

STRATE RULES

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SECTION
1

INTERPRETATION AND DEFINITIONS

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1.1 Interpretation

In the Strate Rules:

- 1.1.1 a reference to any gender includes all other genders;
- 1.1.2 the singular includes the plural and vice versa;
- 1.1.3 the heading and sub-heading of a Strate Rule must not be taken into account in the interpretation of the Strate Rules;
- 1.1.4 a word and expression to which a meaning has been assigned in the Act bears the meaning so assigned to it;
- 1.1.5 unless the context indicates otherwise, a word or expression derived from, or that is another grammatical form of, a word or expression defined in these Strate Rules has a corresponding meaning;
- 1.1.6 a reference to writing includes any mode of representing or reproducing letters, figures or marks in a visible form;
- 1.1.7 any reference to legislation is to such legislation at the date of adoption of the Strate Rules and as amended and/or re-enacted from time to time thereafter.

1.2 Definitions

In the Strate Rules, unless the context otherwise requires or indicates:

'Act' means the Financial Markets Act, 2012 (Act No. 19 of 2012), and as further defined in section 1 of the Act;

'Applicant' means a person who applies for authorisation as a Participant in terms of Strate Rule 3;

'Attachment' means a judicial act or process to freeze, restrict or impound the Securities or interest in Securities held in a Securities Account or a Central Securities Account, as the case may be, in order to enforce or satisfy a judgment or warrant of execution;

'Authenticated Instruction' means any instruction sent or received through the Strate System;

'Authority' means the Financial Sector Conduct Authority established in terms of section 56 of the Financial Sector Regulation Act;

'BEE Act' means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);

'BEE Certificate' means a certificate issued by a verification agency accredited by the accreditation body contemplated in the BEE Codes, certifying that the person identified in the certificate is a BEE Compliant Person;

'BEE Codes' means the Broad-Based Black Economic Empowerment Codes of Good Practice gazetted from time to time under the BEE Act;

'BEE Compliant Person' means:

- (a) as regards a natural person, one who falls within the ambit of the definition of "black people" in the relevant BEE Ownership Scheme;
- (b) as regards a juristic person having a shareholding or similar member's interests or other rights, one who falls within the ambit of the definitions of BEE Controlled Company or BEE Owned Company, using the principles for determining control or ownership as contemplated in the relevant BEE Ownership Scheme;
- (c) as regards any other entity, any entity similar to a BEE Controlled Company or BEE Owned Company using the principles for determining control or ownership as contemplated in the relevant BEE Ownership Scheme which would enable the Issuer of Securities owned or controlled by such entity to claim points or obtain similar BEE recognition attributable to the entity's ownership of the Securities pursuant to the BEE Codes;

'BEE Contract' means:

- (a) the contract as defined by the JSE in the JSE rules which Participants, Clients and the persons on whose behalf such Clients hold BEE Securities, as applicable, must conclude; and
- (b) any contract prescribed by an Issuer of BEE Securities, which Participant and Issuers must conclude;

'BEE Controlled Company' means a juristic person, having shareholding or similar members interest, in which BEE Ownership Scheme participants enjoy exercisable voting rights of an amount or value specified in the rules of the BEE Ownership Scheme, and where no amount or value has been specified in the rules of the BEE Ownership Scheme, 'BEE Controlled Company' has the same meaning as defined in Schedule 1 of the BEE Codes;

'BEE Issuer Verification Agent' means an agent engaged to verify that an investor is a BEE Compliant Person, which agent may include an Exchange where applicable; or the agent appointed by an Issuer of BEE Securities and acting for and on behalf of the Issuer of BEE Securities, in terms of the relevant BEE Ownership Scheme, that is responsible for:

- (a) ensuring that the prevailing BEE Terms and Conditions of the BEE Ownership Scheme have been accepted by the proposed registered holder or, if the registered holder will act as a Nominee on behalf of a beneficial owner, the beneficial owner; and
- (b) verifying that persons wishing to acquire BEE Securities issued by that Issuer qualify as BEE Compliant Persons as set out in the BEE Ownership Scheme, and providing confirmation of that verification to the Participant through whom the BEE Securities are held;

'BEE Owned Company' means a juristic person, having shareholding or similar members interest, in which black scheme participants enjoy economic interests or exercisable voting rights of an amount or value specified in the rules of the BEE Ownership Scheme, and where no amount or value has been

specified in the rules of the BEE Ownership Scheme, 'BEE Owned Company' has the same meaning as defined in Schedule 1 of the BEE Codes;

'BEE Ownership Scheme' means an Issuer ownership scheme that:

- (a) complies with the rules prescribed for broad-based ownership schemes as set out in the BEE Codes and specifies the means of verification to be adopted in determining the eligibility of beneficial owners in respect of BEE Securities; or
- (b) is governed by its own BEE scheme documents in accordance with applicable BEE legislation;

'BEE Securities' means the Securities in respect of which the Issuer requires that the registered owner or, if the registered owner is a Nominee for a beneficial owner, the beneficial owner is a BEE Compliant Person for a period of time as prescribed by the Issuer;

'BEE Terms and Conditions' means the prevailing terms and conditions of the BEE Ownership Scheme entered into between the Issuer of BEE Securities and the proposed registered holder of BEE Securities and, if the registered holder will act as a Nominee on behalf of a beneficial owner, the proposed beneficial owner of those BEE Securities, in terms of which, inter alia:

- (a) the registered holder or, if the registered holder will act as a Nominee on behalf of a beneficial owner, the beneficial owner warrants that he is a BEE Compliant Person; and
- (b) the necessary restrictions, limitations and requirements are imposed by the Issuer on the registered holder and the beneficial owner in order to achieve the continued ownership of BEE Securities by BEE Compliant Persons;

'BEE Verification' means a confirmation in writing by an Issuer of BEE Securities or the relevant BEE Issuer Verification Agent that the registered holder or the beneficial owner, if the registered holder will act as a Nominee on behalf of the beneficial owner, have accepted the BEE Terms and Conditions and qualify as BEE Compliant Persons;

'Business', in relation to a Participant or Strate, means the Securities Services or other services conducted by the Participant or the functions performed by Strate, as the case may be, in terms of the Act, Companies Act and Strate Rules;

'Business Day' means all days excluding Saturdays, Sundays and South African public holidays. Any public holiday on which the South African Reserve Bank keeps the National Payment System open will be treated as a Business Day;

'Business Document' means a Document that:

- (a) relates to the carrying on of the Business of a Participant; or
- (b) may reasonably be required for purposes of an On-site Visit;

'Business Premises' means a building or part of a building that is used in connection with the carrying on of the Business of a Participant;

‘Central Securities Account’ means an account that reflects the number or nominal value of Securities of each kind deposited and all Entries made in respect of such Securities, held by Strate for a Participant or external central securities depository in the name of:

- (a) a Participant;
- (b) an external central securities depository; or
- (c) any other persons as determined in the Strate Rules;

‘Central Securities Depository’ means a person who 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;

‘Clear’, in relation to a transaction or group of transactions in Securities, means:

- (a) to calculate and determine, before each Settlement process:
 - (i) the exact number or Nominal Value of Securities of each kind to be Transferred by or on behalf of a seller; and
 - (ii) the amount of money to be paid by or on behalf of a buyer, to enable Settlement of a transaction or group of transactions; or
- (b) where applicable, the process by means of which:
 - (i) the functions referred to in paragraph (a) are performed; and
 - (ii) the due performance of the transaction or group of transactions by the buyer and the seller is underwritten from the time of trade to the time of Settlement;

‘Clearing House’ means a person who constitutes, maintains and provides an infrastructure to clear transactions in Securities;

‘Client’ means any person to whom a regulated person provides Securities Services, and includes a person that acts as an agent for another person in relation to those services in which case it will include the agent or exclude the other person if the contractual arrangement between the parties indicates this to be the intention;

‘Client Instruction’ means any written or recorded instruction by which a Client or its duly authorised agent, authorises a Participant to effect an Entry in a Securities Account or a Central Securities Account of the Client, or to exercise rights or to effect a transaction in relation to the Securities of the Client, and may include:

- (a) an authorising instruction, in respect of an Entry to be effected by the Participant on behalf of the Client;
- (b) a standing instruction or general instruction, in respect of Entries to be effected by the Participant on behalf of the Client;

- (c) a BEE instruction, in respect of any Entry to be effected by the Participant on behalf of the Client, in accordance with the BEE Contract or upon the BEE Verification of that Client, subject to the manner of verification specified in the relevant BEE Ownership Scheme; or
- (d) any other Document or record that validates the Participant's authority to act on behalf of the Client in a particular transaction;

'Companies Act' means the Companies Act, 2008 (Act No. 71 of 2008);

'Controlling Body' means the board of directors of Strate;

'Corporate Participant' means a Participant that only opens and maintains a Securities Account or a Central Securities Account owned by it;

'Debit Balance' means a negative balance in a Securities Account or a Central Securities Account;

'Dematerialisation' means the process of converting certificated Securities into Uncertificated Securities

'Deposit' means a deposit of Securities, and includes a deposit by means of an Entry in a Securities Account or a Central Securities Account;

'Document' includes books, records, Securities or accounts and any information, including information stored, transmitted or recorded electronically, digitally, photographically, magnetically, optically or in any other intangible form;

'Eligible Securities' means Uncertificated Securities or Immobilised Securities which Strate permits to be Deposited and held in a Central Securities Account;

'Entry' means an electronic recording of any issuance, Deposit, Withdrawal, Transfer, Attachment, pledge, cession in *securitatem debiti* or other instruction in respect of Securities or an interest in Securities;

'ETME' means an application system that reports trades in Money Market Securities for Settlement;

'Exchange' means a person who constitutes, maintains and provides an infrastructure:

- (a) for bringing together buyers and sellers of Securities;
- (b) for matching bids and offers for Securities of multiple buyers and sellers; and
- (c) whereby a matched bid and offer for Securities constitutes a transaction;

'Executive Officer' means the chief executive officer, executive director of Strate, or any other person designated by the chief executive officer;

'External Exchange' means a person authorised to function as an Exchange in terms of the laws of a country other than the Republic;

'Failure Manager' means a person appointed by the Controlling Body, upon the occurrence of an Insolvency Proceeding against a Participant, to administer the Business of the Participant;

'Financial Institutions (Protection of Funds) Act' means the Financial Institutions (Protection of Funds) Act, 2001 (Act No. 28 of 2001);

'Financial Sector Regulation Act' means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017);

'Force Majeure' means an event beyond the control of, which could not have been foreseen by, and which did not arise out of the negligence of a party and which causes the unreasonable delay of any performance of such party's obligations in terms of the Strate Rules and Strate Directives;

'Head of Supervision' means the Head of Supervision of Strate or any other person designated by her;

'Immobilisation' means the process of Depositing certificates or documents of title in respect of certificated Securities with Strate or a Nominee owned, controlled or administered by Strate, and the recording of the ownership of such Securities in a Securities Account or a Central Securities Account;

'Insolvency Act' means the Insolvency Act, 1936 (Act No. 24 of 1936), and includes the regulations issued thereunder;

'Insolvency Administrator' means a person authorised to administer an Insolvency Proceeding by a court or any national legislation, or the laws of a country other than the Republic of South Africa, including a person authorised on an interim basis;

'Insolvency Proceeding' means a judicial or administrative proceeding or both, authorised in or by national legislation or the laws of a country other than the Republic of South Africa, including an interim proceeding, in which the assets and affairs of a person are subject to control or supervision by a court or an Insolvency Administrator for the purpose of re-organisation, business rescue, curatorship or liquidation, and includes, but is not limited to, any such proceeding under:

- (a) the Companies Act;
- (b) the Insolvency Act;
- (c) the Banks Act, 1990 (Act No. 94 of 1990);
- (d) the Financial Institutions (Protection of Funds Act), 2001 (Act No. 28 of 2001); and
- (e) the National Payment Systems Act, 1998 (Act No. 78 of 1998);

'ISIN' means the International Securities Identification Number which is a unique internationally recognised securities identification number that identifies the specific Securities;

'Issuer' means an issuer of Securities, and includes an issuer of Money Market Securities;

'Moment of Finality of Instructions' means the point in time in terms of section 35(2)(w)(ii) of the Act when Settlement instructions entered in the Strate System are considered final, and cannot be revoked or reversed notwithstanding the occurrence of an Insolvency Proceeding;

'Money Market Securities' or 'MM Securities' means money market instruments that are Uncertificated Securities reflected in an Uncertificated Securities Register;

‘National Payment System’ means the entire payment process from payer to beneficiary and includes settlement between banks. This process includes all the tools, systems, mechanisms, institutions, agreements, procedures, rules or laws, including the National Payment System Act, 1998 (Act No. 78 of 1998), applied or utilised to effect payment;

‘Nominal Value’ means:

- (a) in relation to Securities other than shares in a public company, the fixed value assigned to a Security by the Issuer when it is first issued and is used to assess dividend, capital ownership or interest; or
- (b) in relation to shares in a public company:
 - (i) prior to the conversion of shares issued with a nominal value or par value in accordance with the Companies Act, the fixed value assigned to a Security by the Issuer when it is first issued and is used to assess dividend, capital ownership or interest; or
 - (ii) after the conversion of shares issued with a nominal value or par value in accordance with the Companies Act, the value of the shares calculated or determined in accordance with the manner prescribed under the Companies Act;

‘Nominee’ means a person that acts as the registered holder of Securities or an interest in Securities on behalf of other persons;

‘Off-market Trade’ or **‘Off-market’** means a trade in Securities which is not concluded on an Exchange;

‘On-market Trade’ or **‘On-market’** means a trade in Securities reported by an Exchange;

‘On-site Visit’ means a visit at the Business Premises of a Participant:

- (a) to determine compliance with the Act, Strate Rules and Strate Directives; or
- (b) aimed at the overarching supervision of a Participant or the Business of a Participant in terms of the Act and the Strate Rules;

‘Own Name’ or **‘Own Name Client’** means, in respect of a Client that holds equity Securities, the Entry of such Client’s Own Name in the Securities Account of the Participant subject to the criteria stipulated by Strate Directive;

‘Participant’ means a person authorised by Strate to perform custody and administration services or settlement services or both, in terms of the Strate Rules, and includes an external participant, where appropriate;

‘Participant Failure Committee’ means a committee of the Controlling Body, responsible for the management of the procedures set out in Strate Rule 16 upon the occurrence of an Insolvency Proceeding against a Participant;

‘Primary Participant’ means the Participant responsible for administering a Central Securities Account, and who will be replaced by a Secondary Participant in the event of an Insolvency Proceeding against such Primary Participant;

'Records' means those records of Strate, Participants, Issuers and Clients which relate to the Business of Strate or Participants in terms of the Act;

'Registered Auditor' means an individual or firm registered as an auditor with the Independent Regulatory Board for Auditors in terms of the Auditing Profession Act, 2005 (Act No. 26 of 2005);

'Regulatory and Supervisory Committee' means a committee of the Controlling Body;

'Restricted Securities' means Securities, other than BEE Securities, in respect of which the Issuer has placed restrictions on the transferability and ownership thereof, and that are accepted by Strate as Eligible Securities;

'Restricted Securities Verification' means a confirmation by an Issuer, Exchange or agent appointed by the Issuer or Exchange, that the registered holder or the beneficial owner, if the registered holder will act as a Nominee on behalf of the beneficial owner, complies with the criteria imposed by the Issuer for the transfer and, or ownership of Restricted Securities;

'SAMOS' means the South African Multiple Option Settlement System, the settlement system established and operated by the South African Reserve Bank;

'SARB' means the South African Reserve Bank as defined in the South African Reserve Bank Act, 1990 (Act No. 89 of 1990);

'SDA Register' means the record of Uncertificated Securities held in a Central Securities Account kept by Strate in terms of the Strate Rules, which is the register of ownership for the equity Securities deposited therein, and is deemed to be the Uncertificated Securities Register, where applicable;

'Secondary Participant' means the Participant appointed by a Client to administer a Central Securities Account in the event of an Insolvency Proceeding against the Primary Participant;

'Securities' means:

- (a) listed and unlisted:
 - (i) shares, depository receipts and other equivalent equities in public companies, other than shares in a share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980);
 - (ii) debentures, and bonds issued by public companies, public state-owned enterprises, the South African Reserve Bank and the Government of the Republic of South Africa;
 - (iii) derivative instruments;
 - (iv) notes;
 - (v) participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and units or any other form of participation in a foreign collective investment scheme approved by the Authority in terms of section 65 of that Act; and
 - (vi) instruments based on an index;

- (b) units or any other form of participation in a collective investment scheme licensed or registered in a country other than the Republic;
- (c) the Securities contemplated in paragraphs (a)(i) to (vi) and (b) that are listed on an External Exchange;
- (d) an instrument similar to one or more of the Securities contemplated in paragraphs (a) to (c) prescribed by the Authority to be a Security for the purposes of this Act;
- (e) rights in the Securities referred to in paragraphs (a) to (d), but excludes:
 - (i) Money Market Securities, except for the purposes of Chapter IV of the Act; or if prescribed by the Authority as contemplated in paragraph (d);
 - (ii) the share capital of the South African Reserve Bank referred to in section 21 of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989); and
 - (iii) any Security contemplated in paragraph (a) prescribed by the Authority;

‘Securities Account’ means an account kept by:

- (a) a Participant or an authorised user for its own account or for a Client; or
- (b) a Nominee for a person for whom it acts as a Nominee,

which reflects the number or Nominal Value of Securities of each kind held for its own account or on behalf of that Client or person, as the case may be, and all Entries made in respect of such Securities;

‘Securities Holder’ means a person who holds Securities, and includes a Shareholder;

‘Securities Services’ means:

- (a) the buying or selling of Securities for own account or on behalf of another person as a business, a part of a business or incidental to conducting a business;
- (b) the use of the trading system or infrastructure of an Exchange to buy or sell listed Securities;
- (c) the furnishing of advice to any person;
- (d) the custody and administration of Securities by a Participant or
- (e) the management of Securities and funds by an authorised user;
- (f) clearing services; or
- (g) settlement services;

‘Segregated Depository Account’ means a designated Central Securities Account for equity Securities, which is:

- (a) opened in the name of a Client;

- (b) administered by a Participant; and
- (c) clearly segregated and distinguishable from the Participant's Central Securities Account;

'Settle' has the meaning set out in section 1 of the Act;

'Settling Party' means a buyer or seller of Securities who enters into a transaction or any person appointed by such buyer or seller to enter into a transaction on behalf of such buyer or seller;

'Shareholder' means shareholder as defined in section 1 of the Companies Act;

'Stamp Duty Reserve Tax' means a tax levied by United Kingdom revenue authorities in terms of the Finance Act, 1986 of the United Kingdom, as amended from time to time;

'Strate' means Strate Proprietary Limited, Registration No 1998/022242/07, licensed as a Central Securities Depository in terms of the Act;

'Strate Directive' means a depository directive issued by Strate in accordance with the Strate Rules;

'Strate Rules' means depository rules issued by Strate in accordance with the Act, as contained in this document;

'Strate System' means the computer system and associated network operated or used by Strate for the purpose of Clearing and Settlement of transactions in Securities, or any other purpose performed by Strate in terms of the Act;

'Subregister' means the record of equity Uncertificated Securities held in a Securities Account kept by a Participant in terms of the Strate Rules, which is the register of ownership for the Securities Deposited therein, and is deemed to be the Uncertificated Securities Register, where applicable;

'Transfer' means the transfer of Uncertificated Securities or an interest in Uncertificated Securities by debiting the Securities Account or the Central Securities Account in the Uncertificated Securities Register from which the transfer is effected and crediting the Securities Account or the Central Securities Account in the Uncertificated Securities Register to which the transfer is effected in accordance with the Strate Rules, and in respect of Securities issued in terms of the Companies Act, in the manner provided for in Part E of Chapter 2 of that Act;

'Tribunal' means the Financial Services Tribunal established in terms of section 219 of the Financial Sector Regulations Act;

'Uncertificated Securities' means:

- (a) Securities that are not evidenced by a certificate or written instrument; or
- (b) certificated Securities that are held in collective custody by a Central Securities Depository or its Nominee in a separate Central Securities Account,

and are transferable by Entry without a certificate or written instrument;

'Uncertificated Securities Register' means the record of Uncertificated Securities administered and maintained by a Participant or Strate, as determined in accordance with the Strate Rules, and in

respect of Securities issued in terms of the Companies Act, has the meaning assigned in section 1 of that Act; and

'Withdraw' means the conversion of Uncertificated Securities to certificated Securities.

1.3 Insolvency Proceeding

For the purpose of the definition of **'Insolvency Proceeding'**, a proceeding referred to in that definition commences:

- (a) in relation to business rescue proceedings, as contemplated in section 132(1) of the Companies Act;
- (b) in relation to a judicial proceeding, other than a judicial proceeding under paragraph (a), on the filing at court of an application for an insolvency proceeding; and
- (c) in relation to an administrative proceeding, other than an administrative proceeding under paragraph (a), on the filing of a resolution by a company, or the appointment of an Insolvency Administrator, as the case may be, in accordance with national legislation or the laws of a country other than the Republic of South Africa.

SECTION
2

POWERS, MANAGEMENT AND CONTROL

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Powers, Management and Control

- 2.1 Strate is a company having the powers conferred on it by the Act.
- 2.2 For the purpose of the Strate Rules, the management and control of Strate is exercised by the Controlling Body, which has the powers conferred on it by the Act, Companies Act, Strate Rules and Strate Directives and the authority to do such things as may be necessary for or incidental to the performance of Central Securities Depository functions and objects.
- 2.3 Decisions of the Controlling Body made in terms of the Strate Rules:
 - 2.3.1 must be published timeously by the Controlling Body in a notice to Participants or other affected parties bound by the Act, Companies Act, Strate Rules and Strate Directives;
 - 2.3.2 are binding on Participant and other affected parties bound by the Act, Companies Act, Strate Rules and Strate Directives from the date of receipt of the notice by the Participants or other affected parties; and
 - 2.3.3 are binding on any past Participant, in respect of any act or omission which occurred at a time when it was still a Participant.

Strate Rules and Strate Directives

- 2.4 The authority to make and enforce the Strate Rules and Strate Directives vests in the Controlling Body, which authority has been delegated to the Regulatory and Supervisory Committee.
- 2.5 The Regulatory and Supervisory Committee may impose a penalty or take disciplinary action against a person referred to in section 35(6) of the Act, which fails to execute an instruction given or take any action required by the Controlling Body in accordance with the Strate Rules and Strate Directives.
- 2.6 In the event of any conflict between the Strate Rules and the Strate Directives then, to the extent of such conflict, the Strate Rules will prevail.
- 2.7 The Regulatory and Supervisory Committee must make, and may amend, Strate Rules that comply with section 35 of the Act and must supervise compliance with the Strate Rules by Participants.
- 2.8 The Regulatory and Supervisory Committee must publish proposed Strate Rules, any new Strate Rule or amendment to the Strate Rules and the date when such new Strate Rule or amendment will become effective, in notices to all Participants and Issuers, where affected.
- 2.9 If a Participant or an Issuer wishes to object or propose amendments to a proposed Strate Rule, it must lodge an objection or proposed amendment with the Regulatory and Supervisory Committee, accompanied by an explanation of the reasons for the objection or proposed amendment, within 15 (fifteen) Business Days of publication of the Strate Rule.
- 2.10 The Regulatory and Supervisory Committee must consider all objections and proposed amendments received from Participants and Issuers before submitting the proposed Strate Rule for approval by the Authority.

- 2.11 A Participant or Issuer may, in writing, propose to the Regulatory and Supervisory Committee amendments to the Strate Rules accompanied by an explanation of the reasons for the proposed amendments.
- 2.12 The Regulatory and Supervisory Committee must, within a reasonable time, notify the Participant or Issuer who proposed the amendment, of its decision with regard to the proposal lodged in terms of Strate Rule 2.11.
- 2.13 The Regulatory and Supervisory Committee may from time to time issue or amend Strate Directives in respect of any or all matters relating or incidental to the Act and Strate Rules.
- 2.14 The Regulatory and Supervisory Committee must publish any proposed new Strate Directive or amendment to a Strate Directive in a notice to all Participants who participate in the category of participation to which the Strate Directive relates, and Issuers, where affected.
- 2.15 If Participants or Issuers wish to object or propose amendments to a Strate Directive, they must lodge an objection or proposed amendment with the Regulatory and Supervisory Committee accompanied by an explanation of the reasons for the objection or proposed amendment within the period stipulated in the notice in terms of Strate Rule 2.14.
- 2.16 If there are no objections or proposed amendments, or if the Regulatory and Supervisory Committee has considered the objections or proposed amendments after consultation with Participants or Issuers and has decided to approve the proposed Strate Directive in the form published in the notice in terms of Strate Rule 2.14, the proposed Strate Directive is effective from the date indicated in the notice: provided that the date specified in the notice must not be a date earlier than the date that the notice is received by the affected Participants.
- 2.17 If the Regulatory and Supervisory Committee, after consultation with Participants or Issuers who lodged the objection, decide to amend the proposed Strate Directive as published in the notice in terms of Strate Rule 2.14, the proposed Strate Directive thus amended must be published by the Regulatory and Supervisory Committee in a further notice to all the affected Participants or Issuers and is effective from the date indicated in the notice.
- 2.18 The Regulatory and Supervisory Committee must, within a reasonable time, notify all affected Participants or Issuers its decision with regard to an objection or proposal lodged in terms of Strate Rule 2.15.
- 2.19 The non-receipt of a notice under this Strate Rule by a Participant or Issuer does not invalidate the Strate Rule or Strate Directive concerned.
- 2.20 **Strate's Powers in Emergency situations (other than Insolvency Proceeding)**
- 2.20.1 In the event that Strate determines that an emergency situation (other than an Insolvency Proceeding) exists, that is either in the process of disrupting or threatens to disrupt or poses an imminent risk to the ability of Strate to fulfil its functions in terms of section 30 of the Act, Strate may take such action as may be reasonably necessary to prevent, correct or alleviate such emergency situation, including but not limited to:
- 2.20.1.1 temporarily amending operational procedures or timelines, notwithstanding the provisions of the Strate Rules or Strate Directives;

- 2.20.1.2 temporarily suspending or withdrawing the provision of the Central Securities Depository functions, as set out in section 30 of the Act, to any person;
 - 2.20.1.3 taking any reasonable action as required by the specific emergency situation to preserve the integrity and security of Strate; or
 - 2.20.1.4 taking any reasonable action as required by the specific emergency situation to preserve the integrity of the South African financial markets or the public interest.
- 2.20.2 Strate must where it is reasonably practicable, give prior notice to the affected parties of the action in terms of Strate Rule 2.20.1.
- 2.20.3 Strate must as soon as reasonably possible, inform the Authority of the emergency situation and of any action taken or proposed to be taken depending on the nature of the emergency.

Business Conduct of Participants

- 2.21 The Controlling Body must ensure the proper operation of Strate and that the Business of Strate is carried on with due regard to the rights and interests of Participants and their Clients, and Issuers. In executing this mandate, the Controlling Body appoints the Regulatory and Supervisory Committee to supervise the Business conduct of Participants.
- 2.22 A Participant must ensure that its conduct does not pose a risk to its own ability to perform its Business, nor must it pose a risk to the rights and interests, Business or operations of other Participants, Clients, Issuers or Strate.
- 2.23 If the Regulatory and Supervisory Committee resolves that there are reasonable grounds for believing that the Participant is conducting its Business in a manner that poses a risk to its own ability to perform its Business, or that it poses a risk to the rights and interests, Business or operations of other Participants, Clients, Issuers or Strate, the Regulatory and Supervisory Committee may on such reasonable prior notice as it may determine, call upon senior representatives of the Participant to attend and make representations at a meeting of the Regulatory and Supervisory Committee.
- 2.24 If the Regulatory and Supervisory Committee, after consultation with the Participant concerned, decides that the Participant is conducting its Business in a manner that poses a risk to its own ability to perform its Business, or that it poses a risk to the rights and interests, Business or operations of other Participants, Clients, Issuers or Strate, it may:
- 2.24.1 impose any reasonable remedial action, restrictions and or conditions on the Business of the Participant;
 - 2.24.2 give the Participant such instructions, directions and or guidance as it may deem necessary with due regard to the rights and interests of other Participants, Clients, Issuers or Strate.
- 2.25 Notice to the Participant concerned of a restriction, condition or instruction in terms of Strate Rule 2.24 must be accompanied by the particulars of the alleged conduct referred to in Strate Rule 2.22. Any requirements of the Regulatory and Supervisory Committee for the rectification of the alleged conduct must be stated so as to enable the Participant to apply to the Regulatory and Supervisory

Committee for the removal of the orders made in terms of Strate Rule 2.24 once the conditions stated in the order have been satisfied.

- 2.26 Any restriction, condition or instruction in terms of Strate Rule 2.24 may continue until such time as the Regulatory and Supervisory Committee is satisfied as to the Business of the Participant: Provided that such action must be reviewed by the Regulatory and Supervisory Committee at least monthly.
- 2.27 Subject to Strate Rule 2.30, any decision taken by the Regulatory and Supervisory Committee in terms of Strate Rules 2.24 to 2.26 may be published in the media or otherwise, provided that the Participant concerned is given an opportunity to make representations to the Regulatory and Supervisory Committee, prior to that committee making a final decision as to whether the publication should be ordered or not.
- 2.28 Any reasonable costs incurred by the Regulatory and Supervisory Committee in discharging its obligations in terms of the Strate Rules will be for the account of the Participant referred to in Strate Rule 2.22.
- 2.29 The Regulatory and Supervisory Committee must, within a reasonable time, refer any contraventions of the Act, Strate Rules or Strate Directives to the Head of Supervision.
- 2.30 The Regulatory and Supervisory Committee must, as soon as reasonably possible, inform the Authority of any action taken, and in any event prior to any publication as contemplated in Strate Rule 2.27.

SECTION
3

STRATE PARTICIPATION

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Participation eligibility

- 3.1 An Applicant may, subject to Strate Rule 3.2, be authorised as a Participant.
- 3.2 To be eligible to be authorised as or to remain a Participant, a person must satisfy the Controlling Body that it has fulfilled the requirements stipulated by Strate Directive and that:
 - 3.2.1 Management and human resources:
 - 3.2.1.1 it is of good character and high business integrity, or in the case of a corporate body, is managed by persons who are of good character and high business integrity;
 - 3.2.1.2 it complies, or in the case of a corporate body, is managed by, and employs persons who, comply with the standards of training, experience and other qualifications necessary for its operation as a Participant;
 - 3.2.2 Financial soundness:
 - 3.2.2.1 it has and maintains sufficient capital to ensure compliance with the requirements imposed by the Strate Rules and Strate Directives;
 - 3.2.2.2 it has submitted its audited financial statements and, where applicable, audited financial statements of its holding company or capital sponsor;
 - 3.2.3 Operational systems and procedures:
 - 3.2.3.1 it has and maintains adequate infrastructure, including:
 - 3.2.3.1.1 operational systems to perform the Securities Services for which it has been authorised;
 - 3.2.3.1.2 information security measures to ensure the availability, integrity and confidentiality of its Records; and
 - 3.2.3.1.3 disaster recovery and backup facilities ensure the recoverability of its Records;
 - 3.2.3.2 it conducts all its Clearing and Settlement services for payment through the auspices of any settlement bank with an account in SAMOS and which must be a Participant in the relevant payments clearing house.
- 3.3 An application must be made in a manner and form stipulated by Strate Directive, provided that where the Controlling Body requires to verify certain information of the Applicant, the agreed or reasonable costs of verification will be for the account of the Applicant.
- 3.4 A Participant must, upon request by the Controlling Body, demonstrate that it meets the participation eligibility criteria in Strate Rule 3.2 and Strate Directives.
- 3.5 Any Participant which ceases to satisfy any of the participation criteria set out in Strate Rule 3.2 must immediately notify Strate in writing.

3.6 If a Participant gives notice to Strate in terms of Strate Rule 3.5, Strate may, subject to Strate Rule 3.7, require the Participant to consult with Strate on the measures necessary to ensure the Participant's continued participation.

3.7 Where a Participant has ceased to satisfy any of the participation criteria, the Controlling Body may take any one or more of the following actions:

3.7.1 suspend the participation of the Participant;

3.7.2 terminate the participation of the Participant;

3.7.3 lay a formal charge of improper conduct in terms of the Strate Rules.

3.8 ***Reserved***

3.9 ***Reserved***

3.10 **Suspension, Termination and Replacement**

3.10.1 The Controlling Body may suspend or terminate the participation of a Participant in terms of the Act under the following circumstances:

3.10.1.1 the Participant is placed under an Insolvency Proceeding, or the Participant makes a compromise or arrangement with its creditors;

3.10.1.2 the Participant fails to take steps within 30 (thirty) days of a material judgment having been granted against it to satisfy such judgment or to have it set aside;

3.10.1.3 the Participant's participation is terminated in terms of the Strate Rules and Strate Directives;

3.10.1.4 the Participant no longer complies with the requirements of eligibility for participation in terms of the Strate Rules and Strate Directives;

3.10.1.5 the Participant obtained authorisation from Strate by furnishing the Controlling Body with information which is found to be untrue or misleading in any material respect; or

3.10.1.6 the Regulatory and Supervisory Committee has determined in terms of Strate Rule 2.23 that a Participant's continued participation poses a risk to its own ability to perform its Business, or that it poses a risk to the rights and interests, Business or operations of other Participants, Clients, Issuers or Strate.

3.10.2 The Controlling Body shall inform the Authority prior to taking any action contemplated in Strate Rule 3.10.1.

3.10.3 A Participant, its Insolvency Administrator or other lawful agent must, upon notification of the Participant's termination or the occurrence of an Insolvency Proceeding against such Participant, move all Securities to other Participants in accordance with the Client Instructions, Strate Rules and Strate Directives.

- 3.10.4 Where a Client has not provided a Participant with the instructions referred to in Strate Rule 3.10.3 within 30 (thirty) days of the Participant, its Insolvency Administrator or other lawful agent giving notice to the Client of its termination in terms of Strate Rule 5.8.8 or the occurrence of an Insolvency Proceeding against such Participant, the Participant, its Insolvency Administrator or other lawful agent must move the Client's Securities in the Securities Account to another willing Participant, and for such willing Participant's own cost, and advise the Client of the details of the receiving Participant. After the movement of Securities, the Client may choose to maintain the Securities Account at the new Participant or instruct such new Participant to move the Securities to another Participant, at the Client's own cost.
- 3.10.5 A Participant, or its Insolvency Administrator or other lawful agent as the case requires, must immediately notify the Executive Officer and the Authority in writing upon the happening of any of the events referred to in Strate Rule 3.10.1 and must in addition to their obligation in Strate Rule 3.10.4 immediately upon the termination of the participation of the Participant ensure that all of its Records are placed in custody as determined by the Controlling Body.
- 3.10.6 Should the Participant, or its lawful agent fail to notify the Executive Officer or place its Records as required in terms of Strate Rule 3.10.5, the Controlling Body may appoint any one or more persons with relevant experience in the financial services industry to facilitate the placement by the Participant, at such Participant's cost, of its Records as determined by the Controlling Body.
- 3.10.7 Where the Controlling Body has determined that the participation of a Participant should be suspended or terminated, it must first issue a notice of suspension, together with the reasons for that decision, to the Participant. The notice of suspension is effective immediately upon delivery to the Participant.
- 3.10.8 The Participant then has the right, within 5 (five) Business Days, to state its case, in either written or oral form, to the Controlling Body as to why the suspension of its participation should be lifted, and, in addition, why its participation should not be terminated. After considering any representations made, or in the absence of any representations being submitted within the prescribed period, the Controlling Body must make its final decision on the continued suspension and/or termination of the participation of the Participant.
- 3.10.9 Strate must give immediate notice of the suspension and/or termination to the Authority and other Participants, within the category of Participants in which the Participant has been suspended and/or terminated, and the effective date of such suspension and/or termination.

3.11 Voluntary Termination

3.11.1 A Participant may terminate its participation by applying in writing to the Executive Officer of Strate and such termination must be permitted when the Participant has, to the reasonable satisfaction of the Controlling Body:

3.11.1.1 entered into satisfactory arrangements regarding outstanding obligations and potential liabilities and ensured that all outstanding Business of that Participant is completed and the Participant no longer has any outstanding obligations of any kind to other Participants, Clients, Issuers or Strate;

3.11.1.2 moved all Securities to other Participants in accordance with the Client Instructions and where Clients have not provided such instructions, to other Participants; and

3.11.1.3 placed all of its Records in custody as determined by the Controlling Body.

3.11.2 The Controlling Body must notify other Participants within the category of Participants in which such Participant participates, of the intention of a Participant to terminate its participation within 10 (ten) Business Days of having received notification to that effect from such Participant.

3.11.3 The notice of termination by a Participant may not be withdrawn by such Participant without the written consent of the Controlling Body.

3.11.4 No Participant may cede, transfer or assign participation, or any rights or obligations in respect thereof, without the prior written consent of the Controlling Body, and then only to a person who is a Participant within the category of participation in which such Participant participates, and who complies with the Strate Rules and Strate Directives. In exercising its powers under this Strate Rule, the Controlling Body may, so far as possible, take into account the wishes of the Clients with holdings controlled by the Participant.

3.11.5 Once the Participant has complied with the requirements for termination in terms of Strate Rule 3.11.1 to 3.11.4, the Controlling Body must notify the Participant, the Authority and other Participants within the category of participation in which such Participant participates of the effective date of termination of the Participant's participation.

Effects of Termination of Participation

3.12 Upon termination of participation:

Securities must be moved in accordance with Strate Rules 3.10.3, 3.10.4 and 3.11.1.2 and remain active within Strate notwithstanding any appointment or decision of an Insolvency Administrator, and all transactions or events in respect of such Securities must be completed in terms of the Act, Strate Rules and Strate Directives. Any action so taken by Strate pursuant to the Act, Strate Rules and Strate Directives, is binding upon an Insolvency Administrator and is not capable of being reversed or rescinded by such Insolvency Administrator;

- 3.12.2. the Participant remains liable for the payment of, fulfilment of and compliance with all fees and charges, obligations, undertakings, warranties, indemnities and commitments of the Participant, the cause of which arose prior to the date of termination of participation;
- 3.12.3 notwithstanding Strate Rule 3.12.2, no cash entitlements may be deposited into the account of the terminated Participant but must remain deposited in a trust account held by Strate until such time as the entitlements may be able to be allocated to the respective Clients of the terminated Participant;
- 3.12.4 the Participant must not make use of Strate or any Nominee owned, controlled or administered by Strate; and
- 3.12.5 where applicable, a Participant must cause all unencumbered Securities held on its behalf in a Nominee owned or controlled by Strate to be moved to another Participant within the Records of the Nominee owned or controlled by Strate or such other person as nominated by the Controlling Body. The Records representing such Securities must be moved to the other Participant; provided that if the Participant does not nominate another Participant or Issuer Strate must move such Securities to a Participant nominated by the Controlling Body. Encumbered Securities must only be moved to a Participant as contemplated in this section, when, and if, the Securities have been released from their encumbrance.

3.13 Right of Appeal

3.13.1 If:

- 3.13.1.1 an application for authorisation as a Participant has been rejected;
- 3.13.1.2 an application for termination of participation by a Participant has been rejected;
- 3.13.1.3 the participation in Strate of a Participant has been terminated;
- 3.13.1.4 the Controlling Body has refused to accept or has suspended the acceptance of Eligible Securities into Strate; or
- 3.13.1.5 the Regulatory and Supervisory Committee has imposed any restrictions, conditions or given instructions in terms of Strate Rule 2.24,

then the aggrieved party may, after notifying the Executive Officer of Strate, appeal to the Tribunal within 15 (fifteen) Business Days of receipt of notification of the decision.

SECTION
4

CONDUCT AND ETHICS

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Conduct of the Participant

- 4.1 In performing their functions in terms 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.

Confidentiality

- 4.2 Any information relating to Strate, a Client, a Securities Account or a Central Securities Account obtained by a Participant in the course of its operations, must be kept confidential by the Participant, unless:
- 4.2.1 the Participant is required to disclose the information before any court or by any law;
 - 4.2.2 the information is in the public domain;
 - 4.2.3 the information is non-personal;
 - 4.2.4 the Participant has obtained the prior written consent of the owner of the information; or
 - 4.2.5 the information must be disclosed to Strate in terms of the Strate Rules and Strate Directives.
- 4.3 A Participant which divulges or makes known any confidential information in contravention of Strate Rule 4.2 may be subject to disciplinary action in terms of the Strate Rules.
- 4.4 Strate must keep confidential all information disclosed to it by a Participant save that Strate may disclose such information to third parties to the extent that:
- 4.4.1 the information is required to be disclosed in terms of any law;
 - 4.4.2 the information is in the public domain;
 - 4.4.3 the information is non-personal; or
 - 4.4.4 Strate has obtained the prior written consent of the owner of the information.

SECTION

5

DUTIES OF PARTICIPANTS

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5.1 Holding of Sufficient Securities

- 5.1.1 A Participant must hold, in the Securities Account and/or the Central Securities Account, Securities of the same kind that are equal to the total number or nominal value of such Securities held by a Participant in:
- 5.1.1.1 its Clients' Securities Accounts (excluding its own Securities); and
 - 5.1.1.2 its own Securities Account, if any.
- 5.1.2 Where a Participant does not hold sufficient Securities as set out in Strate Rule 5.1.1:
- 5.1.2.1 such Participant must procure the Securities, or take such action required to make up for the shortfall in Securities, within 5(five) Business Days of the Participant identifying the shortfall or any other time period determined by Strate; and
 - 5.1.2.2 in the event an Insolvency Proceeding occurs against such Participant, the loss sharing arrangements in terms of Strate Rule 16.5 will apply.

Allocation of Securities

- 5.1.3 Participants must allocate to their respective Clients, the rights to the Securities held in terms of Strate Rule 5.1.1, and must ensure that the Securities are segregated and identifiable as belonging to a specific person in accordance with section 32(2)(m) of the Act. Such allocation will apply notwithstanding the occurrence of an Insolvency Proceeding against the Participant or Client.

Segregation offered by Strate

- 5.1.4 Strate must open, upon a Participant's request, one or more Central Securities Accounts, to enable the Participant to distinguish its own Securities from its Clients' Securities held collectively or individually in a Central Securities Account(s).

Segregation offered by Participants

- 5.1.5 A Participant must offer each Client the option to hold one or more separate Securities Account(s) or Central Securities Account(s), enabling such Client to distinguish its Securities from those of the Participant's other Clients held collectively or individually in a Securities Account(s) or Central Securities Account(s).
- 5.1.6 A Participant must, in writing, make the offer to hold Securities in either option as described in Strate Rule 5.1.5, notifying the Client of:
- 5.1.6.1 both options;
 - 5.1.6.2 the fees and charges required by it for its services for each option; and
 - 5.1.6.3 the applicable loss sharing arrangements in terms of Strate Rule 16.5, upon the occurrence of an Insolvency Proceeding.

- 5.1.7 Segregation of Securities in terms of Strate Rule 5.1.5 must include arrangements under which the Participant holds Securities in segregated form:
- 5.1.7.1 for the benefit of its Clients generally;
 - 5.1.7.2 in a way that a specific Client is identifiable so as to ensure that such Securities do not form part of the property of the Participant, available for distribution among or realisation for the benefit of creditors of such Participant; and
 - 5.1.7.3 so that such Securities are correctly allocated to the rights of the Clients of that Participant.
- 5.1.8 The Client must confirm its choice of segregation as set out in Strate Rule 5.1.5 in writing, as evidenced by signature or an equivalent alternative mechanism. Where an existing Client does not respond to the offer made by the Participant in terms of Strate Rule 5.1.5 within 90 (ninety) days from the date the Participant sends the offer in writing, a Participant may retain the existing Securities Account(s) or Central Securities Account(s).

Record Keeping

- 5.2 Participant's Records must, in addition to the requirements of relevant legislation applicable to that Security, contain at least the following details of all Entries in Securities Accounts:
- 5.2.1 the name of the Client whose the Securities Account is affected;
 - 5.2.2 the name of the Issuer of the Securities;
 - 5.2.3 the quantity and description of the Securities;
 - 5.2.4 clearly reflect the date of any Entry in the Securities Account;
 - 5.2.5 details of any pledge or cession of the Securities to secure a debt, Attachment or any other Entry, as the case may be; provided that, in respect of BEE Securities, no such encumbrance is permitted over or in respect of the relevant BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme;
 - 5.2.6 in respect of BEE Securities, reflect that:
 - 5.2.6.1 the BEE Contract has been concluded, and any BEE Certificate or identity document, as the case may be, required in terms of the BEE Contract has been provided, to the extent required by the relevant BEE Ownership Scheme; or
 - 5.2.6.2 in respect of Off-market Trades and subject to the manner of verification specified in the relevant BEE Ownership Scheme, the BEE Verification has been obtained by the Participant from the BEE Issuer Verification Agent to the extent required in terms of the applicable Strate Directive; and

5.2.7 in respect of Restricted Securities, reflect that the Restricted Securities Verification has been obtained, to the extent required in terms of the applicable Strate Directive.

5.3 **Balancing and Reconciliation**

5.3.1 A Participant must reconcile balances with Strate on a daily basis by ensuring that the Participant's Records of the aggregate quantity of each class and type of Securities held by it are the same as those held by Strate on its behalf. Any differences that cannot be reconciled within 24 hours must immediately be:

5.3.1.1 reported to Strate; and

5.3.1.2 investigated and corrected by Strate or the Participant.

5.3.2 A Participant must on a daily basis ensure that the total of the balances of the Securities Accounts held for all Clients for each class and type of Securities held by the Participant agree with the aggregate amount for those Securities reflected in the Records of the Participant.

5.4 **Retention of Information**

The retention of any information in terms of the Act, Companies Act, the Strate Rules and Strate Directives may be effected in an electronic or any other manner and where information is retained electronically, such Records must be subject to back-up and recovery procedures and be able to be capable of being reproduced in printed form.

5.5 **Disclosure of Information**

A Participant must disclose to Strate information as set out in the Act, Companies Act, Strate Rules and Strate Directives.

5.6 **Reporting of Transactions**

5.6.1 A Participant must report to Strate, as stipulated by Strate Directive, all Off-market Trades resulting in a change of beneficial ownership in those Securities.

5.6.2 A Participant has a duty, as stipulated by Strate Directive, to record and report to Strate any Entry in the Securities Account or the Central Securities Account.

5.7 **Securities and Funds**

5.7.1 A Participant must replace, immediately on request from Strate, any Securities Deposited by it which are at any time found to be defective.

5.7.2 Where a Participant utilises the services of a Settlement bank, such Participant must:

5.7.2.1 open and maintain an account designated for Client funds, and such funds are considered to be 'trust property' as defined in the Financial Institutions (Protection of Funds) Act at the Settlement bank, or may open an account at the Settlement bank in the name of its Nominee approved in terms of the Act, for the holding of any Client funds; and

- 5.7.2.2 not deposit its own funds into the account opened in terms of 5.7.2.1, other than to meet the costs of operating the account.

5.8 Administrative Duties

A Participant must ensure that:

- 5.8.1 its Client indicates whether Securities held or to be held are to be registered in the Own Name of the Client or in the name of a Nominee approved in terms of the Act holding such Securities on behalf of the Client;
- 5.8.2 the election by a Client to Deposit Securities in the name of the Nominee of a Participant or Issuer and not in the Client's Own Name in no way diminishes the rights of the Client as a Securities Holder of the Issuer of Securities and a Participant must ensure that the Client is timeously advised of, and in a position to exercise its rights as a Securities Holder of the Issuer, or legal owner of the Securities in the Issuer, as if the Client were the Securities Holder of the Issuer or legal owner of the Securities;
- 5.8.3 all interest, dividend, capital redemption payments and all other entitlements received by it from an Issuer of Securities is paid, in accordance with the Client Instructions, Strate Rules and Strate Directives, to the Client upon receipt in accordance with the Client's holdings at the date that the entitlement was calculated;
- 5.8.4 notices, reports and circulars regarding rights and other benefits accruing to the Securities which are received by a Participant from Strate or Issuer of Securities, except as contemplated in this Strate Rule and the Strate Directive dealing with the processing of corporate actions, are conveyed within a reasonable time to the Client concerned. Participants may convey notices, reports and circulars to their Clients through the post or by electronic communication, provided that where electronic communication is used, the applicable law relevant to the electronic communication must be met;
- 5.8.5 a Participant's obligation in terms of this Strate Rule is only in respect of notices, reports and circulars required to be sent by Issuers in accordance with the requirements of the applicable Exchange and/or the Companies Act; and a Client may instruct its Participant not to send notices, reports and circulars regarding rights and other benefits accruing to it, as stipulated by the Strate Directive dealing with the processing of corporate actions;
- 5.8.6 statements in respect of Securities Accounts and Central Securities Accounts are provided to Clients at least bi-annually, and at least monthly in respect of Money Market Securities;
- 5.8.7 all Entries in Securities Accounts and Central Securities Accounts pursuant to Client Instructions are recorded in the statements provided to Clients in terms of Strate Rule 5.8.6;
- 5.8.8 within 3 (three) Business Days of the Participant, its Insolvency Administrator or other lawful agent becoming aware of the Participant's suspension, restriction or termination of participation, or the occurrence of an Insolvency Proceeding against such Participant, the Participant, its Insolvency Administrator or other lawful agent must publish a notice of such suspension, restriction or termination of participation, or Insolvency Proceeding. Such

publication must be done in a manner that is reasonably accessible to the Clients of the Participant.

5.8.9 such notice must include a reference to the Client's obligation to advise the Participant, its Insolvency Administrator or other lawful agent to which Participant the Client's Securities must be moved within 30 (thirty) days of publication of the notice, failing which Strate Rule 3.10.3 would apply;

5.8.10 in respect of BEE Securities:

5.8.10.1 it has concluded a BEE Contract, to the extent required by the relevant BEE Ownership Scheme; or

5.8.10.2 in respect of Off-market Trades and subject to the manner of verification specified in the relevant BEE Ownership Scheme, it has obtained a BEE Verification from the BEE Issuer Verification Agent to the extent required in terms of the applicable Strate Directive;

5.8.10.3 in respect of Restricted Securities, it has obtained a Restricted Securities Verification, to the extent required in terms of the applicable Strate Directive;

5.8.10.4 it obtains information from its Client relating to a beneficial, limited or other interest in Securities Deposited by a Client in terms of the Strate Rules and Strate Directives;

5.8.10.5 it notifies its Clients, in writing, of any changes to the Strate Rules and Strate Directives, where such changes affect the rights or obligations of such Clients; and

5.8.10.6 its Nominee has been approved by Strate as prescribed by Strate Directive.

5.9 **Securities issued by a company incorporated and listed in the United Kingdom**

5.9.1 In relation to Securities issued by a company incorporated in the United Kingdom, the Participant must ensure that no Securities Account or Central Securities Account is opened, administered or maintained for or on behalf of a Nominee for a clearance service provider or a depository receipt Issuer, or a provider or Issuer in that capacity, where Transfer of such Securities into such a Securities Account or a Central Securities Account would attract a Stamp Duty Reserve Tax entry charge of 1,5% in the United Kingdom, without express permission in writing from Strate.

5.9.2 In relation to Strate Rule 5.9.1 and in compliance with the laws of the United Kingdom:

5.9.2.1 Securities include immobilised Securities; and

5.9.2.2 immobilised means the process of Depositing certificates or documents of title in respect of certificated Securities with Strate or a Nominee owned, controlled or administered by Strate and the recording of the ownership of such Securities in a Securities Account or a Central Securities Account.

5.9.3 In relation to Securities issued by a company with a secondary or dual listing on a South African Exchange, the Participant must ensure that it complies with the applicable Strate Rules, Strate Directives and notices issued by the Controlling Body from time to time.

5.10 **Voting**

Where a person submits a voting instruction through a Participant, this must be done in the manner prescribed by Strate Directive.

SECTION
6

ACCOUNTS

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6.1 Deposit of Securities

- 6.1.1 Only Eligible Securities may be Deposited and held in Strate in a Central Securities Account opened and maintained by Strate for a Participant.
- 6.1.2 Securities Deposited in Strate may be registered in the name of a Nominee owned, controlled or administered by Strate.
- 6.1.3 A person who wishes to Deposit Eligible Securities must first open a Securities Account or a Central Securities Account through a Participant in accordance with the Strate Rules and Strate Directives.
- 6.1.4 A Participant must ensure that all Eligible Securities Deposited by a Client are entered into a Securities Account or a Central Securities Account opened and maintained in terms of Strate Rules and Strate Directives.
- 6.1.5 A Corporate Participant may only open and maintain a Securities Account or a Central Securities Account for its own Securities.

6.2 Classification of Accounts

6.2.1 Central Securities Accounts

- 6.2.1.1 Strate is responsible for the opening, maintaining and closure of Central Securities Accounts on behalf of a Participant.
- 6.2.1.2 One or more Central Securities Accounts may be opened for a Participant or a Client, but no Money Market Securities may be held in the name of a Nominee, except where the Nominee is a foreign Nominee.
- 6.2.1.3 A Client may have a Central Securities Account with more than one Participant, but subject to Strate Rule 6.2.1.12, such Client may only operate its Central Securities Account through the Participant that opened the Central Securities Account on behalf of such Client.
- 6.2.1.4 A Participant is responsible for administering its Client's Central Securities Account in accordance with the Client Instructions, the Act, Strate Rules and Strate Directives
- 6.2.1.5 A Participant may request Strate to open a Central Securities Account in the name of the Participant or a Client with each Central Securities Account reflecting:
 - 6.2.1.5.1 the number or Nominal Value of Securities of each kind Deposited with Strate by that Participant for its own account and all Entries made in such Central Securities Account; and
 - 6.2.1.5.2 the number or Nominal Value of Securities of each kind Deposited with Strate by that Participant for the account of its Clients and all Entries made in such Central Securities Account.

- 6.2.1.6 A Participant must ensure that the Securities held for its own account and the Securities held for its Clients are Deposited into separate Central Securities Accounts and are clearly segregated and distinguishable at all times.

Operation of Central Securities Accounts

- 6.2.1.7 Only Strate may credit or debit Securities in a Central Securities Account, subject to Strate Rule 6.2.1.8.
- 6.2.1.8 Strate must only Transfer Securities or make any other Entry in a Central Securities Account in terms of the Act, Companies Act, Strate Rules and Strate Directives, and in accordance with an Authenticated Instruction or by order of court.
- 6.2.1.9 A Participant must ensure that all Securities credited or debited to its Clients' Central Securities Accounts are credited or debited to the relevant Securities Accounts in its Records, where applicable.

Appointment of a Secondary Participant and Movement of Securities

- 6.2.1.10 A Client that has a Central Securities Account may, in writing, appoint a Secondary Participant that has agreed to act as such and as stipulated by Strate Directive. On assenting to act as a Secondary Participant, such Participant must confirm in writing to the Client and Strate that it has assented to act as a Secondary Participant.
- 6.2.1.11 A Secondary Participant may only open and administer a Client's Central Securities Account in the event of an Insolvency Proceeding against such Client's Primary Participant, in accordance with Strate Rules and Strate Directives.
- 6.2.1.12 A Client may only operate its Central Securities Account through its Primary Participant. In the event of an Insolvency Proceeding against the Client's Primary Participant, the Client may only operate its Central Securities Account through the Secondary Participant appointed in accordance with Strate Rules and Strate Directives.
- 6.2.1.13 In the event of an Insolvency Proceeding against a Client's Primary Participant, Strate must, upon instruction by the Secondary Participant, as stipulated by Strate Directive, move the unencumbered Securities held in a Central Securities Account administered by a Primary Participant to a Central Securities Account administered by a Secondary Participant appointed in accordance with Strate Rules and Strate Directives.
- 6.2.1.14 The movement of Securities held in the Central Securities Account from a Primary Participant to a Secondary Participant, in accordance with Strate Rule 6.2.1.13, does not constitute a change in ownership, and transfers no greater rights or lesser obligations to the Client.

6.2.2 Securities Accounts

- 6.2.2.1 A Securities Account may only be opened and maintained by a Participant.
- 6.2.2.2 A Client may only operate its Securities Account through the Participant with whom such Securities Account is opened and maintained.
- 6.2.2.3 A Participant must ensure that its own Securities and its Clients' Securities are deposited into separate Securities Accounts and are clearly segregated and distinguishable.
- 6.2.2.4 A Participant must apply and maintain the same standards of record keeping applicable to a Subregister, in respect of other Records of Securities Accounts of its underlying Clients.

Operation of Securities Accounts

- 6.2.2.5 A Participant must, upon receipt of an Authenticated Instruction from Strate advising it of the completion of a transaction which affects the balance of a Securities Account or Central Securities Account, complete a corresponding Entry in the relevant Securities Account in accordance with Client Instructions, Strate Rules, Strate Directives, Chapter 2 Part E of the Companies Act, where applicable, the Act and other relevant legislation; provided that in respect of:
 - 6.2.2.5.1 BEE Securities, such corresponding Entry must also be in accordance with the BEE Contract or is subject to a BEE Verification being obtained, as applicable; and
 - 6.2.2.5.2 Restricted Securities, such corresponding Entry is subject to Restricted Securities Verification being obtained.
- 6.2.2.6 A Participant must only submit an Authenticated Instruction to Strate, or make an Entry on behalf of a Client in a Securities Account, in accordance with Client Instructions, the Act, Companies Act, Strate Rules and Strate Directives, or by order of court; provided that in respect of:
 - 6.2.2.6.1 BEE Securities, such Entry must also be in accordance with the BEE Contract or is subject to BEE Verification, as applicable; and
 - 6.2.2.6.2 Restricted Securities, such Entry is subject to Restricted Securities Verification.
- 6.2.2.7 A Participant must effect the Entry pursuant to Strate Rule 6.2.2.6 in the relevant Securities Account of the Client where the Securities are held.
- 6.2.2.8 A Participant must, on the receipt of Client Instructions, reflect in the Participant's
- 6.2.2.9 Records of the Client the content of such instructions.

- 6.2.2.10 A Participant must, at the close of every Business Day, ensure that the Records as reflected in the Securities Accounts held by the Participant correspond with the respective Records reflected in the Central Securities Accounts.

6.3 Uncertificated Securities Register

- 6.3.1 A record of ownership of Eligible Securities Deposited in Strate must in respect of:
 - 6.3.1.1 equity Securities, be recorded either in a Securities Account held by a Participant in a Subregister, or in a Segregated Depository Account held by Strate in a SDA Register; and
 - 6.3.1.2 bond Securities and Money Market Securities, be recorded in a Central Securities Account in an Uncertificated Securities Register held by Strate,

in accordance with Strate Rules and Strate Directives.
- 6.3.2 The Uncertificated Securities Register of an Issuer consists, in respect of:
 - 6.3.2.1 equity Securities, the record of Uncertificated Securities in the Subregister held by a Participant and in the SDA Register held by Strate; and
 - 6.3.2.2 bond Securities and Money Market Securities, the record of Uncertificated Securities in the Uncertificated Securities Register held by Strate.
- 6.3.3 Every Securities Account and the Uncertificated Securities Register must:
 - 6.3.3.1 bear:
 - 6.3.3.1.1 the name of the Client;
 - 6.3.3.1.2 business, residential or postal address of the Client;
 - 6.3.3.1.3 an email address of the Client if available, unless the Client has declined to provide an email address; and
 - 6.3.3.1.4 an identifying number that is unique to the Client;
 - 6.3.3.2 reflect all Entries and the date of making such Entries;
 - 6.3.3.3 reflect the number or Nominal Value of Securities of each kind Deposited; and
 - 6.3.3.4 reflect any further information that may be required by Strate, Chapter 2 Part E of the Companies Act, where applicable, or any other law.
- 6.3.4 Access to information and inspection of the Issuer's Uncertificated Securities Register is allowed in accordance with Chapter 2 Part E of the Companies Act, where applicable, or any other law.

- 6.3.5 Any request from an Issuer to Strate to furnish it with details of holdings as reflected in the Issuer's Uncertificated Securities Register must be made to Strate in the form required by Strate.
- 6.3.6 Upon request by Strate, a Participant must, in accordance with the Strate Directive, provide Strate with details of holdings as reflected in the Issuer's Uncertificated Securities Register.
- 6.3.7 Strate must furnish the Issuer with the information that is required to be disclosed in terms of the Act, Companies Act where applicable, or any other law, and may furnish the Issuer with additional information, in accordance with Strate Rules and Strate Directives.
- 6.3.8 Where there has been no activity and no holdings in a Central Securities Account for such period as set out in the Strate Directives, Strate may record such Central Securities Account as dormant.
- 6.3.9 Where a Central Securities Account has been recorded as dormant as set out in Strate Rule 6.3.8, Strate:
- 6.3.9.1 may in accordance with Strate Directives, delete such Central Securities Account; and
 - 6.3.9.2 must retain the Records thereof for a minimum period of 7 (seven) years after the deletion of such Central Securities Account.
- 6.3.10 A Participant must retain Records of a Securities Account for a minimum period of 7 (seven) years from the date when such Securities Account ceased to have any Securities holdings.

6.4 **Fees and charges for services provided to Own Name Clients**

- 6.4.1 Should a Client elect to be an Own Name Client, the Participant may levy a charge or service fee on the Issuer of the relevant Securities.
- 6.4.2 The charge or service fee must take into consideration the regulations published in terms of section 52 of the Companies Act.
- 6.4.3 The Participant may not levy a charge or fee to the Own Name Client for the provision of statements.
- 6.4.4 The Participant must disclose any other fee or charge that it levies on the Issuer or Own Name Client for the administration of the Own Name Client, which disclosure must give the specific monetary amount for each service rendered, or if such amount is not pre-determinable, the basis of the calculation.

6.5 **Nominees**

A Participant must not open a Securities Account or a Central Securities Account in the name of a Nominee, unless:

- 6.5.1 the Nominee has been approved by an Exchange in terms of section 76(1)(a) of the Act;
- 6.5.2 the Nominee has been approved by the Authority in terms of section 76(3) of the Act;

- 6.5.3 the Nominee is a foreign Nominee, and the Participant must obtain confirmation that such foreign Nominee operates within its domestic legal framework with the appropriate regulatory approval required in its home jurisdiction;
- 6.5.4 the Nominee has been approved by Strate in accordance with section 76(1)(b) of the Act, Strate Rules and Strate Directives.

SECTION
7

SETTLEMENT

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7.1 Dematerialisation and Immobilisation of Securities

7.1.1 Upon receipt of a certificate, document of title or record of ownership of Securities from a Client or its agent, or an Issuer or its agent, for the purposes of Dematerialisation or Immobilisation of Securities, a Participant:

7.1.1.1 must check the certificate, document of title or record of ownership of Securities, and determine on the face of it whether the Client is the legal owner of the Securities; and

7.1.1.2 may reject it if the Client is not the legal owner of the Securities.

7.1.2 The Dematerialisation or Immobilisation of Securities must take place in accordance with the Act, and the Companies Act, where applicable, and in the manner as stipulated by Strate Directive.

7.2 Withdrawal

7.2.1 A Client who wishes to withdraw its Securities held in the Client's Securities Account or Central Securities Account and obtain a certificate or document of title in respect of all or part of those Securities, must notify the relevant Participant thereof, in which case, the Participant must comply with the procedure stipulated by Strate Directive.

7.2.2 A request for Withdrawal, handling and processing of Withdrawal, and the delivery of a certificate or document of title in respect of all or part of those Securities must be done in accordance with the Act, Chapter 2 Part E of the Companies Act, where applicable, Strate Rules and Strate Directives.

7.2.3 Transfer of ownership and any dividends, interest, capital redemption payments or other entitlements in respect of the Securities so Withdrawn must not be effected through Strate.

7.3 Settlement

7.3.1 Settlement of transactions

7.3.1.1 Settlement of transactions in Securities Deposited with Strate, including Off-market Trades, must take place in the manner determined by Strate and in accordance with the Strate Rules and Strate Directives, and where applicable, in accordance with the rules of the relevant Exchange; provided that transactions in Money Market Securities must also be reported to the ETME as stipulated by Strate Directive.

7.3.1.2 Any Settlement of Securities which fails as a result of a Participant being unable to meet its commitment to such Settlement is deemed to be a failed Settlement and must be dealt with in accordance with the Strate Rules and Strate Directives, and where applicable, in accordance with the rules of the relevant Exchange.

7.3.2 Unconditional Commitment to Settle

- 7.3.2.1 Once a Participant's conditional commitment to Settlement of a transaction in Securities becomes unconditional as stipulated by Strate Directive, it must ensure that the transaction Settles on Settlement day.
- 7.3.2.2 In the event that a Participant fails to ensure that it is in a position to Settle any On- market Trade or Off-market Trade on Settlement day, Strate may, at its sole discretion (notwithstanding any action taken in accordance with Strate Rule 7.3.1.2), impose a fine on that Participant as stipulated by Strate Directive or proceed in terms of the disciplinary procedures set out in terms of the Strate Rules.
- 7.3.2.3 Notwithstanding Strate Rule 7.3.2.1, upon the occurrence of an Insolvency Proceeding against a Participant, its Client or other Settling Party, such Participant, its Client or other Settling Party or any other Participant, Client or Settling Party may, in respect of any obligation owed to it by such Participant, Client or Settling Party, revoke its commitment or Settlement instruction as contemplated in section 35A of the Insolvency Act and section 35(2)(w) of the Act, prior to the Moment of Finality of Instructions stipulated by Strate Directives and in accordance with any rules of a relevant Exchange or Clearing House.
- 7.3.2.4 No Settlement instructions may be revoked by a Participant, Client or other Settling Party after the Moment of Finality of Instructions stipulated by Strate Directives.

7.3.3 **Transfer of Ownership**

- 7.3.3.1 Transfer of ownership of any Securities in a Securities Account or a Central Securities Account must be effected by debiting of the Securities Account or the Central Securities Account from which the Transfer is effected and crediting the Securities Account or the Central Securities Account to which the Transfer is effected, as the case may be, in accordance with the Act, Companies Act, where applicable, Strate Rules and Strate Directives.
- 7.3.3.2 A transferee becomes the owner of the Securities upon the crediting of the transferee's Securities Account or Central Securities Account.
- 7.3.3.3 Transfer of ownership of Securities in accordance with Strate Rules 7.3.3.1 and 7.3.3.2 occurs despite any fraud, illegality or Insolvency Proceeding that may affect the relevant Securities, or have resulted in the Transfer being effected; but a transferee who was a party to or had knowledge of the fraud or illegality, or had knowledge of the Insolvency Proceeding, as the case may be, may not rely on this Strate Rule.
- 7.3.3.4 Only Strate may effect the Transfer of Securities in the Uncertificated Securities Register, upon receipt of an Authenticated Instruction from a Participant, or by an order of court, in accordance with the Strate Rules and Strate Directives.

- 7.3.3.5 Nothing in this Strate Rule 7.3.3 prejudices any power of Strate to effect Transfer to a person to whom the right to any Securities has been transmitted by operation of law or by agreement, or pursuant to a court order.
- 7.3.3.6 An Uncertificated Securities Register, including a Subregister, maintained in accordance with these Strate Rules is sufficient proof of any matters directed or authorised to be entered therein by Strate Rules and Strate Directives.

7.4 Debit Balances

A Participant must not give, or give effect to, an instruction which would result in any of the Securities Accounts or the Central Securities Accounts administered by the Participant reflecting a Debit Balance at the end of a day.

7.5 Netting

Strate may utilise netting arrangements for the calculation of settlement obligations, so that only a net number or nominal value of Securities per ISIN, or amount of cash, is owed either to or by a Participant. This is done by the set-off of the total number or nominal value of Securities per ISIN, or amount of cash, which a Participant is obliged to deliver or pay, respectively, against the total number or nominal value of Securities per ISIN, or amount of cash, which a Participant is entitled to receive.

7.6 Pledge and Cession in *Securitatem Debiti*

7.6.1 Pledge and Cession in *Securitatem Debiti* of Securities

Where a Participant records a pledge or cession *in securitatem debiti* on behalf of a Client in a Securities Account or a Central Securities Account:

- 7.6.1.1 the requirements of the Act, Strate Rules and Strate Directives apply to any Securities Account or Central Securities Account in which the Client's Securities are held;
- 7.6.1.2 it must, in accordance with the Act, prevent the Securities from being Transferred from the Securities Account or the Central Securities Account or the underlying account in which the Client's Securities are held, except with the written consent of the pledgee or cessionary;
- 7.6.1.3 it must, when it sends statements to its Clients in accordance with Strate Rule 5.8.5, also send to the person to whom the Securities are pledged or ceded *in securitatem debiti*, a statement evidencing the existence of the pledge or cession *in securitatem debiti*;
- 7.6.1.4 it must, in its statements to its Clients and the person to whom the Securities are pledged or ceded *in securitatem debiti*, indicate which Securities have been pledged or ceded *in securitatem debiti* and specify the nominal amount or number of such Securities; provided that in respect of:

7.6.1.4.1 BEE Securities, such statements must also indicate that the BEE Securities may only be Transferred in accordance with the BEE Contract or subject to BEE Verification as determined in the relevant BEE Ownership Scheme, and no such encumbrance is permitted over or in respect of the relevant BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme; and

7.6.1.4.2 Restricted Securities, such statements must also indicate that the Restricted Securities may only be Transferred subject to Restricted Securities Verification.

7.6.2 **Pledge and Cession *in Securitatem Debiti* of a Securities Account or a Central Securities Account**

7.6.2.1 A pledge or cession *in securitatem debiti*, as constituted by an agreement, in respect of all the Securities held in a Securities Account or a Central Securities Account at the point in time when the pledge or cession *in securitatem debiti* was effected, must:

7.6.2.1.1 be effected by Entry in the Securities Account or the Central Securities Account of the pledgor or cedent in favour of the pledgee or cessionary; and

7.6.2.1.2 specify the name of the pledgee or cessionary, and the date of Entry.

7.6.2.2 The number or nominal value of Securities held in the Securities Account or the Central Securities Account before the pledge or cession *in securitatem debiti* was effected by Entry in accordance with Strate Rules 7.6.2.1 may not be transferred or otherwise dealt with, and no instruction by the pledgor or cedent may be given effect to, without the consent of the pledgee or cessionary.

7.6.2.3 The pledgee or cessionary of Securities or an interest in Securities referred to in Strate Rule 7.6.2.1 is entitled to all the rights of a pledgee of movable property or cessionary of a right in movable property pledged or ceded to secure a debt.

SECTION
8

RISK AND COMPLIANCE

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8.1 Reports, Audit and Internal Controls

- 8.1.1 The Controlling Body may, in addition to the Accounting Records prescribed by the Act, determine the nature and type of reports, Accounts and Records which a Participant must maintain for the purpose of the requirements of the Act and Strate Rules.
- 8.1.2 A Participant must introduce and maintain internal controls and procedures which ensure compliance with the Act, Strate Rules and Strate Directives.
- 8.1.3 Every Participant must ensure that:
 - 8.1.3.1 its internal controls and procedures, in so far as they relate to the Business of the Participant, provide reasonable assurance as to the integrity and reliability of the Securities Accounts;
 - 8.1.3.2 the audit procedures and internal controls and procedures are based on established policies and procedures and are implemented by trained and skilled personnel;
 - 8.1.3.3 adherence to the implemented internal controls and procedures is continuously monitored by the Participant;
 - 8.1.3.4 it maintains high ethical standards, thereby ensuring that the Business of the Participant is conducted in a manner which is above reproach.
- 8.1.4 The Registered Auditor responsible for the audit of the Participant must submit a report annually to the Controlling Body, within 90 (ninety) days after the financial year-end of the Participant which complies with the requirements of the Controlling Body, the Act and Strate Rules. The Registered Auditor responsible for the audit of the SARB or a Participant which is also a bank, must submit the report within 6 (six) months after the financial year-end of such bank Participant or the SARB.
- 8.1.5 The Registered Auditor responsible for the audit of the Participant must annually report to the Controlling Body whether:
 - 8.1.5.1 the Participant complies with the requirements of the Act and the Strate Rules regarding the maintenance of Securities Accounts;
 - 8.1.5.2 the Participant complies with the Strate Rules relating to the reconciliation of Securities Accounts to the Central Securities Accounts kept by Strate;
 - 8.1.5.3 the Participant complies with Strate Rule 5.1.1, and on the adequacy of the arrangements made and measures taken by such Participant on holding of sufficient Securities in terms of Strate Rule 5.1; and
 - 8.1.5.4 the Participant complies with the requirements of the Strate Rules and Strate Directives relating to settlement, and the processing of corporate actions

entitlements that impact the balance of Securities in a Securities Account or a Central Securities Account.

- 8.1.6 A Participant must, within 90 (ninety) days from its financial year end, or within 6 (six) months in respect of a bank Participant or the SARB, ensure that its Registered Auditor responsible for the audit submits to the Head of Supervision, any further reports as required by the Act and Strate Rules.
- 8.1.7 A Participant must report any material malfunction in the functioning of the aforementioned controls, procedures and systems to Strate as soon as reasonably possible after it has come to the directors' or officers' of the Participant's attention, and as prescribed by Strate Directive.
- 8.1.8 A Participant must conduct a full Disaster Recovery test bi-annually on its relevant internal systems and related infrastructure and report to Strate the results of such test, and as prescribed by Strate Directive.
- 8.1.9 A Participant must advise the Controlling Body in writing of any material change to its shareholding and/or Business that could affect the risk profile of the Participant.

8.2 Risk Management

- 8.2.1 A Participant must adopt sound risk management principles and procedures to ensure that:
 - 8.2.1.1 all transactions and commitments entered into by the Participant in so far as they relate to the Business of the Participant are recorded as prescribed by the Act, Strate Rules and Strate Directives and are within the scope of authority of the Participant and of the officer or employee acting on its behalf;
 - 8.2.1.2 there are procedures to safeguard and segregate the Participant's assets and assets belonging to other persons to which the Participant is accountable, and to control liabilities;
 - 8.2.1.3 there are measures in place to detect, identify and mitigate the risk of losses to the Participant and its Clients from any irregularity, fraud or error in terms of the Act, Strate Rules and Strate Directives;
 - 8.2.1.4 on a daily basis the Client's Records of the aggregate quantity of the Securities of each class and type of Securities held by it are the same as those held by the Participant on their behalf; and
 - 8.2.1.5 on a daily basis, the Participant's Records of the aggregate quantity of the Securities of each class and type held by it are the same as those held by Strate on its behalf.
- 8.2.2 A Participant must, on request by the Head of Supervision, be able to describe and demonstrate the objectives and operation of its internal controls and procedures and risk management to the Head of Supervision.

8.3 Compliance Officers

- 8.3.1 A Participant must appoint compliance officers as stipulated by Strate Directive to monitor compliance by the Participant with the provisions of the Act, Strate Rules and Strate Directives.
- 8.3.2 A compliance officer must:
- 8.3.2.1 pass the compliance officer examination and fulfil any further requirements stipulated by Strate Directive;
 - 8.3.2.2 immediately report to the senior management of the Participant any apparent breach by the Participant, its officers and employees, of the provisions of the Act, Strate Rules and Strate Directives;
 - 8.3.2.3 immediately report to the senior management of the Participant any discrepancy or irregularity detected in terms of the Strate Rules and Strate Directives and any other issue considered by the compliance officer to be irregular;
 - 8.3.2.4 if the Participant fails to rectify the breach, discrepancy or irregularity reported to it in terms of Strate Rules 8.3.2.2 and 8.3.2.3 within 24 (twenty four) hours, the directors of the Participant or, failing the directors, the compliance officer, must report the breach, discrepancy and or irregularity to the Controlling Body, which report must include a description of any action taken by the Participant to rectify the breach, discrepancy or irregularity;
 - 8.3.2.5 submit a bi-annual report signed by the chief executive officer or designated officer of the Participant and the compliance officer, relating to the Business of the Participant which indicates any material problems that the directors or compliance officer have experienced during the preceding 6 (six) months and how these have been or are to be addressed. The report must include a disclosure and analysis of the impact on the solvency of the company of any material problems or losses experienced, risk management, internal controls and procedures implemented to mitigate the risks introduced, as well as any material claims of which the directors or compliance officer are aware;
 - 8.3.2.6 receive all notices issued in terms of Strate Rule 13 and monitor that they are complied with.
- 8.3.3 Except where the Controlling Body may otherwise determine, a Participant must not carry on Business for more than 3 (three) months in any continuous period of twelve months unless such Participant has appointed a compliance officer in terms of the Strate Rules.
- 8.3.4 In the absence of a duly appointed compliance officer or where a compliance officer post has become vacant, a temporary compliance officer must be appointed for a period no longer than 3 (three) months.

SECTION
9

FEES AND CHARGES

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- 9.1 The Controlling Body may from time to time determine fees and charges to be paid by Participants, Issuers and other persons.
- 9.2 The Controlling Body must, within a reasonable time prior to their imposition, notify Participants, Issuers and other persons of the applicable fees and charges.
- 9.3 Fees and charges are due and payable within 30 (thirty) days after date of invoice.
- 9.4 The Controlling Body may charge interest on outstanding fees and charges, which interest is calculated from the expiry of the period referred to in Strate Rule 9.3. The rate of interest charged is the prime lending rate offered by Strate's principal bank.
- 9.5 If the arrears are not paid by the Participant, Issuer or other persons within 14 (fourteen) days of the expiry of the period referred to in Strate Rule 9.3, or any extended period granted by the Controlling Body, the Controlling Body may suspend or terminate participation of the Participant, the provision of services by Strate to the Issuer or other person, or take any other action deemed appropriate by the Controlling Body.

SECTION
10

RESOLUTION OF DISPUTES

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10.1 **Informal Dispute Resolution**

10.1.1 Should any dispute arise between Strate and a Participant or Strate and an Issuer in connection with:

10.1.1.1 the existence, implementation or interpretation of the Strate Rules;

10.1.1.2 the application of the Strate Rules;

10.1.1.3 the rights and obligations of the parties in terms of or arising out of the Strate Rules;

10.1.1.4 the breach of the Strate Rules; or

10.1.1.5 the validity or enforceability of the Strate Rules,

then that dispute must be referred to the Head of Division in which the dispute arose for resolution and failing resolution by these Heads of Division within 10 (ten) Business Days of such referral, be referred to the respective chief executive officers, and failing resolution by the chief executive officers within 10 (ten) Business Days of such referral, be determined by the formal dispute resolution process as set out in Strate Rule 10.2.

10.1.2 Any dispute relating to the matters stated in Strate Rule 10.1.1 in which a Client is a party must be referred to the Ombud in terms of the Financial Sector Regulation Act.

10.2 **Formal Dispute Resolution**

Should the parties fail to resolve the dispute in terms of Strate Rule 10.1.1, the party who initiated the dispute must:

10.2.1 refer the matter to mediation in accordance with Strate Rule 10.3;

10.2.2 should the matter not be able to be resolved through mediation, the party who initiated the dispute must refer the matter to arbitration in terms of Strate Rule 10.4.

10.3 **Mediation**

10.3.1 The mediation must commence within 10 (ten) Business Days of the failure by the parties to resolve the dispute in terms of Strate Rule 10.1.

10.3.2 The mediator may be appointed by agreement between the parties, failing which the mediator must be appointed by the chairperson of the Controlling Body.

10.3.3 The venue and the procedure to be followed at the mediation must be determined by the mediator, who must give the parties reasonable notice of such venue and procedure.

10.3.4 The mediation must not continue for a period longer than 15 (fifteen) Business Days unless the parties agree otherwise in writing.

10.3.5 Should the parties resolve their dispute during mediation, the mediator must confirm such resolution in writing to the parties.

10.3.6 Should the dispute not be resolved by mediation:

10.3.6.1 the mediator must confirm the failure to resolve the dispute by mediation by sending confirmation of such failure in writing to both parties; and

10.3.6.2 the party initiating the dispute may refer the matter to arbitration within 20 (twenty) Business Days, or such other period as agreed between the parties, from the date of the letter of confirmation by the mediator.

10.3.7 The costs of mediation may be agreed by the parties and failing agreement must be shared equally between the parties.

10.3.8 Should the matter proceed to arbitration, the costs of the mediation may be claimed by either party, which claim must be determined by the arbitrator at the conclusion of the arbitration.

10.4 **Arbitration**

10.4.1 The arbitrator may be appointed by agreement between the parties to the dispute.

10.4.2 Should the parties to the dispute fail to agree on the arbitrator, the arbitrator must be appointed by the chairperson of the Arbitration Foundation of South Africa.

10.4.3 The arbitrator appointed in terms of Strate Rule 10.4.1 or 10.4.2 must be a suitably qualified and skilled person with experience in the financial services industry.

10.4.4 The arbitration proceedings must be conducted in accordance with the rules of the Arbitration Foundation of South Africa.

10.4.5 The arbitrator must make such order as to costs as he deems just.

10.4.6 The parties consent to arbitration and may not withdraw from the arbitration process.

10.4.7 The decision of the arbitrator is final and binding and may be made an order of court.

10.4.8 Either party may apply to court for a temporary interdict or other relief of an urgent nature, pending the decision of the arbitrator.

10.5 **Exclusion**

The above provisions on dispute resolution do not apply to any dispute regarding improper conduct or a penalty imposed in terms of Strate Rule 11.

SECTION
11

SUPERVISION

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11.1 Supervision Division

The Controlling Body must ensure that a supervision division headed by the Head of Supervision is set up in Strate and must set up and maintain systems for:

- 11.1.1 monitoring compliance by Participants, officers, employees and agents of the Participant with the provisions of the Strate Rules and Strate Directives; and
- 11.1.2 the surveillance and enforcement of any matter relevant for the purposes of the Strate Rules and Strate Directives.

11.2 Investigations

The Controlling Body may:

- 11.2.1 investigate any Central Securities Depository related activities of a Participant or past Participant and require Participants to furnish information on the subject of any investigation; deliver any book, Document, tape or Records or other object which has a bearing on the subject of the investigation;
- 11.2.2 on 2 (two) Business Days prior written notice to Participants perform On-Site Visits at Participants, unless the Controlling Body determines there is imminent risk in terms of the Strate Rules in which case no prior notice need be given; and
- 11.2.3 require representatives of the Participants to appear at any reasonable time and place to be questioned.

11.2A A person conducting an On-site Visit or investigation in terms of Strate Rule 11.2 may:

11.2A.1 on any Business Day during ordinary business hours, and subject to Strate Rule 11.2:

- 11.2A.1.1 enter the Business Premises of the Participant and the Participant must, upon request, provide any specified Business Document;
- 11.2A.1.2 examine, make extracts from and copy any specified Business Document, which may furnish proof of any failure to comply with the provisions of the Act, Strate Rules or Strate Directives;

11.2A.2 require the Participant to produce at a specified time and place any specified Business Documents or Business Documents of a specified description in the possession or under the control of the Participant; and

11.2A.3 require any person that is holding or is accountable for any Business Document, to provide information and to provide an explanation of the contents thereof.

11.2B A person conducting an On-site Visit or investigation must do so with strict regard to decency and good order.

11.2C Rule 11.2A must not be construed so as to infringe upon the common law right to professional privilege between an attorney and his or her client in respect of information communicated to the attorney, whether in writing or verbally, so as to enable him or her to provide advice, or render other legal assistance to or defend the client in connection with an offence under any law with which he or she is charged, in respect of which he or she has been arrested or summoned to appear in court or in respect of which an investigation with a view to instituting criminal proceedings is being conducted against him or her.

11.3 **Referral to Another Authority**

Should the Controlling Body become aware of any possible contravention of law, it may refer such matter to the appropriate authority, whether outside or within the Republic of South Africa.

11.4 **Use of Information**

Any information, Document, book, tape or Records or other object obtained by the Controlling Body or Strate pursuant to an investigation or otherwise, may be used in evidence in any disciplinary proceedings as set out in the Strate Rules.

11.5 **Improper Conduct**

A charge of improper conduct may be brought against any Participant, officer or employee of a Participant where such Participant, officer or employee fails to comply with the provisions of the Act, Strate Rules and Strate Directives or any other law relating to the Business of Strate or Participant or has committed any of, but not limited to, the following acts or practices:

11.5.1 participating in, assisting in or withholding knowledge of, any acts in violation of any applicable law, regulations or the Strate Rules and Strate Directives governing the activities of the Participant;

11.5.2 effecting an unauthorised Entry in a Securities Account or a Central Securities Account;

11.5.3 committing or attempting to commit any act which is dishonest or fraudulent;

11.5.4 being a party to, or facilitating or conducting a transaction which is fictitious or has a dishonest or unlawful motive;

11.5.5 acting without Client Instructions, or failing to act in accordance with Client Instructions;

11.5.6 negligently or recklessly conducting its Business or affairs in a way that prejudice is, or may be, caused to Strate, any other Participant or a Client. The failure by a Participant to introduce appropriate and reasonable safeguards or controls to avoid such prejudice may be treated where appropriate as constituting either negligence or recklessness;

11.5.7 committing or attempting to commit any act which is detrimental to the interest, good name or welfare of Strate, Participants, Issuers or Clients;

11.5.8 knowingly obstructing the Business of Strate or Participants;

- 11.5.9 failing, when requested, to assist the Controlling Body or any committee appointed by the Controlling Body in the exercise of its duties (including, but not limited to, failure without sufficient cause to provide information in accordance with the provisions of Strate Rule 11.2.1);
- 11.5.10 failing to act with integrity, proper skill, care, diligence and with due regard for the interests of Strate, Participants, Issuers and Clients;
- 11.5.11 failing to exercise sound independent professional judgment;
- 11.5.12 failing to ensure that its officers, employees or agents comply with the Act, Strate Rules or Strate Directives;
- 11.5.13 failing to rectify a shortfall in Securities in accordance with the Strate Rules; or
- 11.5.14 failing to comply, within a period specified in a notice, with a decision or instruction of the Controlling Body or any committee appointed by the Controlling Body in the exercise of their duties.

SECTION

12

DISCIPLINARY PROCEDURE

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DISCIPLINARY PROCEDURE

12.1 Referral to the Regulatory and Supervisory Committee

If during the course of or after any investigation, the Head of Supervision is satisfied on the basis of the information in her possession, that there are grounds for an allegation of improper conduct, she may refer the matter to the Regulatory and Supervisory Committee.

12.2 Powers of the Head of Supervision

12.2.1 Where the Head of Supervision determines that a Participant or other person bound by the Strate Rules has failed to comply with the Strate Rules or Strate Directives, notice must be given to the Participant or other person of the intention to impose a fine, or take such enforcement action as set out in the relevant Strate Directive. Any notice given by the Head of Supervision under this Strate Rule must contain the reasons for her decision, as well as a clear indication of the fine or other enforcement action that is contemplated.

12.2.2 A Participant or other person may, within 5 (five) Business Days after receipt of a notice issued under Strate Rule 12.2, make written or oral representations to the Head of Supervision in respect of the imposition of the fine or other enforcement action contemplated in the notice.

12.2.3 After considering the representations of the Participant or other person, or in the absence of any representations being submitted within 5 (five) Business Days, the Head of Supervision may impose the fine or take the enforcement action as stipulated by the Strate Directive, or decide not to impose such fine or take such action.

12.3 The Head of Supervision:

12.3.1 may direct that other Participants be notified of any action taken in terms of Strate Rule 12.2.3; and

12.3.2 must, within 30 (thirty) days, inform the Authority of any action taken in terms of Strate Rule 12.2.3.

12.4 Within 5 (five) Business Days of a decision made by the Head of Supervision in terms of Strate Rule 12.2.3, the affected Participant or other person may appeal such decision to the Regulatory and Supervisory Committee. If the matter is appealed, notification of the decision of the Head of Supervision to other Participants must be postponed until the matter has been finally determined.

12.5 Disciplinary Powers of the Regulatory and Supervisory Committee

12.5.1 The Regulatory and Supervisory Committee may deal with any matter referred directly to it by the Head of Supervision in terms of Strate Rule 12.1, or any matter on appeal as contemplated by Strate Rule 12.4.

12.5.2 At any stage during any proceeding under its authority, the Regulatory and Supervisory Committee may call upon any person and/or Participant to provide it with any specified information, and may call any person or Participant to a meeting for the purpose of investigating any matter.

- 12.6 In the case of matters referred to it under Strate Rule 12.1:
- 12.6.1 Where, after reviewing the evidence presented to it by the Head of Supervision, the Regulatory and Supervisory Committee is of the opinion that an act of improper conduct appears on the face of it to have been committed, it must give notice to the relevant Participant or other person of its intention to impose one or more of the penalties stipulated in the Act and the Strate Rules. Any notice given by the Regulatory and Supervisory Committee under this Strate Rule must contain the reasons for its decision, as well as a clear indication of the penalty that is contemplated.
 - 12.6.2 The Participant or other affected person may, within 5 (five) Business Days after receipt of a notice issued under Strate Rule 12.6.1, make written or oral representations to the Regulatory and Supervisory Committee in respect of the improper conduct and/or the imposition of the penalty contemplated in the notice. The Regulatory and Supervisory Committee may also call upon the Participant or other affected person to provide any relevant or additional information which it deems necessary.
 - 12.6.3 After considering the representations of the Participant or other affected person, or in the absence of any representations being submitted within 5 (five) Business Days, the Regulatory and Supervisory Committee may make its final decision on the improper conduct and/or the imposition of a penalty. The decision of the Regulatory and Supervisory Committee is not constrained by any previous decision that it has made.
 - 12.6.4 The Regulatory and Supervisory Committee may direct that any action taken by it in terms of Strate Rule 12.6.3 be published, and to whom it will be published, provided that the Participant concerned is given an opportunity to make representations to the Regulatory and Supervisory Committee, prior to that committee making a final decision as to whether the publication should be ordered or not.
 - 12.6.5 The Regulatory and Supervisory Committee must, within 30 (thirty) days, inform the Authority of any action taken in terms of Strate Rule 12.6.3.
- 12.7 In the case of matters referred to it under Strate Rule 12.4:
- 12.7.1 the Regulatory and Supervisory Committee must weigh the evidence presented by the Head of Supervision against the representations of the Participant or other affected person submitted in terms of Strate Rule 12.2.2, together with any additional evidence or representations as it may call upon the Head of Supervision or the Participant or other affected person to submit.
 - 12.7.2 having considered the evidence, the Regulatory and Supervisory Committee must make a decision on the matter. The decision of the Regulatory and Supervisory Committee is not constrained by any previous decision of either the Head of Supervision or of the Regulatory and Supervisory Committee itself.
 - 12.7.3 notice of the decision, together with the reasons therefor, must be given in writing to the Head of Supervision and the Participant or other affected person.

12.7.4 the Regulatory and Supervisory Committee may direct that any action taken by it in terms of Strate Rule 12.6.3 be published, and to whom it will be published, provided that the Participant concerned is given an opportunity to make representations to the Regulatory and Supervisory Committee, prior to that committee making a final decision as to whether the publication should be ordered or not.

12.8 Within 15 (fifteen) Business Days of a decision made by the Regulatory and Supervisory Committee in terms of Strate Rule 12.6.3 or 12.7.2, the Participant or other affected person may appeal such decision to the board of appeal established in terms of the applicable legislation. If the matter is appealed, publication of the decision of the Regulatory and Supervisory Committee must be postponed until the matter has been finally determined.

12.9 When any person has been found guilty of improper conduct by the Regulatory and Supervisory Committee pursuant to the Strate Rules, the Regulatory and Supervisory Committee:

12.9.1 may impose any one or more penalties stipulated in the Act, provided that the Regulatory and Supervisory Committee may suspend the imposition of the penalty for a period of time, as it deems fit;

12.9.2 must in determining an appropriate penalty take into account:

12.9.2.1 any previous conviction in terms of the Strate Rules or in a court of law;

12.9.2.2 the harm or prejudice which is caused by the offence; and

12.9.2.3 any other aggravating or mitigating factors;

12.9.3 may order that person to pay the reasonable costs necessarily incurred by Strate in the investigation and hearing.

12.10 Reserved

Payment of Fine

12.11 A Participant or other person must pay any fine imposed by the Head of Supervision or the Regulatory and Supervisory Committee within 20 (twenty) Business Days after being informed of the amount of the fine by the Controlling Body.

12.12 Any fine paid to Strate pursuant to a ruling made in terms of the Strate Rules must be used to further the objectives of the South African financial markets as determined by the Controlling Body, for fundings or subsidising:

12.12.1 the costs of relevant education, training and/or examinations provided generally for the benefit of market participants, investors and other external stakeholders;

12.12.2 projects which would further the objectives of the Act and promote adherence to international best practices within the financial markets, excluding any costs associated with Strate's Business.

- 12.13 The Controlling Body may charge interest on any overdue fine imposed on a Participant or other person under the Strate Rules at the prime lending rate offered by Strate's principal bank.

SECTION

13

NOTICES

Scope of section

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13.1 – 13.7 Notices

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- 13.1 A Participant or other person utilising the services of Strate, where applicable, must notify Strate of a physical address, an electronic mail address, a facsimile address and a secured Securities delivery mechanism address at which such Participant or Issuer or other person accepts the delivery of all notices issued by Strate in terms of the Strate Rules.
- 13.2 Strate must notify Participants or other persons utilising the services of Strate, where applicable, of a physical address, an electronic mail address, a facsimile address and a secured Securities delivery mechanism address at which Strate accepts the delivery of all notices from such Participants or other persons utilising the services of Strate.
- 13.3 Any notice in terms of the Strate Rules must be in writing, and may be delivered by means of a secured Securities delivery mechanism and where this is not possible, by means of electronic mail, facsimile, by hand, or by registered post.
- 13.4 Any notice delivered by hand before 15H00 on a Business Day at the nominated physical address is deemed, until the contrary is proved, to have been received on the date of delivery.
- 13.5 Any notice transmitted by a secured Securities delivery mechanism, electronic mail or by facsimile before 15H00 on a Business Day or such other time stipulated by Strate Directive, is deemed, if a confirmation receipt is received, to have been received on the date of confirmation of the transmission, unless an error report is received.
- 13.6 Any notice delivered by registered post is deemed, until the contrary is proved, to have been received within 7 (seven) Business Days after being dispatched.
- 13.7 The physical address as notified by Strate, a Participant and other person utilising the services of Strate in terms of Strate Rules 13.1 and 13.2 is the address of Strate and the Participant for the service of legal process arising out of any dispute between Strate and the Participant.

SECTION
14

GENERAL

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14.1 **Limitation of liability, warranties and indemnities**

14.1.1 Strate and a Participant are not liable for any loss or damage resulting from *Force Majeure*.

14.1.2 Strate, any director, Executive Officer, officer, employee or representative of Strate, including a Failure Manager, or the Controlling Body or a committee of the Controlling Body is not liable for any loss sustained by or damage caused to any person as a result of anything done or omitted by:

14.1.2.1 Strate, a director, Executive Officer, officer, employee or representative of Strate, including a Failure Manager, Controlling Body or any committee of the Controlling Body in the *bona fide* performance of any function under or in terms of the Act, the Strate Rules or Strate Directive; or

14.1.2.2 a Participant.

14.1.3 Strate and each Participant must by means of insurance or by any other means acceptable to the Authority place itself in a position to meet any claim for damages against it or its wholly owned subsidiary by any Participant, or a Client or any Nominee for any loss or damage sustained by it as a result of any claim arising in terms of the Act, Companies Act, or the Strate Rules.

14.1.4 In addition to the statutory warranties and indemnities provided for in Chapter 2 Part E of the Companies Act and the Act, every Participant, Issuer of Securities and Client is deemed to have indemnified Strate, its directors, officers, employees or agents against any loss, legal costs, damage or liability suffered or incurred by Strate, as a result of any grossly negligent or wilful act or omission, on the part of such Participant, Issuer of Securities or Client, as the case may be, or any of their officers, employees or agents.

14.1.5 Each Participant, Issuer of Securities and Client is deemed to have waived any claim that it may have against Strate, its directors, executive officer, officers, employees or representatives resulting from any negligent performance or failure to perform by Strate, its directors, executive officer, officers, employees or representatives of any function under or in terms of the Act, Companies Act, the Strate Rules or Strate Directives.

14.2 **Waiver**

No failure by Strate to exercise, nor any delay on its part in exercising, any of its rights, in whole or in part, in terms of the Act, Companies Act, Strate Rules or Strate Directives may operate as a waiver of the rights or remedies of Strate upon that or any subsequent occasion, nor may any single or partial exercise of any right or remedy prevent any further exercise thereof.

14.3 **Reserved**

14.4 **Applicable Law and Jurisdiction**

14.4.1 The Strate Rules are to be interpreted in accordance with the laws of the Republic of South Africa.

14.4.2 Subject to Strate Rule 10.4, all parties submit to the jurisdiction of the High Court of South Africa.

SECTION

15

COMPLAINTS PROCEDURE

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15.1 Complaints against a Participant

Any person may submit a formal complaint to Strate regarding the conduct of a Participant or an officer or employee of a Participant.

- 15.1.1 Complaints against a Participant or an officer or employee of a Participant must be submitted in writing to the Head of Supervision of Strate at the email address strate-supervision@strate.co.za.
- 15.1.2 The Head of Supervision must, within 7 (seven) days, respond to the complainant in writing acknowledging receipt of the complaint.
- 15.1.3 The Head of Supervision must investigate all complaints received in terms of Strate Rule 15.1 in accordance with the disciplinary procedure established under Strate Rule 12.
- 15.1.4 All complaints received in terms of Strate Rule 15.1 must be resolved within 90 (ninety) days of receipt of the complaint. If, despite the reasonable efforts of the Head of Supervision, the complaint is not resolved within 90 (ninety) days, the Head of Supervision must report to the complainant, in writing, on the status of the complaint, and must continue to so report to the complainant every 30 (thirty) days until the complaint is resolved.
- 15.1.5 Once a matter has been fully investigated and resolved, the Head of Supervision must respond to the complainant in writing with information on the outcome of the investigation and the actions taken to rectify the matter, if any.

15.2 Complaints against Strate

Any person may submit a formal complaint to Strate in respect of the exercise of functions by Strate or by an officer or employee of Strate.

- 15.2.1 Complaints against Strate or an officer or employee of Strate must be submitted in writing to the Company Secretary of Strate at the email address complaints@strate.co.za.
- 15.2.2 The Company Secretary must, within 7 (seven) days, respond to the complainant in writing acknowledging receipt of the complaint.
- 15.2.3 If the complaint relates to a breach of any provisions of the Act or the Strate Rules, the Company Secretary must refer the matter to the Regulatory and Supervisory Committee for further investigation.
- 15.2.4 If the complaint does not relate to a breach of any provisions of the Act or the Strate Rules, the Company Secretary must refer the matter to the Human Resources Division of Strate to deal with in terms of the disciplinary policies of Strate.
- 15.2.5 Where any matter has been referred to the Regulatory and Supervisory Committee by the Company Secretary, the Committee must investigate the matter and ensure that any potential or actual breach of the Act or the Strate Rules is rectified. The Committee may also take such further action that it may deem appropriate in order to resolve the matter fairly for all parties.

15.2.6 All complaints received in terms of Strate Rule 15.2 must be resolved within 90 (ninety) days of receipt of the complaint. If, despite the reasonable efforts of the Company Secretary or the Regulatory and Supervisory Committee, the complaint is not resolved within 90 (ninety) days, the Company Secretary must report to the complainant, in writing, on the status of the complaint, and must continue to so report to the complainant every 30 (thirty) days until the complaint is resolved.

15.2.7 Once a matter has been fully investigated and resolved, the Company Secretary must respond to the complainant in writing with information on the outcome of the investigation and the actions taken to rectify the matter, if any.

Reporting to the Authority

15.3 On an annual basis, the Regulatory and Supervisory Committee must submit a report to the Authority specifying the number and nature of all complaints received, the results of the investigations, and the actions taken to rectify them, if any.

15.4 Nothing in these Strate Rules prohibits any affected person from submitting a complaint to the Authority, including as an appeal against any decision made in terms of this Rule.

SECTION

16

PROCEDURES FOR MANAGEMENT OF PARTICIPANT'S INSOLVENCY
PROCEEDING

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16.1 **Strate's Powers**

16.1.1 Upon notification of the occurrence of an Insolvency Proceeding against a Participant, Strate may:

16.1.1.1 take such action as may be reasonably necessary in accordance with the Act, Strate Rules and Strate Directives; and

16.1.1.2 amend any operational procedures or timelines, notwithstanding the provisions of the Strate Rules or Strate Directives.

16.1.2 Notwithstanding any other powers that Strate may have in terms of the Act or the Strate Rules, upon notification of the occurrence of an Insolvency Proceeding against a Participant, the Controlling Body may, in accordance with the Strate Rules, appoint a Failure Manager to such Participant with the relevant experience in the financial industry in respect of such Participant and at the Participant's cost.

16.1.3 Strate may publish a notice of the appointment of the Failure Manager on Strate's

16.1.4 website and in at least 1 (one) national newspaper.

16.2 **Participant Failure Committee**

16.2.1 In order to ensure that in the event of an Insolvency Proceeding against a Participant, the Business of Strate or of such Participant is carried on with due regard to the interests of Strate, Participants, Issuers and Clients, the Controlling Body may appoint a Participant Failure Committee.

16.2.2 Upon the occurrence of an Insolvency Proceeding against a Participant, the Participant Failure Committee must:

16.2.2.1 appoint, terminate or replace a Failure Manager in respect of the Participant;

16.2.2.2 instruct the Failure Manager as it may deem necessary in the interest of other Participants, Clients, Issuers or Strate;

16.2.2.3 consider the Failure Manager's actions and reports in relation to the administration of Securities held by the Participant, including the Settlement of unsettled transactions;

16.2.2.4 consider the Failure Manager's performance for misconduct, failure to satisfactorily perform all necessary duties or failure to proceed expeditiously and competently;

16.2.2.5 consider the action taken by Strate in terms of the Act, Strate Rules, Strate Directives and other Central Securities Depository procedures; and

16.2.2.6 consider the waiver, or request for waiver, of the provisions of the Strate Rules, Strate Directives and other Central Securities Depository procedures, as necessary.

16.2.3 Where the Controlling Body does not appoint a Participant Failure Committee, or the members of the Participant Failure Committee are not available, the Controlling Body may take the actions set out in 16.2.2 above.

16.2.4 The Participant Failure Committee must regularly furnish a report to the Controlling Body and the Authority of any action taken in terms of Strate Rule 16.2.2, at least every 15 (fifteen) days.

16.3 **Failure Manager**

16.3.1 On the occurrence of an Insolvency Proceeding against a Participant, the Failure Manager:

16.3.1.1 has the power to enter the premises of such Participant and to administer the Business of such Participant, in accordance with the instructions of the Participant Failure Committee, Act, Strate Rules, Strate Directives and other procedures of Strate;

16.3.1.2 must ensure that the Participant fulfils, to the extent possible, the requirements of the Act, Strate Rules, Strate Directives and other procedures of Strate in respect of the administration of Securities held by such Participant;

16.3.1.3 must oversee the procedures prescribed by Strate Directive for the processing of unsettled Transactions by such Participant; and

16.3.1.4 must regularly furnish a report to the Participant Failure Committee of any action taken in terms of Strate Rule 16, at least every 7 (seven) days.

16.4 **Settlement**

16.4.1 On the occurrence of an Insolvency Proceeding against a Participant, the provisions of Strate Rule 7.3 will apply in respect of all unsettled transactions.

16.4.2 Notwithstanding the occurrence of an Insolvency Proceeding against a Participant, any Settlement of a transaction in Securities is final and irrevocable, and, in accordance with the Act, is effective against third parties and Insolvency Administrators.

16.5 **Loss Sharing**

16.5.1 This Strate Rule 16.5 only applies where an Insolvency Proceeding occurs against a Participant.

16.5.2 Where an Insolvency Proceeding occurs in respect of a Participant who does not hold sufficient Securities in terms of Strate Rule 5.1.1, the shortfall in Securities must be borne in the following sequence:

- 16.5.2.1 the Participant's own Securities of the same kind, if any, must first be used to make up for the shortfall in Securities;
- 16.5.2.2 if after applying Strate Rule 16.5.2.1 there is still a shortfall in Securities, all the Participant's Clients who hold Securities of the same kind collectively in a Securities Account or a Central Securities Account in terms of Strate Rule 5.1.5 must bear the shortfall in Securities in such Securities Account or Central Securities Account in proportion to the interest allocated to each such Client, at the time immediately preceding the occurrence of an Insolvency Proceeding against the Participant.

16.6 Client Migration

- 16.6.1 On the occurrence of an Insolvency Proceeding against a Participant, the Failure Manager must:
 - 16.6.1.1 ensure that Clients are notified of the occurrence of the Insolvency Proceeding, and of the Clients' obligation to advise the Failure Manager, Participant, its Insolvency Administrator or other lawful agent to which Participant the Client's Securities must be moved within 30 (thirty) days of the Client receiving such notification, failing which Strate Rule 3.10.3 will apply; and
 - 16.6.1.2 oversee the movement of all Clients' Securities to other Participants, as contemplated in Strate Rules 3.10.2, 3.10.3, and 6.2.1.13.
- 16.6.2. On the occurrence of an Insolvency Proceeding against a Participant, any other Participant may open Securities Accounts or Central Securities Accounts for the Clients of the Participant under the Insolvency Proceeding, and receive the Securities moved in terms of the Strate Rules and Strate Directives.

16.7 Cash Suspense Account

- 16.7.1 Upon notification of the occurrence of an Insolvency Proceeding against a Participant, Strate may, within 24 (twenty-four) hours of Strate having received and verified the notification, re-route all cash proceeds from settlement, dividends and other payments made for the benefit of such Participant or the Participant's Clients to a cash suspense account held in the name of a Nominee of Strate at a surviving bank.
- 16.7.2 All payments referred to in Strate Rule 16.7.1 that are due to the Participant that is subject to an Insolvency Proceeding, must be paid to the Participant in accordance with the claims process prescribed by Strate Directive.
- 16.7.3 All payments referred to in Strate Rule 16.7.1 that are due to a Client of the Participant that is subject to an Insolvency Proceeding, must be paid to the new Participant appointed by such Client in terms of the Strate Rules, and in accordance with the claims process prescribed by Strate Directive.

SECTION
17

ISSUERS

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Issuing of Securities

- 17.1 An Issuer may, in the manner stipulated by Strate Directives, create, issue, dematerialise and/or Deposit Eligible Securities in a Securities Account or a Central Securities Account.
- 17.2 Subject to Strate Rules and Strate Directives dealing with Withdrawal, an Issuer must not issue certificates or written instruments evidencing, or purporting to evidence title to Securities issued and Deposited in Strate.

Acceptance of Securities

- 17.3 In order for an Issuer's Securities to be Deposited in Strate, the Securities must be accepted by the Controlling Body as Eligible Securities in terms of the Strate Rules.
- 17.4 The Issuer must make an application for acceptance of the Securities to the Controlling Body on the applicable form, and the application must be accompanied by payment of the requisite fee, where applicable, as published on the official website of Strate from time to time.
- 17.5 In order for an Issuer's Securities to remain accepted, an Issuer must comply with the Act, Strate Rules, Strate Directives and other conditions imposed by the Controlling Body.

Suspension of Services

- 17.6 Where an Issuer has breached the Strate Rules or Strate Directives, the Controlling Body may suspend the provision of services by Strate to the Issuer, or impose conditions or take any other action it may deem fit in regard to that Issuer.
- 17.7 Where the Controlling Body is considering suspending the provision of services by Strate to an Issuer, the Controlling Body must:
 - 17.7.1 notify the affected Issuer of the imminent suspension;
 - 17.7.2 give the affected Issuer an opportunity to make written representations to the Controlling Body in support of the continued provision of the services prior to the Controlling Body making its decision; and
 - 17.7.3 notify the Exchange, where applicable.
- 17.8 Where the Controlling Body has exercised its discretion to suspend the provision of services by Strate in terms of Strate Rules 17.6 and 17.7, the Controlling Body must notify the Exchange, where applicable, in writing of its decision.

Record Date

17.9 The manner in which an Issuer of Eligible Securities may set the record date provided for in Chapter 2 Part F of the Companies Act is stipulated by Strate Directive.