

Directive of Strate (Pty) Ltd

Special Gazette No. S5-2023
Strate Directive SB.1

Procedure for Dematerialisation and
Rematerialisation of Equity Securities

strate

To define the process that participants, and issuers/issuer agents must follow for an orderly and regulated dematerialisation/immobilisation and rematerialisation process so that there is no duplication of securities on the register, the securities holder is not dispossessed, and to limit the risk faced by Strate, participants and issuers in this process

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1. Interpretation and Definitions

This Strate Directive should be read in conjunction with Strate Directive SZ.1 - *Interpretation and Definitions*.

2. Dematerialisation Initiated by the Client

If a Client initiates the Dematerialisation of Securities held by that Client, then the following process will apply:

2.1 Participant Procedures

- 2.1.1 A Client submits a certificate or document of title to a Participant for the purposes of Dematerialisation.
- 2.1.2 A Participant must initiate the Dematerialisation process by preparing and sending a Dematerialisation initiation message to the Strate System to inform Strate that a certificate or document of title has been submitted to the Issuer and/or Issuer Agent for Dematerialisation. The Dematerialisation initiation message must contain the details of the certificate or document of title.
- 2.1.3 The Participant must indicate on the certificate or document of title received from the Client that it is submitted for Dematerialisation.
- 2.1.4 The Participant must allocate a Dematerialisation reference number to the certificate or document of title. The reference number must be the same reference number as that used on the Dematerialisation initiation message to Strate from the Participant, and must:
 - 2.1.4.1 be alphanumeric, a maximum of 30 characters, and derived from the SWIFT standard; and
 - 2.1.4.2 be unique per Dematerialisation transaction (no cycles per day/week/month may be used).
- 2.1.5 The Participant must deliver the certificate or document of title to the Issuer and/or Issuer Agent.
- 2.1.6 In the case of Securities issued by a Foreign Incorporated Company whose Securities have been Immobilised and registered in the name of PLC Nominees, a completed and signed securities transfer form transferring the Securities from the legal owner to PLC Nominees must accompany the certificate or document of title that is delivered to the Issuer and/or Issuer Agent.

2.2 Strate Procedures

2.2.1 On receipt of the Dematerialisation initiation message from the Participant, the Strate System:

2.2.1.2 creates a pending Dematerialisation balance for that Participant;

2.2.1.3 generates and sends a Dematerialisation request message for Dematerialisation to the Issuer and/or Issuer Agent, containing details of the certificate or document of title to be Dematerialised. This notification informs the Issuer and/or Issuer Agent that it can expect a certificate or document of title from a particular Participant.

2.3 Issuer/Issuer Agent Procedures

2.3.1 The Issuer or Issuer Agent must receive both the certificate or document of title and the Dematerialisation request message from Strate before the Dematerialisation process can continue, notwithstanding any time delay between receiving either the Strate System's Dematerialisation request message or the certificate or document of title.

2.3.2 On receipt of the certificate or document of title, the Issuer and/or Issuer Agent must issue a receipt to the Participant.

2.3.3 The Issuer and/or Issuer Agent must, once it has received both the certificate or document of title and the Strate System's Dematerialisation request message, process the Dematerialisation request within 24 (twenty-four) hours.

2.3.4 Securities reconciliation between Strate and the Issuer and/or Issuer Agent must be done daily as part of the EOD processing. The Issuer and/or Issuer Agent must send the Statement of Holdings message to Strate before start of EOD.

2.3.5 The Issuer and/or Issuer Agent:

2.3.5.1 may conduct a confirmation of Dematerialisation orders for Same Day Settlement up until the Statement of Holdings processing at 18h00; and

2.3.5.2 must complete a confirmation of Dematerialisation order within a maximum period of 24 (twenty-four) hours.

2.3.6 A Dematerialisation order received without a certificate must be rejected by the Issuer and/or Issuer Agent within 24 (twenty-four) hours of receipt of the order.

Validation of Certificates and Documents of Title

- 2.3.7 The Issuer and/or Issuer Agent must reconcile the total of Securities to be Dematerialised (as specified in the Dematerialisation request message from Strate's System) with the certificate or document of title total received from the Participant. If the totals are different, the Dematerialisation order must be rejected as invalid.
- 2.3.8 The Issuer and/or Issuer Agent must validate the certificate or document of title in terms of any applicable legislation, including the Companies Act. Any certificate or document of title that fails the validation carried out by the Issuer and/or Issuer Agent must be rejected as invalid.
- 2.3.9 If the Dematerialisation order is rejected in terms of sections 2.3.7 or 2.3.8, the Issuer and/or Issuer Agent must submit to the Participant, together with the certificate or document of title, a rejection letter stating the specific reason for rejecting the certificate or document of title, and a rejection message to the Strate System to inform Strate that the certificate or document of title was rejected. The Issuer and/or Issuer Agent must reclaim the Dematerialisation receipt from the Participant.

Unknown-Certificated Balance (UCB)

- 2.3.10 The Issuer and/or Issuer Agent must record in the Securities register the UCB certificates or documents of title details which are not in the Securities register, but which the Issuer and/or Issuer Agent finds are acceptable and valid. The Issuer and/or Issuer Agent must also reduce the old UCB accordingly.

2.4 Dematerialisation

- 2.4.1 Where certificates or documents of title are accepted for Dematerialisation by the Issuer Agent, the Issuer and/or Issuer Agent must:
 - 2.4.1.1 update the Dematerialised balance in the Securities register;
 - 2.4.1.2 reflect the certificate or document of title in the Securities register as Dematerialised; and
 - 2.4.1.3 send a Dematerialisation confirmation message to the Strate System to confirm that the amount of Securities in question has been Dematerialised.
- 2.4.2 By accepting the certificates or documents of title for Dematerialisation and sending the Dematerialisation confirmation message referred to in 2.4.1.3, the Issuer and/or Issuer Agent warrants to Strate and the Participant that it has complied with any applicable legislation, including the Companies Act.
- 2.4.3 On receipt of the Dematerialisation confirmation message from the Issuer and/or Issuer Agent, the Strate System increases the Dematerialised balance for the relevant

Participant and updates the Participant's balance from "pending Dematerialisation" to "available".

- 2.4.4 The Strate System notifies the Participant that Dematerialisation of the certificates or documents of title has been completed (or partially completed).
- 2.4.5 The Participant must update the Securities Account or Segregated Depository Account of the relevant Client accordingly.

3. Dematerialisation Initiated by the Issuer

If an Issuer initiates the Dematerialisation of the Securities issued by that Issuer, then the following process will apply:

3.1 Validation of Certificates, Documents of Title and Records of Ownership

- 3.1.1 The Issuer and/or Issuer Agent must reconcile and validate the Securities to be Dematerialised with the certificate or document of title that it has, in terms of any applicable legislation, including the Companies Act.
- 3.1.2 The Issuer and/or Issuer Agent must submit a Dematerialisation instruction with the relevant details of a certificate or document of title to the Issuer's preferred Participant for the purposes of Dematerialisation. By giving a Dematerialisation instruction to the Participant, the Issuer and/or Issuer Agent warrants to Strate and the Participant that:
 - 3.1.2.1 it has complied with any applicable legislation, including the Companies Act; and
 - 3.1.2.2 the details of such certificate or document of title are valid, correct and accurate.
- 3.1.3 The Participant must:
 - 3.1.3.1 prepare and send a Dematerialisation initiation message to the Strate System to inform Strate that a Dematerialisation instruction has been received from the Issuer and/or Issuer Agent. The Dematerialisation initiation message must contain the relevant details of the certificate or document of title as received from the Issuer and/or Issuer Agent;
 - 3.1.3.2 allocate a Dematerialisation reference number to the Issuer and/or Issuer Agent's Dematerialisation instruction. The reference number must be the same reference number as that used on the Dematerialisation initiation message to Strate from the Participant, and must:

- 3.1.3.2.1 be alphanumeric, a maximum of 30 characters, and derived from the SWIFT standard; and
 - 3.1.3.2.2 be unique per Dematerialisation transaction (no cycles per day/week/month may be used).
 - 3.1.4 In the case of Securities issued by a Foreign Incorporated Company whose Securities have been Immobilised and registered in the name of PLC Nominees, a completed and signed Securities transfer form transferring the Securities from the legal owner to PLC Nominees must accompany the certificate or document of title.
 - 3.1.5 On receipt of the Dematerialisation initiation message from the Participant, the Strate System:
 - 3.1.5.1 creates a pending Dematerialisation balance for that Participant; and
 - 3.1.5.2 generates and sends to the Issuer and/or Issuer Agent, a Dematerialisation request message, containing details of the certificate or document of title to be Dematerialised.
 - 3.1.6 The Issuer and/or Issuer Agent must reconcile the total of Securities to be Dematerialised (as specified in the Dematerialisation request message from Strate's System) with the certificate or document of title total received from the Participant. If the totals are different, the Dematerialisation order must be rejected as invalid.
 - 3.1.7 If the Dematerialisation order is rejected in terms of section 3.1.6, the Issuer and/or Issuer Agent must submit to the Participant, together with the certificate or document of title, a rejection letter stating the specific reason for rejecting the certificate or document of title, and a rejection message to the Strate System to inform Strate that the certificate or document of title was rejected. The Issuer and/or Issuer Agent must reclaim the Dematerialisation receipt from the Participant.
 - 3.1.8 Securities reconciliation between Strate and the Issuer and/or Issuer Agent must be conducted daily as part of the EOD processing. The Issuer and/or Issuer Agent must send the Statement of Holdings message to Strate before the start of EOD.
 - 3.1.9 The Issuer and/or Issuer Agent:
 - 3.1.9.1 may conduct a confirmation of Dematerialisation orders for Same Day Settlement up until the Statement of Holdings processing at 18h00; and
 - 3.1.9.2 must complete a confirmation of Dematerialisation orders within a maximum period of 24 (twenty-four) hours.

3.2 Unknown-Certificated Balance (UCB)

- 3.2.1 The Issuer and/or Issuer Agent must record in the Securities register the UCB certificates or documents of title details which are not in the Securities register, but which the Issuer

Agent finds are acceptable and valid. The Issuer Agent must also reduce the old UCB accordingly.

3.3 Dematerialisation

- 3.3.1 On receipt of a Dematerialisation request message from Strate, the Issuer and/or Issuer Agent must:
- 3.3.1.1 update the Dematerialised balance in the Securities register;
 - 3.3.1.2 reflect the certificate or document of title in the Securities register as Dematerialised; and
 - 3.3.1.3 send a Dematerialisation confirmation message to the Strate System to confirm that the amount of Securities in question has been dematerialised. By sending a Dematerialisation confirmation message to Strate in terms of this paragraph 4.9.3, the Issuer Agent warrants to Strate and the Participant that it has complied with any applicable legislation, including the Companies Act.
- 3.3.2 On receipt of the Dematerialisation confirmation message from the Issuer Agent, the Strate System increases the Dematerialised balance for the relevant Participant, and updates the Participant's balance from "pending Dematerialisation" to "available".
- 3.3.3 The Strate System notifies the Participant that Dematerialisation of the certificates or documents of title has been completed (or partially completed).
- 3.3.4 The Participant must update the Securities Account(s) or Segregated Depository Account(s) of the relevant Client(s) accordingly, or such Securities Account(s) or Segregated Depository Account(s) that the Issuer and/or Issuer Agent may have designated for Dematerialisation purposes.

4. Rematerialisation

- 4.1 If a Client initiates the Rematerialisation of the Securities held by that Client in order to obtain a certificate or document of title in respect of all or part of those Securities, then the following process will apply:
- 4.2 A Participant must forward a Rematerialisation instruction to the Strate System detailing the Securities to be Rematerialised and the details of the name of the Client or the relevant person to be used for registration purposes.
- 4.3 In the case Securities issued by a Foreign Incorporated Company whose Securities have been Immobilised and registered in the name of PLC Nominees, a Participant must send a request to Strate to complete and sign a Securities transfer form transferring the Securities from PLC Nominees to the legal owner.

- 4.4 The Strate System records the Securities as pending and places a hold on the relevant number of Securities and sends a Rematerialisation receipt message to the Issuer and/or Issuer Agent.
- 4.5 The Issuer and/or Issuer Agent must:
- 4.5.1 reduce the Dematerialised holding;
 - 4.5.2 create a position for the Client or the relevant person in the Securities register; and
 - 4.5.3 initiate the registration process.
- 4.6 Once the registration process is complete and the certificate or document of title has been produced, the Issuer and/or Issuer Agent must send a Rematerialisation confirmation message to confirm to the Strate System that the “hold” is removed and the balance of the Uncertificated Securities of the relevant Participant is reduced by the relevant number of Securities. By making a confirmation into the Strate System in terms of this section 4.6, the Issuer and/or Issuer Agent warrants to Strate and the Participant that:
- 4.6.1 it has complied with any applicable legislation, including the Companies Act;
 - 4.6.2 it has recorded in the Issuer’s Securities register the reduction of the Securities held in Strate in that class of Securities by the number of the Rematerialised Securities;
 - 4.6.3 it has issued a certificate or document of title in the name of the Client or the relevant person in whose name the Rematerialised Securities have been registered in the Issuer’s Securities register; and
 - 4.6.4 the number and type of securities represented in the certificate or document of title that it has issued corresponds exactly to the number and type of Uncertificated Securities that have been withdrawn from the Strate System.
- 4.7 Securities reconciliation between Strate and the Issuer and/or Issuer Agent must be conducted daily as part of the EOD processing. The Issuer and/or Issuer Agent must send the Statement of Holdings message to Strate before the start of EOD.
- 4.8 The Issuer and/or Issuer Agent:
- 4.8.1 may conduct a confirmation of Rematerialisation orders for Same Day Settlement up until the Statement of Holdings processing at 18h00; and
 - 4.8.2 must complete a confirmation of Rematerialisation orders within a maximum period of 24 (twenty-four) hours.
- 4.9 The Strate System sends a Rematerialisation confirmation to the Participant who then collects the new certificate or document of title from the Issuer and/or Issuer Agent.
- 4.10 The Issuer and/or Issuer Agent must not mail the certificate or document of title to the Participant but must ensure that the certificate or document of title is collected at its place of business, using the original message reference number as a means of identification.