:

- ✓ Section 1 – Interpretation and Definitions
- ✓ Section 2 – Powers, Management and Control
- ✓ Section 3 – Strate Participation
- ✓ Section 4 – Conduct and Ethics
- ✓ Section 5 – Duties of Participants
- ✓ Section 6 – Accounts
- ✓ Section 7 – Settlement
- ✓ Section 8 – Risk and Compliance
- ✓ Section 9 – Fees and Charges
- ✓ Section 10 – Resolution of Disputes
- ✓ Section 11 – Supervision
- ✓ Section 12 – Disciplinary Procedure
- ✓ Section 13 – Notices
- ✓ Section 14 – General
- ✓ Section 15 – Complaints Procedure
- ✓ Section 16 – Procedures for Management of Participant's Insolvency Proceeding
- ✓ Section 17 – Issuers

Strate Directives

A complete list of Strate Directives can be found on the website: https://www.Strate.co.za/Strate-directives/ and covers the following aspects:

- ✓ CSD Participation
- ✓ Securities – General
- ✓ Equities
- ✓ Bonds
- ✓ Money Market
- ✓ Fines
- ✓ ZAR X
- ✓ CTSE
- ✓ A2X
- ✓ EESE

In terms of equities, there are three directives applicable to processing corporate actions in the South African market. They are listed below:

- ✓ Directive SC.4 – Processing of Corporate Actions – Equity Securities – Listed and Unlisted Securities
- ✓ Directive SC.5 – Voting Procedure - Domestic Companies – Equity Securities
- ✓ Directive SC.6 – Voting Procedure - Foreign Incorporated Companies – Equity Securities

Directive SC.4 – Processing of Corporate Actions – Equity Securities – Listed and Unlisted Securities governs the standard market process for corporate events in South Africa.

Please refer to the Strate website for the most recent version of the directives.

Financial Intelligence Centre Act 38 of 2001

The Financial Intelligence Centre Act has relevance to corporate actions because money laundering via equities, bonds and money market securities is rife in certain global jurisdictions. This is an aspect that is also being addressed with the potential FATF greylisting of South Africa. This Act, amongst others, imposes certain duties on institutions and persons who might be used for money laundering purposes. The Promotion of Access to Information Act 2 of 2000, also called the freedom of information law in South Africa, provides for the constitutional right of access to any information held by the State and any information held by private bodies required for the exercise and protection of any rights.

The Financial Intelligence Centre Act can be accessed via the link below:

https://www.gov.za/sites/default/files/gcis_document/201409/a38-010.pdf

Protection of Personal Information Act 4 of 2013

Corporate actions often require the provision of sensitive client information to issuers when beneficial shareholder information is required. This information can include identity numbers or company registration numbers, address details, client holdings in a particular ISIN on record day, tax or VAT numbers, and so forth. This information is often required by issuers or institutions such as SARB. However, if sensitive data falls into the wrong hands, it can lead to fraud, identity theft, or similar harms. Given the cost of a security breach—losing customers' trust and potential litigation, it is crucial to ensure that personal information is managed appropriately.

The specific Act can be accessed via the link below:

https://www.gov.za/sites/default/files/gcis_document/201409/3706726-11act4of2013popi.pdf

The aim of the Protection of Personal Information Act (POPIA) is:

- ✓ to promote the protection of personal information processed by public and private bodies;
- ✓ to introduce certain conditions so as to establish minimum requirements for the processing of personal information;
- ✓ to provide for the establishment of an Information Regulator to exercise certain powers and to perform certain duties and functions in terms of this Act and the Promotion of Access to Information Act, 2000;
- ✓ to provide for the issuing of codes of conduct;
- ✓ to provide for the rights of persons regarding unsolicited electronic communications and automated decision making;
- ✓ to regulate the flow of personal information across the borders of the Republic; and
- ✓ to provide for matters connected therewith.

Due to the confidential nature of client information and the risks associated with client information ending up in the wrong hands, custodians of client information are very sensitive and aware of the risks associated with the distribution of client information. A fine balancing act is thus required between the right to access shareholder information and the responsibility to protect client information.

Legislation impacts the issuer who needs to manage a listed entity in line with the Companies Act and Exchange Listing Requirements. The sponsor's primary objective is to ensure that every corporate actions meets all regulatory requirements. The Exchange needs to approve an event and finalise the timetable, and the CSD communicates the event details to the market. Participants, Members, and Institutional shareholders need to process events in line with legislation and must ensure adherence to every aspect of legislation. Adherence to legislation is also part of the licensing conditions of all stakeholders.

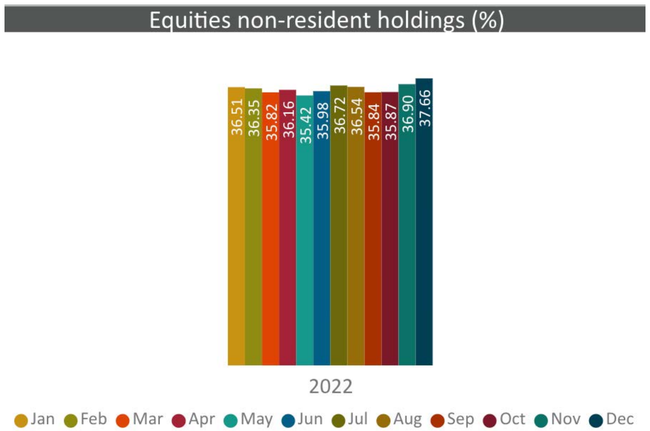
4. MARKET MODEL

This section covers firstly, an explaination of the complex nominee structure found in the equities model. The equities account holding model, unlike the well-entrenched SOR (Securities Ownership Register) model for money market securities, allows for limited transparency. The SOR model is a very transparent model that allows for visibility of ownership down to beneficial owner level. In terms of the scope of the handbook, the focus is only on equities. Under this model, securities accounts may be opened at a nominee or own name/beneficial owner level. Beneficial ownership below a nominee is not transparent and such shareholder information must be disclosed to issuers wanting clarity of the true ownership in their entity. This section of the handbook also highlights the corporate action principles agreed in the market, provides the generic timelines for corporate events as well as the generic steps in processing corporate events and basic exception handling.

The nominee structure

The nominee structure is legislated in the South African market. The limited transparency of the equities model poses some challenges, especially when disclosure at beneficial ownership level is required. In terms of the nominee structure in South Africa, CSD Participant nominees are regulated by Strate. Other nominees, such as pension funds and insurance companies, are regulated by the FSCA. Broker nominees are regulated by the relevant exchange.

Weekly BORs are scheduled in the market with the option to schedule ad-hoc BORs where required by issuers. Although this provides the required information for South African registered nominees, foreign nominees are excluded from the BOR process, and this is not legislated. Considering that in 2021, 37,94% of all securities on the JSE were foreign-owned and mostly form part of a foreign nominee structures, the local BOR to issuers only provides a partial view of beneficial shareholders at best, depending on foreign ownership of a particular counter. Foreign ownership as of 31 December 2022 stands at 37,66% based on market information from www.Strate.co.za.



The current equities model and permissible nominee structure do not allow for full beneficial owner disclosure, which adds complexity to the corporate actions landscape when this is required by the issuer. When full disclosure is required by the issuer, it implies that the information must be obtained from various parties in the chain. Currently, this is done through spreadsheets, although the industry is investigating alternatives.

Obtaining this information is further complicated by the number of stakeholders in this chain. Global custodians and institutional shareholders have footprints on most continents and in most countries, which means beneficial owner information must be obtained from various jurisdictions and time zones. The multitude of parties involved exponentially increases the risk of errors, with a strong likelihood of an error when manual intervention is required.

The FSCA, JSE and Strate websites confirmed the number of nominees below on 24 October 2022.

Strate approved CSD Participant nominees	10
Strate recognised nominees for the purpose of beneficial ownership disclosure	17
Number of FSCA approved nominees	105
Broker nominees	45

When considering solutions for the complexities of the corporate actions landscape, it is crucial to keep the bigger picture in mind. Attempting to solve for some of the challenges without addressing more serious international compliance matters does not make sense. Visibility and transparency are key features to adhere to in international compliance.

Although regulators and exchanges periodically review nominee accounts, the process is not performed daily. A BOR is scheduled weekly to ensure reconciliation between Strate, JSE (brokers), Participants and FSCA-approved nominees. Strate obtains weekly beneficial downloads from the CSD Participants, exchanges and FSCA-approved nominees. Every Friday these parties provide their beneficial download to Strate, which is subsequently consolidated. While the picture that can be drawn for locally registered nominees is quite clear, foreign nominee ownership is required by all parties for the complete picture of ownership.

Principles of corporate actions

The following principles have been adopted and form the cornerstone of corporate actions in South Africa. These principles apply to all corporate actions that are clearly set out in the JSE schedule 2, Form H:

(a) all timetables are based on business days and not calendar days;

(b) settlement takes place three business days after trade (T + 3);

(c) the Record Date (RD) is the date on which the register must be in final form;

(d) the Record Date must be on a Friday unless the Friday is public holiday in which case it will be on the last business day of that week;

(e) the Last Day to Trade (LDT) must be three trading days before Record Date. To be recorded in the register on the Record Date, trade must take place three trading days before the Record Date;

(f) on Declaration Date (DD) an announcement must be published including the declaration data. The Declaration Date must be on or before the date of issue/posting of any circular and/or other documents and must be at least thirteen business days before the Record Date;

(g) an announcement including the finalisation information must be made by 11h00 on or before the Finalisation Date (FD) which must be at least eight days before the Record Date and at least five days before the Last Day to Trade;

(h) declaration data and finalisation information can be announced on the same day if the announcement is published at least thirteen days before the Record Date;

(i) changes to the pertinent details of a corporate action between Finalisation Date and the Last Day to Trade will result in the cancellation of the corporate action;

(j) the securities concerned will trade ex-entitlement on the first business day after the Last Day to Trade;

(k) any corporate action must be declared unconditional on or before the Finalisation Date;

(l) with respect to securities affected by a corporate action, no dematerialise or rematerialise orders will be processed in respect thereof from the business day following the Last Day to Trade up to and including the Record Date but will recommence on the first business day after the Record Date.; If the company maintains a certificated register, it must be closed for this period.

(m) suspension and removal of a listing as a result of a corporate action will always take place at the commencement of business.

(n) all share entitlement ratios and cash entitlement rates (which cash payments are measured in cents) must be reflected to five decimal places;

(o) in respect of fractional entitlements that arise, all allocations of securities will be rounded down to the nearest whole number resulting in allocations of whole securities and a cash payment for the fraction. In the event that it is a new listing, and no trading has taken place on LDT+1, the issue price or estimated issue price, less 10% must be used; An applicant issuer must release an announcement by 11h00 in respect of the cash value determined. The weighted average traded price for LDT + 1 less 10% must be used as the cash value. (i) Standard rounding is applied to Rights Offers, where fractional entitlements less than 0.5 are rounded down to the nearest whole share and fractions of 0.5 and greater are rounded up to the next whole share.

(p) all affected securities holders will have to anticipate their holdings on the Record Date by considering all unsettled trades concluded on or before the Last Day to Trade which are due to be settled on or before Record Date. This will enable affected securities holders to provide their CSDP or broker with their election based on their anticipated holdings by the election deadline.

(q) elections not made by the election deadline will result in the default provisions set out in the relevant corporate action being applied by the CSDP in respect of those securities for which no election has been made; (i) Closing date for elections on secondary listed companies for dividend options may be extended to up to 10 days after the Record Date (ii) Add offer open and close date to all offers

(r) Information to be included in all documentation:

i. wherever reference is made to holders of securities of a company the procedures for certificated and dematerialised holders of securities must be detailed.

ii. the surrender of securities certificates will only apply to certificated securities holders and the surrender forms must state this;

iii. in the case of dematerialised holders of securities, the CSDP or broker will automatically take care of the equivalent of the surrender of securities certificates;

iv. election forms only apply to certificated holders of securities and the election forms must state this. The circular and/or documents must also state that the dematerialised holders of securities election must be provided to their appointed CSDP or broker in the manner and time stipulated in the custody agreement entered into between the holder of securities and the CSDP or broker.

v. the form of proxy included in the circular and/or documents must state that it is for completion by certificated holders and dematerialised holders who have "own name" registration of securities only. The documentation must state that dematerialised holders of securities who wish to attend the general/annual general meeting must inform their CSDP or broker of their intention and the CSDP or broker will issue them with the necessary documentary authorisation to attend and vote at such meeting. Alternately, should they not wish to attend the meeting in person, holders of securities may provide their CSDP or broker with their voting instruction and such CSDP or broker will complete all necessary documentation and action same in order for the holders of securities vote(s) to be taken account of at such meeting.

vi. the salient dates section of the circular and/or documents must include all the dates in the declaration data and finalisation information. The definitions for these dates must be included in the "definitions" section of the circular and/or document; and

vii. if new securities are to be issued, holders of securities must receive the new securities in dematerialised form.

(s) the timetables in this schedule do not include election dates or deadlines due to such dates varying between brokers and CSDPs and their clients in respect of the dematerialised environment in terms of the agreements between clients and their brokers or CSDPs and yet another date in respect of the certificated environment. However, issuers must take account of such dates of election for each corporate action and must clearly indicate in documents and announcements the dates, taking account of the varying dates of election applicable to investors in the dematerialised environment as well as the date of election for certificated securities holders.

(t) rights offer declaration announcements must clearly indicate as to whether excess applications are allowed or not; and

(u) any restrictions that may be applicable with regard to an event where securities are issued, the entity name and the QIB cut-off time must be disclosed in the declaration SENS announcement and press announcement (where applicable), clearly stating whether restrictions on foreign shareholders apply or not, and where possible, the relevant jurisdictions that are affected.

(v) all announcements pertaining to distributions where Dividend Withholding Tax is applicable, and where the payment is made from a foreign source, (made from outside South Africa), the country from where the payment is being paid from, needs to be disclosed. If the distribution is partially paid from a foreign source and partially from a local source, the amount needs to be split accordingly and disclosed accordingly (i) All announcements pertaining to the payment of cash where Dividend Withholding Tax is applicable must be stated clearly (ii) All announcements pertaining to the issue of securities where STT is applicable and payable, must be stated clearly, and whether STT is payable by the shareholder, CSDP or company

(w) the Issuer must comply with the Strate Directive where the total cash entitlement needs to be available at 10h00 on payment date, by funding its bank account (the Designated Bank Account) in respect of the dematerialised holdings, as provided to the Issuer or its agent (their agents) by Strate.

(x) all announcements pertaining to cash payments declared in a foreign currency and converted to Rand (ZAR) at the exchange rate, must include the date on which the foreign payment will be converted to Rand (ZAR). If not converted on a specific date but over a period, this information or the applied methodology must also be included in the announcement

(y) should a new ISIN be applicable to a corporate action, it must be added to the declaration announcement.

(z) on a name change and reverse listing, specify on the SENS announcement if the company will retain history or not

The relevance of SWIFT and Securities Market Practice Group (SMPG)

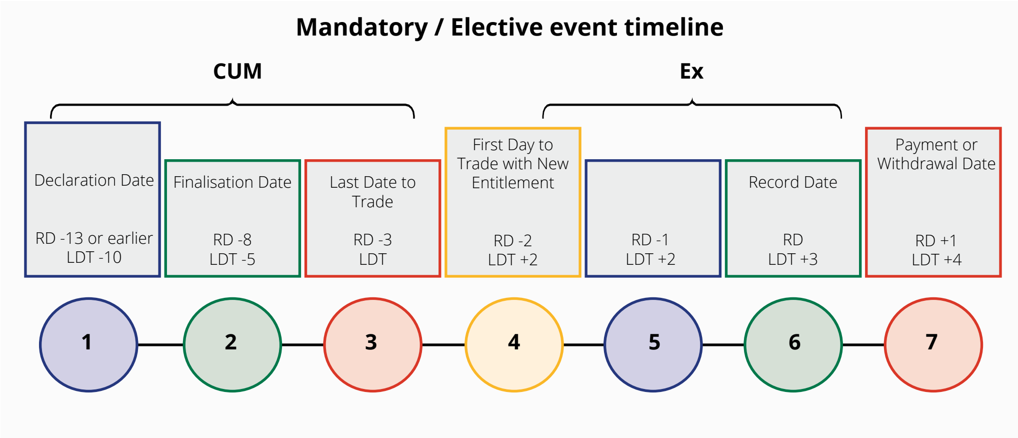
SWIFT and the SMPG both have specific relevance to corporate actions. Market practice is aligned to the Strate Rules and Directives. Globally, financial institutions use the SWIFT messaging network to securely transmit information and instructions through a standardised system of codes. SWIFT has become a crucial part of global financial infrastructure and corporate actions processing, and information flow is disseminated via SWIFT internationally. Most financial institutions and stakeholders associated with financial markets infrastructure, subscribe to SWIFT standards and protocols. This has brought about an exceptionally high level of straight through processing (STP) and automation. This in turn has reduced risk and errors associated with manual processing.

In the securities industry, STP principles have been adopted globally. According to the SMPG website, the Securities Market Practice Group is a group of experts who devote their time on a voluntary basis to define global and local market practices for the benefit of the securities industry. The market practice documentation and recommendations produced by this organisation are intended to solve common problems across the securities industry, from which financial institutions can derive clear benefits, to harmonise business processes and to facilitate the usage of message protocols ISO 15022 and ISO 20022. While the Securities Market Practice Group encourages the implementation of the market practices it develops, it is up to the financial institutions within each market to implement the market practices according to their needs and agreements with their business counterparts to support their businesses as efficiently as possible.

The combination of SWIFT and market standards have revolutionised the industry. That is evident from the large volume of corporate actions processing that is handled in a straight through processing manner. As of 31 December 2022, year to date, there have been 1733 corporate events on equities as an asset class. A fraction of these required manual intervention and manual processing. Some difficulties arise when there is deviation from the timelines, and this is dealt with in more detail later in the handbook.

Generic corporate action timelines

The below illustrations depict the mandatory and elective event timelines that are in place. These event timelines are followed in most cases. Exceptions occur from time to time, especially on PLC companies where there needs to be alignment between markets with different settlement cycles



- ✓ Declaration Date (DD): the Date on which the corporate action and the Declaration data (including any conditions precedent to which the corporate action is subject) are announced and released through SENS.
- ✓ Finalisation Date (FD) – RD – 8: The date on which the event and its details become unconditional in all respects and irrevocable, i.e. no further changes to any of the pertinent details can be made by the Issuer and the event can only be cancelled in certain circumstances.
- ✓ Last day to Trade (LDT) : The last business day to trade in a security in order to settle by Record Date and to qualify or participate in the event.
- ✓ Ex date: Excluding or non-qualifying for an entitlement arising from a corporate action. The first trading date after LDT. All On-Market trades from this day will exclude the right to receive entitlement.
- ✓ Record Date: The date on which the holdings upon which the entitlement is based are ascertained. Record Date is one settlement cycle after LDT (currently 3 days) or one settlement period.
- ✓ All SLB same day returns must be in ready-for-settlement status by 10:00.
- ✓ Strate calculates event eligibility where settlement has taken place by 12:00.
- ✓ CSD Participants submit elections where required to Strate by 13:00.
- ✓ Strate submits all elections received to issuer agents upon receipt.
- ✓ Strate sends MT564 pre-advice to CSD Participants from 11:30 for mandatory events and after 13:00 for elective events.
- ✓ Payment Date: This is the date on which entitlements will be paid or posted.

Basic steps in processing a corporate event

1. The issuer decides on a specific corporate action driven by the strategic direction of the company or regulatory requirements. This can be a dividend payment, rights offer, annual general meeting or various other events.

2. If a complex corporate action is planned, legal teams, sponsors and accountants may be involved from inception to provide expert opinion and guidance. Transfer secretaries are sometimes part of these discussions, but this is at the issuer's discretion.

3. The sponsor as the go-between the issuer and exchange will ensure compliance with Issuer Regulations and various legislation, and normally captures the event details on a template for verification by the exchange.

4. The issuer will publish the pertinent details of the event on the Exchange News Service. At the JSE it is SENS and at A2X it is A2X News Service.

5. Strate will capture the event details on its system and a SWIFT notification MT564 PNOE (Preliminary Notice of Event) is despatched to all CSD Participants.

6. Concurrent to the above, the sponsor may decide to involve the wider market as the process of finalising the circular is undertaken. Some prefer this approach; others do not involve the broader market and their focus is adherence to legislation and regulatory compliance.

7. On RD-8 the SWIFT MT564 FNOE (Final Notice of Event) will be released by Strate. On this date all pertinent details of the event become irrevocable. If any pertinent event details are changed or modified, the event must be cancelled and a new event created. This is not a preferred approach as this creates uncertainty that leads to large volumes of enquiries. If it is an elective event, clients must re-instruct, which creates rework and duplication of effort. The preferred approach by most custodians is to update the event.

8. Some CSD Participants follow the straight through processing methodology and relay the information to their clients, while others will intercept the message and enrich the event information as part of the service offering to clients before it is manually released. This is normally applicable to elective events.

9. Clients, global custodians, fund managers and broker clients receive the MT564. They in turn relay the information to their clients either via SWIFT, online portals or email communication.

10. Internal management of trades and securities lending that may impact on the event and corporate actions will be maintained up to record date. Client tax statuses must be confirmed by latest record date to ensure accurate tax processing and reporting to South African Revenue Service.

11. If a client election is required, it will follow the chain in reverse. Clients may advise their broker or fund manager of their election; this will roll up to an entity where the individual will notify its asset manager if it is a non-mandated portfolio, the asset manager its global custodian, from there to the CSD Participant who will annotate it as part of an election for a specific nominee and submit the election to Strate on record date.

12. The custodian may have one or several nominee accounts and will submit their SWIFT election to Strate. If additional information is required on a spreadsheet, this will be done outside of the custody system. Various nominee/client spreadsheets will be received and consolidated by the custodian. This is always an onerous task and regarded as high risk. Currently nominees and brokers must provide to CSD Participants their spreadsheets by RD-1 at the time stipulated by the service provider.

13. Strate will communicate the final elections to the transfer secretary, who will liaise with the sponsor and issuer, and if required, will provide allocations to the market, via Strate.

14. CSD Participants will update allocations to reflect entitlements received from the transfer secretary on their custody systems, either manually or via file upload capability.

15. The event will be disbursed, and clients will receive entitlement on payment date.

16. Where relevant, DWT claims are processed and administered by the relevant team. Depending on the client base, there can be claims of hundreds or even thousands per month, depending on the events processed during the month.

17. After X number of days, the event is moved to ground status and archived depending on internal policy.

Generic exception handling

1. In most cases, exceptions occur because of event information that is not present or there is uncertainty about interpretation of the event. These exceptions are normally clarified by the sponsor or the issuer's legal teams.

2. Delays in providing clarity by the issuer or sponsor creates anxiety for processing hubs and clients who must ensure correct processing and tax treatment. Where multiple jurisdictions are involved, and several legal teams must provide input into a query, it understandably will not be resolved or clarified immediately and may take several days.

3. In some instances, especially where there are bespoke processing requirements and deviation from normal market practices, market meetings may be required between the issuer/sponsor, legal teams, exchanges, the CSD, CSD Participants and brokers.

4. The exchanges and CSDs as the regulators are best suited to make a judgement call in terms of event complexity. Through their market-wide relationships with brokers and CSD Participants, they can facilitate liaison between all parties when required.

5. Crisis market calls occur when there is a deviation from the agreed timelines and processes. In those instances, the priority will be to ensure that the corporate action is successfully executed albeit with increased levels of risk.

6. Post-mortem sessions will be scheduled following high-risk events where certain actions or inactions resulted in higher than usual risk. This is normally done at the discretion of the regulators in order to learn from what transpired during the event to prevent a reoccurrence.

A bird's eye view of corporate actions in 2022

Market statistics from www.Strate.co.za for the period 2 January 2022 – 31 October 2022 provide the following number of events and disbursement:

Asset class	Number of events	Cash disbursement ZAR	Security disbursement ZAR
Bonds	9945	765,214,547,584.16	-
Equities	1733	455,509,278,116.15	38,351,163,469.00
Money market	15447	910,881,405,283.65	
Total	**27125**	**2,131,605,230,983.96**	**38,351,163,469.00**

The number of corporate events and values disbursed for bonds, equities and money market as at 31 December 2022 are reflected below. Details can be found on https://insights.strate.co.za/MarketInsights/corpactions/

Asset Class	BONDS			EQUITIES			MONEY MARKET		
Year	No. of events	Cash disbursed	Securities disbursed	No. of events	Cash disbursed	Securities disbursed	No. of events	Cash disbursed	Securities disbursed
December	974	51 082 591 490.53	0.00	129	16 853 234 383.54	5 258 299 159.00	1283	64 370 158 560.06	0.00
November	889	42 629 398 717.29	0.00	141	18 148 616 729.84	15 580 404 926.00	1540	90 774 195 525.33	0.00
October	721	32 189 004 755.92	0.00	177	51 447 036 106.62	203 027 181.00	1304	66 924 722 482.30	0.00
September	970	61 642 200 290.83	0.00	165	97 810 902 995.76	5 956 265 483.00	1181	62 590 445 440.91	0.00
August	1001	133 087 502 723.26	0.00	140	41 801 490 029.87	1 027 238 936.00	1316	77 016 568 862.60	0.00
July	607	32 614 936 189.50	0.00	151	11 190 149 730.63	452 786 177.00	1317	68 114 556 082.96	0.00
June	899	89 015 659 311.53	0.00	151	18 474 464 810.41	677 925 285.00	1171	82 079 076 354.08	0.00
May	910	33 200 503 816.80	0.00	140	27 452 631 242.71	1 464 217 827.00	1637	85 565 306 524.48	0.00
April	545	26 541 341 149.52	0.00	177	66 667 243 876.31	2 353 443 265.00	1248	69 411 308 189.12	0.00
March	926	61 136 431 978.85	0.00	104	87 042 313 946.81	3 146 552 237.00	1099	83 436 468 494.81	0.00
February	820	74 397 806 075.82	0.00	104	8 249 113 538.87	521 651 305.00	1123	75 795 454 884.46	0.00
January	683	127 677 171 084.31	0.00	154	10 272 080 724.78	1 709 351 688.00	1228	84 803 143 882.54	0.00
Total	**9945**	**765 214 547 584.16**	**0.00**	**1733**	**455 509 278 116.15**	**38 351 163 469.00**	**15447**	**910 881 405 283.65**	**0.00**

Across all three asset classes the number of events as well as cash and securities disbursed for 2022 as at 31 December 2022 is indicated below:

Asset Class	Total		
Year	No. of events	Cash disbursed	Securities disbursed
November	2570	151 552 210 972.46	15 580 404 926.00
October	2202	150 560 763 344.84	203 027 181.00
September	2316	222 043 548 727.50	5 956 265 483.00
August	2457	251 905 561 615.73	1 027 238 936.00
July	2075	111 919 642 003.09	452 786 177.00
June	2221	189 569 200 476.02	677 925 285.00
May	2687	146 218 441 583.99	1 464 217 827.00
April	1970	162 619 893 214.95	2 353 443 265.00
March	2129	231 615 214 420.47	3 146 552 237.00
February	2047	158 442 374 499.15	521 651 305.00
January	2065	222 852 395 691.63	1 709 351 688.00
Total	**27125**	**2 131 605 230 983.96**	**38 351 163 469.00**

While bonds and money market securities as asset classes had the highest number of corporate events, this is handled seamlessly in the industry with few exceptions or risk. Most of the risk is found in the equities asset class, especially on elective events. The market refers to most corporate events as "vanilla" events as they do not pose any material risk. These events can be seamlessly accommodated in many of the tried and tested processes with guaranteed outcomes and high levels of straight through processing. However, there is substantially more risk on the more complex events. Complex corporate events are not necessarily linked to a specific event type, although events such as tender offers are often notoriously complex. The South African market seldom processes more than five highly complex and risky equity events per annum.

Factors contributing to complexity in Corporate Actions

The complexity of a corporate event is often linked to several factors, including: -

1. All required information applicable to the event must be known as early as possible in the process. Where information is not available or incomplete, it leads to high volumes of enquiries from shareholders/clients and uncertainty about processing. Even simple events can introduce risk when relevant information is not made public from the event's inception. Behind a query is always a client requiring clarity to ensure correct processing and adherence to regulation.

2. Requests for beneficial shareholder information add complexity due to the number of nominees and foreign nominees present in the market. This information is often required on spreadsheets which is manual at many institutions and adds pressure to corporate action departments. Risk increases exponentially when the requirements for spreadsheets and non-standard information are communicated late in the process. To balance spreadsheet information to the final and irrevocable election that CSD Participants need to make to the CSD, mostly on an event's record date, is often a stressful and intense process, especially for CSD Participants. This challenge also applies to the transfer secretaries who must consolidate the market spreadsheet information into a consolidated spreadsheet for the issuer.

3. Tax treatment is often a bone of contention, specifically for brokers and CSD Participants who are withholding tax agents and have to comply with regulatory obligations such as monthly South African Revenue Service reporting. Many queries arise when there is uncertainty about tax liability or clients having to pay taxes such as securities transfer tax. Corporate actions management and staff are seldom tax experts and require clarification about this early in the process. Asset management institutions face similar frustration when there is uncertainty about an event's tax treatment. They must account for the net asset values of various portfolios. If their reporting is not accurate, it impacts regulatory compliance which is a major reputational risk. If incorrect tax is withheld or expected to be recovered from shareholders after an event, the risk falls squarely on accountable institutions. The impact of incorrect withholding of DWT and STT is high. SARS has specific expectations relating to tax treatment of corporate events to ensure full compliance with legislation. The reputational impact also affects larger businesses, especially at the Bank-CSD Participants.

4. One CSD Participant stated, "a DRIP is not a DRIP is not a DRIP". Where one DRIP event can be seamlessly executed, you may find another that can become very challenging due to a specific requirement of the event. Where processing does not align to normal event timelines and requires market testing prior to execution of the event, it creates complexity. There are multiple CSD Participants in the market – banking and non-banking CSD Participants - with some having resource constraints and many internal projects to manage. Market testing that must be coordinated at short notice becomes a challenge and increases risk and exposure to potential loss. At some institutions the testing of complex events with the market reverts to the processing team who must manage this in tandem with operational challenges and internal projects.

5. Qualified Institutional Buyer Letters (QIBs) or Sophisticated Investor Letters (SILs) can create complexity. Often beneficial shareholders must complete these and remit to the legal team of the issuer for verification which is an opaque process. This process falls outside the scope of corporate actions processing at the brokers and CSD Participants. The challenge lies in linking registered nominees to the beneficial shareholders which often is done only on domicile details that may be incorrect. A global fund manager with a registered US domicile may have beneficial shareholders with different domicile details to the registered nominee. Exclusions on that basis may be risky and open to challenge. The required QIB templates must be made available as soon as possible in the process, as well as the contact and delivery address details where these forms must be delivered. Uncertainty in this regard leads to multiple queries to custodians. Clients or institutions, as shareholders, who do not adhere to the stipulated timelines communicated by the issuer, often ask CSD Participants, who are not part of this process, to obtain extensions from issuers or sponsors.

6. Where beneficial or registered shareholders must open accounts with foreign custodians, such as brokers, to ensure receipt of security entitlement, this becomes a difficult process to administer. Normally, these accounts must be validated prior to receipt of the entitlement, failing which securities are deposited with an issuer nominee account and a subsequent claim process must be followed. Where this process is not communicated clearly and well in advance, shareholders may feel disenfranchised, and brokers and CSD Participants carry the brunt of queries in this regard. When a corporate event cannot be moved to ground status and remains pending in certain respects due to unpaid entitlements, it adds risk and requires ongoing follow-up to ensure all shareholders are paid. This often leads to risk items being listed on audit reports as corporate actions teams are rarely adequately staffed to constantly monitor and follow up on past corporate events.

7. Restricted domiciles are a risk especially when shareholders who already have a holding in a specific counter are excluded from participation in an event. Uncertainty about whether domicile restrictions apply to registered or beneficial shareholders lead to volumes of queries. This is a crucial aspect that must be addressed upfront to ensure there is no uncertainty to all in this process. This must form part of the declaration announcement to provide clarity.

8. Trading patterns have been entrenched and established over the last two decades with fund managers and institutions trading in entitlements from ex-date. Trading in entitlements from ex-date is a risk when potential scale-back is applicable to the corporate event. If scale-back reduces the entitlement to be received and this is only known late on record date, it can create systemic risk in the market. On a tender offer event in 2021, the JSE issued a cautionary announcement about trading in entitlements due to the foreseen scale-back on the event. Trading in entitlements from ex-date on events where scale back may be applicable, may have to be reviewed as the risk is high and can have a huge impact on the market if a sizable trade were to fail. Alternatively, traders in such securities must ensure that they do not trade the full anticipated entitlement. The risk, however, remains high.

9. Securities lending and borrowing departments often have to face the dilemma that lenders of securities recall these securities when they perceive the corporate event to be risky. This creates non-availability of securities in the market which is a substantial risk especially when a specific trade must be honoured. Where there are insufficient securities for settlement, and no securities available for borrowing in the market, it may lead to failed trades.

10. When issuer entitlement (allocation) is communicated via spreadsheet to the market and there is a delay from the issuer, sponsor or transfer secretary, it has significant impact on the CSD Participants. End of day processing is initiated via schedulers at most institutions and various downstream processes follow from there. If there is a delay in this process, it impacts the entire market, impacting daily reconciliation processes and client statements to name but two. Once specific corporate event late in 2021 created huge impact on the market in terms of end-of-day processing. The issuer/sponsor did not adhere to the agreed timeline to notify the market of the client entitlement and this information was only released very late at night on the record date. Some banks had to abort the corporate action processing and started their end-of-day processing around midnight on the day. Insufficient time to complete this process successfully, can have huge risk for banking institutions whose systems may not be able to start up the following day unless day end processing for the previous day has concluded successfully. Some institutions were very vocal about the risk that was introduced to the banks. A repeat of an incident of this magnitude may have significant consequences for the issuer, sponsor, or agents for this event. It cannot be allowed that delayed processing on the part of an issuer/sponsor impacts the entire ecosystem of corporate events and introduce massive risk to the ecosystem and clients.

11. The issue of early engagement has been raised by some CSD Participants. While some require to be part of the discussion before the event details are published, others do not want to be part of the process until the event has been announced to mitigate risk of insider trading and being privy to confidential information, which creates another risk for CSD Participants. Issuers are very sensitive to disclosing certain information before it is made known to the market – leakage of sensitive information may jeopardise the entire event. Consensus view however is that all pertinent information must be available on the declaration announcement, if available. This matter has also been finalised by the JSE who confirmed that issuers cannot be mandated to involve CSD Participants before the event has been publicly announced.

12. Where the appointed agent must sell restricted entitlements for shareholders who are not eligible to participate in the event, it may create uncertainty when the process is not well communicated. The appointed agent will consolidate the pool of securities to be sold and will dispose of the securities in a controlled manner to arrive at a uniform price to all shareholders. Restricted securities are normally sold, and the proceeds relayed to CSD Participants a few days after record date plus one. For every corporate event where restricted entitlements must be sold, the correct cash rate must be communicated after the sale is completed.

13. Trading in an ISIN after LDT on events where the ISIN will change/delist creates the risk of a debit balance of securities and must be strictly managed at broker and CSD Participant level. At CSD Participant level, a debit balance of securities is an infringement that is frowned upon. A CSD Participant must not give, or give effect to, an instruction which would result in any of the securities accounts maintained by the CSD Participant reflecting a debit balance according to Strate Rule 7.4. A fine of R50 000 per instance where a securities account reflects a debit balance may be issued by Strate Supervision. Where a CSD Participant does not notify Strate Supervision within twenty-four hours of the occurrence of a debit balance, this will be reported to the Strate Regulatory and Supervisory Committee who may impose a further penalty. Daily reconciliation processes are established across the market to mitigate this risk.

14. Trading in securities where a shareholder has already accepted an offer can cause risk. Securities that have been tendered must be disabled for trading purposes to ensure securities are available for delivery on the relevant date. Where securities have been tendered for an offer event and the same securities have subsequently been traded, this creates a risk of a potential debit balance of securities.

15. Extension of the closing date of the offer. While there may be good reason for the issuer to extend the closing date of a tender offer due to delays in obtaining approvals or regulation hurdles, delaying this indefinitely causes stress in the operational environment. Shareholders' securities are ring-fenced for longer periods and are effectively taken out of the market for trading purposes. It may happen that shareholders wish to retract their election or acceptance of the offer especially if the terms of the extended offer become more favourable. Most of the time however, once an election has been submitted, it is irrevocable.

16. Apportionment ratios is a problem especially in the asset management industry where daily portfolio valuations are required. These apportionment ratios on unbundling events are only confirmed on record date but trading in entitlements starts from ex-date. Reprocessing must be triggered once final ratios are known which causes much frustration in this part of the ecosystem. It also implies additional costs as back-office processing is often done by third parties and any recomputation or reprocessing of events are charged for.

CSD Participants perception is that there is a lot of pressure in the process that falls on them for which they are taking an extra-ordinary portion of the risk. Some CSD Participants have had major losses on corporate events. If the corporate action communication is unclear, clients send queries to CSD Participants in droves to clarify certain aspects of the event. If the issuer or sponsor is not very fast on turnaround times for queries, this causes shareholders to report the lack of clarification to relationship managers which in turn affects the client scorecards and CSD Participant ratings. If there are spreadsheet requirements that have not been confirmed by finalisation date (RD – 8), this has a knock-on effect where clients queries are received in large volumes. Where there are non-standard columns to complete, CSD Participants must engage with their clients and must often arrange on-on-one sessions to explain the spreadsheet in detail and take the nominee clients through the detail to explain to their clients what is required. This is particularly the case with offshore clients. Sometimes meetings must be scheduled with up to fifty or sixty clients depending on the client base of the event. This must be done in a very short time frame to mitigate risk. If this is not done clients may advise the relationship managers that their service provider is not providing the required skill and care in the execution of the corporate event. Clients often come back at the eleventh hour to request extension before they submit elections. This causes the CSD Participant to run the risk of being unable to meet market deadline and putting their clients at risk of potential default.

5. ROLE PLAYERS

"It is important to understand who the various role-players in the South African financial market ecosystem are and the roles they perform in creating a sound South African financial market for the benefit of the investment community. It is also important to understand that actions taken by a company or issuer may be regulated by more than one regulator and that there is inter-play between these regulators. These role-players provide critical checks and balances for a robust governance ecosystem of all companies doing business in South Africa" **– JSE Listings Requirements.**

The role-players involved in corporate actions include issuers, exchanges, CSDs, transfer secretaries, sponsors, CSD Participants, brokers, nominees, fund managers and the legal fraternity. Some of the industry role-players are listed below:

Issuers

In South Africa there are currently just under 300 listed companies on the JSE. These issuers are all part of the ecosystem for corporate actions and excludes the unlisted and private companies. The list is too exhaustive to include all issuers, but details can be found on the exchange websites of all listed issuers. CIPC should have the details of all private companies. A2X has 71 secondary listings on its platform as at 20 October 2022. Other exchanges have a relatively small number of listings and some offer bespoke services to issuers.

Exchanges

i) Johannesburg Stock Exchange
ii) A2X
iii) Cape Town Stock Exchange
iv) Equity Express Securities Exchange
v) ZAR X (Licence suspended)

Central Securities Depositories

i) Strate CSD
ii) Granite CSD

Transfer secretaries/Services

i) Computershare Investor Services
ii) JSE Investor Services
iii) Singular Systems
iv) Cape Town Stock Exchange

Sponsors

The list is not exhaustive. For a complete list, consult the exchanges' websites.

i) Java Capital
ii) RMB Capital
iii) Investec Capital
iv) Nedbank Corporate and Investment Bank
v) Standard Bank Corporate and Investment Bank
vi) Deutsche Bank
vii) Questco Corporate Advisory
viii) One Capital Management LLC

Strate Central Securities Depository Participants

i) Absa Bank Limited
ii) Citibank N.A. – South African Branch
iii) Computershare (Pty) Limited
iv) FirstRand Bank Limited
v) JSE Investor Services CSDP (Pty) Ltd
vi) Nedbank Limited
vii) The Standard Bank of South Africa Limited
viii) South African Reserve Bank (SARB)
ix) Standard Chartered Bank – Johannesburg Branch

Legal teams

i) Werksmans Attorneys
ii) Linklaters LLP
iii) Webber Wentzel Attorneys

Asset management institutions

i) M&G Investments
ii) Allan Gray Investment Management
iii) STANLIB Asset Management
iv) Ninety-One Asset Management

Administrators

i) Curo Fund Services
ii) Maitland Fund Services
iii) Prescient Fund Services
iv) State Street Fund Administration

Brokers

i) Nedbank Private Wealth
ii) SBG Securities
iii) Navigare Securities

The role of issuers

An issuer is a legal entity that develops, registers and sells securities for the purpose of financing its operations.

Issuers may be governments, corporations or investment trusts. Issuers are legally responsible for:

- obligations regarding the issue of securities;
- reporting financial conditions within prescribed periods in the prescribed format;
- notifying the market of material developments; and
- any other operational activities as required by the regulations of their jurisdictions.

The most common types of securities issued are:

- equities: ordinary and preference securities; and
- debt: bonds, notes, debentures and treasury bills.

Issuers must ensure that the following minimum requirements are met:

i) the documentation submitted for due diligence must be valid documents;
ii) offerings documents to the investor must be valid and not violate any law;
iii) informing regulators or representatives of any material adverse changes in any offering documents or business activities of the company during the offering period or after the minimum funding amount is completed;
iv) ensure that the company is not performing business activities that violate any laws in any jurisdiction and is free from any litigation proceedings; and
v) keeping the investors in the company updated on the company's progress on a periodic basis.

Issuers are also required, on a continual basis, to have:

- a board of directors appointed that complies with the Listing Requirements;
- various board committees;
- a company secretary;
- a listing sponsor; and
- an auditor.

Most issuers view the sponsor as the interface between themselves and the market who must ensure that regulatory aspects are adhered to. Issuers require backing from the appointed sponsor and transfer secretaries in their engagement with the exchange, to ensure compliance with Exchange Requirements, Issuer Regulation, Strate Directives and the various Acts. Sponsors are the channel between the company and the exchange, both upwards and downwards. Sponsors provide guidance to issuers and translate the requirements into a to-do list of what must be done, when and by whom.

In terms of the expectation from the exchange, CSD and CSD Participants and the roles they play, some issuers advised that they expect all role-players to fulfil their respective roles to ensure that the corporate action is executed. Clear guidance is required from the exchange on what needs to be done, and the sponsor will assist with that.

Some of the feedback we received from issuers is provided below.

An issuer who declares dividends bi-annually, operates a substantial securities buy-back programme, and had an odd-lot offer, several acquisitions and securities dividend alternative, said it considers clear communication to shareholders and the market important. The issuer requires assurance around execution of its corporate events, and that nothing will go wrong that it is not able to control. It was expressly stated that it does not want to be embarrassed because of delays or non-payment and prefer to have a truncated timetable where possible.

An issuer mentioned that its sponsor would only come in later in the transaction. From the onset, it put together a multi-disciplinary team that is as small as possible to ensure confidentiality, and the corporate bankers and attorneys form part of the initial core team.

The first consideration when contemplating any corporate action for an issuer listed for over 100 years, is the strategic rationale. It would focus on the overall strategy of the group and whether that can be achieved organically or inorganically, or if the board needs to execute acquisitively through a corporate action to fulfil that strategy. Any corporate action must make strategic sense. It would look at a merger or acquisition as a tool to realise the strategic objective.

Another consideration for issuers is around terms and the pricing of the transaction versus where the issuer believes it is valued. The execution risk of any transaction is also a factor. Consideration is given to how the transaction or corporate action could be facilitated and the prospects following the transaction. The right management team or the right partners are critical to realise the strategy.

Another issuer advised that the principles it considers before any corporate action is contemplated are:

- ✓ the cost-benefit of undertaking the corporate action over the medium and longer term; and
- ✓ the benefits for shareholders.

Corporate action transactions are driven fundamentally by the company strategy because they communicate a message to the market. Operational performance is the starting point in most cases, but what is crucial is the outlook for the company. Even if a payment to shareholders will be modest, the questions to be asked are:

- ✓ What message is conveyed in an entitlement to shareholders?
- ✓ Has it increased from the previous declaration period, is it down and what story is being told?
- ✓ Do shareholders have reason to have confidence in the business?
- ✓ Does the company require funding for expansion or is a potential take-over on the cards?
- ✓ What are they doing to grow the company and is there productive use of capital?

For some issuers corporate actions are all about unlocking shareholder value. If a dividend is declared, they must have sufficient capital reserves to pass the solvency and liquidity test; if capital is required, they may contemplate raising capital either via rights offer to shareholders or consider debt funding. Some issuers have no objection in principle to liaise with CSD Participants at the right moment if they believe the transaction warrants engagement, but they do not want to introduce this concept for all events as this is not a productive use of time.

A company that has been doing securities buybacks for the past 15 years and corporate actions for even longer, said its legal team is not always involved, but when it is, it will be at an early stage for the company to understand what it can and cannot do. Many of the aspects are dealt with by the company secretary. If a more complex corporate event is planned, a multi-disciplinary team consisting of the legal team, sponsors and accountants will form part of the engagement. It depends entirely on the complexity of the transaction and the nature of the risks that may be inherent in the transaction.

In most instances, issuers should only announce a transaction to the market once there is board approval and deal closure simply because of price sensitivity. There is strong requirement from the TRP to ensure that price-sensitive information does not leak and to ensure that information is contained. In terms of highly sensitive transactions, only a handful of people should know about it early on. Most issuers concur that prior engagement with other parties is not an option. Warren Buffet remarked that markets are bipolar and can exacerbate to the upside and the downside on sensitive information. Complex transactions always have a long lead time, and issuers keep their circle of confidants as small as possible.

Generally, issuers try to ensure that a transaction works well at the CSD Participants as well as the rest of the market. Many deals done in the private markets cannot be replicated in the public markets because of the complexities and issuers shy away from those transactions in the listed environment. Most issuers have no insight into the custody systems or client messaging structure (SWIFT) and believe the technical system detail is best left to licensed custodians to work out.

A REIT issuer with a large exposure to European markets, compiles a detailed analysis of its register monthly but believes information at a granular level would be a game-changer for the issuer. It actively manages its institutional shareholders on an ongoing basis. For this issuer, having direct line of sight on the outcome of decisions is crucial. Transparency of the register is critical to have meaningful engagement. It has to figure out shareholder detail on the company register by deduction because it is not transparent.

A clear requirement from the majority of issuers is to have a detailed register that provides all shareholder information. Ideally, it should include details of the mandated asset manager. Some issuers spend vast amounts of money to obtain shareholder information, especially on the international side of their business. Although it is a grudge purchase, it does provide valuable information. An issuer which has many tracker funds from Europe and the US on its register finds asset managers in those locations typically don't engage with them as they outsource their voting. Transparency makes for good stewardship from a management point of view, but also from an institutional shareholder point of view.

Some issuers say it is time to move to T+2 or T+1 settlement cycle. This view is supported by a high-profile legal firm involved in many corporate actions. Aligning settlement cycles with major foreign markets would reduce risk and complexity locally, especially coordinating timetables between jurisdictions. All issuers consider a corporate event that requires a vote as risky.

The view of several issuers on elections post record date is that the primary objective is to get it right. They are comfortable if it takes a bit longer to ensure that it is right on complex transactions. One issuer who had a complex corporate event in 2021 with several jurisdictional restrictions, said it is better for elections to be provided post record date if it will assist the process and reduce the risk. Another issuer believes that elections must be provided on record date because that is when it is needed.

Exchange control regulations are considered when issuers contemplate cross-border transactions where either the counterparty, legal counsel/s or advisors or the transaction itself are outside of South Africa. Issuers engage with the South African Reserve Bank for all cross-border transactions.

Several issuers view the reluctance of CSD Participants to provide information not as a Protection of Personal Information Act issue, but rather an assistance issue. Several issuers find it awkward that they are unable to determine who may have voted in a particular manner at their Annual General Meeting. Market practice dictates that an issuer's request for disclosure must be sent to Strate. In turn, Strate will request that CSD Participants provide the information. CSD Participants send the request for disclosure to shareholders who must advise whether the information may be provided to the issuer. CSD Participants cite confidentiality as a reason why it cannot be provided without consent from the shareholders. This is frustrating for issuers who are expected to embark on a process of engagement but do not know who to engage with. Some portals such as e-Voting have a disclosure indicator that makes it simpler to manage these types of requests.

Issuers view the role of the transfer secretaries as the maintenance of the entire register and looking after the total securities register when there is a corporate action. Transfer secretaries deal with certificated shareholders, communicate with them and pay the dividends due to them. When required they will also sell restricted entitlements.

All issuers consider tax implications on the company and shareholders. Issuers attempt to work out the most efficient course of action, especially for non-standard transactions. Withholding tax legislation in South Africa is particularly complex. It is not a simple 20% across the board due to exemptions and depends on whether you are a company, a particular entity, a trust or an individual. On top of that, double tax agreements around the world constantly change. Most issuers believe they fulfil the requirements of the exchange in terms of taxation and source of income, but shareholders need to interpret what it means for them, which includes reading the circular. Some issuers have appointed senior tax specialists who liaise with the legal team and sponsor on all tax-related matters. Shareholders are always responsible for validating the effect on their personal tax with their tax practitioner. Withholding tax agents, however, require certainty about the dividend withholding tax to be withheld and paid to the South African Revenue Service. Uncertainty causes risk. Stakeholders, especially CSD Participants, brokers and asset managers, need to know what they must do, when they must do it and what they can expect.

In the digital era, every shareholder whether listed or not, must have an electronic communication address. One international issuer said CSD Participants are not investing sufficiently in their systems to enable corporate actions. Its experience with some CSD Participants has not been positive. It has found most CSD Participants are helpful and cooperative, but a couple were focused on reasons why an event could not be executed. An issuer who was recently involved in a prominent corporate action said Excel spreadsheets introduce risk and a better way to provide information must be found.

The information format must be aligned to beneficial downloads, and the BOR that Strate provides to its clients must be meaningful for the market. The accuracy of information is also vital to the issuers and industry.

Most issuers don't view trading in entitlements from ex-date as needing to change and are comfortable with the status quo. There are views supporting trading in entitlements only from payment date but opposing views say the market should not be backward looking. Instead, risk must be better managed rather than halting the trading in entitlements until payment date. A mindset shift needs to happen, and systems and processes must be enabling instead of trying to steer the markets from trading, according to some issuers. Most issuers acknowledge the timelines of corporate events in South Africa may be slightly different to the rest of the world in terms of election timeline and payment date, but prefer having a short timetable where payment follows immediately after a record date.

All the issuers interviewed during the handbook drafting period are of the view that even though there may be opportunities for improvement, the market provides a very sophisticated framework. To date there has not been a corporate action that the market was not able to execute, despite some challenges. Some issuers advised that they are willing to take some guidance in terms of processing and systems, while the majority felt that stakeholders cannot prescribe the outcome – that is the prerogative of the issuers and informed by the strategic direction of the company. Systems should provide for sufficient flexibility and should be principle-based rather than rules-based for the complex, rare events. For routine corporate events, you could specify rules with an element of flexibility. It is inevitable that for some events where rules cannot be adhered to, special circumstances might prevail. CSD Participants should be enablers in the market and produce world-class service.

Recommendations and take-aways based on engagement with issuers:

1. The quality of information on the BOR should be improved.
2. BOR should ideally provide information down to beneficial shareholder level and must provide for greater transparency, including contact details.
3. The BOR should include details of the managing institutional shareholder or asset manager, thus enabling the issuer to engage with shareholders when required.
4. Issuers are not prepared to engage with CSD Participants prior to the announcement of an event on the Exchange News Service due to price sensitivity and protection of information.
5. Systems used by stakeholders require investment to ensure optimal functioning and greater levels of automation.
6. Spreadsheets are a concern, especially those produced manually.
7. Most issuers want to retain the status quo with trading in entitlements from ex-date.
8. There are opposing views about client elections post record date. While some issuers are agreeable to move the election date out, others say the market should be enabling and instead of changing the market practice, should manage the risk better.
9. The perceived unwillingness of some CSD Participants to cooperate with the market is a concern for some issuers.
10. The cost of being a listed entity and all associated costs are a concern to several issuers.
11. Some issuers with large investments in other jurisdictions support a market move to T+2 or T+1 settlement cycle. Most local issuers do not have strong views about this aspect.
12. Most issuers believe in terms of taxation and source of income, they fulfil the requirements of the exchange and that circulars must be read in more detail.

The role of exchanges

Exchanges are licensed in terms of the provisions of the Financial Markets Act No.19 of 2012 and regulated by the Financial Sector Conduct Authority (FSCA) and Prudential Authority (PA) of South Africa. Exchanges in South Africa are obliged to make listings requirements and enforce them. They provide facilities for the listing of securities and provide users with an orderly marketplace for trading in such securities and regulate the market accordingly. Exchanges advocate for the enhancement of corporate governance and the quality of financial reporting disclosures by companies

(i) that have issued equity securities listed on the exchange; and
(ii) that have their debt securities listed on the exchange, for the benefit of shareholders, securities holders, investors and other market stakeholders.

The JSE as the primary exchange houses an Issuer Regulation Division, commonly known as the Listings Division. It is the custodian of the Listings Requirements and responsible for the interpretation, application and enforcement of the Listings Requirements. The detailed disclosure includes, but is not limited to,

- ✓ information on the applicant issuer itself,
- ✓ its operations,
- ✓ its financials,
- ✓ its corporate governance arrangements, including
- ✓ disclosures regarding its board of directors.

Issuers are required to comply with the Listing Requirements on an ongoing basis to ensure that shareholders or investors are at all times apprised of price sensitive activities of the issuer.

The licensed exchanges currently operating in South Africa are

The Johannesburg Stock Exchange	A2X	Cape Town Stock Exchange	Equities Express Stock Exchange	ZAR X (Trading suspended)

The JSE – Johannesburg Stock Exchange

The JSE offers an open market model and trades equities on a T+3 on-market settlement cycle. The JSE was formed in 1887 during the first South African gold rush. Following the first legislation covering financial markets in 1947, the JSE joined the World Federation of Exchanges in 1963. It upgraded to an electronic trading system in the early 1990s. The bourse demutualised and changed from being owned by its members to being listed on its own exchange in 2005.

In 2003, the JSE launched an alternative exchange, AltX, for small and mid-sized listings, followed by Yield X for interest rate and currency instruments. The JSE then acquired the South African Futures Exchange (SAFEX) in 2001 and the Bond Exchange of South Africa (BESA) in 2009. Today it offers five financial markets, namely Equities, Bonds, Financial, Commodity and Interest Rate Derivatives (www.JSE.co.za).

The JSE is Africa's largest stock exchange and has listings across various asset classes and types. The JSE is a regulator of the listed companies as well as the sponsors in South Africa. There is liability on the JSE and market consensus that the JSE should ensure that corporate action information should be made available timeously as it understands the risk to the various parties.

As of 22 September 2022, the JSE had the following number of issuers posted on www.JSE.co.za

Equities	Exchange Traded Funds	Warrant	Interest	Debt	ETN
297	10	4	163	13	7

Structured products	ABF	Sponsored DR	Unsponsored DR	Hybrids	AMCI
6	3	0	0	20	1

Trends: Listed companies on the JSE from 2010 - 2021

End year	New listings	Delistings	Net Listings	Companies Listed	JSE Market Capitalisation. ZAR billion.	Market Capitalisation. per company ZAR billion
2010	15	17	-2	407	6 698,7	16,5
2011	19	17	2	406	6 908,5	17
2012	15	18	-3	402	8 384,0	20,9
2013	13	26	-13	389	10 626,4	27,3
2014	30	22	8	391	11493,7	29,4
2015	23	19	4	395	11 727,6	29,7
2016	18	25	-7	388	15 461,4	35,0
2017	21	32	-11	377	12 682,0	41,0
2018	12	17	-5	372	17 440,3	34,1
2019	6	24	-18	354	17 854,0	49,3
2020	5	20	-15	229	17 854,0	52,7
2021	7	19	-12	327	19 193,0	58,7

Source: JSE Market Statistics August 2021

When an issuer advises the exchange of a particular corporate action event it intends to pursue, it logs onto a specific interface and captures the required information onto the platform for standardised events. This is validated against the minimum requirements for the specific event. If the criteria are met, the event is approved by the relevant Issuer Regulations Department. For more complex events, meetings may be required. Most corporate events, such as dividend declarations, do not require approval from the exchange. The exchanges attempt to reduce and eliminate red tape for issuers by making the business environment as seamless as possible.

Exchanges should encourage investment into the SA market and ensure that from an SA-Incorporated perspective, barriers are removed as far as possible. Multiple regulatory requirements act as a deterrent for foreign direct investment. SA Incorporated requires much greater foreign investment to address the ever-increasing problem of unemployment, poverty, and low levels of investment.

As the evolving corporate actions landscape introduces more complex events and risk to the intermediaries in the chain, a balance must be struck between the interests of all parties. Legal and tax frameworks have become more complex and onerous as evidenced by corporate events such as Naspers/Prosus, Northam Platinum, Alexander Forbes and PSG. The jurisdiction of the primary listing will always take preference while adherence to local legislation must be maintained. Representatives from the JSE advised that recent SARS rulings indicate that issuers will be held liable for capital gains tax and dividend withholding tax for any securities distributed to a shareholder in a restricted jurisdiction. This creates additional complexity for issuers and increases the need for beneficial shareholder information to prevent unintended tax liability.

A2X

The A2X exchange offers a secondary listing option to listed companies that are primary listed on the JSE or CTSE. A2X opened its doors on 6 October 2017 and refers to its services as fast, fair and efficient. It offers cross-market trading so that brokers can obtain the best deals for clients. Its service offering according to its website www.A2X.co.za focuses on:

- Choice – a complementary venue to secondary list securities for trade;
- Real benefits - lower transaction fees, narrower spreads and increased liquidity generate material savings for the end investor;
- Best execution – when brokers look across markets, they find the best deal for clients;
- Latest technology - By using the latest high-performance exchange technology and industry best-practice A2X can offer large fee savings on the end-to-end cost of transacting.

As of 31 December 2022, A2X had 93 secondary listings and a market capitalisation across these listings of more than R5,3 trillion. A2X has grown trade value to over R26 Billion in 2022. It has 17 of the top 40 constituents listed. The reasons that issuers obtain a secondary listing on A2X can be summarised in the words of Sygnia CEO, Magda Wierzycka: “We support disruption, competition and best practice in South Africa’s capital markets. International experience has shown how competition helps drive a more efficient and responsive industry, which ultimately benefits the end consumer and assists in the overall growth of the market.”

A2X offers an open market model and T+3 settlement cycle.

CTSE – Cape Town Stock Exchange

Ordinarily the fee structures and governance requirements of a traditional securities exchange have prevented many SMEs and mid-cap businesses from considering a market listing as an avenue for raising capital. According to the Cape Town Stock Exchange web page, https://ctexchange.co.za its focus is on time-saving, cost, risk and removing complexity. Its belief is that its completely digital exchange offers safe, easy and cost-effective listing and trading. The CTSE also considers itself to be approachable.

CTSE offers a cloud-based platform that is efficient, simple, transparent and makes both listing and trading cheaper, faster and secure. It has an in-house registry operating off its own registry technology, making the entire listing process easier, cutting through red-tape and reducing the cost involved. It provides governance and transfer secretarial services.

A CTSE representative said it works closely with all listed companies and does not focus only on large issuers. It maintains its competitive edge lies in good relationships and using both its people and technology to support everyone participating on CTSE. Another aspect it focuses on is making investing simple and affordable for both retail and institutional investors by offering securities trading without minimum fees, and a simple fee structure. Its Capital Solutions division offers unlisted debt options for businesses too. CTSE offers both an open and closed market model, T+3 and T+ 0 respectively.

offers unlisted debt options for businesses too. CTSE offers both an open and closed market model, T+3 and T+ 0 respectively.

Equity Express Securities Exchange

This exchange was specifically created to look after the needs of broad-based Black Economic Empowerment schemes. It is unique in the exchange environment in that it specifically caters for companies with restrictions, although these restrictions do not necessarily only relate to shareholder matters. Information about EESE can be obtained from www.EESE.co.za. Securities traded on CTSE have issuer-imposed restrictions and the securities register forms the basis of the trading platform. EESE seeks to bridge the gap between the over-the-counter market and the listed environment in catering to the needs of both sophisticated and unsophisticated investors. EESE offers companies that want to impose restrictions on the nature of the investors and/or size of holding an efficient platform to guarantee pre-trade eligibility of investors. The risk of settlement is significantly reduced through pre-funding and online trading facilities are in place. Settlement takes place on a delivery versus payment basis and is effected on the same day. EESE obtained its exchange licence on 11 September 2017.

ZAR X

Its trading licence is currently revoked and the future of the exchange is expected to be finalised soon.

Focus on Corporate Actions

Exchanges have been involved in corporate actions for many years through random working groups, primarily from the JSE. The JSE remains the primary Exchange. Exchanges such as A2X currently accepts secondary listings only and have no primary listings at this moment - that may change in the future. The JSE manages listed companies through the Issuer Regulation Department and this includes any form of corporate actions. A2X listing requirements and its Issuer Regulation Department must be consulted regarding corporate actions but this is more focused on the risk of settlement complexity. The JSE as the primary exchange approves complex corporate actions. A2X ensures that from a complexity perspective the event can be accommodated, but does not involve itself with its approval. CTSE approves corporate actions for its listings, and its model is binary – it has an open market model (T+3) and a closed market model (T+0).

The JSE looks at corporate actions from two specific angles. One focuses on the execution of the corporate actions with the sponsors and issuers. The second angle is the Broker Dealer Accounting system and how it processes it on the BDA system – feedback from the brokers during the engagements indicate this is a very manual system, but workarounds have been devised over the years to automate some processes and requests from issuers. For standard corporate actions such as dividends, no approval is required from the JSE. Once the pertinent details are captured the sponsor sends the announcement for publication on the Stock Exchange News Service. Other exchanges have similar broadcasting services such as CTSE News Service and A2X News Service.

One exchange pointed out that one of the biggest risks in the complexity of the corporate actions is processes for clearing and settlement – this is linked to the Securities Lending and Borrowing market. Every time there is a complex corporate action, many lenders recall securities, creating pressures in the market. Some exchanges have an inter-operability model, especially where primary versus secondary listings are held, such as JSE versus A2X. This adds complexity to the corporate actions process due to the settlement of trades on different exchanges.

One exchange pointed out that the major risks in corporate actions relate to ensuring that shareholders receive their rightful share of entitlement on time. There have been occasions where dividends were not paid out when a corporate event was published and then did not take place. Since the market trading model is based on certainty about entitlements, and trading of security entitlements from ex-date, there is certainty that cash or security entitlement is guaranteed. When a corporate event is cancelled after ex-date, this creates systemic risk in the market due to the trading that would have already occurred on the trading in entitlement. To unravel and undo the trading that has taken place is a huge risk that may affect the entire market.

From an exchange point of view, corporate actions risk is more focused on the certainty of a corporate event occurring and certainty that entitlements will be paid on the due date. The announcement must provide clarity to all stakeholders in the process and there should be no ambiguity about the event. All the exchanges should have systems that accommodate all types of corporate actions, even if components of the event are executed manually.

There is a fair amount of system manipulation. This implies that the system vendors are consulted to accommodate complex events when they occur, and they often need to devise special purpose reporting or processing methodology for a complex corporate event. This introduces risk to processing of other events and requires close interaction with operational teams. Additional monitoring is required and although some of the custodians have vendor assistance on-site, most of the vendor support is located offshore and time zone differences introduce complexity. Where a CSD Participant has an offshore processing hub, this makes matters more convoluted.

One exchange remarked that cross-jurisdictional events create risk and complexity. When issuers request information – that they are entitled to – there is a duty and legal obligation on stakeholders to provide them with the information. Stakeholders cannot refuse to give it to them. If it becomes impossible for a listed company in South Africa to manage its shareholder information, there is a risk that the country will lose those listings. It was said that in terms of money laundering and potential greylisting in South Africa, beneficial ownership details are critical and a requirement internationally. Issuers must be able to drill right down to shareholder details.

The role of the sponsor

The listing sponsor must execute the responsibilities imposed by the exchange in terms of the exchange's Listing Requirements. The responsibilities include, but are not limited to:

i) Advising the applicant issuer on the application of the Exchange Listing Requirements;

ii) Ensuring that all documents submitted to the exchange comply with the Exchange Listing Requirements;

iii) Informing the exchange if an issuer has breached the Listings Requirements or has reason to believe that the Exchange Listing Requirements may have been breached;

iv) Ensuring that the directors of the applicant issuer are aware of their responsibilities pursuant to the provisions of the Exchange Listing Requirements; and

v) Approving all Exchange News Service announcements before dissemination to the market

The sponsor is responsible for all interactions between the company and the exchange.

Sponsors are not required in all jurisdictions. For example, issuers in Canada can approach the Toronto Stock Exchange without the assistance of a sponsor, according to one legal view. In South Africa exchanges require certainty that applications received from issuers adhere to certain minimum requirements, hence the need for sponsors. The sponsor's duty first and foremost is to ensure compliance with exchange regulations, Strate Directives and the Companies Act. There are various other regulations, and the sponsor must ensure that the corporate event is structured in such a way that it does not breach any regulations. According to sponsors, regulation will always be followed, not market practice, as compliance with regulation is their main aim.

Sponsors need to draft the documents required, process the exchange and client comments, and get the advisors to contribute to the document within a defined timeline. All sponsors interviewed say they put every effort into making sure all the detail of a corporate action is written out in simple language in the circular so that it is understandable. In their experience custodians read circulars at a high level and raise questions about the event that are covered in the circular. Tax matters are dealt with in the circular and not on declaration of the event as this is governed by regulation.

Sponsors are paid for a service provided to issuing companies. The only exchange to regulate sponsors is the JSE. The JSE can censure a sponsor or fine them if they don't process the corporate action as they should. Some sponsors engage with the transfer secretaries when structuring a corporate action and take note of market practice, regulation and practical implementation. When there are deviations from the process or timelines, they engage with market participants to find a way to execute a corporate event. Some sponsors advised that 90% of issuers request information down to beneficial holder level on complex events – thus necessitating spreadsheets. Where there are multiple options on an event, this needs to be drilled down to the lowest level.

Some sponsors say the most pertinent risks are tax related and reiterated that they are not tax advisors. It is not possible for issuers to explain every possible tax scenario or provide a rate for every jurisdiction when an issuer is represented in markets across the globe. When another jurisdiction is involved in a corporate action, especially with a different settlement cycle, it is difficult to satisfy all parties. Some find it frustrating that they must tailor their announcements for secondary-listed companies to fit local systems and prescribe to companies listed on the London Stock

Exchange what they can and cannot do. Involvement with the broader market only commences once the terms announcement has been approved by the sponsor for imminent release due to price sensitive information.

The complexities introduced by deviations from Strate timelines causes a lot of frustration – sometimes it takes up to three weeks to finalise rights offer event details and agree on a timetable. One sponsor regards the Australian Stock Exchange as sophisticated and says we can learn from it. In terms of beneficial shareholder information, one sponsor suggests that a beneficial download for foreign nominees should be done weekly to provide details of foreign ownership. Another suggestion was to extend the timelines for shareholder elections and allocations to reduce the risk. This would result in moving out the payment date by potentially a week. Once this becomes standard practice for complex events, it will be accepted by all. Questioned about delays in the turnaround time of queries, one sponsor remarked that it will always consult with its legal team. If the issuer's legal advisers are in a foreign jurisdiction, they will need to liaise with the legal team in the foreign jurisdiction as well. This creates delays. The more complex the query, the longer the delay. Technically the shareholder should consult its own advisor, especially on a tax matter as the issuer is not required to give tax advice.

One sponsor advised that they don't normally involve the market; once the timetables are laid out, they follow the standard timetable. Another sponsor was very open to accommodating requests from the market.

Respondents said the most risk to the market was posed by events that require manual intervention and elections, not only specific types of complex events. The most complex events involve a flow of funds and equities as these involve settlement procedures. Events where shareholders are involved beyond just a vote to make an election are regarded as risky. Another sponsor singled out rights offers as risky. Several sponsors mentioned the biggest risk is where people have information while a transaction is being finalised. A rights offer is not necessarily more complex than an unbundling or tender offer – it depends on the specific terms of the event.

Some sponsors expressed the need for education as they don't have a full understanding of how the entire process unfolds. A few sponsors acknowledged that they have very little in-depth technical knowledge of corporate actions, although they are intimately involved in the process. One sponsor said the last day to trade should mean last day to trade for everyone. Currently post last day to trade trading can still occur off-market and according to one issuer should not be allowed. Deviations from Strate timelines and exchange timetables normally occurs for companies incorporated in a foreign jurisdiction that are subject to different legislation and rules. A record date for a general meeting is 28 days before the meeting in the UK while in South Africa it is normally the Friday before.

Sponsors agree that their businesses are susceptible to reputational risk because of the public role they play. Sponsors generally advise their clients to request a BOR from Strate. They all shared the view that it would be great to simply pick up a register and see exactly who the shareholders are as it would simplify many issues when planning corporate actions.

One sponsor said it deals instantly with standard queries. More intricate technical topics are referred to the deal team or the legal team. As part of a dividend declaration, it will provide tax information such as dividend withholding tax. If it is a complex transaction, the circular would address the tax matters and the sponsor will obtain a directive from a tax expert whose responsibility is to provide wording for the circular. The issuer will always include a blanket statement that shareholders must consult their own tax practitioner for advice and guidance on tax implications and not rely solely on the information contained in the circular.

The role of the Central Securities Depositories

The Financial Markets Act defines a Central Securities Depository as a juristic entity which constitutes, maintains and provides an infrastructure for holding uncertificated securities, which enables the making of entries in respect of uncertificated securities, and which infrastructure includes a securities settlement system.

Currently there are two licensed depositories in South Africa, i.e., Strate and Granite CSD. Granite CSD is licensed by the FSCA to act as a Central Securities Depository under the Financial Markets Act to perform custody and settlement services for listed and unlisted bond and money market securities. Based on information from its website, it plans to apply for an amendment to its license conditions to include holding equities as an asset class in the future.

Strate, as South Africa's principal central securities depository and central collateral platform, serves the financial market through the safekeeping of the legal, digital record of securities ownership, enabled through registry, settlement and asset services, and through facilitating the reuse of securities for the benefit of the South African economy. Recognised locally and internationally as a Financial Market Infrastructure, Strate has been a key component of the financial market ecosystem for over 20 years, responsible for delivering services critical to the smooth functioning of the South African financial market.

Strate as an enabler safeguards ownership rights for public and private market securities in South Africa. These records, held digitally, represent the legal record of ownership for all equities, bonds, money markets and participatory notes in collective investment schemes (ETFs) entrusted to Strate for safekeeping. The market trusts Strate to maintain the legal record of securities ownership independently and accurately, safeguard investors' rights and contribute to upholding financial market stability. It has played a pivotal role in the modernisation of the custody industry and is globally regarded as one of the best internationally. CSDs, as self-regulated organisations via the publication of various rules and directives, ensure discipline in the market environment. The South African financial market is generally seen as sophisticated and effective.

Strate shareholders are the JSE, Nedbank, Standard Bank, RMB, Absa and Citibank. Established in 1999, Strate aimed to provide a market for the electronic settlement of transactions in contrast to the certificated environment that was riddled with fraud, tainted certificates and market claims. The first share counter to be dematerialised was Harmony Ltd. Since then, all trading in securities has moved to an electronic platform. As South Africa's principal central securities depository, Strate digitally connects the financial market ecosystem with world-class technology platforms. In 2021, Strate securely transmitted 91 million messages and processed 7,5 million settlements with a value of R46 trillion, servicing over a thousand clients across various market segments. As at 31 October 2022 the total cash disbursed for the year across 22168 events totalled R1, 847, 747, 035, 577.37. For the same period the value of securities disbursed was R17, 478, 420, 339.00.

Strate Supervision, a division of Strate, ensures compliance with applicable rules and directives and performs the following market monitoring aspects.

Monitoring the following	Risk
Participation eligibility criteria	Market risk
Knowledge and skill of the employees	Reputational risk/operational risk
System capability and DR/BCP	Systemic/market risk
Record keeping/maintenance	Investor risk
Reconciliation (balancing)/ Beneficial ownership	Settlement risk
Financial soundness	Financial/ prudential/ market risk
Settlement and CA parameters/ timeframes	Settlement/ operational risk
Approval of CSD Participants and FSCA approved nominees	Regulatory risk

Directives cover all aspects of the market such as settlement, corporate actions, company meetings, fees and penalties. Through its special purpose fund, Strate has hosted workshops to increase market skills and implemented initiatives aimed at the more efficient functioning of the market. It has played a vital role in offering a meeting place for the market to table industry problems, challenges and pursue new opportunities. Another Strate initiative is the facilitation of a corporate actions handbook for the industry.

As a key institution in the financial market infrastructure ecosystem, Strate offers the following services:

- Settlement across equities, bonds and money market securities
- Full corporate action suite of services
- e-Voting
- Collateral management
- OTC platform for derivative clearing
- Unit trust settlement

The CSD is dependent on the information received from the exchange to enable the process of corporate action communication with the market. From the Exchange News Service publication, the data is captured onto SWIFT MT564 standard message format for the CSD Participant, which in turn communicates to all its clients, including brokers, nominees and asset managers. This usually takes place within 4 to 24 hours, depending on the service level agreement.

For equities as an asset class, Strate interprets the information from the Exchange Announcement, capture the event/s and releases it to the market. Some of the CSD Participants enrich the content of the notification from Strate. They need to ensure when the event is set up it is correct, as this will feed through to the ultimate investor in many cases. The principle of record date mostly on a Friday, with payment the following business day is well entrenched in the local market.

The role of the transfer secretaries

Transfer secretaries perform transfer agency and share registration services to issuers. They are sometimes also involved in employee equity plans and soliciting for proxies and company meetings. They often provide some stakeholder communication, manage the certificated shareholder register and governance services.

Most issuers will appoint a transfer secretary, whether they are fully dematerialised or not. Since all new issues are done electronically in terms of the Financial Markets Act 19 of 2012, no new issue can have any certificated shareholders, unless rematerialised. The issuers always require assistance with maintaining share registers, regulatory requirements such as procedural aspects during meetings and shareholder engagement. These roles are mostly performed by the transfer secretary, along with other parties in the process.

Transfer secretaries regard themselves as the intermediary between the attorneys, the issuers and sponsors. Transfer secretaries maintain they are the party that ultimately pulls it all together as the issuers require the results from them as the appointed agent. They also keep the register balanced from a statutory register maintenance perspective.

Transfer secretaries often experience navigation challenges with corporate action processing that require certain legal obligations, which at times may not be in line with market practice. They often make suggestions or proposals to issuers for processing to accommodate market practice. Sometimes issuers consult with transfer secretaries prior to publishing information but mostly after the information is in the public domain. There is also no set timetable for engagement – it depends on the issuer, sponsor and legal team. They say sponsors often do not have full knowledge of the market process, so a lot of time is spent on educating attorneys and sponsors. Their view suggests that attorneys often look at a transaction from a purely legal perspective. The challenge lies in executing an event efficiently from a practical perspective.

Transfer secretaries attempt to find a balance between the risks of the various role-players by looking at what the issuer wants to achieve, and whether that can be done with standard processing present in the market. If standard processing can be done in line with Strate Directives, risk is well mitigated. If standard processing is not achievable, there are two options:

- ✓ A process of engagement with the issuer will follow with a view to adapt the outcome to the established market processes that are in place; or
- ✓ If this approach does not bear fruit, the transaction is taken apart to see what the issuer is attempting to achieve and how it can be achieved in the market, especially when it is not market practice.

Generally, transfer secretaries are of the view that the onus rests on shareholders to indicate whether they are eligible to participate in a corporate event and receive the entitlement. In several recent events, attorneys have explicitly stated that in terms of the Companies Act 71 of 2008, it is the issuer's responsibility to ensure that securities are not issued in restricted jurisdictions, and they need to abide by the law. If the onus rests on issuers, they may be liable if securities are allocated to somebody who does not qualify. Issuers are faced with the problem of excluding non-eligible shareholders. The basis to be used for the exclusion of shareholders must also be clear, but mostly focuses on domicile details. Foreign nominee exclusions cannot simply be based on an asset manager or nominee domicile. These nominees may have thousands of underlying beneficial investors whose address details may differ from the nominee or asset manager, or they may be Qualified Institutional Buyers. The company register will provide insufficient detail of beneficial shareholders. An ad hoc BOR can be requested from Strate 48-hours prior to the record date of the corporate event. This will provide beneficial shareholder information which is one level down and should be sufficient for the local market.

Transfer secretaries have occasionally dealt with issuers using foreign-based companies that analyse company registers but who do not have detail of all nominee accounts. The problem is trying to validate QIB letters and reconcile those to the shareholder register, which is not always possible. When you receive a QIB from a broker with a foreign domicile that rolls up to a local nominee account, the details of the broker will not appear on the register.

According to one transfer secretary, initiatives to eliminate manual processes are difficult and every corporate action needs to be looked at. You cannot assume that all rights offers are the same. It must be determined what the issuer is trying to achieve and whether the market has processes in place to do it. Transfer secretaries perform functions related to cash and securities balancing down to beneficial holder level. To enable this function, they dictate spreadsheet requirements that are often onerous to complete. While this is enabling to the issuer, it introduces huge risk to the stakeholders downstream, notably those who must compile consolidated spreadsheets with large volumes of sensitive information.

Prompted about which corporate events they would classify as the riskiest, all transfer secretaries indicated that all elective events are risky and carry a financial implication if processing is not done correctly. If a CSD Participant is late with the election to Strate, and the necessary arrangements with the issuer/sponsor to grant extension is not approved, the specific CSD Participants' shareholders may be defaulted. In such an instance, the CSD Participant will have to make good to its clients. Thus each CSD Participant, broker and institutional shareholder faces a financial risk for elective events. If anything goes wrong, someone will carry a financial implication. Delays place a burden on transfer secretaries, especially when there are extensions requested. Information and results for funding purposes are delayed, especially from a cash point of view, more so if it is a non-banking institution. Another concern of transfer secretaries centres around the consequences when extensions are requested. If one CSD Participant requires extension, there are no final balancing figures released by Strate, which delays downstream processes. If an issuer does not grant an extension and the event default must be applied, consequences may be severe, even if a CSD Participant, broker or institutional shareholder have one or two percent of the entire share capital under custody. Where one CSD Participant delays the process, others are impacted due to no fault or management shortcomings on their side.

According to transfer secretaries, requests for an extension to the deadline time by CSD Participants are almost a weekly occurrence. Some request an extension while others insist on getting feedback of the results or allocations, leaving transfer secretaries in the middle when they request the issuer to accommodate the market. There is also a risk around the eligibility where an issuer or sponsor excludes or includes a party incorrectly with potential consequences. Some CSD Participants rarely request extension and have built up a solid reputation for efficiency.

Most of the transfer secretaries believe that the market needs to drive the change in payment date for complicated elective events, especially securities payment. If payment date on other global markets is analysed, payment rarely occurs one day after record date.

South Africa is one of the few markets that has guaranteed settlement and settled positions are known by record date. The concept of electing on an anticipated position is not without risk and is not the norm globally. Theoretically nothing is stopping the market from reviewing some of these aspects without affecting guaranteed settlement. It is possible to have election date post the record date for complex events, as is the case with many dual listed companies listed on the exchanges. Payment date could effectively be record date plus X day/s to mitigate risk. If unreasonable timelines introduce undue risk to some parties, this must be considered. Such a change will make this market less risky, more efficient and more understandable to a global shareholder. It reduces risk and complexity when elections are based on a static position that is unaffected by settlement, or securities lending and borrowing risk. Very complex events seldom exceed five per annum.

One transfer secretary suggested that the BOR needs to be looked at again as it often provides incomplete information. They say some parties do not understand the POPI Act. The law does not prohibit the provision of information to anybody. Issuer rights are entrenched in legislation and there is an obligation on the issuer to engage with shareholders at times. If beneficial shareholder information or contact details are not made available, this obligation cannot be fulfilled. This ties in with the comments from all issuers in this regard.

Issuers and sponsors may be aware of complexities when it comes to taxation for stakeholders and take great care to address this issue. On a recent corporate event, one issuer advised it was their responsibility to pay over the capital gains tax for foreign shareholders who unduly receive entitlements. They needed to reduce their tax liability as far as possible, and it could not be done without information. The need for an information portal is becoming more pressing. How do issuers reduce their tax liability without having access to the underlying details of shareholders?

Taxation on events for the CSD Participants and brokers is a standard issue. They need to ensure that:

- ✓ the correct tax information is provided;
- ✓ systems are set up correctly to apply the correct taxes to a varied client base; and
- ✓ tax reporting to SARS is correct.

In terms of the delivery mechanism for spreadsheets and shareholder information, the market relies heavily on email. On one high-risk events in 2021, a transfer secretary created a portal where CSD Participants had to upload their respective files to the platform, but this is not the norm. This matter is currently receiving attention in the market and options are being investigated. Most institutions follow encryption and protect documents with passwords. This seems to be compliant with internal security protocols. From a market perspective, there was a request to investigate alternative safe delivery mechanisms such as Secure File Transfer Protocol for spreadsheets as they contain sensitive client information. This should provide for more opportunity to be automated from CSD Participant systems as opposed to using email, similar to the automated Beneficial Owner Register process.

Transfer secretaries face substantial risk with the receipt of spreadsheets from CSD Participants. Sometimes a wrong attachment is received, often replacement spreadsheets are sent. If a wrong attachment is used, it could compromise the entire event. They want to avoid manual opening and closing and copying and pasting as it increases the number of resources and time required to validate all information.

A major concern faced by transfer secretaries is the inability of some CSD Participants to provide information related to extended offers or voting information about meetings. Many custodians consolidate voting instructions and release this information only on the deadline date. Requests are often received for information to be released earlier so that the issuer can get a better understanding of the election patterns without it being final. Currently this is an obstacle for issuers who are heavily reliant on the information from the market. The process does not seem to be enabling for issuers.

Issuers often request this information to monitor thresholds and avoid breaching a certain percentage of acceptances. The latter may force a mandatory offer to shareholders. Where the Takeover Regulation Panel is required to provide approval for an affected transaction, information about shareholder acceptances is required.

Transfer secretaries are concerned that brokers on occasion announce the events late. This has been experienced on a few events with several brokers. The same concern was raised by a few sponsors. CSD Participant notifications go out to its clients on the same day as most have service level agreements in place. This stipulates that notifications will be released upon receipt within 24 hours after publication on any of the Exchange News Services portals.

All transfer secretaries believe that a handbook will be beneficial to the market and elevate the level of understanding of corporate actions, especially the complexities, to the broader market. The desire was expressed that it will lead to better market processes for complex events. Their preference is ideally to move out the payment date for securities events and election deadline date as these are major contributors to market risk from the transfer secretaries' point of view.

The role of the brokers/members

South Africa has several different broker or member types, i.e., trading brokers, forex brokers, investment brokers and so forth. Institutional brokers are not generally as affected by corporate actions as retail brokers. Exchanges regulate their brokers or members in South Africa.

The broker community would have the same need to obtain complete information from the issuer/sponsor as CSD Participants and institutional shareholders. Retail brokers may have hundreds or thousands of clients. The client base can be diverse; some may be discretionary clients, some provide standard instructions while some do not. If brokers are not able to process an event, or if the JSE is unable to automatically process the event via the BDA (Broker Dealer Accounting) system, it has a knock-on effect as manual processes must be introduced. The biggest issues for brokers on complex corporate actions has been around taxation and the pricing of securities.

Concerns were also raised by brokers about timelines not aligned to market standards. The complexity of corporate actions over the past number of years has increased and with that the requirements for disclosure, which is mostly manual.

The BDA is a mandatory system that every JSE-approved broker uses for pre- and post-trade entries and corporate actions. It has served the industry well to date. It indicates whether a client opts to receive event documentation from the issuer and contains vital client information. Every broker has a proprietary account as well as a nominee account for controlled clients. Clients' securities are ring-fenced in a specific nominee account. From a CSD Participant point of view, one might see a consolidated amount to be invested for the nominee, but under the nominee could be thousands of clients. The BDA system is a repository of all the client's information and securities, closing prices, ISIN numbers and sectors as well as corporate actions.

If the corporate action is not loaded correctly, it will filter through to every client. For the brokers, the complexity of the event depends on the level of automation. The JSE loads the event on BDA from the suite of corporate action events. Once elections have been captured and the event released from BDA, it will create the entries on the clients' accounts. If any manual steps are required, the JSE will inform brokers to add them. It would look at the portfolio pricing and the taxation, including dividend tax. Spreadsheets are created from this data and sent through to CSD Participants, if required. In the brokers' realm, everything happens in BDA, driven by the JSE. Client elections are executed by the broker.

Events such as dividend in specie or reverse spin-offs are automatically updated on BDA to ensure weekly BORs balance with the CSD Participants. There is a daily match with the CSD Participant and at the end of every week, a beneficial download is sent by the JSE and Strate. Strate holds the information from an electronic securities register perspective. The transfer secretary holds the certificated portion. From the BDA, the beneficial download register will only send Strate the dematerialised shareholding. Most clients have discretionary accounts with brokers and therefore don't want to receive any updates or any information. Similarly, the brokers prefer not to share that information either, so they provide it in the name of the nominee.

The major risks according to brokers is trading pre- and post a corporate event. If a reverse stock split event was performed on a one-for-ten basis, and the broker receives an order for one million securities when it is supposed to be a hundred thousand securities post the consolidation, there is a risk that a trade is executed and creates a debit balance of securities in the market. Where there has been a subdivision and the wrong trading price has been used because the price has not been adjusted on the trading platform/s after the subdivision, another trading risk is introduced to the broker and the clients as well. It causes invalid trades. This happens from time to time.

Settlement risk is a key concern, often due to complex corporate actions and various parties that are unable to commit to transactions timeously. A trade may go into compulsory or voluntary reverse substitution, which comes at a cost to the broker. Lenders of securities often recall securities when complex corporate events are close to record date, thereby creating shortages on the securities lending and borrowing side of the market. The implication is that you are unable to get the securities for lending and borrowing purposes across the market. Between LDT and payment date lenders will not lend their securities out due to the risk of being unable to deliver. The first step they take is to recall the securities which they won't lend out until payment date when they are able to validate the securities credited to their account. The implication is that there may be a shortage for three or four days when securities cannot be borrowed at all. The more complex the corporate action, the greater the chances that the available pool of securities will be recalled and unavailable for securities lending and borrowing.

The question of what will simplify and reduce risk in the market for brokers got a uniform response: early, simple and clear communication. Often exchange announcements must be read several times to understand their meaning; they are sometimes open to interpretation and the sponsor is required to clarify the event/s or terms. The sponsor normally refers it to the legal teams, and this causes a delay. It would be useful to simplify the communication, making it more understandable for the market so that there is no miscommunication or misinterpretation. It is also useful to get the sponsors, issuers and all interested parties into a central venue to iron out the event processing for complex events, once the announcement is in the public domain. In terms of restrictions on participation in an event, some brokers say it is up to the client to decide whether they are restricted or not and the client should have the final say in this regard.

For brokers, spreadsheets are critical when there is rounding on the event. If the broker calculates entitlement on a consolidated total of securities, but has many odd lot holders, rounding will create shortages and ultimately losses for the broker. This is amplified when securities prices are high. Depending on the requirements of the spreadsheet, in some instances it contains account numbers, in other cases it contains names and personal information. Circumstances will dictate what information is needed.

Corporate event information is not necessarily distributed to all broker clients. It depends on whether the client has a discretionary or non-discretionary portfolio. For the discretionary portfolio the client is not actively involved, and the investment manager takes all decisions on the client's behalf. In contrast, a non-discretionary investment account involves the client, and the broker will send corporate event information to the client. Clients with standing instructions will also not receive event communication unless the broker opts to send confirmation to the client that the standing instruction or default option has been applied.

Asked what types of corporate events in the broker's world pose the biggest risk, the unanimous answer was anything that has tax complexity or changes the base cost of a security. If portfolios must be changed to reflect a different base cost, it becomes complex. This necessitates changes to client taxation certificates which are usually produced from a different stream. Tax has become very intricate and often complicates simple corporate events. Events that have no CGT implication or effect a change to the value of portfolios are normally simpler. Dividend in specie events are often complex, especially the proportioning of the original costs across counters without triggering any tax events. CGT must be considered for shareholders, as a corporate event may have unintended CGT implications. Rebalancing of portfolios may trigger CGT. "The problem is explaining to the man or woman in the street why they must pay CGT but did not initiate the sale of securities," according to one broker.

Asked if security entitlements should only be tradable from payment date, rather than from ex-date, an esteemed member of the Institute of Stockbrokers said it is not a good idea to lock somebody out the market. According to Warren Buffet, markets are bipolar and locking shareholders out of the trading process for even a day is problematic. Time is money. Deviations from the timeline impacts brokers who must capture elections when dictated by the event. Many brokers outsource their administration, so there is a buffer in-between with administrators having a different cut-off time. Having various cut-off times becomes challenging to manage the event. When there is a change in timelines, especially where it does not align to the trading settlement process, the resultant cash or securities are needed to settle another transaction. If a client is selling securities on ex-date and expects the proceeds to become due on payment date to settle another purchase, and that timeline has changed, the client may be short of securities and will have to enter into an SLB arrangement to settle the transaction.

Taxation is often so complex that clarification is required. When one ends up with different and conflicting tax opinions on the same corporate event, tax may have become too complex to administer.

One broker believes their role is to provide information to their clients, perform reconciliation of control accounts, client accounts and proprietary accounts and fulfil the client mandate to ensure that elections are honoured and implemented. One of the top three brokers in South Africa by size, said the events with more complex options are the riskier events. Where events do not conform to Strate timelines and directives, it becomes a problem explaining to clients why they have a shorter timeline than usual to provide elections. The view is that events requiring spreadsheets are the biggest challenge, especially the Balance of Payments spreadsheets as it contains onerous amounts of client details.

If elections can be provided post record date once all trades have settled, it would reduce risk on complex events. Balancing events will become simpler as movements between last day to trade and record date will not impact elections that are due on the same date. If entitlements on complex elective events are only tradeable from payment date, it would reduce risk, especially where scale back is applicable on the event.

The role of CSD Participants

An extract of the functions of CSD Participants according to the Financial Markets Act 19 of 2012 is listed below:

1. A Participant must conduct its business in a fair and transparent manner with due regard to the rights of its clients
2. A participant –

   c) must, if securities are deposited with the participant, deposit them with a central securities depository unless the client expressly directs otherwise in writing;
   d) must maintain a securities account for a client in respect of securities deposited;
   e) must reflect the number or nominal value of each kind of securities deposited in a securities account;
   f) must administer and maintain a record of all securities deposited with it in accordance with the depository rules:
   g) must record all securities of the same kind deposited with it in a sub-register if so required by the depository rules;
   h) must disclose to clients and issuers the fees and charges required by it for its services;
   i) must notify a client in writing or as otherwise agreed to by the client of an entry made in the client's securities account;
   j) must on request disclose to-

      i) the registrar information about the securities recorded in a securities

      ii) an issuer information about the securities issued by that issuer and

   i) must have a central securities account with a central securities depository, and may-

      i) deposit securities with or withdraw securities from that central securities
      ii) transfer, pledge or cede an interest in securities through that central I account

   j) must exercise the rights in respect of securities deposited by it with a central securities depository in its own name on behalf of a client when so instructed by the client; and
   k) must balance and reconcile the aggregate of the securities accounts with the central securities accounts daily;
   l) must correct discrepancies which are revealed in the reconciliation of the aggregate of its securities accounts with the central securities depository and the participant must make good or provide any reconciled shortfall for which there are reasonable grounds for concluding that the participant is responsible;
   m) must deposit securities held by it for its own account and those held for or on behalf of its clients in separate securities accounts and must ensure that securities held for or on behalf of its clients are segregated and identifiable as belonging to a specific person;
   n) must, on a daily basis, ensure that its securities accounts and central securities accounts do not show a debit balance;
   o) may not alienate, invest, pledge, hypothecate, encumber or otherwise make use of securities held for or on behalf of its clients, except with the client's express consent;
   p) must make adequate arrangements for the safeguarding of clients' ownership rights, including, but not limited to insolvency proceedings
   q) must notify the registrar and central securities depository as soon as it commences an insolvency proceeding or an insolvency proceeding is commenced against it; and
   r) may perform securities services to the extent necessary to perform the duties referred to in this subsection.

Conduct of the Participant

In performing their functions in terms of section 4 of the Strate Rules, Participants must:

4.1.1 carry out their business in a prudent manner and with due regard to the rights of other Participants, Clients, Issuers and Strate;

4.1.2 act with integrity, proper skill, care, diligence, and due regard to the rights of other Participants, Clients, Issuers and Strate;

4.1.3 maintain knowledge of and comply with the Act, the Strate Rules and Strate Directives; and

4.1.4 not participate or assist in any acts in violation of the Act, Strate Rules and Strate Directives and all applicable laws relating to securities services and report any suspicion of, or contraventions of the Act, Strate Rules and Strate Directives to the Controlling Body.

The functions of Strate Participants are enforced by Strate as a regulatory institution. Some CSD Participants expressed the view that they carry most of the risk in the market. This is largely due to deviations from the agreed processes governed by the Strate Directives. Miscommunication in terms of timelines or processing is regarded as a major risk. As all processing is timeline driven, any deviation from the timelines and Strate Directives introduces risk. When corporate events are announced and information is incomplete, it affects the turnaround to clients. To CSD Participants, turning information around and getting it to the beneficial shareholder or the next level of shareholders is critical. If a client obtains event information from another source other than their primary service provider, it increases reputational risk. Clients provide scorecards relating to service experience to CSD Participants on a regular basis. Time to market and completeness of information are part of the measurements and adherence to service level directives. Incomplete information opens CSD Participants up for queries and incorrect interpretation of event.

With any manual intervention, there's the risk that mistakes can be made as it is not part of automated processes. CSD Participants are united in the belief that the market should look to what extent it can do away with some of the spreadsheet requirements. Internal firewalls often block spreadsheets, which is a big risk in time-critical events. Consolidating spreadsheets received from various nominees and brokers can be automated successfully but is not currently in place at most CSD Participants. Some CSD Participants have developed powerful tools to address the automation aspect of spreadsheets to mitigate risk. Most CSD Participants highlighted the nominee structure in the market and the various beneficial shareholder levels as problematic and adding complexity when full disclosure is required. CSD Participants do not have sight of underlying client details of brokers and nominees. Verification of identity and tax numbers of underlying clients by CSD Participants is not possible. Various market discussions are underway to address the problems of spreadsheets. It is not clear at this stage whether the answer lies in automation of processes or enabling the market to have a transparent view of client registers.

Late notification of crucial information means delays in client elections or clients having to cancel instructions and re-elect. It creates additional work because it raises many questions and anxiety from the clients who continually enquire whether a response was received from the issuer. For some CSD Participants, restrictions on events is not a major concern as these are normally detailed in the circular. Because the enrichment of corporate event information is part of their client offering, they consult the circular in all cases for elective corporate events.

The inconsistent handling of fractions is a concern mentioned by a several CSD Participants. Even though fractions may be immaterial in most cases and rarely taxable, clear communication is vital and should include whether fractions are taxable or not.

Most CSD Participants are aligned that the challenges in corporate actions cannot be solved by one party alone. All CSD Participants must work together to achieve the ideal state. Several CSD Participants are in the process of a system upgrade or replacement, which puts additional pressure on staff. Some CSD Participants intend to focus on implementing an interface which allows for integration of systems between them and Strate as soon as possible.

CSD Participants believe that a more effective market and greater efficiency can be achieved by eliminating manual processes in corporate actions. There are several initiatives currently underway in the market to reduce manual intervention. Information on tax is a contentious matter. CSD Participants receive a lot of queries on taxation, and some say that responses to enquiries about tax are often vague. Apportionment ratios on spin-off events is normally received quite late. CSD Participants are comfortable to comply from a DWT as well as an STT point of view as regulated intermediaries, but information must be publicly available. If there is any responsibility resting on the CSD Participant, it must be known in order to manage it and ensure successful execution.

Uniformity in processing events is preferable but where there are deviations from market practice for specific reasons, the overwhelming majority of CSD Participants say they will accommodate it. Most event processing happens in a straight through processing manner as it stands.

One CSD Participant said there should be a checklist when the issuer or sponsor announces an elective event. One of the key questions on this checklist should be whether there are restrictions on the event. This information should be provided from the source, which is the issuer, from where it flows to the exchange and the broader market. When expected information is not provided it results in CSD Participants having to ask Strate. This is avoidable and a checklist for various events may be a simple tool to avoid this from happening. Many CSD Participant clients do scrubbing of events and receive information from multiple sources. When pertinent information such as restricted domiciles is not present, clients question their service provider's ability to provide the required service.

The interplay and the interdependency between settlements and corporate actions is critical. With corporate actions at the tail end of the custody value chain, they are affected by all settlements taking place on record date. Those holdings are used to calculate the client's entitlement and it is imperative that the settlements team are on top of their game. If a client does not cancel an invalid transaction on record date, that transaction remains in the system on record date and the corporate actions module calculates entitlements on those invalid transactions. Securities lending and borrowing also impacts corporate actions and sometimes introduces risk with the return of securities. It is critically important for settlement departments to clear all invalid trades on record dates of events to ensure corporate actions are not negatively impacted. Vendors must sometimes manually execute certain batch runs or manipulate systems to achieve a specific outcome, which adds to risk.

A CSD Participant whose processing hub for corporate actions is in Europe, advised that the risks for them lie in the communication that is not via SWIFT as email communication must be monitored and can be missed. Distribution lists are often updated, and it causes risk when names are added and deleted. Their second frustration is elections that are due on record date, which leaves them with insufficient time for reconciliation. Having the market deadline date on record date puts a lot of pressure on them because of pending trades. Even one problematic trade adds a lot of risk on their side and makes it difficult to align to the Strate Directive and meeting the deadline. Processing is challenging and human resource intensive on a day when there are reconciliation problems.

When information flow is based on email and not standardised, creating intelligent workflow tools or an application to eliminate human intervention is challenging. There is not any one event type that CSD Participants view as riskier than others; it depends entirely on the characteristics of the event. Late notification of events often requires additional work from their side. Mandatory events with no options to elect, are easier to manage. When it is an elective event, clients must be notified, and deadlines extended. It often leaves insufficient time for clients to elect, creating pressure. Ordinarily, CSD Participants can set up an event and pay it on the same day if required.

Delays from transfer secretaries with regards to allocations, impacts on CSD Participants end of day processing. If processing is extended to the following day, it impacts on the system dates. In addition, system batches must be triggered manually and risk acceptance sign-off must be obtained. Delays in receiving allocation spreadsheets from transfer secretaries on record date, is regarded as a concern by most CSD Participants as it causes staff to work late hours without due notice. The impact of settlements and SLB is also not a major concern for most as this is generally well managed.

To be able to elect post record date on elective events would be a game changer and a great advantage, according to most CSD Participants. Moving the election deadline post record date will mirror most of the international markets. South Africa is one of the few in the world where the record date and the market deadline are on the same day. Many CSD Participants cite this risk as major, and some have suffered financial losses because of the limited time for reconciliation.

The Role of Administrators

Many investment management companies entrust the administration of their assets to administrators. The administrator's duty is to take care of and effectively manage the investment administration of clients. Duties include capturing events on their systems and receiving elections from clients. The administrator must effectively respond to requests and provide instructions to the issuer via their custodian. In doing this, they must ensure the right accounting and tax outcome. The top priority with any corporate action, is to obtain a complete understanding of the event. Two of the large administrators often struggle with detailed information about a corporate event and the resultant accounting and tax treatment thereof to ensure correct net asset values and portfolio valuations. The general view is that the issuer initiates the corporate action, and they must ensure that they provide all required information. All downstream parties are required to respond within the stipulated timeframe, and must ensure that they have the means, systems and processes in place to respond.

The administrators who were interviewed rely on the JSE Corporate Actions schedule and summary reports on specialised products, which are published weekly, for event information. That provides them with the heads-up for upcoming events. Details of events from local custodians are scrubbed to ensure that everybody is communicating the same information on pertinent dates. This ensures a golden copy for each event. If there is an elective option on an event, the administrator would reach out to their clients, advise them of their positional data and request them to provide an election. The deadline date to clients is informed by the deadline date of the custodians. If there is no election required, they don't engage with the clients.

Administrators have advised that information is sometimes communicated quite late on complex events. They sometimes need to phone the company secretary to request information about a corporate event. That should not be necessary, and the information should be available. Sometimes asset management firms will obtain the required information via a phone call or an email, but it is not an official source or part of the approved processes. Annual audits become problematic on those events. If auditors request the source information, one cannot provide information from the company secretary or a major shareholder because that is not the official process to obtain information. Administrators often need to phone around and decipher what is official and what is not.

The application of tax on events is a major source of frustration for administrators. One administrator outsourced its tax services to a specialist company, but must still interpret the tax outcome correctly for all the different taxable entities. It has several funds with different tax treatments, including CIS funds, and must ensure that the processing on its systems provides them with the correct tax and accounting outcome. Ex-date is typically when problems present themselves. The team mentioned the example of a recent unbundling event. The newly unbundled securities started trading from ex-date. The market price will adjust itself, but the final apportionment ratios and prices will only be available on record date at close of business. Its challenge is having to find a way to process trades in such a way that it does not overstate the market values when calculating net asset values between ex-date and record date. Once the pertinent details become available on record date, it must reprocess the entire event which is frustrating. The other aspect that exacerbates this problem is when the above scenario cuts across a month-end and clients have received their month-end reporting. If RD-2 was in a particular month and RD in another, it creates a bigger issue because the administrator cannot delete the original event. It must process opposite entries to remove it from the system and then process the new entries to create a new event. Its clients in turn have downstream clients and late reporting has a knock-on effect.

Another risk highlighted is determining whether an event will attract dividend withholding tax or capital gains tax. Comments from administrators indicate that corporate event circulars are very onerous to analyse and interpret. One administrator suggested a published table with not only dates, but all tax information and unbundling ratios to mitigate risk in the industry. They consider any event that is not a dividend as risky. Where an election is required or where different options are presented, there is risk of mistakes occurring when there is manual processing. Asset managers and administrators typically require clear guidance from an accounting perspective on whether unbundled securities are derived from contributed tax capital or from the income statement. This is often not clear on the circulars. If it is derived from both capital and income, the apportionment ratio of capital and income must be stipulated as it affects the tax treatment.

When the administrators were asked for an opinion about trading in securities entitlement from payment date rather than ex-date, the teams were indifferent initially but believe the market release of positions on ex-date will be useful. Some CSD Participants provide this information to clients, but it is not done by all. If an administrator's allocation of securities to a portfolio is not one hundred percent correct, and trading occurred on the portfolio, they could end up with debit positions. Administrators do not have the ability to reconcile securities immediately and rely on information from their CSD Participant. If an event is processed incorrectly, there will be a knock-on effect from the first trade onwards. A comment regarding trading in entitlement from payment date only, was that from a processing perspective, it would be hugely beneficial for administrators. All processing would be done on RD+1 using the final values published on record date. The view was that if it eases the process, it should be done. If trading before payment date creates administrative complexity, it should be addressed. Trading in entitlements before payment date does not align to global practices in Europe or the US, due to the South African settlement model.

When reprocessing of events must be done after record date once all information has been released, all trades on that ISIN must be deleted, as the build-up needs to be in a particular order. Deletions must be done manually and cannot be done via an automated process. Whether or not the transfer secretary or sponsor provides the market with information they require only on record date, the administrator still needs to process the event using the information at hand, as they must state daily net asset values on all portfolios. In a spin-off event, the unbundled mother security price will drop. All portfolios must be rebalanced to reflect the new net asset values. If manually calculated apportionment values are used because information was not available in the market at the time, the administrator will have to resolve any trading errors. If information is released to the market late, administrators would not take ownership for wrong net asset values but would still need to rework figures and calculations.

For the administrator, the settlement impact on corporate actions mostly relates to unsettled trades that may affect their reconciliations. Some clients are provided with a real-time feed of account information. Their system will automatically settle the cash including bank balances for all trades on a specific settlement date. If a trade did not settle for any reason, the automated feed to clients will reflect incorrect cash balances. If the client uses the cash balance position to trade, it may result in overdrawn accounts.

Securities lending and borrowing does not have a major impact on corporate actions at the administrators as most clients recall securities before ex-date. Issues may arise with international securities where the dividend in specie does not settle on payment date and is sometimes only credited to the holder a day later. This is not regarded as a major problem that occurs often.

A member of ASISA said of the manual processes in corporate actions that digitisation should be enabling for all other processes. Automated processes must be developed for manual tasks that are currently performed. In a highly digitised environment with lightning speed processing capability, it is unthinkable that some custodians manually produce spreadsheets to provide beneficial shareholder information. The information on the BOR is also not viewed as detailed enough and should be enhanced to provide more transparency and make it useful. A seasoned industry expert said that CSD Participants may have to relook the account set-up and record keeping and the construct of having nominees within nominee accounts is flawed. It creates various layers of complexity. ASISA agrees that the nominee structure creates a lack of transparency and is the reason why issuers do not know who is on their register. The nominee structure unnecessarily complicates the market resulting in inefficiencies. The unanimous view from administrators was that an SOR model for equities should be considered.

Asset managers need to process a set of accounting records for a retirement fund, a life company or a CIS investment. This affects the daily net asset values. They need all the information structured in a certain way to be able to process this correctly. It cannot be processed late because of the daily unit trust price that must be provided. There is a regulatory impact when prices have not been published or are incorrect. All asset managers need to apply the accounting records in a consistent manner, irrespective of the system they use. If a compensation fund appoints Investment manager A to manage a certain portion of the portfolio and Investment manager B, to manages another portion of the portfolio, the investment managers may have different administrators. If Administrator X processes transactions on behalf of clients of Investment manager A while Administrator Y processes transactions on behalf of Investment manager B, processing must produce the same outcome.

If both investment managers possess a similar ISIN on which a corporate event occurred, both administrators need to process it in the same way as ultimately it belongs to the same client – the compensation fund – which expects the same outcome. Different interpretations of an event do happen, and this creates problems. If a process must be rolled back two or three days later, it has a huge impact on prices and portfolio values.

Among the administrators, a distribution group has been set up for those that are responsible for processing events to engage where there is uncertainty or different interpretations on an event. Virtual meetings are scheduled to discuss event complexities. Administrators state that they must often challenge the Final Notice of Events from some CSD Participants and that is a problem from a direct client relationship perspective. Most custodians use the same custody platform and must comply with the same standards. CSD Participants all use the same SWIFT generator components, yet the format of the data provided to clients differs. Administrators believe some CSD Participants rely heavily on manual intervention in populating some information. This is indeed correct. Some custodians rely on high levels of straight through processing while others manipulate information or enrich information as part of the client offering. The effect is that notification from custodians on the same event, may provide different information, although the pertinent details should be constant. The risk with manual intervention is the room this creates for error and interpretation by a staff member manipulating the information.

The role of institutional investors

The Association for Savings and Investment South Africa (ASISA) represents the collective interests of the country's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers and life insurance companies. ASISA enables the financial services industry, which is the custodian of the nation's savings and investments, to speak with one voice. ASISA's mission is to ensure that the industry and its members remain relevant and sustainable by promoting a culture of savings and investment. Its website www.ASISA.org.za provides a wealth of information.

Institutional investors are responsible for 90% of trading on local exchanges in South Africa (See ***Andile Nikani and Mike Holland – Annexure 11***). Institutional investors, also known as asset management institutions, employ fund managers who are responsible for implementing a fund's investment strategy and managing its trading activities. They oversee mutual funds or pensions, manage analysts, conduct research and make important investment decisions. Fund managers make decisions about which securities to buy and sell. This requires in-depth research of equity, bonds and money market securities. Investment is driven by multiple data sets, derived from analysing dividends, price-to-earnings ratios, earnings, sales and price trends.

Fund managers may personally place buy and sell orders, but normally manage a team of traders. Fund managers work closely with industry analysts to stay on top of market trends. The portfolio manager makes the final trading decisions and sets goals for income, growth and value. If asset values decrease, the portfolio manager must reassess and redefine the fund's goals. Some fund managers specialise in specific securities, such as technology or industrial securities.

Many fund management institutions outsource their processing to professional administrators, which relieves them from the duties of having to balance portfolios and a multitude of administrative tasks. One of the key tasks is administering corporate actions. One large asset manager that was interviewed has an administrator performing the administration while the team performs an oversight role. It has team members in Cape Town, London, New York and South Asia. It has had heated discussions with certain clients about the processing of some corporate events and says the cause is mostly insufficient information.

One fund management institution which performs this function in-house, says the quality of information they receive on complex events is often sub-standard. Interpretation becomes a problem, and a fundamental question that arises within the industry, is whether the proceeds of an event is of a capital or income nature. Incorrect processing can lead to incorrect tax application, which leads to a multitude of other problems, such as incorrect tax certificates, shareholder queries and re-processing of events. Many of the fund managers have discussions in the market about similar topics.

Most asset management industry clients are pension funds and retirement funds, which are exempt from dividend withholding tax. Some clients, however, are liable for dividend withholding tax. When it comes to complex event information, they prefer to get all parties in one room to address issues, thereby ensuring that nothing is lost in translation. Major risks in their view are spin-off events, or events incorporating cash and securities entitlements. Exchange announcement and circulars need to be clear and unambiguous to prevent queries about interpretation. If a corporate event is interpreted incorrectly, it has downstream impact and can result in financial losses.

They want the market to actively pursue efficiency and automation. Fund managers as a collective sometimes decide how to process and event, but they expressed concern that some institutions still deviate from agreed processes and that causes problems. They do not receive many queries, but apportionment costs are often problematic. Trading happens continuously and when apportionment costs are only announced on record date, it affects all trading that has occurred to that point. Apportionment costs must be published on last day to trade to prevent rework. Unbundling and rights take-up events are viewed as riskier than others.

The biggest risks are complex events where fund managers do not have all the information at hand, and they mostly wait for record date to get the complete picture. Dividends where only a portion of the income is taxable must often be reversed and reprocessed because of late information. Reprocessing must be done and if it occurs over month-end when the accounting period closes, it is problematic as client statements are despatched. The performance teams normally submit their weekly figures to the performance evaluation committees, and this is usually due on Mondays. Complex corporate events always impact this team when reprocessing must occur, and it affects the performance figures. From a trading risk perspective, it is not possible to block trading on specific securities when institutional investors are awaiting corporate event information. There have been instances where a portfolio manager placed orders in the market only to find there is an event at the back of it, leading to failed trades.

The view from the institutional investors interviewed is that the implication of tax is an aspect that issuers do not pay enough attention to. Any information that is not available by ex-date, causes problems for institutional investors. Uniformity in the way that issuers provide information to the market is required. In the last couple of years, there have been several schemes of arrangement where the communication received relating to tax implications of the event has not been made available to the wider market, resulting in fund managers accounting for transactions differently. That should not be the case. All asset managers should account for a corporate event in the same way.

In one asset manager's view, the exchange as the regulator must enforce minimum information required to account correctly for an event. Another asset manager said that piecemeal release of information is a major frustration. After they make enquiries to an issuer, they find more information is then released to the market. The ideal is to have information upfront, but complex transactions normally involve multiple jurisdictions, exchanges, transfer secretaries and legal teams. The coordination of a complex transaction is not simple. Clear communication on whether a distribution is a local or a foreign dividend is critical for fund distributions and has different tax implications to clients and unit holders. The tax implications affect the value of the dividend that will be paid to the shareholder. Accrual for dividends takes place from ex-date but payment effectively occurs on payment date. Any discrepancies between accrued and actual valuations, create rework and reprocessing.
Recommendations:

Fund managers require the following:

- ✓ Full information on the declaration announcement of a corporate event
- ✓ No ambiguity on the interpretation of an event to ensure clear understanding by all in the market
- ✓ Whether entitlement is of an income of capital nature, and if from both, the ratio must be provided
- ✓ Apportionment costs are crucial and must be communicated by last day to trade to ensure accurate unit pricing
- ✓ The desire is for one system where clients can vote for local and international meetings rather than multiple online systems offered by custodians
- ✓ Tax treatment must be clear as it affects portfolio valuations
- ✓ Reinvestment prices must be provided where applicable

The role of the legal fraternity

Most issuers make use of legal firms with solid experience when they plan a complex corporate action. Some legal firms are brought into the conversation early in the process with issuers, especially where they have long-standing relationships. However, in most instances, they become involved once the issuer has had discussions with the investment banks and the financial aspects have been cleared. Some legal firms have built up a solid reputation for their ability to work alongside the market to enable the execution of complex transactions.

Besides legal and tax insights and expertise, some legal firms say they are able to create opportunities for businesses by ensuring that the highest environmental, social and governance (ESG) standards are adhered to. Corporate actions are also evaluated in terms of ESG standards. Environmental criteria consider how a company safeguards the environment, including corporate policies addressing climate change, as an example. Social criteria examine how it manages relationships with shareholders, employees, suppliers, customers and the communities in which it operates. Governance deals with a company's leadership, executive remuneration, audits, internal controls and shareholder rights.

Most legal firms say their wealth of experience, combined with the benefit of having solid relationships with listing authorities and regulators, are factors that are crucial to the successful implementation of a corporate event. Legal firms assist issuers and sponsors to obtain formal sign-off from exchanges for a corporate event. If exchange control regulation applies to the event, legal firms will assist with obtaining approval from the SARB. If the corporate action is regarded as an affected transaction, they will assist issuers and sponsors with Takeover Regulation Panel approval. Sequencing of all relevant documentation is critical and needs to be in the correct order to ensure final approval is obtained to proceed with the corporate action. Legal firms file notices with the Competition Commission when the transaction requires this. These teams are often involved in the sale and finance agreements to be drawn up between parties. New shareholder agreements must often be drafted. If a new legal entity is the effect of an amalgamation or take-over, the legal team, in consultation with senior staff of the company, will draft a new memorandum of incorporation (MOI) and lodge it at the Companies and Intellectual Properties Commission (CIPC) together with the relevant documents.

Legal views confirm that several challenges arise because of the differences in settlement cycles between local and international markets. When multinational issuers propose big transactions, there are always timetable challenges, and you must prevent opportunities for arbitrage to ensure that all shareholders across jurisdictions are treated fairly and equitable. Closer alignment of the various market settlement models would resolve a number of these challenges according to some views. When a corporate action is devised that spans multi-jurisdictional markets, it will inevitably involve various regulators and legal teams.

Asked about views on potentially moving the equities market to an SOR model, one legal firm reiterated that securities are essentially a bundle of rights. The three predominant rights are the right to distributions, the right to vote and the right to capital appreciation or depreciation on a realisation. These rights do not necessarily reside with one party only and that is a complication that must be factored into a solution regarding ownership, if there is envisaged change. There are currently proposed changes to the Companies Act to have multiple beneficial holders for one security. This is an aspect that must be considered to determine who has what rights and to what end if the amendment is promulgated.

With a seemingly increasing burden resting on issuers to know who is on the company register, the rationale for a greater push for transparency is clear. It is important to still align with international markets and not introduce unreasonable administrative burdens in the process. The quality of the information on the BOR was raised by several stakeholders as insufficient. The legal views confirmed that the quality of the information at the disposal of the issuer should be investigated to ensure an acceptable industry standard. It is also possible that behind a person or entity in the restricted jurisdiction is another person in a non-restricted jurisdiction. The complex tax system found in South Africa is arguably the driving force behind the push for greater transparency.

6. Types of corporate events and complexities

Definitions

A corporate action is an event or action taken by an issuer or any other entity or third party which affects the owners of securities in terms of entitlements or notifications. Typically, corporate actions can be considered voluntary, mandatory and/or mandatory with a choice. For some corporate events, there is no participation required from the shareholders (mandatory) while for others, shareholders may be required to make an election (mandatory with choice) or choose whether to participate or not (voluntary).

Mandatory events - A non-elective event is an action undertaken by the company which does not require a shareholder to make an election. The shareholder becomes a passive participant in the event. These events include cash dividends, bonus issues, name changes, stock splits, reverse stock splits, mergers or delisting events.

Mandatory with Options (Choice) event – Shareholders have the option to choose between alternatives. A typical example is a dividend option where the shareholder can elect to receive either cash or securities. A default will be announced by the issuer if no election is received from the shareholder, which will be applied on the closing date of the event.

Voluntary events – Shareholders have the option whether to participate or not. Typical examples include meetings, rights offers and tender offers. An event default (no action) will be set by the issuer failing any action taken by the shareholder.

Corporate action events and messaging despatched by Strate align to Strate Volume A documentation – refer to Annexure 2 for a classification of events based on the above definitions.

For every corporate event where restricted entitlements must be sold, the correct cash rate must be communicated after the sale is completed. The payment date must be advised timeously. It is also imperative for the designated cash account of the issuer to be funded timeously for the onward payment of funds.

Event types

Events can all be classified in terms of the below definitions. Definitions of all corporate events and corporate action timelines will align with JSE Schedule 2, Form H – Refer Annexure 1. For details about the message structures, reference can be made to Annexure 10, the Security Market Practice Group Corporate Events Templates SR 2022. Complex corporate events may necessitate an adjustment in the timeline in consultation with the exchange.

1 Partial redemption

Definition

Partial redemptions are common in bonds and less so in equities. Partial redemptions can occur on preference securities where the issuer redeems part of the outstanding preference securities in exchange for cash, securities, or a combination of cash and securities.

Category	Voluntary	
Risk	Medium	
Timelines	Page 4	JSE Schedule 2, Form H
Message format	Page 24 - 29	SMPG Event Template

If the event is a cash event, the following minimum information must be present in the declaration announcement:

VOLUNTARY CASH
ISIN NUMBER
SALIENT DATES
OFFER CONSIDERATION
CURRENCY CONVERSION RATE (IF APPLICABLE)

Processing risk:

- ✓ There is always a risk that the custodian submits an incorrect election.
- ✓ A client or custodian missing or not meeting the deadline date for instructions and the default is applied.
- ✓ If the issuer does not fund the settlement or corporate action account timeously, available funds in the account may be insufficient to effect payment to CSD Participants and clients.
- ✓ The percentage or number of securities for buy-back must be correctly captured on the custodians' systems to ensure correct processing.
- ✓ All trading in securities to be redeemed must be monitored to ensure that no potential debit balances of securities arise post redemption where the owner of securities is unable to deliver securities.Restrictions must be incorporated in the declaration announcement.

2 Full redemption

Definition

The issuer redeems the full outstanding securities and listing is terminated. The consideration is mostly cash or no payment value.

Category	Mandatory	
Risk	Low	
Timelines	Page 4	JSE Schedule 2, Form H
Message format	Page 24 - 29	SMPG Event Template

If the event is a cash event, the following minimum information must be present in the declaration announcement:

MANDATORY CASH
ISIN NUMBER
SALIENT DATES
CASH RATE
CURRENCY CONVERSION RATE (IF APPLICABLE)
SUSPENSION DATE
DELISTING DATE

Processing risk:

✓ The biggest risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.

✓ All trading in securities to be redeemed must be monitored to ensure that no potential debit balances of securities arise post redemption where the owner of securities is unable to deliver securities.

3 Redemption – with/without election

Definition

With election – an event where an issuer repays the redeemable preference securities capital in full to the holder. The holder has the option to elect either a cash repayment or new securities.

Without election – an event where an issuer repays the redeemable preference securities in full to the owner, in cash or new securities, or a combination of cash and securities stipulated by the issuer prior to finalisation date (RD – 8).

Category	Mandatory/Mandatory with choice	
Risk	Medium	
Timelines	Page 4	JSE Schedule 2, Form H
Message format	Page 24 - 29	SMPG Event Template

If the event is a cash event, the following minimum information must be present in the declaration announcement:

MANDATORY CASH
ISIN NUMBER
SALIENT DATES
CASH RATE
CURRENCY CONVERSION RATE (IF APPLICABLE)
SUSPENSION DATE
DELISTING DATE

If the event is a securities event, the following minimum information must be present in the declaration announcement:

MANDATORY SECURITIES
ISIN NUMBER
SALIENT DATES
ROUNDING PRINCIPLE
FRACTION RATE
SECURITY RATIO
NEW SECURITY ISIN

Processing risk:

- ✓ There is always a risk that the custodian submits an incorrect election.
- ✓ A client or custodian missing or not meeting the deadline date for instructions and the default is applied.
- ✓ The biggest risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ All trading in securities to be redeemed must be monitored to ensure that no potential debit balances of securities arise post redemption where the owner of securities is unable to deliver securities.

4 Capitalisation issue/Bonus issue

Definition

This is also referred to as a bonus issue. An issue of fully paid securities capitalised from a company's share premium, capital redemption reserve fund or reserves (or combination thereof) to existing holders of securities in proportion to their holdings at a specific date free of payment.

Category	Mandatory	
Risk	Low	
Timelines	Page 5	JSE Schedule 2, Form H
Message format	Page 18 - 23	SMPG Event Template

Capitalisation issues are mandatory security events, and the following minimum information must be present:

MANDATORY SECURITIES
ISIN NUMBER
SALIENT DATES
ROUNDING PRINCIPLE
FRACTION RATE
SOURCE OF INCOME
SECURITY RATIO
NEW SECURITY ISIN
RESTRICTIONS (IF APPLICABLE)

Processing risk:

- ✓ From a market perspective, there is a processing risk when the issuer does not provide all the required details in the Exchange News Service or declaration announcement, and it creates back and forth queries.
- ✓ Fraction ratios must be clearly announced to enable correct processing.
- ✓ A risk is that the funds for fractional payments are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ If the bonus issue is paid from the share premium account and reserves, the tax treatment must be clearly communicated to avoid ambiguity.
- ✓ Restrictions must be incorporated in the declaration announcement.

This event type seldom presents any problems. Entitlements can be traded from LDT +1.

5 Cash dividends, REIT, special dividends and interest payments

Definition

Cash dividends, interest and REIT payments are payments made by an issuer to its shareholders normally out of the issuer's current or accumulated earnings in proportion to their holdings. A special dividend is a cash payment that is separate from the typical recurring dividend cycle.

Category	Mandatory	
Risk	Low	
Timelines	Page 5	JSE Schedule 2, Form H
Message Format	Page 100 - 111	SMPG Event Template

The above events are all mandatory cash events and must contain the below minimum information.

MANDATORY CASH
ISIN NUMBER
SALIENT DATES
DIVIDEND TYPE
GROSS DIVIDEND RATE
DIVIDEND TAX RATE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATE AND DATE (IF APPLICABLE)
SOURCE OF INCOME

Processing risk:

- ✓ From a market perspective, there is a processing risk when the issuer does not provide all the required details in the Exchange News Service or declaration announcement, and it creates back and forth queries.
- ✓ An issuer needs to state whether a dividend should be treated as capital or income distribution.
- ✓ Tax treatment must be clearly communicated.
- ✓ The biggest risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ Exclusions not factored in or advised late may lead to overpayment and subsequent processes to recover funds.
- ✓ Exclusions must be notified by latest LDT – 5.
- ✓ If an issuer changes bank accounts without providing Strate with an updated mandate, it will cause a delay in payment.

DWT is not applicable on interest events.

6 ETF distribution

Definition

Exchange traded fund or ETF means a fully funded (unleveraged) security listed on the JSE which tracks the performance of a specified security or other assets, which include, but are not limited to, indices, commodities, currencies or any other asset acceptable to the JSE.

Category	Mandatory	
Risk	Low	
Timelines	Page 6	JSE Schedule 2, Form H
Message format	Page 100 - 111	SMPG Event Template

ETF distributions are mandatory cash events and must contain the below minimum information.

MANDATORY CASH
ISIN NUMBER
SALIENT DATES
DIVIDEND TYPE
GROSS DIVIDEND RATE
DIVIDEND TAX RATE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATE AND DATE (IF APPLICABLE)
SOURCE OF INCOME
COUNTRY OF INCORPORATION (IF APPLICABLE)
PORTFOLIO COSTS (IF APPLICABLE)

Processing risk:

- ✓ From a market perspective, there is a processing risk when the issuer does not provide all the required details in the Exchange News Service or declaration announcement, and it creates back and forth queries.
- ✓ An issuer needs to state whether a dividend should be treated as capital or income distribution.
- ✓ Tax treatment must be clearly communicated.
- ✓ The biggest risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ If an issuer changes bank accounts without providing Strate with an updated mandate, it will cause a delay in payment.

7 Consolidation/Reverse stock split

Definition

Consolidation results in a reduction in the number of securities issued with a corresponding increase in the par value, such that the value of the issued capital remains the same.

Category	Mandatory	
Risk	Low	
Timelines	Page 6	JSE Schedule 2, Form H
Message format	Page 217	SMPG Event Template

The following minimum information is required:

MANDATORY SECURITIES
ISIN NUMBER
SALIENT DATES
NEW ISIN (IF APPLICABLE)
FRACTION RATE
SECURITY RATIO

Processing risk:

- ✓ Consolidation events are mandatory securities events and generally simple to administer.
- ✓ From a market perspective, there is a processing risk when the issuer does not provide all the required details in the Exchange News Service or declaration announcement, and it creates back and forth queries. The new ISIN must be advised in time.
- ✓ With the ISIN change it is important to coordinate trading to ensure no trades are committed to after LDT of the old ISIN and that trades booked from ex-date are reported on the new ISIN. If the effective termination date of the old ISIN and first trading date of the new ISIN are not synchronised, there is a market risk where trades may be rejected, fail or introduce systemic risk.
- ✓ It may also lead to a debit balance of securities that will initiate an in-depth investigation by Strate Supervision.
- ✓ At the CSD Participant it may occur that once the static data changes have been done, and an urgent trade must be committed to on RD-1 for SLB purposes, that data must be changed on the data tables to ensure that the trade can be committed to and settle on the previous ISIN.
- ✓ Risk is centred around trading in the old versus new ISIN on the relevant dates.

8 Conversion

Definition

Holders of securities receive new securities in place of all or part of the old securities. Generally there are no elections required and all affected securities are converted. This is generally not an event type that causes uncertainty.

Category	Mandatory	
Risk	Medium	
Timelines	Page 6	JSE Schedule 2, Form H
Message format	Page 46 - 51	SMPG Event Template

The following minimum information is required:

MANDATORY SECURITIES
ISIN NUMBER
SALIENT DATES
NEW ISIN (IF APPLICABLE)
FRACTION RATE

Processing risk:

- ✓ From a market perspective, there is a processing risk when the issuer does not provide all the required details in the Exchange News Service or declaration announcement, and it creates back and forth queries. The new ISIN must be advised in time.
- ✓ The designated bank account must be funded by the issuer for the cash fractions on payment date.
- ✓ Risk is more centred around trading to ensure no securities must be delivered post conversion of the old ISIN.
- ✓ With the ISIN change it is important to coordinate trading to ensure no trades are committed to after LDT of the previous ISIN and that trades booked from ex-date are reported on the new ISIN.
- ✓ At the CSD Participant it may occur that once the static data changes have been done, and an urgent trade must be committed to on RD-1 for SLB purposes, that data must be changed on the data tables to ensure that the trade can be committed to and settle on the previous ISIN.
- ✓ If the effective termination date of the old ISIN and first trading date of the new ISIN are not synchronised, there is a market risk where trades may be rejected or may fail.
- ✓ It may also lead to a debit balance of securities that will initiate an in-depth investigation by Strate Supervision.

9 Liquidation dividend– advanced/final/interim

Definition

Payment of cash takes place to holders of securities on the winding up of the company and subsequent delisting from the exchange.

Category	Mandatory	
Risk	Medium	
Timelines	Page 7	JSE Schedule 2, Form H
Message format	Page 159 - 163	SMPG Event Template

The following minimum information is required:

MANDATORY CASH
ISIN NUMBER
SALIENT DATES
DIVIDEND TYPE
GROSS DIVIDEND RATE
DIVIDEND TAX RATE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATIO AND DATE (IF APPLICABLE)
SOURCE OF INCOME

Processing risk:

✓ Where the liquidation process of the issuer is drawn out, the operational risk extends to other departments including corporate actions.

✓ Queries often arise from internal teams such as Finance teams with regards to invoicing where issuer accounts are payable.

✓ Register Services often enquires whether physical certificates are still good for delivery.

✓ Settlement Services normally enquire whether off-market transactions are permissible on ISINs where liquidations are in progress.

✓ SLB and Collateral Services may need to close out positions urgently to mitigate risk.

✓ The ISIN and the BPID of the issuer must be de-activated to avoid further invoices to the issuers.

✓ The details of the event should be communicated to all stakeholders timeously as this event type often leads to many queries.

✓ Events may cover multiple years as the process of winding up the company can take several years to finalise.

✓ Communication on these events is generally poor and brokers and CSD Participants must initiate enquiries with liquidators, legal teams, curators and CIPC. Once the ISIN has delisted from the exchange, proper market communication becomes erratic and is often a source of frustration.

10 Name change

Definition

This is a corporate event where the registered name of a company is changed. At some institutions this is dealt with as a static data update, especially when the ISIN remains unchanged. If there is a name and ISIN change, a CHAN (Name Change event) is published and executed.

Category	Mandatory	
Risk	Low	
Timelines	Page 7	JSE Schedule 2, Form H
Message format	Page 39 - 40	SMPG Event Template

The following minimum information is required:

MANDATORY SECURITIES
ISIN NUMBER
SALIENT DATES
NEW ISIN (IF APPLICABLE)

Processing risk:

- ✓ Generally this has a low processing risk.
- ✓ From a market perspective, there is a processing risk when the issuer does not provide all the required details in the Exchange News Service or declaration announcement, and it creates back and forth queries.
- ✓ With the ISIN change it is important to coordinate trading to ensure no trades are committed to after LDT of the previous ISIN and that trades booked from ex-date are reported on the new ISIN.
- ✓ At the CSD Participant it may occur that once the static data changes have been done, and an urgent trade must be committed to on RD-1 for SLB purposes, that data must be changed on the data tables to ensure that the trade can be committed to and settle on the previous ISIN.
- ✓ If the effective termination date of the old ISIN and first trading date of the new ISIN are not synchronised, there is a market risk where trades may be rejected or may fail.
- ✓ Risk is centred around trading on the correct ISIN number.

11 Odd lot offer

Definition

An odd lot offer is an event where a listed company intends eliminating odd lot holdings to reduce administrative costs and offers all holders of odd lots the option of electing to:

- retain their odd lot holding; or
- sell their odd lot holding.

Category	Voluntary	
Risk	Low	
Timelines	Page 8	JSE Schedule 2, Form H
Message format	Page 172 - 174	SMPG Event Template

The following minimum information is required:

VOLUNTARY EVENT
ISIN NUMBER
SALIENT DATES
OFFER PRICE /GROSS DIVIDEND RATE
DIVIDEND TAX RATE (IF APPLICABLE)
NET DIVIDEND RATE (IF APPLICABLE)
CURRENCY CONVERSION RATE (IF APPLICABLE)
SOURCE OF INCOME
FRACTION RATE (IF APPLICABLE)
SPREADSHEETS REQUIREMENTS
RESTRICTIONS (IF APPLICABLE)

Processing risk:

- ✓ These events are generally not complex and don't usually have restrictions. The complexity arises if there is tax involved. If DWT is applicable, the net rate must be published.
- ✓ Missing the event deadline is a risk from CSD Participants and clients.
- ✓ Incorrect election on the part of custodians.
- ✓ A risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ If the issuer does not fund the settlement or corporate actions account timeously, available funds in the account may be utilised or the account may be overdrawn.

If the source of the offer prices is considered a dividend, the gross dividend, DWT and net cash rate are required.

12 Offer to shareholders – unconditional

Definition

On these events a cash or securities settlement is offered to shareholders. An election is required from shareholders which introduces risk. If beneficial shareholder elections are required by the issuer, risk increases exponentially because of spreadsheet requirements.

Category	Voluntary	
Risk	High	
Timelines	Page 8	JSE Schedule 2, Form H
Message format	Page 113 – 127; 219 - 221	SMPG Event Template

The following minimum information is required:

VOLUNTARY EVENTS
ISIN NUMBER
SALIENT DATES
OFFER CONSIDERATION (FOR OFFERS) OR GROSS DIVIDEND RATE
DIVIDEND TAX RATE (IF APPLICABLE)
NET DIVIDEND RATE (IF APPLICABLE)
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATIO (IF APPLICABLE)
SOURCE OF INCOME
SECURITY RATIO (IF APPLICABLE)
ROUNDING PRINCIPLE
NEW ISIN (IF APPLICABLE)
FRACTION RATE (IF APPLICABLE)
CASH RATE FOR SALE OF RESTRICTED ENTITLEMENTS
SPREADSHEET REQUIREMENTS
RESTRICTIONS (IF APPLICABLE)

Processing risk:

- ✓ Taxation effects must be clarified upfront and communicated clearly.
- ✓ Part-elections are normally not allowed on a beneficial holder level. If it is allowed in terms of the offer, this must be explicitly communicated.
- ✓ If the offer is made for a prolonged period, multiple events are loaded with weekly record dates. A rolling settlement timetable must be provided. All acceptances are communicated for the specific week.
- ✓ Clients normally wait for certainty around the event before they submit their election, which is irrevocable.
- ✓ Custodians may receive requests to retract an irrevocable election and this will often not be permitted in terms of the offer.
- ✓ Some offerors ask for disclosure of shareholders that have accepted the offer on an ongoing basis.
- ✓ Offers can become very complex if there is maximum number of securities the offeror can acquire or if shareholders can only accept the offer on a certain percentage of their holdings.
- ✓ In some instances, excess applications will be permitted or scaling back may be applicable. This can result in onerous spreadsheet requirements and scaling back. Due to the manual nature of this process, it introduces risk.
- ✓ Issuers may want to avoid being compelled to make a mandatory offer to all shareholders and need to constantly monitor offer acceptances.
- ✓ Spreadsheet requirements for disclosure purposes should be advised early in the process, by latest finalisation date (RD – 8) to ensure that the required client education can be planned.
- ✓ Requests for late submission of elections are sometimes received after the default option has already been applied on the event. This introduces risk when processing must be undone to accommodate a client at a CSD Participant. After deadline date and time, the CSD and CSD Participant are unable to amend/accept amended elections without putting the entire corporate event at risk and potentially impacting all clients. In terms of the Strate Directives, this is not allowed.

Processing risk (continued)

- ✓ Processing can be administratively intensive due to the manual processing involved.
- ✓ The biggest risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ General enquiries from shareholders are mostly around the formulae used to allocate excess applications and scale back of entitlements. The formulae must be communicated with the results announcement.
- ✓ Restrictions must be incorporated in the declaration announcement and must form part of the minimum requirements.
- ✓ For high-risk corporate events, where spreadsheets are required, the issuer and/or the corporate sponsor should approach the exchange to extend the deadline date to RD+1. Payment date should be extended to RD+2. This may have an impact on trading in the entitlement, however, the risk associated with the manual processing should be considered, as well as trading in entitlements prior to settlement of the securities.

If the source of the offer prices is considered a dividend, the gross dividend, DWT and net cash rate are required.

13 Offer to shareholders – conditional

Definition

On these events a cash or securities settlement is offered to shareholders, but it is conditional on the fulfilment of certain criteria, usually involving the TRP or the Competition Commission. An election is required from shareholders. If beneficial shareholder elections are required by the issuer, risk increases exponentially because of spreadsheet requirements.

Category	Voluntary	
Risk	High	
Timelines	Page 8	JSE Schedule 2, Form H
Message format	Page 113 – 127; 219 - 221	SMPG Event Template

The following minimum information is required:

VOLUNTARY EVENTS
ISIN NUMBER
SALIENT DATES
OFFER CONSIDERATION (FOR OFFERS) OR GROSS DIVIDEND RATE
DIVIDEND TAX RATE (IF APPLICABLE)
NET DIVIDEND RATE (IF APPLICABLE)
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATIO (IF APPLICABLE)
SOURCE OF INCOME
ROUNDING PRINCIPLE
SECURITY RATIO (IF APPLICABLE)
NEW ISIN (IF APPLICABLE)
FRACTION RATE (IF APPLICABLE)
SPREADSHEET REQUIREMENTS
RESTRICTIONS (IF APPLICABLE)
ROLLING SETTLEMENT TIMETABLE (IF APPLICABLE)

Processing risk:

- ✓ Taxation effects must be clarified upfront and communicated clearly.
- ✓ Part-elections are normally not allowed on a beneficial holder level. If allowed in terms of the offer, this must be explicitly communicated.
- ✓ Clients normally wait for certainty on the event before they submit their election, which is irrevocable.
- ✓ Custodians may receive requests to retract an irrevocable election and this will often not be permitted in terms of the offer.
- ✓ Some offerors ask for disclosure of shareholders that have accepted the offer on an ongoing basis.
- ✓ Offers can become very complex if there is maximum number of securities the offeror can acquire, or if shareholders can only accept the offer on a certain percentage of their holdings.
- ✓ In some instances, excess applications will be permitted or scaling back may be applicable. This can result in onerous spreadsheet requirements and scaling back. Due to the manual nature of this process, it introduces risk.
- ✓ Spreadsheet requirements for disclosure purposes should be advised early in the process, by latest LDT-5 to ensure that the required client education can be planned.
- ✓ Requests for late submission of elections are sometimes received after the default option has already been applied on the event. This introduces risk when processing must be undone to accommodate a client at a CSD Participant. After deadline date and time, the CSD and CSD Participant are unable to amend/accept amended elections without putting the entire corporate event at risk and potentially impacting all clients.
- ✓ Processing can be administratively intensive due to the manual processing involved.
- ✓ The biggest risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ Rate to be applied on calculation of STT must be included in the Exchange News Service announcement.
- ✓ General enquiries from shareholders are the formulae used to allocate excess applications and scale back of entitlements.

14 Renounceable rights/Clawback offer

Definition

An offer of renounceable rights to subscribe/purchase securities in an applicant (usually a subsidiary) by an issuer to the issuer's securities holders, pro rata to their holdings in the issuer, by means of the issue of renounceable LAs. Renounceable rights may be transferred and sold or lapsed if not taken up. The event is processed in two parts and normally extends over a period of 15 days. The rights distribution event is mandatory, and the rights take-up event, voluntary.

Category	Mandatory/ Voluntary	
Risk	Medium	
Timelines	Page 9	JSE Schedule 2, Form H
Message format	Page 205 - 210	SMPG Event Template

The following minimum information is required for the rights distribution event:

MANDATORY/ MANDATORY WITH CHOICE
ISIN NUMBER
SALIENT DATES
SECURITY / LA RATIO
CASH RATE FOR SALE OF RESTRICTED ENTITLEMENTS
RESTRICTIONS (IF APPLICABLE)
ISIN FOR LAs

The following minimum information is required for the rights take-up event:

VOLUNTARY EVENTS
ISIN NUMBER
SALIENT DATES
SUBSCRIPTION PRICE (FOR RIGHTS OFFERS)
SPREADSHEET REQUIREMENTS

Processing risk:

- ✓ Restricted jurisdictions may apply in terms of participating in the event.
- ✓ Uncertainty whether the issuer agent/any appointed party will be selling entitlements for restricted shareholders. It should be communicated in the declaration announcement that a third party will be appointed to sell the restricted shareholders rights/entitlement.
- ✓ Investor letters may be required for QIBs or SILs.
- ✓ Contact details, delivery address and deadline for submission of Investor Letters must be clearly communicated.
- ✓ BOP reporting is always required for foreign issuers due to the offshore repatriation of funds.
- ✓ Incorrect elections may cause financial losses when errors must be corrected, especially when securities must be bought in.
- ✓ Not meeting deadline for instructions introduces risk of default of all clients under a nominee.
- ✓ Granting requests for late submission of elections to CSD Participants introduces market risk as it has a knock-on effect on timelines that impacts all stakeholders.
- ✓ General enquiries from shareholders are the formula used to allocate excess applications.
- ✓ Spreadsheets may be required for excess applications.

15 Non-renounceable rights offer/Claw-back offer

Definition

An offer of non-renounceable rights to an issuer's securities holders, pro rata to their holdings in the issuer, to subscribe for securities in the issuer. These rights can only be taken up or lapsed but cannot be sold. The rights distribution event is mandatory and the rights take-up, voluntary. The event is processed in two parts and normally extends over a period of 15 days. The rights distribution event is mandatory, and the rights take-up event, voluntary.

Category	Mandatory/ Voluntary	
Risk	Medium	
Timelines	Page 9	JSE Schedule 2, Form H
Message format	Page 205 - 210	SMPG Event Template

The following minimum information is required for the rights distribution event:

MANDATORY/ MANDATORY WITH CHOICE
ISIN NUMBER
SALIENT DATES
SECURITY / LA RATIO
RESTRICTIONS (IF APPLICABLE)
ISIN FOR LAs

The following minimum information is required for the rights take-up event:

VOLUNTARY EVENTS
ISIN NUMBER
SALIENT DATES
SUBSCRIPTION PRICE
SPREADSHEET REQUIREMENTS

Processing risk:

- ✓ Restricted jurisdictions may apply in terms of participating in the event.
- ✓ Investor letters may be required for QIBs or SILs.
- ✓ Contact details, delivery address and deadline for submission of Investor Letters must be clearly communicated.
- ✓ BOP reporting is always required for foreign issuers due to outflow of funds.
- ✓ Incorrect elections may cause financial losses when errors must be corrected, especially when securities must be bought in.
- ✓ Not meeting the deadline for instructions introduces risk of default for all clients under a nominee.
- ✓ Granting requests for late submission of elections to CSD Participants introduces market risk as it has a knock-on effect on timelines that impact all stakeholders.

16 Scheme of arrangement, mergers or amalgamations

Definition

A scheme of arrangement is a court-approved agreement between a company and its shareholders or creditors. It may affect mergers and amalgamations and may alter shareholder or creditor rights. These events are seldom complex and risky, but depends on the requirements.

Category	Mandatory / Mandatory with choice	
Risk	Medium/High	
Timelines	Page 12	JSE Schedule 2, Form H
Message format	Page 166 - 169	SMPG Event Template

The following minimum information is required:

MANDATORY/MANDATORY WITH CHOICE EVENTS
ISIN NUMBER
DIVIDEND TYPE
SALIENT DATES
SCHEME CONSIDERATION OR GROSS DIVIDEND RATE
DIVIDEND TAX RATE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATIO (IF APPLICABLE)
SOURCE OF INCOME
SECURITY RATIO
NEW ISIN (IF APPLICABLE)
FRACTION RATE
SPREADSHEET REQUIREMENTS
RESTRICTIONS (IF APPLICABLE)

Processing risk:

- ✓ Eligibility to participate is often restricted for certain domiciles.
- ✓ Tax treatment is crucial information that must be clearly communicated upfront.
- ✓ Part-elections on beneficial holder level is normally not permitted; if it is allowed in terms of the offer, it must be stated as this is often an enquiry at broker and CSD Participant level.
- ✓ In some Scheme events shareholders may have an option to elect to receive cash or securities or a combination of both.
- ✓ Processing can range from simple to highly complex, depending on requirements.
- ✓ When elections involve percentages, the challenge is to transpose that into a correct number for correct processing.
- ✓ If scale back is applicable, there is a risk of debit balance of securities if shareholders trade their full anticipated position.
- ✓ The cash rate for the sale of restricted entitlements will be provided by the issuer agent if applicable.
- ✓ Shareholders mostly require the formulae applied on scaling back of entitlements as well as excess applications to inform underlying clients.
- ✓ Adjustments on entitlements must normally be done through manual processing or back-end processing.
- ✓ Unlisted securities in physical format are sometimes issued and can be either in the form of statements or immobilised securities. This must be communicated upfront or by no later than RD-8.
- ✓ Requests for a take-on spreadsheet is administratively intensive and should be discouraged.

If the source of the offer prices is considered a dividend, the gross dividend, DWT and net cash rate are required.

17 Securities dividend/Dividend option

Definition

When a company offers its shareholders a securities dividend, dividends can be received in the form of additional securities or in cash – it is also referred to as a dividend option. Securities dividends are not taxable at the time of receipt of dividend, but will be taxable at the time of sale of the securities. Capital gains tax will be applicable to securities dividends unless extraordinary circumstances prevail.

Category	Mandatory with choice	
Risk	Medium to High	
Timelines	Page 13	JSE Schedule 2, Form H
Message format	Page 105 - 110	SMPG Event Template

The following minimum information is required:

MANDATORY WITH CHOICE
ISIN NUMBER
DIVIDEND TYPE
SALIENT DATES
GROSS DIVIDEND RATE
DIVIDEND TAX RATE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATE AND DATE (IF APPLICABLE)
SOURCE OF INCOME
SECURITY RATIO
FRACTION RATE
SPREADSHEET REQUIREMENTS
RESTRICTIONS (IF APPLICABLE)

Processing risk:

- ✓ Eligibility to participate is often restricted for certain domiciles.
- ✓ If QIBs are required, the document must be available and instructions clear.
- ✓ Tax treatment is crucial information that must be clearly communicated upfront.
- ✓ If part-elections on beneficial holder level is permitted, it must be stated as this is often an enquiry at broker and CSD Participant level and balancing an event becomes more challenging with greater risk for errors.
- ✓ Shareholders may have an option to elect to receive cash or securities or a combination of both.
- ✓ Processing can range from simple to highly complex depending on requirements.
- ✓ When elections involve percentages, the challenge is to transpose that into a correct number of securities.
- ✓ If scale back is applicable, there is a risk of debit balance of securities if shareholders trade their full anticipated position.
- ✓ The cash rate for the sale of restricted entitlements will be provided by the issuer agent if applicable.
- ✓ Adjustments on entitlements normally involves manual or back-end processing, depending on internal processing.
- ✓ Fractions are normally not taxable but if it is, it must be clearly communicated.
- ✓ Available date for trading in new securities must be provided.
- ✓ If scale back is applicable, the issuer or its corporate sponsor should consider approaching the exchange to extend the timeline for election to RD+1 and Payment Date to RD+2.
- ✓ Fractions are normally not taxable but if it is, it must be clearly communicated.

18 REIT re-investment

Definition

A real estate investment trust distributing a dividend with an option to reinvest.

Category	Mandatory with choice	
Risk	Medium to High	
Timelines	Page 13	JSE Schedule 2, Form H
Message format	Page 108 - 111	SMPG Event Template

The following minimum information is required:

MANDATORY WITH CHOICE
ISIN NUMBER
SALIENT DATES
GROSS DIVIDEND RATE
DIVIDEND TAX RATE
REINVESTMENT PRICE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATE AND DATE (IF APPLICABLE)
SOURCE OF INCOME
SECURITY RATIO
FRACTION RATE
SPREADSHEET REQUIREMENTS
RESTRICTIONS (IF APPLICABLE)

Processing risk:

- ✓ Eligibility to participate is often restricted for certain domiciles.
- ✓ If QIBs are required, the document must be available and instructions clear.
- ✓ Tax treatment is crucial information that must be clearly communicated upfront.
- ✓ If part-elections on beneficial holder level is permitted, it must be stated as this is often an enquiry at broker and CSD Participant level and balancing an event becomes more challenging with greater risk for errors.
- ✓ Processing can range from simple to highly complex depending on requirements.
- ✓ Adjustments on entitlements must normally be done involving manual or back-end processing depending on internal processing.
- ✓ Fractions are normally not taxable but if it is, it must be clearly communicated.
- ✓ Available date for trading in new securities must be provided, it is normally from payment date only.

19 Section 124 acquisition

Definition

If an offer for the acquisition of securities under an affected transaction involving the transfer of securities or any class of securities of a company to an offeror has, within four months after the date of the making of such offer, been accepted by the holders of not less than nine-tenths of the securities or any class of securities whose transfer is involved (other than securities already held at the date of the issue of the offer by, or by a nominee for, the offeror or its subsidiaries), the offeror may at any time within two months after the date of such acceptance give notice in the prescribed manner to any holder of such securities who has not accepted the said offer, that he or it desires to acquire his or its securities, and where such notice is given, the offeror shall be entitled and bound to acquire those securities on the same terms, which under the affected transaction the securities of the holders who have accepted the offer, were or are to be transferred to the offeror.

Category	Mandatory	
Risk	Low	
Timelines	Page 13	JSE Schedule 2, Form H
Message format	Page 113 – 127 and 219 - 221	SMPG Event Template

The following minimum information is required:

MANDATORY CASH OR SECURITIES OR COMBINATION
ISIN NUMBER
SALIENT DATES
GROSS DIVIDEND RATE
DIVIDEND TAX RATE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATE (IF APPLICABLE)
SOURCE OF INCOME
OFFER CONSIDERATION

Processing risk:

- ✓ These events are generally not complex and don't have restrictions.
- ✓ Tax treatment must be clearly communicated. If DWT is applicable, the net rate must be published.
- ✓ A risk is that funds are not available in the issuer's nominated account for onward distribution to CSD Participants and clients.

20 Share repurchase pro rata offer

Definition

The company buys securities directly from the market or offers its shareholders the option of tendering their securities directly to the company at a fixed price, commonly known as repurchase offers.

Category	Voluntary	
Risk	High	
Timelines	Page 14	JSE Schedule 2, Form H
Message format	Page 113 – 127 and 219 - 221	SMPG Event Template

The following minimum information is required:

VOLUNTARY EVENTS
ISIN NUMBER
SALIENT DATES
CURRENCY CONVERSION RATE (IF APPLICABLE)
SOURCE OF INCOME
OFFER CONSIDERATION (FOR OFFERS)
FRACTION RATE (IF APPLICABLE)
SPREADSHEET REQUIREMENTS (IF APPLICABLE)
RESTRICTIONS (IF APPLICABLE)
DIVIDEND TAX RATE (IF APPLICABLE)
SECURITIES TRANSFER TAX (IF APPLICABLE)

Processing risk:

- ✓ Domicile restrictions must be clearly communicated.
- ✓ If spreadsheets are required, this must be communicated early to allow for client engagement.
- ✓ Tax treatment must be clearly communicated to avoid queries.
- ✓ The biggest risk is that the funds are not available in the nominated account of the issuer for onward distribution to CSD Participants and clients.
- ✓ Shareholders or custodians not meeting the market deadline date and time.
- ✓ Shareholders mostly require the formulae applied on scaling back of entitlements as well as excess applications to inform underlying clients.
- ✓ If the offer is extended over several weeks, a rolling settlement timetable must be provided.

21 Subdivision/Stock split

Definition

A listed company may adjust its capital structure by splitting its securities into units of lesser value. This results in an increase in the number of securities issued with a corresponding reduction in the par value per security such that the issued capital and the shareholders percentage interest in the company remain the same. It is referred to as stock split events.

Category	Mandatory	
Risk	Low	
Timelines	Page 14	JSE Schedule 2, Form H
Message format	Page 215 - 216	SMPG Event Template

The following minimum information is required:

MANDATORY SECURITIES
ISIN NUMBER
SALIENT DATES
SECURITY RATIO
NEW ISIN
FRACTION RATE

Processing risk:

- ✓ Generally, these events pose low processing risk.
- ✓ From a CSD perspective, there is a processing risk when the issuer does not provide all the required details in the Exchange News Service or declaration announcement, and it creates back and forth queries.
- ✓ The new ISIN must be advised in time for the instrument to be created on stakeholder systems.
- ✓ With the ISIN change it is important to coordinate trading to ensure no trades are committed to after LDT of the previous ISIN and that trades booked from ex-date are reported on the new ISIN.
- ✓ At the CSD Participant it may occur that once the static data changes have been done, and an urgent trade must be committed to on RD-1 for SLB purposes, that data must be changed on the data tables to ensure that the trade can be committed to and settle on the previous ISIN.
- ✓ Risk is centred around trading; if the effective termination date of the old ISIN and first trading date of the new ISIN are not synchronised, there is a market risk where trades may be rejected or may fail.

22 Unbundling with/without accompanying cash payment – termination of mother security – with/without election

Definition

With election – where a holding company is listed on the exchange. The holding company has investments in subsidiaries, cash, unlisted companies and/or listed companies. After unbundling, the holding company is dissolved and the shareholders will receive, proportionately to their initial holdings in the holding company: (a) securities in the subsidiaries (listed or private); or (b) cash; or (c) a combination of the above.

Without election – where a holding company is listed on the exchange. The holding company has one or more subsidiaries. After unbundling, the holding company is dissolved, and the shareholders will receive securities in the subsidiaries (listed or private) proportionate to their initial holdings in the holding company.

Category	Mandatory /Mandatory with choice	
Risk	Medium	
Timelines	Page 15	JSE Schedule 2, Form H
Message format	Page 213 - 214	SMPG Event Template

MANDATORY SECURITIES / CASH
ISIN NUMBER
SALIENT DATES
GROSS DIVIDEND RATE
DIVIDEND TAX RATE
NET DIVIDEND RATE
FOREIGN DIVIDEND / LOCAL DIVIDEND
CURRENCY CONVERSION RATIO AND DATE (IF APPLICABLE)
SOURCE OF INCOME
SECURITY RATIO
ROUNDING PRINCIPLE
NEW ISIN
FRACTION RATE
RESTRICTIONS (IF APPLICABLE)

Processing risk:

- ✓ The nature of the distribution affects the tax treatment and must be clear.
- ✓ Liability for STT is generally paid by the offeror, but must be clearly communicated.
- ✓ Events becomes complex if more than one security ISIN is being disbursed on the unbundling.
- ✓ Apportionment ratios must be provided to enable correct portfolio valuations from ex-date.
- ✓ These events are mostly mandatory, but may become mandatory with choice if shareholders must make an election.
- ✓ The cash rate for the sale of restricted entitlements will be communicated by the issuer agent if applicable.

23 Termination of listing without payment to shareholders

Definition

The removal of the ISIN from trading on the JSE. It is also referred to as a delisting event.

Category	Mandatory	
Risk	Low	
Timelines	Page 16	JSE Schedule 2, Form H
Message format	No page reference in SMPG Template	SMPG Event Template

The following minimum information is required:

MANDATORY SECURITIES
ISIN NUMBER
SALIENT DATES
SUSPENSION DATE
DELISTING DATE
SPREADSHEET REQUIREMENTS (IF APPLICABLE)

Processing risk:

- ✓ All trading in securities to be redeemed must be monitored to ensure that no potential debit balances of securities arise post redemption where the owner of securities is unable to deliver securities that have ceased to exist.
- ✓ If the company remains as an unlisted entity, custodians must close the positions on the existing ISIN/share code and reopen it in an unlisted form.
- ✓ Spreadsheet are sometimes required from issuers when the company will remain as an unlisted entity to obtain a complete register on termination of the listed ISIN.
- ✓ A company may terminate listing on the exchange, but can opt to remain as an unlisted entity on the CSD platform.

7. Industry problems highlighted

Flow of information

Early engagement is a theme that the corporate action work group and market has been speaking about for a long time. All stakeholders must prepare to execute the issuer's intension in a manner that does not put the market at risk. Early engagement would allow custodians sufficient time for testing to adhere to risk governance protocols. When the market receives information at the last moment, it introduces risk. Early engagement must be defined. From interviews with the issuers, it became clear that engagement with external parties during the period when the information is not yet in the public domain, is something that they will not consider.

The quality of the information and its early flow to all parties is crucial. Once an announcement of a corporate event has been made and is in the public domain, custodians receive enquiries. Because foreign shareholders rely heavily on their custodians for information, the expectation is to receive all pertinent information from the custodians once the event is announced. Often this cannot be achieved. Circulars with pertinent information may be published only later, creating a challenge to respond to enquiries and provide accurate, concise feedback.

The general rule is that all information must be available by latest last day to trade minus five. Where domicile restrictions are confirmed later than LDT-5, this creates risk for several reasons. Client relationships and obligations to underlying clients then become a risk to manage. Global custodians that serve markets on all continents and in multiple jurisdictions across different time zones, must communicate any changes to events to all clients. Where there is insufficient time to manage the communication, any risks that arise because of late notification is directed to downstream stakeholders.

Several years ago, a process was in place that enabled consultation between the issuers, sponsors, JSE and the CSD Participant representatives before complex corporate action events were published. This proved to be beneficial, especially to the CSD Participants as they were able to provide issuers with valuable input that could be used in devising terms of a corporate action. The standard approach at the time was that those who were involved had to sign non-disclosure agreements. This allowed CSD Participants to influence the process to align with processes and systems and aimed to achieve the highest possible levels of straight through processing. This practice has fallen by the wayside for several reasons. In the discussion with issuers, the question posed was why this could not be considered by issuers going forward. They provided a few reasons, but primarily that when a sensitive corporate action is planned, leakage of information may jeopardise the event. The protection of personal information is legislated, and any breaches may have serious reputational and potentially, financial implications.

Issuers often spend vast amounts of money on legal advisors to ensure the letter of the law is adhered to in all respects of a corporate event. Leakage of any information, however small, may have severe consequences if made public. In devising a corporate action, issuers take their cue from the Companies Act and corporate law. Signing of non-disclosure agreements does not necessarily offer the required confidentiality and the risk of information leakage becomes greater. There is no legal basis to insist that all parties in the corporate action chain of events must provide input. As it stands currently, CSD Participants are not necessarily privy to that information before the public. In the initial discussions for corporate events, the JSE, and Strate on occasion, are consulted in the process. As industry regulators, they provide input, which in turn is disseminated to all CSD Participants. Both regulators arrange market meetings as soon as practically possible to reach consensus with the issuers and sponsors on complex events.

According to the issuers interviewed, they always try to provide information timeously, but acknowledge that it might not always be made available by last day to trade minus five. Some of the data information might not be available because of delayed court approval or Takeover Regulation Panel delays that neither the issuer nor the sponsor have control of. By last day to trade, the market must have consensus and understand exactly what is required and how processing will be executed. Information that is provided after that time increases risk and puts pressure on the processing timelines. As a market, the inter-connectedness means that everyone is impacted when information is late or unclear. If a service provider is unable to meet an operational objective, it can have reputational or financial impact, or both.

The information that is generally regarded as insufficient covers the following aspects:s:

- ✓ Whether entitlements are of a capital or income nature
- ✓ Taxation matters
- ✓ Domicile restrictions
- ✓ Apportionment ratios for unbundling events

Adherence to market practice

Market practice is aligned to Strate Rules and Directives. The South African MI and financial institutions use the SWIFT messaging network to securely transmit information and instructions through a standardised system of codes. Most of the corporate events for equities, bonds and money market securities are communicated, processed and paid via SWIFT. SWIFT has been adopted as part of market practice for corporate actions in general.

Securities Market Practice Group standards have also largely been accepted as market practice. While SMPG encourages the implementation of the market practices it develops, it is up to the financial institutions within each market to implement the market practices according to their needs and agreements with their business counterparts, to support their businesses as efficiently as possible.

In addition to the above, the JSE Schedule 2 Form H, provides detail in terms of the standard market practice followed in the industry for corporate actions. This form can be found on www.JSE.co.za , and provides the detail for each of the corporate events.

It is well documented and reviewed periodically, with a view to ensure that the best possible practices are applied. In certain instances, market practice documents have been agreed and signed off by the market. When an issuer approaches the JSE to discuss a planned corporate event, the pertinent details of the corporate event and the different steps that apply, must be adhered to. It is especially important due to the inherent risk associated with corporate actions, to ensure that risk and exception management is tightly managed by the various downstream stakeholders in the process.

Any deviation from market practice and introduction of manual tasks and processes must be avoided as far as possible as this requires manual oversight. In a highly automated environment, the ideal is to adhere to standard market practices and processes, especially for complex events. While more than 99% of corporate actions are fully automated, a corporate event may occasionally require manual intervention. The requirement for spreadsheets is particularly risky as this is mostly manual with significant room for error. Where corporate events are announced that require manual intervention, risk increases exponentially. Where the event timelines adhere to standard timelines and all relevant information is known, risk is mitigated. Where non-standard market practice or event timelines are required, the necessity for testing event outcomes become crucial to mitigate risk.

Spreadsheets

This subject is very topical in the industry and a source of discontent. Spreadsheets used to be required in exceptional circumstances, but seem to have gained traction and are required for almost all events that have the distribution of security entitlement and where shareholders need to make an election. While most custodians can generate spreadsheets from their core systems, CSD Participants do not have the detail of underlying clients for the nominee accounts and need to request this from the registered owner of the securities. Some CSD Participants have multiple nominee accounts. Many of these accounts belong to global custodians with footprints in multiple markets. To the global custodian it is an onerous task to request spreadsheet information from the various markets, collate it and provide this in a consolidated format to the CSD Participant.

To the custodians that have dozens of nominee accounts, the challenge is to scrutinise the spreadsheets for accuracy and ensure all required fields are populated. While spreadsheet validation can be performed systematically with great success and even be incorporated into a master spreadsheet, this requires time and effort to finalise the planning and testing to ensure successful execution. While the need for spreadsheets must be revisited, automation can be achieved with great success thereby reducing risk for all stakeholders.

During the past two years, the frequency of requests for spreadsheets by issuers has increased. Initially spreadsheets were required only in exceptional circumstances where there was potential for unintended losses by intermediaries or beneficial shareholders due to rounding differences at a registered versus beneficial owner level. Custodians must distribute security entitlement to underlying shareholders. Receiving entitlements on an omnibus level opens up the custodian and broker to risk. Where securities have a high market value, custodians and brokers could end up losing funds when the need arises to buy in fractional differences. Some CSD Participants say there is no benefit for international clients operating omnibus accounts to complete spreadsheets because they regard potential fractional losses as small differences. Their belief is that international clients should not be requested to populate spreadsheets.

With market changes in recent years, the standard rounding principle has been substituted for the rounding down principle in most cases. In theory this was aimed at reducing the need for spreadsheets. However, it did not address the issue of the nominee structure, which is a major contributor to the ongoing requests for information down to beneficial owner level. While spreadsheets are a market tool that have been used for over two decades, their manual nature introduces as much risk as it solves for the disclosure element. There have been ongoing efforts by most CSD Participants to automate as much of this process as possible. This includes aspects such as validating completeness and accuracy of information received from intermediaries on spreadsheets. In addition, the process can be further refined to consolidate all spreadsheets onto a single spreadsheet. Depending on the appetite for development, the process can be fully automated with the required workflow tools. While some intermediaries may argue that a cost benefit analysis need to be done, the risk and financial impact should be the deciding factor.

The following are some of the problems experienced with the use of spreadsheets:

- Often excessive information is required to be filled in on spreadsheets;
- It is a manually intensive process in terms of time and resources;
- Spreadsheet formats are often complex;
- Transmission of confidential information in a secure and standard format is risky;
- Copy and paste errors are common in the market;
- Client education to ensure accuracy of completion is often required; and
- Clients at times submit spreadsheets to intermediaries that contain formulae or special characters that compromise accuracy.

Currently the following event types require spreadsheets:

Event type	Description
Delisting events	CSD Participants are required to complete a take-on spreadsheet with shareholder details for the issuer agent to have a register of the shareholders in the unlisted company and to issue share certificates or statements.
DRIPS	CSD Participants are required to provide spreadsheets with net amounts to be re-invested at beneficial owner level for dividend reinvestment plans.
Distribution in specie/Merger/ Dividend option	CSD Participants are required to provide spreadsheets with elections if there is maximum number of entitlements that can be allocated because of scaling back. If there is scale back, the sponsor/issuer performs the calculations on the spreadsheets and the issuer agent sends it to the CSD Participants with revised entitlements to be issued. Strate receives a pivot table with revised entitlements and adjusts the entitlements per CSA for payment. In some instances, manual payments are done depending on the complexity of the event, but it is not the norm.
Odd lot offers	CSD Participants currently email odd lot offer spreadsheets to the issuer agent reflecting CSA, number of clients and number of securities elected on retained, sold and default sales options.
Specific offers/ Voluntary offers	Disclosure is required on some of the events. CSD Participants send MT565 messages and disclose shareholders who have accepted the offer.
Tender offers/ Exchange offers	On some offers, there is a maximum amount of cash or securities to be paid out to shareholders or it can be made up of a split between a guaranteed amount and excess allocations. CSD Participants are required to provide spreadsheets with elections if a maximum number of entitlements to be issued is exceeded, and scale back must be applied. If there is scaling back, the sponsor/issuer does the calculations on the spreadsheets and the issuer agent sends it back to the CSD Participants with revised entitlements to be issued. Strate receives a pivot table with revised entitlements and adjusts the entitlements per CSA for payment. In some instances, manual payments are done depending on the complexity of the event.
Rights offers	Spreadsheets with excess applications are required for scaling back if the securities are oversubscribed. If there is scaling back, the sponsor or the issuer does the calculations on the spreadsheets and the issuer agent sends it back to the CSD Participants with revised entitlements to be issued. Strate receives a pivot table with revised entitlements and adjusts the entitlements per CSA for payment. In some instances, manual payments are done depending on the complexity of the event. BOP spreadsheets are also required on rights offers by foreign companies if the funds raised on the rights offer will be repatriated offshore.
Mergers/ unbundlings	A table with restricted entitlements to be sold is provided to the issuer agent.

It was acknowledged that spreadsheets will be required in the following two instances:

- ✓ DRIPs; and
- ✓ where there would be scale-back, for example excess rights subscriptions offers.

CSD Participants have repeatedly requested that the ratio or basis for allocation on a scale back must be announced in the market and has stated that Strate must insist on this, but the issuer's Memorandum of Incorporation will govern this decision. It is sometimes stated in the offer circular that the company has discretion to allocate securities, especially for excess applications.

The attached templates are the standard templates used in the market:

Partial Offer spreadsheet.xlsx

SPREADSHEET TEMPLATE 1.xlsx

BOP balance of payments - Sarb

Disclosure of personal and confidential information

The purpose of the Protection of Personal Information Act (POPI Act) is to protect personal information, to strike a balance between the right to privacy and the need for the free flow of, and access to information, and to regulate how personal information is processed. It also ensures that an entity is held accountable should it abuse or compromise personal data in any way and protects the personal information of people as well as the information of businesses and other organisations. Lack of compliance in this regard, may have serious reputational and financial implications for custodians who are found to be in breach.

Submission of shareholder information in response to issuer requests has become another challenge for corporate actions departments. Most of the information flows via email and attachments are password protected with encryption in place. While most institutions use email as a delivery mechanism, there have been requests from various parties to develop more secure means of delivery of large client files containing thousands of shareholders' personal and sensitive information. There are currently market discussions on this topic to find alternative solutions.

Automation of manual processes

All stakeholders in the industry are focused on the automation of manual processes. This is largely because the industry has advanced significantly over the past two decades. Exchanges, the CSD, CSD Participants, brokers, fund managers and global custodians are all attempting to reach the highest levels of automation to ensure straight through processing. Where manual or user intervention can be eliminated, risk is reduced. While straight through processing can be achieved for most events, it is unlikely to be the case for all events. Manual intervention must be limited to guard against undue risk. Because the CSD Participants collate information of a large and mostly varied client base, risk is concentrated. Again, the playing field is not even. Some CSD Participants are more advanced and further down the road in terms of automation. This covers areas such as

- ✓ client notification, which is virtually instantaneous;
- ✓ client elections via portals thereby reducing manual intervention;
- ✓ consolidation of client information on a master spreadsheet;
- ✓ auto-send of elections to the CSD on record date/ election deadline date; and
- ✓ DWT processing and reporting.

Corporate action timelines

Corporate action timelines are well entrenched in the SA market. Schedule 2 Form H published by the JSE, documents the various corporate action timelines in detail. All issuers and the market are bound by the timelines.

CSD Participants, broker and fund manager systems are mostly rule-driven and sometimes hard-coded to align to the timelines published by the JSE and Strate.

The effect of this is twofold – any deviation from the timeline implies that if the system is hard-coded, it cannot accommodate any deviation with ease, which leads to manual intervention. Alternatively, if the system is rule-driven, rules can be configured to accommodate the event but in terms of governance procedures, require testing and sign-off from various parties, notably the risk and compliance departments. This does create a conundrum for the SA market as interests need to be balanced. What needs to be considered are the risks introduced when standard timelines are not adhered to. Deviation from timelines and standards within our systems and processes introduces risk in one way or another. Corporate events over the past two decades have shown this is not something that the market will be able to avoid completely. As a market serving and enabling clients, every stakeholder's function is to translate the issuer and shareholder decision into a workable transaction.

It is ultimately about a balance of interests. If regulators are too restrictive and prescriptive, this might have unintended consequences and more issuers could delist. The JSE as the primary exchange in South Africa has the vision to be the best global platform in emerging markets – this is informed by its central role and the need to build a strategy and a business that is sustainable. Foreign direct investment (FDI) on the JSE has played a considerable role in the development of the South African economy, although in recent years FDI has remained at relatively low levels compared with other emerging market countries. South Africa needs to encourage and accommodate FDI through balancing the regulatory requirements for issuers, which are often cumbersome, with the need for investment and growth. While certain fundamentals need to be enforced, it is crucial to be pragmatic and achieve a balanced approach, especially when deviations from timelines are required.

Trading in entitlements

Trading in entitlements from ex-date on very complex events, especially where multiple jurisdictions are involved, is risky. On certain events in the past, where securities had to settle in accounts on payment date of the event, there were delays causing a knock-on effect on the delivery of securities. In almost all these cases, there was no liquidity in terms of available securities as lenders tend to recall securities when there are high-risk events. All corporate events could potentially be risky, but there are seldom more than five high-risk corporate events per annum. For these events, consideration must be given to start trading in entitlements from payment date only, especially if scale back is applicable. Special dispensation for a small number of corporate events per annum may be a small trade-off to contain risk and ensure efficiency in the industry.

Taxation

Taxation on most corporate events is clear, but questions often arise about tax implications on complex events. Taxation becomes more complex when an issuer straddles multiple jurisdictions, and South Africa has the additional burden of exchange control regulation. Different entities are taxed at different rates, which is further exacerbated by double tax treaties with most countries that are not static. This results in a different outcome for different sets of shareholders because the tax consequences will differ between jurisdictions.

Withholding tax agents require clarity about tax implications for events as they must comply with regulatory requirements imposed by South African Revenue Service. Similarly, asset managers need to provide portfolio valuations daily and need certainty about tax treatment on every corporate event. Most issues arise from not knowing whether an entitlement is of a capital or income nature. The complexity of taxation in South Africa puts pressure on all stakeholders to provide detailed information where possible. Reprocessing of events is a frequent occurrence at asset managers when tax treatment is not forthcoming before the last day to trade. In the interest of the market, this information must be provided as soon as possible as unit pricing occurs from ex-date.

8. CASE STUDY

Company X announced a merger event via PNOE (Preliminary Notice of Event). Strate disbursed the below MT564 message to all CSD Participants based on the information received from the SENS announcement of the JSE. Based on the published circular the restricted domiciles were the United States, any relevant member state, Canada, Australia, Japan or Hong Kong, UK, member states of the European Economic Union, and any other jurisdiction where Offer Securities or Letters of Allocation may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions and to do so might constitute a violation of local securities laws or regulations. All the restrictions were not clearly communicated from the initial publication by the issuer/sponsor. There were no spreadsheet requirements communicated by the issuer/sponsor of the event on the PNOE – Refer to Field 70E – Additional Text.

```
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{2:O5641654210507STRAZAJ2AXXX00000000002105071654N}
{3:{108:00150271SS11P002}}{4:
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:22F::CAEV//MRGR
:22F::CAMV//CHOS
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:25D::PROC//PREC
:16S:GENL
:16R:USECU
:35B:ISIN ZAE000030999
COMPANY X
:16R:ACCTINFO
:97C::SAFE//GENR
:16S:ACCTINFO
:16S:USECU
:16R:CADETL
:98A::ANOU//20210323
:98B::EFFD//UKWN
:98B::RDTE//UKWN
:98B::TSDT//UKWN
:98B::GUPA//UKWN
:22F::ADDB//SCHM
:16S:CADETL
:16R:CAOPTN
:13A::CAON//001
:22F::CAOP//CASH
:22F::DISF//STAN
:11A::OPTN//ZAR
:17B::DFLT//N
:98B::MKDT//UKWN
:16R:SECMOVE
:22H::CRDB//DEBT
:35B:ISIN ZAE000030999
COMPANY X
:98B::PAYD//UKWN
:16S:SECMOVE
:16R:CASHMOVE
:35B:ISIN ZAE000030999
COMPANY X
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:16S:ACCTINFO
:16S:USECU
:16R:CADETL
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:98B::GUPA//UKWN
:22F::ADDB//SCHM
```

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:13A::CAON//001
:22F::CAOP//CASH
:22F::DISF//STAN
:11A::OPTN//ZAR
:17B::DFLT//N
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:16R:SECMOVE
:22H::CRDB//DEBT
:35B:ISIN ZAE000030999
COMPANY X
:98B::PAYD//UKWN
:16S:SECMOVE
:16R:CASHMOVE
:22H::CRDB//CRED
:98B::PAYD//UKWN
:92K::GRSS//UKWN
:16S:CASHMOVE
:70E::ADTX////DLST/UKWN
This option is for the restricted shareholders
:16S:CAOPTN
:16R:CAOPTN
:13A::CAON//002
:22F::CAOP//SECU
:22F::DISF//STAN
:17B::DFLT//Y
:98B::MKDT//UKWN
:16R:SECMOVE
:22H::CRDB//DEBT
:35B:ISIN ZAE000030999
COMPANY X
:98B::PAYD//UKWN
:16S:SECMOVE
:70E::ADTX////DLST/UKWN
:16S:CAOPTN
:16R:ADDINFO
:70E::ADTX//Shareholders will receive one Company X Holdings  share for every one Company X share held. Implementation of the scheme is subject to fulfilment of conditions precedent.
:70E::COMP//The Company X Holdings Securities will not be admitted to trading on any trading venue, exchange or multilateral trading facility, in Switzerland. The Offer Securities are not intended for circulation or distribution in or into the UAE, other than to persons who are Qualified Investors. The Offer Securities will not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan. The Offer Securities will not be and have not been registered under the US Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. QIBs required.
:16S:ADDINFO
-}
```

When the Final Notice of Event (FNOE) was published it did not contain the full list of restricted domiciles as contained in the circular. All countries in the EU and the UK were listed as excluded from participation in the offer. The SWIFT MT564 is provided below.

```
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{2:O5641247210907STRAZAJ2AXXX00000000002109071247N}
{3:{108:00100248SS11P002}}{4:
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:22F::CAEP//REOR
:22F::CAEV//MRGR
:22F::CAMV//CHOS
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:25D::PROC//COMP
:16R:LINK
:20C::PREV//2108051439569798
:16S:LINK
```

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:16R:USECU
:35B:ISIN ZAE000030912
COMPANY X
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:97C::SAFE//GENR
:16S:ACCTINFO
:16S:USECU
:16R:CADETL
:98A::ANOU//20210323
:98A::EFFD//20210920
:98A::RDTE//20210917
:98A::TSDT//20210915
:98A::GUPA//20210914
:22F::ADDB//SCHM
:70E::WEBB//www.companyx.co.za
:16S:CADETL
:16R:CAOPTN
:13A::CAON//001
:22F::CAOP//CASH
:22F::DISF//STAN
:11A::OPTN//ZAR
:17B::DFLT//N
:98C::MKDT//20210917130000
:16R:SECMOVE
:22H::CRDB//DEBT
:35B:ISIN ZAE000030912
COMPANY X
:98B::PAYD//UKWN
:16S:SECMOVE
:16R:CASHMOVE
:22H::CRDB//CRED
:98B::PAYD//UKWN
:92K::GRSS//UKWN
:16S:CASHMOVE
:70E::ADTX////DLST/UKWN
This option is for the restricted shareholders
:16S:CAOPTN
:16R:CAOPTN
:13A::CAON//002
:22F::CAOP//SECU
:22F::DISF//STAN
:17B::DFLT//Y
:98C::MKDT//20210917130000
:16R:SECMOVE
:22H::CRDB//CRED
:35B:ISIN ZAE000298253
COMPANY X
:92D::NEWO//1,/1,
:98A::PAYD//20210920
:98A::AVAL//20210915
:16S:SECMOVE
:16R:SECMOVE
:22H::CRDB//DEBT
:35B:ISIN ZAE000030912
COMPANY X
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:16S:SECMOVE
:70E::ADTX////DLST/20210920
:16S:CAOPTN
:16R:ADDINFO
:70E::ADTX////LDDR/20210914
Implementation of the scheme is subject to fulfilment of conditions precedent. Own name shareholders are required to complete the application and surrender form to receive the Company X scheme consideration. Email completed forms to corporate.events@transfersecretary.co.za by no later than 12:00 on 17 September 2021.
```

Termination of listing on the JSE is with effect from commencement of trade on 21 September 2021. The XXX Holdings Securities will not be admitted to trading on any trading venue, exchange or multilateral trading facility, in Switzerland. The Offer Securities are not intended for circulation or distribution in or into the UAE, other than to persons who are Qualified Investors. The Offer Securities will not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan. The company has however obtained exemptions and therefore, the restricted jurisdictions will be able to receive the XXX Holdings securities. The Offer Securities will not be and have not been registered under the US Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. QIBs required. A template of the Investorletter can be obtained from investorletter@sponosor.co.za. Email completed investor letter to investorletter@sponsor.co.za by no later than 27 August 2021. Failure to submit investor letter by the deadline date will result in such US shareholder being deemed to be a restricted foreign shareholder and will receive the cash remittance. Email spreadsheets to Corporate.Actions@transfersecretary.co.za, copy Strate by no later than 13h00 on 17 September 2021.

The MT564 FNOE contained further requirements in terms of QIB letters and spreadsheet requirements. Two days prior to record date, the sponsor confirmed at a special market meeting that the UK and EU were no longer excluded from participation in the offer. The only exclusion was the USA. This caused confusion as this contradicted the published circular and was confirmed late in the process. As many CSD Participants having global custodians and large foreign asset management firms in various jurisdictions with different time zones, this caused major problems for CSD Participants with droves of enquiries and having to schedule emergency meetings with clients. This created huge risk for the event and its execution. It must be noted that some CSD Participants suffered financial losses on this event, and it sparked a letter to Strate on the issues that were experienced on this event. The content of the letter covered the following points:

1. "Although the Sponsor attempted to engage the market in good time to reach a consensus on the nuanced processing requirements, the flow of information was late (and vague too) and the claim process for securities defaulted to the issuer nominee account was confirmed on the evening before market deadline and record date. Generally, engagement with CSD Participants is too late in the process.
2. The application of jurisdiction restrictions, especially for the UK, was clarified 2 days before record date. The sponsor was not certain how they would apply restrictions, i.e., would it be at beneficial owner level or registered level.
3. The spreadsheet (disclosure) requirements were confirmed late in the process.
4. Event processing deviated from market and best practice. The sponsor believed that the market practice did not align to the law (their opinion) however legal counsel on other events ratified and agreed with market practice – this is confusing as interpretation is not consistent.
5. CSD Participants were required to conduct urgent testing which does not confirm to good change management governance.
6. The market made good progress in eliminating form submissions and in this case, forms were required to confirm that the shareholder "read" the circular. This ("read") is implied when a client/shareholder makes an election and thus a form submission would be a mere tick box exercise.
7. CSD Participants were required to provide data extracts of holdings as Strate could not provide the BOR on the date/s required by the sponsor. The BOR should be enhanced to meet the issuer/sponsor requirements for corporate actions.
8. Allowing trading in entitlement of the new COMPANY X Holding securities from ex-date when entitlements are only confirmed on record date introduces huge risk in the market as there is no certainty that entitlements will be received for certain jurisdictions which may create debit/short positions in the market and possibly failed trades too.
9. Entitlement allocations (spreadsheets) were due to be received from the issuer at 17:00 as agreed in the market meetings however the spreadsheet was sent to CSD Participants after 22h00.
10. At very short notice CSD Participants had to extend EOD batch processing times and this caused huge risk for downstream processes with client statements, and cash processing etc.
11. Staff had to perform the required adjustments on the weekend, which was not planned, and this brings about additional costs for CSD Participants as well as risks.
12. There were huge volumes of client queries on this event which is an indication of the uncertainty many investors were faced with.
13. Required form of processing restriction exceptions, especially for our shareholders that hold their position in omnibus structure caused additional efforts from our clients and their processing teams. We received an increased number of enquiries from our clients, concerned by the late announcement of the restrictions and record date set on the deadline day.
14. We also would like to raise a concern in relation to lack of MT566 messaging for withdrawal of securities from CSD Participant accounts to the transfer secretary technical account, that was conducted after initial MT566 messaging that confirmed allocation securities on our accounts.
15. Although understandable to a certain degree, but the request for information at beneficial owner level increases the size of spreadsheets significantly, impacting of the operational time and efforts required to reconcile and accurately complete the spreadsheet.

16. We would be remiss if we do not ultimately acknowledge and recognise the affect this manner of processing has on our the most important stakeholders i.e., our clients. This caused a lot of frustration, confusion, and uncertainty. This also resulted in instructions being received late due to the delayed flow of final information related to the QIBs etc. Depending on how the related queries are managed it may negatively impact on our scorecards and client relationship.
17. As with the COMPANY Y and COMPANY X event the deadline times are not aligned to the QIB deadline vs the surrender form deadline vs the spreadsheet and MT565 deadline were all different. This added pressure to manage and meet multiple deadlines.
18. With the COMPANY Y event a very distinct nuance was that the issuer looked at the tendered position as well as the RD position to determine final eligibility. This was out of the ordinary as normally the tendered position would be utilised to determine final eligibly. Where holders provided their information at BO level some did not take this into consideration and ended up disenfranchised.
19. Why was the default option reserved for investors who returned a QIB letter? This question was raised during one of the meetings, but the sponsor never gave a direct answer.
20. Strate is no longer updating the narrative of the event, i.e. deadline for returning QIB letters was extended but the event was not updated. Extension of the deadline for the return of the QIB letter was only announced by email.
21. Full list of the restricted jurisdictions which the company had obtained exemptions for and were able to receive the COMPANY X holdings securities were not updated in the narrative of the event i.e. Canada, Australia, UK, European Economic Area.
22. The amount of information required to fill in the spreadsheet was a challenge for the CSD Participants to gather: Beneficial Ownership details and record date position of each Beneficial Owner. This generated a volume of queries from clients and chasing from the CSD Participants side to get clients to provide the required information, which added more pressure on the CSD Participants especially when CSD Participants rely on clients to provide the details as CSD Participants would not know the underlying beneficiaries of the clients. CSD Participants can only process client instructions in good faith but in the end risk exposure is still high on CSD Participants side
23. Manual processes - we must evaluate our processing touchpoints and identify all market processes that have no STP and require manual processing/intervention as these introduce a high degree of operational risk to our businesses. Among these will be spread sheets and emails which have been mentioned as a major issue by all. Overall, there is a need to promote automation and STP to mitigate operational risk and promote efficiency of execution in the market.
24. Transmission of confidential information - As CSD Participants we are more than just custodians of clients securities, we are also custodians of confidential client personal information. Current legislation places a huge responsibility on those that hold and process confidential client personal information under the POPI Act.
25. Alignment of issuer objectives to CSD Participant business operations - CSD Participants are increasingly being called upon to make resources available outside of normal working hours and this goes beyond just ourselves and our staff, but also includes vendors and other GT resources that manage different interfaces for our custody systems to operate efficiently. The implications here from human resource management, financial and operational risk perspectives are big for custodians. As much as we directly or indirectly serve the Issuers, CSD Participants are also businesses in our own right and for that reason there is a need to align the objectives of the Issuers to those of CSD Participants to ensure we are not compromising our businesses by operating outside of normal business hours. Issuer objectives should not put CSD Participants in a compromising position where we have to make trade-offs in terms of our usual processes/operational models. We require better, fair and clearer rules of engagement that consider the interests of all market participants in the value chain. "

9. GLOSSARY OF TERMS

Term	Description
A2X	A2X (Pty) Ltd, registration number 2014/147138/07
ABS	Asset Backed Securities are secured by a pool of financial assets that generate cash flows from debt such as loans, leases and receivables.
Amalgamation / Merger	A transaction, or series of transactions, pursuant to an agreement between two or more companies, resulting in— (a) the formation of one or more new companies, which together hold all of the assets and liabilities that were held by any of the amalgamating or merging companies immediately before the implementation of the agreement, and the dissolution of each of the amalgamating or merging companies; or (b) the survival of at least one of the amalgamating or merging companies, with or without the formation of one or more new companies, and the vesting in the surviving company or companies, together with such new companies, of all of the assets and liabilities that were held by any of the amalgamating or merging companies immediately before the implementation of the agreement.
AMCI	Actively Managed Certificate Issuers – AMCs are structured products that allows active management of a chosen instrument strategy via an index, normally involving derivatives to gain exposure to a basket of shares.
Announcement	A notice regarding rights accruing to owners of securities, which is published by an issuer by means of the news service of an exchange, as well as company reports and circulars where these are provided to Strate for distribution. In respect of unlisted securities, announcement means any notice regarding rights and other benefits accruing to owners of securities which is provided by an issuer to Strate.
ASISA	Association for Savings and Investment South Africa
BDA	means Broker Dealer Accounting system, the JSE system that facilitates trade confirmation, clearing and settlement of trades between member firms and their clients as well as back-office accounting. It also compiles client portfolio statements.
Beneficial interest	The right or entitlement of a person, through ownership, agreement, relationship or otherwise, alone or together with another person to— (a) receive or participate in any distribution in respect of the company's securities; (b) exercise or cause to be exercised, in the ordinary course, any or all of the rights attaching to the company's securities; or (c) dispose or direct the disposition of the company's securities, or any part of a distribution in respect of the securities, but does not include any interest held by a person in a unit trust or collective investment scheme in terms of the Collective Investment Schemes Act, 2002 (Act No. 45 of 2002).
Beneficial Owner	A person having a beneficial interest in a security but whose name is not entered in the register of members of a company as the holder of that security.
BOR	Beneficial Ownership Register, the register of beneficial owners disclosed to Strate and provided to issuers and issuer agents.
Broker or Authorised User or Member	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.
Certificated Securities	Securities which are not dematerialised, title to which is represented by a security certificate or other document of title.
Certificated Shareholders	Registered holders of certificated securities.

Term	Description
CGT	Capital Gains Tax that arises when an asset is disposed of on or after 1 October 2001 for proceeds that exceed its base cost. The relevant legislation is contained in the Eighth Schedule to the Income Tax Act 58 of 1962.
CIPC	Companies and Intellectual Property Commission established in terms of section 185 of the Companies Act.
Circular	The circular posted by an issuer to its shareholders detailing the terms and mechanics of the corporate event.
CIS	A Collective Investment Scheme established in terms of the Collective Investment Schemes Control Act 45 of 2002.
Common Monetary Area	Collectively, the Republics of South Africa and Namibia, and the Kingdoms of Lesotho and Eswatini.
Companies Act	The Companies Act, 2008 (Act No. 71 of 2008), as amended from time to time.
Company Register	The register required to be established by the Commission in terms of section 187(4) of the Companies Act.
Competition Act	The Competition Act, 1998 (Act No. 89 of 1998), as amended from time to time.
Competition Commission	The Commission established pursuant to chapter 4, part A of the Competition Act or the tribunal established pursuant to chapter 4, part B of the Competition Act or the appeal court established pursuant to chapter 4, part C of the Competition Act or the Constitutional Court, as the case may be, and any competition authority in any other jurisdiction (outside of South Africa) whose approval or consent may be required for the implementation of a restructuring or scheme of arrangement or any portion thereof.
Controlled client	A client or an account holder on whose behalf a client is acting, whose funds and uncertificated securities are under the control of a broker or whose settlements take place via the CSDP of a broker.
Corporate Action or Corporate event	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	Central Securities Account
CSD	A person who constitutes, maintains and provides an infrastructure for holding uncertificated securities which enables the making of entries in re-spect of uncertificated securities, and which infrastructure includes a securities settlement system.
CSDP or CSD Participant	A participant, as defined in section 1 of the Financial Markets Act, being a person authorised by a licenced central securities depository to perform custody and administration services or settlement services or both in terms of the central depository rules.
Debit balance of securities	A negative balance in a securities account or a CSA
Debt securities	The broad category of debt securities based on certain common fundamental characteristics underlying the different types of securities issued. The four categories are: · Category 1 – discount securities; · Category 2 –fixed coupon rate; fixed maturity date; · Category 3 – variable coupon rate; fixed maturity date; and · Category 4 –variable coupon rate; variable maturity date (optional).
Declaration Announcement	The firm intention announcement published on an exchange news service by the issuer via its sponsor.

Term	Description
Default option	The election option announced by the issuer or issuer agent that is applied to the client's holdings if the client fails to make an election.
Delisting	The delisting of securities from an exchange.
Dematerialisation	The process of converting certificated securities into uncertificated securities.
Documents of Title	Share certificates, certified transfer deeds, balance receipts or any other documents of title to certificated securities acceptable to the issuer.
DRIP	Dividend Reinvestment Plan
DWT	Dividend Withholding Tax
Election deadline date	13h00 on RD or such other date and time as may be contained in the Announcement sent by Strate.
Elective event	A corporate action that takes place with action required on the part of the holder of the security, and where the benefits that accrue to owners of securities are not automatically disbursed by the issuer but require an election to be made in line with the terms of the corporate action.
Excess application	Unallocated offer securities applied for by holders in excess of their rights.
Exchange Control Regulation	The South African Exchange Control Regulations, promulgated in terms of the South African Currency and Exchanges Act, 1933 (Act No. 9 of 1933), as amended from time to time.
Exchange traded funds	A security listed on an exchange that tracks the performance of a specified security, basket of securities, or other asset(s).
Ex-date	The date from which any transaction in that security excludes the right to receive entitlements relating to the relevant corporate action. Ex-date is equal to LDT+1.
Financial Markets Act	The Financial Markets Act, 2012 (Act No. 19 of 2012), as amended from time to time.
FMI	Financial market infrastructure and can include each of the following: (i) licensed central securities depository (ii) licensed exchange (iii) licensed clearing house (iv) licensed trade repository
Foreign company	An entity incorporated outside South Africa, irrespective of whether it is— (a) a profit, or non-profit, entity; or (b) carrying on business or non-profit activities within South Africa.
Foreign shareholders	Shareholders that are registered in a jurisdiction outside of South Africa, or who are resident, domiciled or located in, or who are citizens of a jurisdiction other than South Africa.
FSCA	The Financial Sector Conduct Authority is a financial institutions market conduct regulator and a successor agency to the Financial Services Board in South Africa's Twin Peak regulatory model.
General meeting	The general meeting of shareholders to be convened for the issuer's shareholders to consider and, if deemed fit, to pass, with or without modification, the resolutions required to give effect to the issuer's corporate action.

Term	Description
Income Tax Act	The Income Tax Act, 1962 (Act No. 58 of 1962), as amended from time to time.
Interest payment	An income payment due to the holders of securities.
ISIN	International Securities Identification Number, a unique international securities identification number.
JSE Listings Require-ments	The listings requirements of the JSE.
JSE	means JSE Limited, registration number 2005/022939/06;
LDT	Last day to trade, which is the last business day that anyone can trade on-market to qualify or participate in a corporate action.
LDT + X	Last day to trade plus X business days, 'X' being the number of business days stipulated in an announcement or in the relevant Strate Directive.
Letter of Allocation (LOA)	A renounceable/non-renounceable nil paid letter of allocation issued by the issuer to shareholders, generally conferring on the holder thereof a renounceable right to subscribe for one offeror share for every one letter of allocation held on the relevant record date.
Memorandum of Incorporation (MOI)	The document, as amended from time to time— (a) that sets out rights, duties and responsibilities of shareholders, directors and others within and in relation to a company, and other matters as contemplated in section 15 of the Companies Act; (b) by which— (i) the company was incorporated, as contemplated in section 13 of the Companies Act; or (ii) a pre-existing company was structured and governed before the later of— (aa) the effective date; or (bb) the date it was converted to a company in terms of schedule 2 of the Companies Act.
Nominee	A person approved under section 76 of the Financial Markets Act 19 of 2012, to act as the holder of securities or of an interest in securities on behalf of other persons.
Non-controlled client	A client or an account holder on whose behalf a client is acting, who has appointed his/her/its own CSDP to settle transactions in securities on his/her/its behalf.
Non-resident	A person whose normal place of residence, domicile or registration is outside of the Common Monetary Area.
Offer	The offer by the offeror to qualifying shareholders, or their renouncees or transferees, to participate in the corporate action.
Off-market	A transaction in securities which is effected without using an exchange.
On-market	A transaction in securities which is effected through an exchange.
Payment date or PD	The date on which entitlements are paid.
PD + X	means the payment date plus X business days, 'X' being the number of business days stipulated in the announcement or in the relevant Strate directive;

Term	Description
Personal Information	Information relating to an identifiable, living, natural person and where it is applicable an identifiable, existing juristic person including, but not limited to- (a) information relating to the race, gender, sex, pregnancy, marital status, national, ethnic or social origin, colour, sexual orientation, age, physical or mental health, well-being, disability, religion, conscience, belief, culture, language and birth of the person; (b) information relating to the education or the medical, financial, criminal or employment history of the person (c) any identifying number, symbol, email address, physical address, telephone number, location information, online identifier or other particular assignment to the person; (d) the biometric information of the person; (e) the personal opinions, views or preferences of the person (f) correspondence sent by the person that is implicitly or explicitly of a private or confidential nature or further correspondence that would reveal the content of the original correspondence (g) the views or opinions of another individual about the person; and the name of the person if it appears with other personal information relating to the person or if the disclosure of the name itself would reveal information about the person.
QIB	Qualified Institutional Buyer; based on United States law and finance, it is a purchaser of securities that is deemed financially sophisticated and is legally recognised by securities market regulators to need less protection from issuers than most public investors.
Record rate or RD	The date on which the holdings, upon which a corporate action entitlement is based, are ascertained.
RD + X	The record date plus X business days, 'X' being the number of business days stipulated in the announcement or in the relevant Strate Directive
RD - X	The record date minus X business days, 'X' being the number of business days stipulated in the announcement or in the relevant Strate Directive.
Register	The securities register of the issuer.
REIT	Real Estate Investment Trust, a company that owns, operates, or finances income-producing properties;
Rematerialisation	'Withdrawal', as contemplated by the Financial Markets Act, being the process of converting uncertificated securities to certificated securities.
Reverse substitution	(a) A compulsory reverse substitution or a voluntary reverse substitution where a purchase or sale has been booked to a non-controlled client and where the non-controlled client fails to meet its obligations, the broker assumes the obligation to settle the transaction through such broker's Participant, or (b) means a sale transaction that has been booked to a controlled client where the controlled client fails to meet its obligations, the broker assumes the obligations to settle the transaction through such broker's Participant.
SAMOS	The South African Multiple Option Settlement system, the monetary payment system operated by SARB.
SARB	The South African Reserve Bank
SARS	South African Revenue Service
Scale back	Reduction in number by a constant proportion across the board.

Term	Description
Settlement or S	Settlement date, the day on which a transaction in a particular security is settled through Strate.
Shareholder	The holder of a share issued by a company and who is entered as such in the certificated or uncertificated securities register, as the case may be.
SIL	Sophisticated Investor Letter; a sophisticated investor is an investor with a special status under financial regulation laws. Generally, accredited investors include high-net-worth individuals, banks, financial institutions, and other large corporations who have access to complex and higher-risk investments such as venture capital and hedge funds;.
SLB	Securities lending and borrowing 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.
SMPG	Securities Market Practice Group
SOR	Securities Ownership Register
STP	Straight through processing of transactions electronically, as opposed to manual intervention.
Strate	Strate (Pty) Ltd, registration number 1998/022242/07;
STT	Securities transfer tax applicable in terms of the Securities Transfer Tax Act No. 25 of 2007 or any replacement Act.
SWIFT	Society for Worldwide Interbank Financial Telecommunications
Transfer secretary	An entity performing transfer secretarial services, also referred to as issuer agent
TRP	Takeover Regulation Panel established in terms of section 196 of the Companies Act No 71 of 2008 as a juristic person.
Uncertificated Securities Register	The record of uncertificated securities administered and maintained by a participant or central securities depository, as determined in accordance with the rules of a central securities depository, and which forms part of the relevant company's securities register established and maintained in terms of part E of Chapter 2 of the Companies Act.
Unlisted security	A security that is not listed on any exchange.

10. ACKNOWLEDGEMENTS

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1	A2X	Exchange	Brett Kotze; Gary Clarke
2	Absa	CSD Participant	Monica Leshabane, Rene van Rensburg, Abdul Banoo
3	Allan Gray	Asset manager	Zunaid Saloojee; Grant Godsell
4	ASISA	Association	Johan van Tonder; Gill Raine, Paul Ferreira, Alex Hunt
5	Cape Town Stock Exchange	Exchange	Estelle de Jager
6	Citibank	CSD Participant	Saikiran Pinnapala; Mateusz Madetko; Sonia Zwolinska
7	Computershare	CSD Participant	Mubeen Akojee; Nazeer Sali
8	Computershare	Transfer secretary	Gavin Davis, Bruno Billings
9	CTSE Registry Services	Transfer secretary	Estelle de Jager
10	Curo Fund Services	Administrator	Karen Edwards; Vicki Kruger; Melissa Londt
11	Deutsche Bank	Sponsor	Letitia Chiman
12	Institute of Stockbrokers of South Africa	Association	Erica Bruce
13	Investec	Sponsor	Monique Otto; Monica Mianowski; Masesthaba Mabaso
14	Java Capital	Sponsor	Jean Tyndale-Biscoe
15	JSE Investor Services	CSD Participant	Edzard Erasmus; Moerida Israel; Thabo Mphego; Thabiso Monyane
16	JSE Investor Services	Transfer secretary	Hloni Mohlala
17	JSE	Exchange	Annalie De Bruyn; Chris Grove, Carike Palmer, Sharon Nair
18	M&G Asset Management	Asset manager	Shireen Rawoot; Marc April
19	Maitland Fund Services	Administrator	Paul Ferreira
20	Naspers	Issuer	Gillian Kisbey-Green; Toni-Lee Lutz
21	Navigare	Broker	Erica Bruce
22	Nedbank Capital	Sponsor	Michelle Benade
23	Nedbank	CSD Participant	Njabula Maseko
24	Nedbank Private Wealth Stockbrokers	Broker	Sulette Jenner; Anna-Mart Oberholzer

25	Ninety-One Asset Management	Asset manager	Alex Hunt; Faika Solomon; Renaldo Erasmus; Shameez Eksteen
26	Northam Platinum	Issuer	Trish Beale
27	One Capital	Sponsor	Taryn Carter
28	Prosus NV	Issuer	Gillian Kisbey-Green; Toni-Lee Lutz
29	Questco	Sponsor	Sharon Owens; Done Hattingh
30	Resilient Properties	Issuer	Hluke Mthombeni
31	Reunert Ltd	Issuer	Karen Louw
32	RMB	CSD Participant	Sanjeev Jayram
33	RMB	Sponsor	Karien Strydom
34	Sanlam Ltd	Issuer	Atang Matebesi; Sana-Ullah Bray
35	Sappi Ltd	Issuer	Ami Mahendranath
36	Spur Corporation	Issuer	Donfrey Meyer
37	Standard Bank Stockbro-kers	Broker	Devesh Manilal; Kabelo Lebepe; Kim Benjamin
38	Standard Bank	CSD Participant	Dirk Redecker
39	Standard Chartered	CSD Participant	Jody Kleinhans, Felicity Radebe, Thandeka Mpungose, Pooja Sita
40	STANLIB	Asset manager	Jerilee Stolz; Masenki Khomba; Tatenda Mukurati; Keitumetze Moiloanyane
41	Strate	CSD	Beverly Furman; Andrew Henderson; Beverley Hickman; Samantha Cooper; Margaret Mcrae; Charmaine Nardhamuni; Jesca Tanyanyiwa; Carol Thorson; Steven Ingleby; Max Ndlovu
42	Truworths Ltd	Issuer	Chris Durham
43	Vukile Property Fund	Issuer	Johan Neethling
44	Vodacom	Issuer	Karen Robinson; Sameera Khan; Mustafa Bagus; Lebo Ngcobo
45	Werksmans Attorneys	Legal	Kevin Trudgeon
46	ZAR X	Exchange	Graeme Wellstead

11. ANNEXURES

1.	Schedule 2 Form H	Pdf	https://www.jse.co.za/sites/default/files/media/documents/listing-applications/Schedule%202%20Form%20H%20Final%20Feb%202021%20CLEAN.pdf
2.	Event Classification	Pdf	Event Classification : https://www.strate.co.za/wp-content/uploads/2022/12/Mandatory.pdf
3.	Strate Corporate Action Directives	Pdf	https://www.strate.co.za/wp-content/uploads/2022/08/Directive-SC.4-Processing-of-Corporate-Actions-Equity-Securities-JSE-and-Unlisted-Securities.pdf
4.	Spreadsheet Samples	X X X	Spreadsheet template : https://www.strate.co.za/wp-content/uploads/2022/12/Spreadsheet-Template.xls Partial Offer spreadsheet :https://www.strate.co.za/wp-content/uploads/2022/12/Partial-Offer-spreadsheet.zip Balance of payments : https://www.strate.co.za/wp-content/uploads/2022/12/BOP.zip
5.	Companies Act 71 of 2008	Pdf	https://www.gov.za/sites/default/files/gcis_document/201409/321214210.pdf
6.	Financial Markets Act 19 of 2012	Pdf	https://www.gov.za/sites/default/files/gcis_document/201409/36121a.pdf
7.	JSE Listings Requirements	Pdf	https://www.jse.co.za/sites/default/files/media/documents/2019-04/JSE%20Listings%20Requirements.pdf
8.	JSE Issuer Regulation Guide Feb 2021	Pdf	https://www.jse.co.za/sites/default/files/media/documents/2021-02/The%20Issuer%20Regulation%20Guide%20Feb%202021_0.pdf
9.	Impact of the Shareholder Rights Directive II – PWC July 2020	Pdf	https://www.strate.co.za/wp-content/uploads/2022/12/SRDII-1.pdf
10.	SMPG Event Template 2022	Pdf	https://www.smpg.info/fileadmin/documents/1_Corporate%20Actions%20WG/A_Final%20Market%20Practices/1_SMPG_CA_GMP_Part_1_SR2022_v1_0_ISO20022.pdf
11.	Why do public companies go private – Andile Nikani and Mike Holland	Pdf	https://ssrn.com/abstract=4215503
12.	References	Pdf	https://www.strate.co.za/wp-content/uploads/2022/12/References.pdf
13.	Questions during engagements with stakeholders	Pdf	https://www.strate.co.za/wp-content/uploads/2022/12/Questions.pdf