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STRATE PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES SELF-ASSESSMENT DISCLOSURE FRAMEWORK

DATE OF DISCLOSURE: NOVEMBER 2025

www.strate.co.za

Responding institution: Strate (Pty) Ltd

Jurisdiction(s) in which the FMI operates: South Africa

Authority(ies) regulating, supervising or overseeing the FMI:

- Financial Sector Conduct Authority
- Prudential Authority
- South African Reserve Bank (SARB) National Payment System Department
- Payments Association of South Africa

The date of this disclosure is November 2025.

This disclosure can be found at https://www.strate.co.za/

For further information, please contact the Head of Risk Management on +27 11 759 5300.

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1. Executive summary

Strate (Pty) Ltd is South Africa's principal Central Securities Depository (CSD), Associated Clearing House (ACH), and Trade Repository (TR), operating under the Financial Markets Act (FMA). Strate is also a Payment Clearing House System Operator (PSO) under the National Payment System Act and functions as a self-regulatory organisation (SRO) in terms of the FMA. Strate also functions as a self-regulatory organisation (SRO) in terms of the FMA. Strate provides post-trade services for equities, bonds and money market instruments, ensuring the safe and efficient settlement and custody of securities. Its operations are primarily within South Africa, with cross-border links (such as those with Euroclear Bank) managed through contractual arrangements.

Strate's participants include licensed banks, and other non-bank financial institutions. The entry criteria to become a CSD Participant are risk-based and publicly disclosed, covering financial soundness, technology, internal controls, risk management and compliance. Participants must meet ongoing requirements, with compliance monitored by Strate Supervision and the Regulatory and Supervisory Committee.

Strate is founded on a clear, enforceable legal basis, established through the FMA, Companies Act, Insolvency Act, and National Payment System Act. These statutes define the legal nature of securities, ownership, transfer, settlement finality and the protection of investor rights. Regulatory oversight is provided by the Financial Sector Conduct Authority (FSCA), Prudential Authority (PA), and the South African Reserve Bank's (SARB's) National Payment System Department. Strate's Rules, procedures and contracts are clear, consistent and regularly reviewed.

Strate identifies and manages four primary risk categories:

- **Business risk**: Strategic, operational and financial objectives
- **Financial risk**: Variability in returns, liquidity and capital adequacy
- **Legal and compliance risk**: Losses or penalties from non-compliance
- **Operational risk**: Failures in processes, systems, people or external events (including IT, cyber and third-party risks)

Credit risk is limited, as Strate does not interpose itself between counterparties and does not assume credit exposure in settlement. Liquidity risk is managed at the Participant and central bank level, with Strate providing daily settlement projections.

Key risk management and other practices

- **Risk Management Policy and Framework**: Comprehensive, aligned to ISO 31000, regularly reviewed and overseen by the Board and Audit and Risk Committee. Includes four lines of defence: management, risk management, internal audit and external audit/other independent assurance providers.
- **Governance:** Aligned with the King Code, with a diverse and independent Board, clear roles and responsibilities and regular performance reviews.
- **Operational resilience**: Robust systems, business continuity, disaster recovery and cyber risk management. Regular testing and simulation exercises ensure preparedness.
- **Settlement finality**: Settlement is final, irrevocable, and unconditional, supported by law and system design. Delivery versus Payment (DvP) and Simultaneous, Final and Irrevocable Delivery versus Payment (SFIDvP) models are used.
- **Transparency and disclosure**: Rules, Directives, procedures, fees and market data are publicly disclosed. Training and ongoing engagement ensure Participant understanding.
- **Participant default management**: Clearly defined rules and crisis management plans for Participant default, including migration of client securities and communication protocols.
- **Custody and asset protection**: Segregation of client assets, daily reconciliation and insurance coverage. The dematerialisation of securities is standard.
- **Efficiency and effectiveness**: Systems and services are designed in consultation with market participants, with regular reviews and performance measurement.

Other relevant practices

- **Access and participation**: Objective, risk-based criteria for fair and open access.
- **Tiered participation arrangements**: Monitoring and management of risks from indirect participants.
- **Financial market infrastructure links**: Risk management for cross-border links, notably with Euroclear Bank.
- **Communication standards**: Use of SWIFT, the Afriverse™ and ISO standards for secure and interoperable messaging.

2. General background on the FMI

2.1 General description of the FMI and the markets it serves

As South Africa's principal central securities depository (CSD) and central collateral platform, Strate safeguards ownership rights for public and private market securities. We are the primary custodian of the legal record of ownership of securities in digital format, through the verification of the existence of digital securities enabled by our registry, settlement, asset servicing and communication services.

As we know who owns which financial market securities, we can facilitate the use and traceable reuse of securities as collateral to optimise balance sheets for the benefit of the South African economy. Our world-class integration capabilities are essential to enable secure market integration, open market access and interoperability within the South African financial market ecosystem, as well as other African countries in which we operate.

Recognised locally and internationally as a trusted and neutral financial market infrastructure (FMI), Strate has been a key component of the financial market ecosystem for over 25 years, responsible for delivering services critical to the smooth functioning and stability of the South African financial markets.

We create sustainable financial market infrastructures that meet world-class principles of governance to promote interoperability, enable efficiencies, mitigate risk and optimise the use of capital for the South African securities services industry. Through fostering collaboration and partnership with our market stakeholders, we help grow and enhance capital markets.

To achieve our purpose of serving the financial markets, we have developed a robust business model and a strategy that has at its core an integrated approach to value creation for all our stakeholders.

Our business activities and outcomes

CSD Services

CSD Services, through partnerships with well-known platform providers, offers world-class infrastructure for registry, settlement and asset services that efficiently connect market participants in the South African financial markets. We enable the creation and maintenance of digital records of beneficial ownership for equities, bonds, money markets, derivatives and unit trusts and participatory interests in collective investment schemes across public and private markets.

Our solutions provide a central digital touchpoint that offers significant value to issuers, who are core strategic clients for CSD Services. Our digital issuer strategy aims to achieve 100% dematerialisation of issuers' registries to create a fully digitised share registry. By building direct relationships with issuers to understand their needs, we seek to offer integrated solutions that ensure Strate remains the CSD of choice.

Our digital post-trade confirmation matching process for OTC derivatives is live. This solution provides automated, digital post-trade confirmation by issuing a unique instrument identifier for each bilateral trade, dematerialising contracts by creating a digital record of ownership, and delivering digital confirmation of reset interest rates and amounts at each reset point. Additional benefits include automated settlement of transactions and reliable, verified data, which enables reporting across the value chain.

We have identified an opportunity to provide our CSD Services capabilities to the collective investment scheme - unit trust (CIS-UT) market, which is an important investment vehicle for the South African savings industry. We intend to make savings and investments more economical and accessible to all investors by providing efficient and cost-effective services to the CIS industry.

Strate, as a systemically important FMI, was successfully admitted as a participant of Euroclear Bank in March 2024. The partnership between Strate and Euroclear facilitates standardised, efficient and cost-effective transfer, custody and servicing of securities between jurisdictions. Through our partnership with Euroclear International Central Securities Depository (ICSD), Strate can offer investors access to foreign securities for settlement, asset servicing, custody, registry, data and integration services. As a first phase, we have used this link to enable a standardised, efficient and cost-effective removals process. This solution has been operationalised with clients live on the platform and a strong pipeline, enabling further market adoption. Through this integration, we now offer a global funds access capability that provides a single, standardised entry point to international collective investment schemes.

Strate is authorised as South Africa's Local Operating Unit (LOU) and mandated by the Global Legal Entity Identifier Foundation (GLEIF) to issue and record Legal Entity Identifiers (LEIs) for the South African market. LEIs identify entities engaged in financial transactions, with the aim of increasing transparency and mitigating risk. The FSCA strongly encourages regulated entities in South Africa to implement LEIs and, in some cases, will make them mandatory.

Since the SARB appointed Strate as the publishing agent for money market data in 2021, we have used the Strate Converge platform to offer the valuation of money market securities using the JIBAR yield curve. Our role in publishing money market data and enabling the ZARONIA benchmark demonstrates our contribution to market reform and financial system integrity.

Our Communication Services, delivered through our e-Voting solution, is a platform that services our entire client base, including issuers, asset managers and investors. Through full integration with our core CSD platform, our e-Voting solution uses our existing digital legal ownership records to enable digital voting and communication between market role-players for local and global meetings, as well as for customised Code for Responsible Investing in South Africa (CRISA) reporting.

Collateral Services

Strate offers a triparty collateral service that facilitates the automatic allocation and ongoing optimisation of securities collateral across an array of counterparties and their bilateral agreements. Through facilitating the use and reuse of securities as collateral, we support the optimisation of balance sheets for the benefit of the South African economy.

Our collateral service is fully integrated into Strate's CSD function to seamlessly connect collateral givers and receivers in a transparent ecosystem, while reducing the operational risk and administrative burden traditionally associated with managing non-cash collateral.

Leveraging Clearstream's technology, Strate provides a world-class platform that removes the manual complexity of selection, optimisation and substitution of eligible assets. Strate performs all necessary operational and administrative functions to mobilise under-utilised assets and reduce the use of cash as collateral.

Collateral placed is evaluated and reconciled daily, ensuring all exposures are optimally covered, while the eligibility and sufficiency of collateral for both giver and receiver are monitored on a near real-time basis.

Integration Services

Strate has built world-class integration capabilities that enable the financial market ecosystem with secure market communication and cost-effective solutions that make it easy for market stakeholders to create, exchange and monitor digital messages. This has proven essential for secure market integration, market access and interoperability.

Strate acquired the Trustlink SWIFT Service Bureau business, operating in South Africa and the rest of Africa, with effect from 1 January 2023. Trusted for over 20 years to provide secure messaging solutions to financial markets across Africa, Trustlink offers a reliable way to communicate and transfer sensitive information. Our network offers immediate accessibility to 160 financial institutions in Africa.

Through our vast experience in the payment and securities industries, we have created a trusted secure ecosystem that our clients access through various solutions and connectivity options. These unique solutions cater for industry standards and protocols, thereby enabling our clients to integrate seamlessly into the financial markets.

Our private network, the Afriverse, is a digital, member-based communications platform that offers clients an alternative network through which to communicate with all other parties on our network. The Afriverse solution is cost-effective, secure and private.

Strate's SWIFT Service Bureau provides a secure and reliable outsourcing solution for financial institutions globally. As an appointed SWIFT Service Bureau, Strate gives users access to the SWIFT network without having to invest in their own infrastructure or administrative support.

Data Services

As South Africa's principal CSD, Strate has access to a wealth of unique data assets that can be leveraged to provide quality data and intelligent insights to our clients. In response to increased market demand for quality data and insights, we have established a Data Services capability that draws on innovative, market-leading data technology to provide market data and insights across all security types.

We derive our unique data assets from our core services. This provides rich, reliable data that helps our stakeholders to make better decisions while enhancing market transparency.

Trade Repository Services

Strate has been granted a licence to operate as the country's first Trade Repository (TR) by the FSCA, following concurrence from the PA. This marks a significant milestone in South Africa's commitment to global financial market reforms.

The establishment of a licensed TR addresses one of South Africa's outstanding G20 commitments aimed at reforming OTC derivatives markets and represents a crucial step forward in meeting international obligations.

The TR will serve as a centralised registry for OTC derivatives contracts, improving market transparency and providing regulators with vital data-led insights for more effective policymaking. This new capability will be particularly significant in supporting South Africa's transition from JIBAR to ZARONIA, as it will enable the collection of essential market data needed to develop credible forward-looking term reference rates.

As a trusted and neutral market infrastructure provider, Strate brings extensive experience in registry services and data management to this new role. We already manage critical market data across various segments, including monthly insights on secured interbank transactions and money market publishing agent services.

Beyond regulatory compliance, Strate's TR aims to deliver additional value to market participants through optional value-added services, while maintaining its core function as a regulatory utility.

The implementation of the TR represents a significant advancement in South Africa's financial market infrastructure, supporting risk reduction through enhanced transparency and oversight of the OTC derivatives landscape.

This aligns with global best practices in financial market regulation and oversight. Implementing the TR has been a significant focus in 2025 and will continue into 2026.

Regulatory and Supervisory responsibilities

Our CSD licence authorises us to ensure the stability of the broader financial market ecosystem, while supervising the compliance of authorised CSD Participants with the Strate Rules and Directives and the FMA. This contributes to standardisation and ensuring the appropriate management of systemic risk within the financial market ecosystem.

Strate Supervision, a supervisory mechanism, entrenches the FMA requirements and the Strate Rules and Directives. Robust risk management principles and tools have enabled Strate Supervision to develop and enforce its supervisory approach over the years.

Strate's Regulatory and Supervisory Committee is responsible for ensuring that Strate adequately and effectively meets its regulatory, supervisory, investigative and enforcement responsibilities, as required by legislation and in line with the expectations of Strate's regulators. The Regulatory and Supervisory Committee also ensures that regulatory and commercial conflicts of interest are appropriately managed.

Technology platforms

Strate's state-of-the-art technology platforms are designed to facilitate the following key capabilities:

1. Digital access to our core platforms, irrespective of whether securities are traded in the public or private market and whether trades are concluded on- or off-market.
2. Data distribution to ensure the market has all the necessary information to function.
3. Delivering the full functionality required by our core services.

CSD Services is supported through the TCS BaNCS platform, enabled by our partnership with Tata Consultancy Services. Strate Converge is supported by our partnership with RiskCafé.

Clearstream, the underlying technology platform for Collateral Services, supports the efficient and accurate tracking and mobilisation of collateral for the market.

Strate's e-Voting platform, part of our digital issuer strategy, used the world-class infrastructure and experience of leading technology provider Nasdaq and is now fully supported by RiskCafé.

Strate Edge, the key platform to supporting our Data Services capability, was developed to consume and enrich our unique data assets and provide enhanced market transparency.

All technology partners offer best-in-class offerings for the areas they service and help Strate achieve full digital transformation, empowering us to better serve the financial markets in which we operate.

2.2 General organisation of the FMI

Strate protects value through adhering to the highest standards of corporate governance, which encompass the processes, policies and structures that guide decision-making and behaviour within our organisation.

Our Board

The Board of Directors comprises 14 directors and two alternate directors, with the appropriate balance of knowledge, skills, experience, race and gender diversity, as well as the independence required to objectively and effectively discharge its responsibilities. The Board is composed of a majority of independent non-executive directors with diverse backgrounds and experience. The CEO and CFO are ex officio executive directors.

Well-established corporate governance practices

- The roles of the CEO and chairperson are separate
- The chairperson is independent
- A lead independent director has been appointed
- The majority of the Board is independent
- Independent non-executive directors are elected by shareholders annually

Structures of delegation and governance framework

Good corporate governance structures corporate relationships to help organisations meet their objectives effectively and efficiently. Through a constructive and proactive corporate governance strategy, the Strate Group manages all aspects of its business to achieve its goals and fulfil its purpose of serving the financial markets.

Strate formalised its governance framework during 2024, with the overall goal to ensure continuous performance through effective control, maintaining an ethical culture and adhering to legislative requirements. The framework's purpose is to ensure prudent management and oversight of the Group's business, as well as to adequately protect the interests of stakeholders, as documented in the Group's Stakeholder Management Policy.

The framework describes the governance structure and decision-making processes that apply to the Strate Group. Strate's governance model assists the Board and management in clearly understanding the roles, responsibilities, accountabilities, information flows and guidelines that need to be considered. It also organises the strategic, operational, financial and risk management reporting processes needed to ensure the Board receives the information it requires to effect good governance, and that management can conduct their activities in ways that achieve Strate's strategic imperatives and regulatory requirements.

The Board approves strategy, sets policy, ensures capital prudence and oversees the Group's governance frameworks and control environment, ensuring that we protect and create value for stakeholders.

2.3 Legal and regulatory framework

In delivering digital solutions to the South African financial market, Strate operates within a sound regulatory framework. Strate provides services in terms of the Companies Act (2008), the FMA (2012) and the National Payment Systems Act (1998). Strate is overseen by the FSCA, the PA and the Oversight and Supervision Division (OSD) of the SARB's National Payment System (NPS) Department. In addition, the services Strate provides are regulated by the Financial Sector Regulation Act (2017). As an FMI, Strate adheres to local and international best practice, including the principles of the Committee on Payment and the Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO).

3. Principle-by-principle summary narrative disclosure

Principle 1: Legal basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Legal certainty for material aspects

Strate operates as a CSD, ACH and TR under the FMA and as a PSO under the National Payment System Act. The legal certainty for all material aspects – such as rights in financial instruments, settlement finality, netting, dematerialisation, collateral arrangements and default procedures – is established through the FMA, Companies Act, Insolvency Act and National Payment System Act. These statutes define the legal nature of uncertificated securities, ownership, transfer, protection of investors' rights and finality of settlement, even in insolvency scenarios. Strate's activities are primarily conducted in South Africa, with cross-border CSD-to-CSD links (such as with Euroclear Bank) governed through explicit contractual arrangements.

Clarity and consistency of rules, procedures and contracts

Strate ensures that its Rules, procedures and contracts are clear, understandable and consistent with relevant laws and regulations. This is achieved through a consultative process involving stakeholders, oversight by the Regulatory and Supervisory Committee, and final approval by the FSCA. Practice notes, guidance and training are provided to facilitate understanding. Contracts are drafted in plain language and circulated for review among relevant parties.

Articulation of legal basis

The legal basis for Strate's activities is articulated to authorities, Participants and clients through legislation, the Strate Rules and Directives, and regular market consultation. The FSCA, PA and SARB, through the NPS OSD, provide regulatory oversight. A Memorandum of Understanding exists between Strate and relevant divisions at the SARB to clarify roles. Communication channels and market committees ensure ongoing articulation and transparency.

Enforceability in relevant jurisdictions

Strate's Rules, procedures and contracts are enforceable in South Africa and remain so even in insolvency. For cross-border activities, enforceability is ensured through explicit contractual provisions and legal analysis. The FSCA has published a draft equivalence framework for external market infrastructures, and contracts specify South African law as the governing law for TR activities.

Conflict of laws

While Strate's primary jurisdiction is South Africa, it addresses potential conflict-of-laws issues in cross-border arrangements (such as with Euroclear Bank) through clear contractual choices of law. No issues or concerns have been raised to date, and normal conflict-of-law provisions are applied in all contracts.

Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Objectives and performance assessment

Strate's objectives are embedded in five strategic imperatives:

- Operational excellence and resilience
- High-quality engaged talent
- Stakeholder focus
- FMI design and create
- FMI digital adoption and scale

These objectives balance the protection of core services with innovation and market growth, aligned with the FMA. Performance is assessed through an annual corporate scorecard, approved by the Board, and monitored monthly and quarterly by management and Board committees.

Prioritising safety, efficiency and financial stability

Strate's enterprise-wide risk management framework (aligned to ISO 31000) places risk management at the centre of operations, supporting operational and financial system stability. Safety and efficiency are achieved through robust settlement models, high levels of straight-through processing, compliance with international standards and a unified technology platform for all security types. The introduction of Segregated Depository Accounts (SDAs) and shorter settlement timelines further enhances safety and efficiency.

Governance arrangements, accountability and disclosure

Strate's governance model is aligned with the King IV™ Code and is documented in the Strate Group Corporate Governance Framework, Memorandum of Incorporation (MOI) and Board Charter. The Board is ultimately accountable for governance, while management implements policies and procedures. Accountability is provided through public reporting (Integrated Annual Report, Sustainability Report, etc.), diverse Board representation, stakeholder engagement and regular oversight by regulatory authorities. Governance arrangements are disclosed via public reports and the company website.

Board roles, responsibilities and committees

The Board's roles and responsibilities are defined by the Companies Act, King IV™ and the Board Charter, including strategic direction, policy approval, oversight and accountability. Procedures for managing conflicts of interest are documented and include annual disclosures, meeting declarations and a Board Conflict of Interest Policy. The Board is supported by four standing committees:

- Audit and Risk Committee
- Remuneration, Nominations and Social & Ethics Committee (REMNOMSEC)
- Regulatory and Supervisory Committee
- Ecosystem Resilience and Participant Failure Committee

Board and committee performance is reviewed annually, with external facilitation every three years.

Board composition, skills and independence

The Board comprises a mix of executive and non-executive directors, with the majority being independent. Skills and experience are ensured through a formal nomination and appointment process overseen by the REMNOMSEC. Board members are remunerated according to a market-related structure, and independence is assessed annually and disclosed in the Integrated Annual Report.

Management roles, experience and evaluation

Management's roles and responsibilities are clearly specified in the Delegation of Authority Framework. Executive management is responsible for day-to-day operations and strategy execution. Objectives are set annually and reviewed by the Board and REMNOMSEC. Senior management appointments follow a robust recruitment process, including background checks.

Risk Management Framework

Strate's Board has established a documented Risk Management Policy and Framework, reviewed annually. The framework sets risk tolerances, assigns responsibilities and addresses crisis decision-making. The Head of Risk Management reports to the CFO and the Audit and Risk Committee. Internal audit is outsourced for independent assurance. The Audit and Risk Committee oversees risk management model validation and integrated assurance activities.

Stakeholder interests and major decisions

Stakeholder interests are considered through consultations on rules and directives, market workshops and Board strategic sessions. The Board's structure ensures independent oversight of conflicts between stakeholders and Strate. Major decisions are disclosed via the website, publications and other public channels. The Board has formalised a strategic approach to stakeholder engagements through a Stakeholder Management Policy. The supporting stakeholder management framework guides Strate's interactions with each stakeholder group and helps align mutual expectations, interests and objectives.

Principle 3: Framework for the comprehensive management of risks

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational and other risks.

Overview and governance of the Risk Management Framework

Strate has established a comprehensive Risk Management Policy and Framework, reviewed and approved by the Board annually, which sets out the policies and procedures for identifying, measuring, monitoring and managing all risks borne by the FMI. The framework clearly defines roles and responsibilities for the Board, its subcommittees, executive management and divisional staff. Independent assurance is obtained through internal and external auditors, as well as other assurance providers, all coordinated within an integrated assurance model governed by the Integrated Assurance Framework.

Identification and categorisation of risks

Strate identifies four primary categories of risk:

- Business risk: Risks to achieving strategic, operational or financial objectives.
- Financial risk: Unexpected variability in returns, including risks related to accounting, tax, capital, investment and liquidity.
- Legal and compliance risk: Potential losses or penalties from non-compliance with laws and regulations.
- Operational risk: Losses from inadequate or failed processes, people, systems or external events, including IT, process, HR, fraud and project risks.

These categories are further detailed in the Risk Management Policy, which is supported by subordinate policies addressing operational resilience, cyber risk, information security and third-party relationship management.

Risk management processes and systems

- Four lines of defence: The framework includes management, risk management, internal audit and external audit, providing layered assurance.
- First line of defence: Management is responsible for ongoing risk monitoring and management. All divisions complete structured risk and control assessments, identifying both existing and emerging risks.
- Quarterly reviews: Top risks and opportunities are assessed quarterly with executive representatives to ensure the risk profile remains current.
- System monitoring: Strate's main exposure is to operational risks, managed through monitoring controls for settlement systems and communication networks.

Aggregation and reporting of risk exposures

Risk assessments use a three-level taxonomy, allowing aggregation and thematic analysis of risks. Settlement obligations are managed at the Participant level, with prudential regulation by the SARB. Strate provides daily cash settlement projection reports to assist with liquidity management. Settlement obligations are validated at the transaction level, and banks manage their exposures as part of the National Payment System.

Policy development, review and effectiveness

- Annual review: The Risk Management Policy and Framework are reviewed at least annually, with ad hoc updates as needed.
- Alignment with best practice: Reviews consider changes in the financial ecosystem, regulatory focus and industry best practices.
- Assurance activities: The Audit and Risk Committee oversees risk exposures and policy effectiveness, supported by key risk indicators and internal audit reviews. The Integrated Assurance Forum aligns risk management and assurance processes, with a rolling three-year assurance plan and annual reporting to the committee.

Incentives and communication with Participants

Strate provides Participants with detailed planning information on pending settlements, enabling them to effectively manage credit and liquidity risks. Participants are required to maintain adequate risk management policies, with compliance monitored by Strate Supervision. Onsite reviews and independent audits are conducted to manage Participant risks. The apportionment of risk between Strate and Participants is clearly defined in legislation and regularly discussed.

Interdependencies and recovery planning

Strate regularly reviews material risks from and to other entities, including FMIs, settlement banks and service providers. Real-time monitoring tools, SWIFT messaging protocols and prefunding models are used to manage interdependencies. Recovery and orderly wind-down plans are in place, reviewed quarterly and aligned with regulatory requirements. Sufficient cash reserves are maintained to ensure operational continuity.

Principle 4: Credit risk

An FMI should effectively measure, monitor, and manage its credit exposure to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two largest participants and their affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions. All other CCPs should maintain, at a minimum, total financial resources sufficient to cover the default of the one participant and its affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions.

Framework for managing credit exposures

Strate does not interpose itself between counterparties in settlement transactions and therefore does not assume credit risk exposure to its Participants in respect of clearing or settlement services. Credit exposure is limited to monies owed for services provided (e.g. settlement fees), which are managed by the Finance Division through standard debtor management processes. Participants are required by Section 9 of the Strate Rules to pay all outstanding debts within 30 days of invoicing, with non-payment potentially resulting in interest charges, punitive action, or the suspension or revocation of participation. For corporate event processing, credit risk is carefully managed through Directives SC.4, SD.3 and SE.5, and process changes have significantly reduced risk by eliminating the use of the Strate Trust account for most events.

Identification, measurement and monitoring of credit risk

Potential credit risk is identified through formal risk assessments, especially when new products are introduced. Strate's exposure is limited to service fees and, in rare cases, funds held temporarily in the Strate Trust account for foreign issuers. Exposures related to corporate events are measured daily, while service-related exposures are billed monthly. Debtor age analysis is maintained, and excess cash is held at reputable, highly rated institutions, with diversification to limit exposure to any single institution.

Risk management tools and effectiveness

Strate employs a robust SFIDvP (Simultaneous, Final, Irrevocable Delivery versus Payment) settlement model across all markets. Under this model, Participants underwrite pending settlements and transactions are only advanced once commitments are received from both buyer and seller representatives. Participants carry the credit risk against their own clients, in line with normal banking practice. Strate does not advance credit to issuers and only distributes funds once they are cleared and available.

Coverage of exposures and financial resources

Settlement in equity and bond markets typically involves Deferred Net Settlement (DNS), but Strate does not assume direct exposure to Participants. Securities settlement obligations are only advanced when securities are available in the system, and cash obligations are managed within the National Payment System. Banks are required to hold appropriate liquid asset reserves and are prudentially regulated by the Central Bank. A Memorandum of Understanding (MoU) with the SARB provides early warning of potential bank failures.

Applicability of CCP requirements

Requirements for central counterparties (CCPs) regarding margin, stress testing and additional financial resources are not applicable to Strate, as it does not operate as a CCP.

Rules and procedures for credit losses

Strate's rules and procedures for addressing credit losses in the event of a Participant default are not applicable, as Strate does not assume such exposures in its role as a Central Securities Depository and Securities Settlement System.

Principle 5: Collateral

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

Applicability of collateral requirements

Strate Proprietary Limited does not take on credit exposure in its role as a CSD and Securities Settlement System. As a result, Strate has no requirement to hold collateral to mitigate credit risk. This position is consistent across all aspects of its operations.

Determination and acceptance of collateral

- Strate does not determine, accept or manage collateral for the purposes of credit risk mitigation, as it does not assume such risk.
- There are no policies or procedures for accepting collateral on either a routine or exceptional basis, nor are there limits or criteria for such acceptance.

Monitoring and valuation of collateral

- Since Strate does not require or accept collateral, there are no processes for monitoring, marking to market or valuing collateral.
- Practices such as setting haircuts, testing their sufficiency or managing procyclicality are not applicable.

Concentration and cross-border collateral

- Strate does not face risks related to concentrated holdings of collateral or the use of cross-border collateral, as it does not accept collateral, as a collateral receiver, in any form.
- There are no policies or systems in place for managing such risks.

Collateral management systems

- Strate does not operate a collateral management system as a collateral giver or receiver, nor does it track the reuse of collateral or rights to collateral, as these are not relevant to its risk profile or operational model.
- Separate, Strate acts as a triparty agent and offers a central collateral platform that is integrated into the core CSD platform, to market participants. This platform manages the automatic selection, allocation, substitution and optimisation of non-cash collateral based on the pre-defined rules that are agreed between the collateral giver and collateral receiver. It also ensures ongoing adherence with these rules and tracks the reuse of collateral throughout the life of the transaction, until collateral is returned to the beneficial owner.

Principle 7: Liquidity risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

Framework for managing liquidity risk

Strate has established a robust framework to measure, monitor and manage settlement risks, with particular focus on liquidity risks faced by Participants in the system. Due to the specific structure of the South African market, Strate itself is not directly exposed to cash liquidity risks and does not act as an intermediary in the payment system. Instead, Strate calculates payment obligations for individual settling banks and submits settlement instructions directly to the South African Multiple Option Settlement (SAMOS) system. Settling banks are required to fund their obligations at the Central Bank within 30 minutes of receiving a valid instruction, and Strate provides both the banks and the National Payment System with indicative payment obligations daily to support liquidity management.

Nature and sources of liquidity needs

Strate only settles transactions in South African Rand (ZAR). The primary liquidity exposure lies with Participants, their settling banks, brokers and issuers. Strate's own liquidity needs are assessed as low, managed through cash forecasting, proactive working capital management and maintaining sufficient cash reserves in line with its capital management framework. For obligations in other currencies, Strate maintains CFC accounts and uses forward exchange contracts as needed.

Tools for identifying, measuring and monitoring liquidity

Strate generates projected cash obligations for committed settlements from T+0 until settlement day, monitoring for large or unusual values to minimise disruption or delays. The settlement model proactively manages pending transactions, ensuring exceptions are identified and addressed early. Different markets (money market, bond, equities) have tailored settlement timelines and risk management practices, with banks managing overnight exposures as required.

Determination and coverage of liquid resources

The responsibility for managing cash liquidity rests primarily with the National Payment System Department (NPSD) of the Central Bank. Strate's settlement model ensures that Participants and their settling banks actively manage their settlement obligations, with overall net obligations managed within the payment system. Strate provides daily planning figures to assist Participants in managing their liquidity obligations.

Stress testing, supplemental resources and CCP requirements

Requirements for stress testing, supplemental liquid resources and CCP-specific liquidity management are not applicable to Strate, as it does not operate as a CCP and does not directly manage liquidity resources for settlement purposes. The Central Bank and Participants bear the primary responsibility for liquidity risk management in the South African market structure.

Use of Central Bank services

Strate does not directly manage liquidity risks but provides the Central Bank with information to assist in managing securities liquidity. Strate does not currently use additional Central Bank services beyond this information-sharing role, nor does it envisage expanding its use of such services.

Rules and procedures for settlement in stress events

Rules and procedures for managing liquidity shortfalls, replenishing liquidity resources and ensuring timely settlement following Participant defaults are not applicable to Strate, as these responsibilities are managed by the Central Bank and Participants.

Principle 8: Settlement finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

Definition and documentation of settlement finality

Strate's Rules and procedures clearly define the point at which settlement is final, irrevocable and unconditional. Section 35(2)(w) of the FMA empowers Strate to determine the point of irrevocability of an instruction, while Strate Rules (notably S7.3.2) and Directives further detail the unconditional commitment of CSD Participants to settle transactions. Delivery versus Payment (DvP) occurs on settlement date, and transfer of ownership is final, irrevocable and unconditional, as supported by the Companies Act and the FMA. Cash settlement is governed by the National Payment System Act, with settlement occurring at the Central Bank via the SAMOS system.

Legal certainty and jurisdiction

Strate operates exclusively within the South African jurisdiction, and its legal framework – including the FMA, Companies Act and National Payment System Act – provides a high degree of legal certainty that finality will be achieved. The Rules acknowledge the discharge of obligations between Strate and its Participants, and settlement finality is maintained even in the event of insolvency proceedings.

Linkages with other FMIs

Settlement of cash and securities takes place in the National Payment System and the Strate system, respectively, according to agreed settlement models for each instrument type. Strate is authorised as a Payment System Operator and coordinates closely with SAMOS, which is also regulated under PFMI-aligned principles. Settlement banks are bound by Payment Clearing House agreements, and Strate does not initiate settlement until all conditions are met, ensuring consistency of finality across linked FMIs.

Timeliness of final settlement

Strate is designed to complete final settlement on the value date, with all transactions settled at Strate and SARB level. Strate Supervision monitors to ensure that clients receive same-day value, and the Rules require Participants to distribute entitlements to clients upon receipt. In rare cases of technical difficulties, settlements may be backdated to avoid prejudice, and business continuity processes are regularly reviewed and refined in collaboration with the Central Bank and commercial banks.

Intraday and batch settlement

Settlement runs are triggered at regular intervals during the settlement day. Temporary shortages of funds or securities may cause intraday delays, while permanent shortages result in settlement failure and potential penalties. Unresolved transactions fail at end of day. The settlement of securities is always dependent on the successful settlement of the cash leg, and Strate provides rolling cash projection obligations to the Central Bank to enhance visibility around pending settlements.

Revocation of settlement instructions

The point at which unsettled payments or instructions may not be revoked is defined in the Financial Markets Act, the Strate Rules and Directives. Once the point of irrevocability is reached, withdrawal is blocked by system functionality. Revocation is only possible under specific circumstances set out in law and the Directives (e.g. insolvency, death or reversal instructions from an exchange). Extensions of revocation deadlines may be granted in cases of technical difficulties or significant market events, at Strate's discretion.

Disclosure and transparency

All relevant Rules and Directives are available on the Strate website, ensuring transparency for Participants and stakeholders.

Principle 9: Money settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

Use of Central Bank money

Strate conducts all money settlements in central bank funds via the Central Bank Real-Time Gross Settlement System (RTGS) on an irrevocable basis. Settlements are processed either by batch or on a gross trade-by-trade basis, depending on the market or security instrument type. Strate only settles in South African Rand (ZAR).

No use of commercial bank money

Strate does not settle in commercial bank money. Therefore, considerations regarding the assessment, selection and monitoring of commercial settlement banks, as well as the management of associated credit and liquidity risks, are not applicable.

Settlement model and oversight

All money settlements take place at the central bank level between approved settlement banks. Strate is authorised as a PSO under the National Payment System Act and is appointed by the Payments Association of South Africa (PASA) as the PSO for applicable security instrument types. Settlement banks in the Strate model are licensed and regulated by the SARB and are members of PASA. Those that are also Strate Participants are further regulated and supervised by Strate as a self-regulatory organisation.

Legal arrangements and finality

The key legal arrangements are between the SARB and its approved clearing and settlement banks, governed by irrevocable undertakings and the rules of each Payment Clearing House (PCH). There are no direct legal agreements between Strate and the settlement banks. Instead, banks undertake to fulfil their clients' obligations in accordance with PCH rules and their obligations as regulated banks. These rules support the principles of final and irrevocable settlement as required by legislation (FMA and National Payment System Act). Funds received are transferable on receipt, typically on a real-time basis, with same-day value required for clients under the Strate Rules.

Settlement timeliness

Funds are transferable by the end of the day at the latest, and typically intraday. Any delays are generally due to processing times within retail banking systems, not the central settlement process. The Strate Rules require that clients receive same-day value for securities settlement transactions.

Principle 11: Central securities depositories

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.

Safeguarding rights and the integrity of securities

Strate's Rules, procedures, and controls are designed to safeguard the rights of securities issuers and holders. Entries must correctly reflect issuer rights, and Strate acts only on authenticated instructions from licensed CSD Participants or exchanges. Compliance is monitored through on-site inspections, annual factual findings reviews by external auditors and real-time monitoring by Strate Supervision and compliance officers. Participants are required to implement robust security measures to prevent unauthorised access or alteration of records. Strate's systems are access-controlled, and daily balancing with Participants and issuers is mandated, with all imbalances reconciled within 24 hours. Debit balances are not permitted, and controls are in place to prevent unauthorised creation or deletion of securities.

Segregation, accounting and asset protection

Sections 36 and 37 of the FMA require segregation and identification of client securities as trust property. The Strate Rules enforce asset segregation, allowing clients to choose between segregated and omnibus account structures. Strate does not use securities held in client accounts for any purpose other than as instructed. Good governance and a four lines of defence assurance model ensure ongoing protection and monitoring. Strate Supervision monitors Participants' compliance, and robust business continuity arrangements are in place. Strate's liability is limited when acting in good faith.

Robust accounting and reconciliation

Strate is audited annually to ensure compliance with international accounting standards. Daily reconciliation processes between Strate, Participants and transfer secretaries provide ongoing assurance of record accuracy. Factual findings audits and onsite reviews are conducted regularly, and the Strate Rules require Participants to maintain sufficient securities to honour client claims. Internal and external audits of Strate's procedures and controls are routine.
Creation and deletion of securities

Strate acts only on authenticated instructions from issuers or their agents. For listed securities, instructions come from the relevant exchange; for unlisted securities, from the issuer. Daily reconciliations ensure accurate recording of issued share capital. The ISIN issuance process is automated, with robust controls for manual entries.

Daily reconciliation and registrar coordination

Automated daily reconciliations ensure that the total number of securities in Strate's system matches the total in issue. Weekly, Participants' underlying holdings are balanced against omnibus holdings at Strate. For dematerialised money market securities, Strate acts as registrar; for equities and bonds, Strate reconciles with the registrar daily. Strate's records are the legal record of ownership for dematerialised securities.

Prevention of overdrafts and debit balances

Debit positions are not allowed. The system monitors for infringements, and settlement is interrupted if a negative balance is detected. Daily reconciliation, auditing and supervision protect against negative balances. Any negative balances at client level in omnibus accounts are monitored and subject to disciplinary action.

Dematerialisation and immobilisation

All equity and bond securities are issued and maintained in dematerialised form. Circa 95% of eligible equities and 100% of listed bonds are dematerialised. All newly issued money market securities are dematerialised. Strate only settles dematerialised securities, and all new listed securities must be issued in uncertificated form.

Custody risk and asset protection

Section 32 of the FMA and the Strate Rules require Participants to protect client assets. Strate Supervision monitors compliance, and Strate's liability is limited when acting in good faith. Strate holds bankers' blanket bond and fidelity insurance, and Participants must carry appropriate insurance. Daily reconciliations and loss-sharing rules further mitigate custody risk.

Segregation arrangements

Participants must segregate proprietary and client holdings. Segregated Depository Accounts (SDAs) allow clients to request segregation at CSD level, and realignment between Participants is possible without transferring securities. Money market securities accounts are opened at beneficial ownership level, except for foreign nominees.

Additional services and risk management

Strate provides additional services such as capital event processing, reconciliation, clearing, e-Voting, Legal Entity Identifier Local Operating Unit, data services, SWIFT Service Bureau solution, collateral management and post-trade matching. Each new service is subject to a formal risk assessment and Board approval. Strate does not take on credit or liquidity risk from settlement activities.

Principle 12: Exchange-of-value settlement systems

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

Elimination of principal risk

Strate employs a simultaneous, final and irrevocable delivery versus payment (SFIDvP) settlement model for all settlement obligations, effectively eliminating principal risk. Settlement processes are overseen to ensure both cash and securities are available before triggering settlement or payment instructions. Each leg of a pending settlement is underwritten by a licensed Participant (on behalf of the buyer or seller), who ensures that the cash or securities are available on settlement day. Only committed transactions are included in netting calculations, and securities are only moved once confirmation is received from the Central Bank that the necessary cash movement has occurred.

Settlement basis and models

Linked obligations are settled on either a gross (trade-by-trade) or net basis, depending on the market and instrument. Only transactions ready for settlement in every respect – commitment to pay cash and commitment for delivery of securities – are included in net calculations. Strate employs BIS models 1, 2 and 3 across its various markets, depending on the instrument and time of day.

Simultaneity and asset protection

Settlement finality for linked obligations is simultaneous. Securities earmarked for settlement are blocked shortly before the initiation of the settlement payment instruction to the Central Bank, and this period is minimised. Once funding is confirmed by the Central Bank, securities are released and transferred from the seller to the buyer. Blocked assets are protected from third-party claims and only move upon successful completion of the cash movement.

CCP and cross-FMI linkages

There is no CCP in the South African market for these settlement processes, and Strate does not link securities settlement to transactions outside the CSD environment (e.g. foreign exchange transactions). The onus is on the relevant CSD Participant to commit to settling its client's obligations on settlement day, and the CSD Participant assumes any credit or principal risk exposure in doing so.

Principle 13: Participant-default rules and procedures

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

Definition and identification of default

Strate's Rules and Directives clearly define both financial and operational defaults. Financial default is linked to insolvency proceedings, while operational default includes improper conduct or failure to meet participation criteria. The Rules specify the identification and reporting of defaults, with Directive SA.10 detailing reporting requirements for operational difficulties. The Crisis Management Plan and Participant Failure Manual provide operational procedures for the orderly wind-down of a Participant in the event of insolvency.

Default management procedures

Strate's Rules, Crisis Management Plan and Participant Failure Manual outline the actions to be taken in the event of a Participant default, including:

- Ensuring settlement of pending transactions and capital events
- Migrating client securities to a new custodian
- Managing internal and external communications
- Adjusting operational windows as needed
- Sequencing actions for all security types using decision trees and timelines
- Clearly defining roles and responsibilities for all stakeholders, including the establishment of an Ecosystem Resilience and Participant Failure Committee and the appointment of a failure manager

The same resolution plan applies to both proprietary and client transactions, with strict segregation between proprietary and client accounts.

Use of financial resources

Strate does not assume principal risk in transactions; all cash obligations are underwritten by licensed banks regulated by the SARB. Liquidity pressures are monitored by the National Payment System Department, and Strate provides daily projected cash settlement obligations. Strate is not required to use its own financial resources to cover losses or liquidity pressures arising from default.

Preparedness and governance

The Crisis Management Plan delineates roles and responsibilities for addressing defaults. Communication procedures include establishing a crisis management committee and using multiple channels (Teams, email, WhatsApp, meetings) to reach stakeholders. The Ecosystem Resilience and Participant Failure Committee oversees crisis management and appoints a failure manager. Internal plans are reviewed regularly and updated in line with operational or procedural changes, with governance oversight by the Board.

Public disclosure

Key aspects of Strate's Participant default rules and procedures are publicly available on Strate's website and published in the Government Gazette. All Directives and procedures, including the Participant Failure Manual, are accessible to authorised Participants and business partners.

Testing and review

Strate regularly engages Participants and stakeholders in testing and reviewing its default procedures, including simulation exercises for equities and bond markets, and market-wide incident management planning. Outcomes are reported to the Executive Committee, Board committees and regulators. Updates to the Participant Failure Manual are subject to market consultation and workshops. Further training and simulation exercises are planned to ensure ongoing preparedness.

Scope of testing

Tests cover operational, technical and financial default scenarios, including insolvency events. The Participant Failure Manual includes procedures for migrating clients to alternate service providers. Strate also participates in broader market simulations organised by the Financial Sector Contingency Forum. Most Participants are banks with their own recovery and resolution plans, coordinated with regulatory authorities.

Principle 15: General business risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Identification and management of general business risks

Strate has implemented a comprehensive Risk Management Framework that is reviewed and updated regularly. General business risks are identified through ongoing assessments at all levels of the organisation. These risks include strategic, business environment, product, corporate citizenship, reputation, business performance and third-party management risks. The framework ensures that both known and emerging risks are assessed and addressed in a timely manner.

Monitoring and oversight

Executive management and the Audit and Risk Committee are responsible for monitoring and managing business risks. Key risk indicators (KRIs) are tracked against early-warning thresholds, and risk assessments include ongoing monitoring of cash flows and capital adequacy. Strate conducts annual evaluations of its financial resilience and going concern status to ensure it can meet its obligations under a range of scenarios.

Liquid net assets and capital adequacy

Strate maintains liquid net assets funded by equity, with a minimum reserve in line with its regulatory capital considerations. The calculation of required reserves considers Strate's risk profile, statutory requirements and potential business and credit risk exposures. In stress scenarios, Strate has modelled the ability to sustain operations for up to 18 months with a significant reduction in revenue, ensuring long-term business sustainability.

Recovery and wind-down planning

A formal Recovery Plan has been developed and approved by the Board, in line with regulatory requirements. This plan is reviewed and updated as needed to address structural weaknesses and evolving market conditions. Strate's infrastructure is owned outright, and cash reserves are set aside to support continued operations or an orderly wind-down if necessary. The plan includes austerity measures and the ability to seek additional funding from shareholders or adjust pricing if required. The plan is currently being updated to align with the draft Joint Standard – Minimum Requirements for the Recovery Plans of Market Infrastructures.

Asset quality and liquidity

Strate's Investment Policy requires that reserve funds be held primarily in cash or near-cash assets, diversified across multiple banks to minimise risk. These assets are highly liquid and can be accessed within 24 hours, ensuring the ability to meet operating expenses even in adverse market conditions. The quality and liquidity of these assets are reviewed quarterly by the Audit and Risk Committee.

Raising additional equity

Should equity fall close to or below required levels, Strate's Memorandum of Incorporation allows for a capital call on shareholders, and the company has the authority to borrow from third parties if needed (pending shareholder approval). The Audit and Risk Committee and Board review the capital structure and reserve levels regularly, and key risk indicators provide early warning of any required remediation.

Governance and public transparency

The Board and Audit and Risk Committee oversee the risk management and capital adequacy processes. Strate's financial position is reviewed annually by regulators to ensure ongoing compliance with licensing requirements. While not all internal details are publicly available, Strate is transparent about its approach to managing general business risk, maintaining adequate reserves and planning for recovery or wind-down, in line with PFMI Principle 15 and the disclosure framework.

Principle 16: Custody and investment risks

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

Safeguarding of assets and custodian selection

Strate safeguards its own assets by holding cash assets with registered South African banks, in accordance with a formal Investment Policy. This policy governs the distribution of funds and limits exposure to any single counterparty, with a maximum of 40% exposure to any one institution, including both direct holdings and indirect exposures through money market funds. Only qualifying institutions in the South African market may be used. If Strate were to hold securities, these would be held by approved Participants, who are subject to supervisory oversight by Strate Supervision. Strate currently has three wholly owned subsidiaries, and their share registers have been dematerialised and held in an SDA with an authorised CSD Participant.

Oversight and internal controls

South African banks are prudentially regulated by the SARB, and Strate Supervision oversees Participants for compliance and internal controls. Strate verifies that these entities have robust accounting practices, safekeeping procedures and internal controls to fully protect its own assets and those of its Participants.

Segregation and access to assets

Strate's assets are segregated and clearly distinguishable from those of Participants, in line with the Strate Rules. The Investment Policy requires diversification across multiple institutions to mitigate the risk of loss if a bank fails. Strate favours custody arrangements where its assets are clearly segregated from those of Participants and other clients and ensures that it would have prompt access to its assets if required.

Concentration risk and exposure management

The Investment Policy requires that cash assets be distributed across a number of institutions. The policy is reviewed annually by management, with updates approved by the Audit and Risk Committee and Board. This approach ensures that even if a portion of Strate's funds were to be trapped in a failing bank, the remaining funds would be sufficient to continue operations without negative impact.

Investment strategy and asset quality

All assets must be held with entities carrying a minimum rating from a recognised agency, and speculative assets are not permitted. Strate's investments are limited to cash or near-cash assets, ensuring quick access and liquidity. The policy requires a mix of demand and short- to medium-term assets to avoid concentration risk and allow for rapid liquidation with minimal price impact. The Investment Policy is reviewed annually to ensure ongoing alignment with risk management objectives.

Principle 17: Operational risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

Operational Risk Management Framework

Strate has developed and implemented a comprehensive Risk Management Framework that is reviewed annually by management, with adjustments approved by the Audit and Risk Committee. The framework assigns clear duties and responsibilities for risk management at all staff levels and is supported by formal risk and control assessments across all business processes. Four core committees – the Incident and Change Committee (ICC), Cyber and Data Security Committee (CDSC), Procurement Committee (PC) and Change Steering Committee – oversee operational risk management, information security and third-party risk, respectively. Escalations are made to the respective operational and executive committees where relevant.

Identification and monitoring of operational risks

Operational risks identified by Strate include information technology, process implementation and management, human resources, fraud and project risks. The organisation also focuses on business disruption, legal and regulatory compliance, safeguarding of assets, communication and cyber risks. Regular business continuity and disaster recovery testing is conducted to ensure resilience and address single points of failure. All risks are assessed for their impact and managed with appropriate mitigation measures.

Policies, controls and assurance

Strate's Risk Management Policy and Framework, based on ISO 31000, are supported by an Operational Resilience Policy (aligned with Basel Committee principles), a Cyber Risk Management Policy (aligned with National Institute of Standards and Technology [NIST] and local regulatory standards), and a Sourcing, Procurement and Third-party Management Framework. Integrated assurance is provided through internal and external audits, an internal process assurance function, and oversight by the ICC, CDSC and PC. Segregation of duties and logical access controls are enforced across all business units.

Human resources and fraud prevention

Strate's human resources policies focus on hiring, training and retaining qualified personnel, with risk-based recruitment, ongoing training and retention incentives. Segregation of duties, conflict of interest policies and a Malus and Clawback Policy help mitigate fraud and key-person risk. Staff turnover is monitored and reported to the relevant Board committee.

Change and project management

Change management and project management policies are designed to minimise operational disruption. Strate uses the PRINCE2 methodology for projects and a hybrid ADKAR approach for change management. The ICC oversees all system changes, with formal documentation, root cause analysis, and post-implementation reviews. All changes are tracked in an auditable system, and project governance includes regular reporting and close-out procedures.

Board oversight and review

The Board is responsible for the total process of risk management, with the Audit and Risk Committee overseeing integration and monitoring. The Risk Management Policy and Framework are reviewed annually and quarterly reports on top risks and opportunities are tabled at the Audit and Risk Committee and Board. Internal and external audits, as well as biannual system and policy testing with Participants, ensure ongoing effectiveness.

Operational reliability and capacity

Operational reliability objectives are documented in performance metrics reviewed by the Board. System uptime and service levels are monitored, and regular stakeholder surveys are conducted. The ICC monitors system scalability and capacity weekly, with automated alerts and IT governance reporting to the Audit and Risk Committee. Capacity constraints are managed proactively with real-time monitoring tools.

Physical and information security

Strate maintains a comprehensive Information Security Management System, overseen by the CDSC, and aligned with international and local standards (e.g. ISO/IEC 19770, NIST, Joint Standards). Physical security includes access controls, biometric scanning, CCTV and environmental monitoring. Information security controls include data encryption, port monitoring, segregation of duties and 24/7 network monitoring by a security operations centre.

Business continuity and disaster recovery

Strate's business continuity plan includes defined recovery time and point objectives, regular testing and coordination with market stakeholders. The plan incorporates the use of geographically separated secondary and tertiary sites, with automated failover and satellite communication capabilities. Manual procedures are documented for extreme circumstances, and regular simulation exercises are conducted with Participants and external parties.

Third-party and interdependency risk

Risks from key Participants, FMIs and service providers are identified and managed through business continuity planning and regular testing. Outsourced services are monitored, and contingency plans are in place for transitions. Strate coordinates its business continuity arrangements with other FMIs and stakeholders, maintaining a Market Calendar for resilience testing and ensuring connectivity for other FMIs' and Participants' annual disaster recovery exercises.

Principle 18: Access and participation requirements

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

Participation criteria and fair access

Strate's participation entry criteria are prescribed by the FMA and the Strate Rules, which are approved by the FSCA. These criteria are designed to ensure fair and open access to the FMI and are detailed in section 3.2 of the Strate Rules as well as in Directives SA.1 and SA.2. Entry requirements cover financial soundness, technology, internal controls, risk management, anti-bribery and anti-money laundering policies, disaster recovery, business continuity, insurance and staff competencies. Any entity that meets these criteria may apply to become a Participant.

Risk-based and proportionate requirements

All participation requirements are risk-based and tailored to the specific risks of the FMI and the markets it serves. The criteria are aligned with the objectives of the FMA, which include promoting global competitiveness, reducing systemic risk and ensuring fair, open and transparent markets. While all Participants are subject to the same core requirements, certain additional requirements may apply to specific types of entities, such as non-bank Participants, which must appoint a sponsoring settling bank. The rationale for any differences is based on the nature of the activities performed by the entity.

Review and disclosure of access requirements

Strate's Rules and Directives, including access restrictions and participation requirements, are reviewed at least biannually and may be amended as necessary. Any party may propose changes to the Rules or Directives. All participation criteria and restrictions are publicly disclosed on Strate's website, and Strate engages with applicants to explain requirements. The Strate Academy provides training and materials on participation criteria.

Ongoing compliance and enhanced surveillance

Strate operates as a self-regulatory organisation and has a dedicated division, Strate Supervision, to monitor ongoing compliance with participation requirements. Compliance is monitored using a variety of information sources and is reported to the Regulatory and Supervisory Committee and the FSCA. Strate has a detailed Supervisory and Regulatory Framework, which allows for enhanced surveillance and the imposition of additional controls or sanctions if a Participant's risk profile deteriorates. Sanctions may include suspension, termination, fines, restrictions, onsite reviews and audits.

Suspension and orderly exit procedures

Strate's Board may suspend or terminate participation if requirements are breached. The Strate Rules provide detailed procedures for the orderly wind-down of a Participant, and a Participant Failure Manual is in place to manage operational aspects in the event of insolvency. These procedures are publicly disclosed via the Strate Rules and Directives on the website, and the Participant Failure Manual is made available to appropriate parties.

Principle 19: Tiered participation arrangements

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

Structure of tiered participation

Strate operates a model where clients of Participants are bound by the Strate Rules and Directives but cannot interact directly with Strate; they must do so via their appointed Participant. There are three main recognition levels in the Strate environment: Participants, FSCA-approved nominees and brokers, each regulated according to their activities. The relevant Directives (SA.1, SA.2 and SA.7) set out the requirements and recognition processes for these entities.

Information gathering and monitoring

Strate collects detailed information about indirect participation through Beneficial Interest Register (BIR) files submitted weekly by CSD Participants and nominees. This data provides insight into ownership records and helps identify concentration risks. Additional information is gathered through the Supervision fines process and onsite reviews, which include an assessment of Participants' client due diligence and risk profiling processes. Indirect client information is also collected through various directives.

Risk evaluation and management

Strate monitors the impact that indirect clients could have on their appointed CSD Participants and the market as a whole, focusing on concentration risks and the capacity of Participants to manage their client base. The CSD Operations team can identify undesirable client behaviour that could jeopardise settlement, and past insights have led to changes in market processes. Supervision conducts onsite reviews to understand Participants' client management and risk controls. While no material risks have been identified to date, ongoing monitoring is in place, and new risks such as cybersecurity threats and messaging system concentration are considered. For example, Strate has implemented the Afriverse™ as an alternative to SWIFT.

Dependencies and market engagement

Material dependencies between direct and indirect participants are identified through market engagement and operational workshops, especially when changes to operating models or timelines are proposed. Disaster recovery and business continuity planning are tested regularly, and compliance with recovery objectives is monitored. Direct engagement with clients of CSD Participants is sometimes undertaken for major system implementations.

Ongoing review and mitigation

Strate regularly reviews its Rules and procedures to address risks from tiered participation arrangements, with at least annual reviews in collaboration with CSD Participants. The frameworks and policies are updated as the market evolves to address new risks. Key risk indicators (KRIs) are monitored monthly, and risk appetite is defined to allow proactive mitigation. Any disruptions or client-related issues are addressed directly with the relevant CSD Participant, and follow-up actions are taken as needed. Management forums discuss KRIs to ensure appropriate attention and risk reduction.

Principle 20: FMI links

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

Risk identification and assessment for FMI links

Strate applies a comprehensive Risk Management Framework and Policy to identify, monitor and manage all potential sources of risk, including business, financial, legal, compliance and operational risks, before entering into any FMI link arrangement. A stringent Change Management Framework ensures that risk assessments are completed before any new link is approved.

Established links and ongoing risk management

Strate has established a direct link as an investor CSD with Euroclear Bank SA/NV (issuer CSD). Risks associated with this link are managed through the Risk Management Framework, with regular reporting to the Audit and Risk Committee and the Board. The link arrangement is subject to governance and assurance approvals, and ongoing risk assessments – including legal and compliance reviews – are performed, with annual audit assurance.

Legal basis and jurisdictional protections

The legal framework supporting the link with Euroclear Bank SA/NV is based on Belgian law, including several key statutes relevant to securities held in the Euroclear System. Strate's in-house legal team conducts initial legal assessments and seeks external legal opinions as needed. Legal opinions are mandatory before a new link is established, and changes in relevant jurisdictions are monitored for impact.

Credit and liquidity risk management

No credit arrangements exist between Strate and Euroclear Bank, so there is no need for collateral or credit limits in this context.

Finality and asset protection

Provisional transfers of securities are not enabled through the link, ensuring that only final transfers occur. Before establishing the link, Strate analysed the relevant laws to ensure a high level of protection for Participant rights. Daily automated reconciliations are performed between Strate's internal systems and the custody account at Euroclear Bank, with exception reports generated for any differences. Strate's systems segregate each Participant's holdings, and all imbalances must be reconciled within 24 hours, with Strate's records prevailing in the event of a discrepancy.

No use of intermediaries

Strate does not use intermediaries to operate its link with Euroclear Bank, so additional risks associated with intermediaries do not apply.

IT scalability and reliability

Strate monitors IT resource utilisation across all core systems using tools such as Zabbix and Datadog. Biannual reviews correlate trade and message volumes with IT resource usage to ensure sufficient capacity for future peak volumes. Usage reporting is submitted quarterly to the Operations Committee and the Audit and Risk Committee.

Principle 21: Efficiency and effectiveness

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

Design to meet market needs

Strate adopts a consultative approach to ensure its systems, services and technologies are aligned with the needs of its Participants and the markets it serves. Market solutions are workshopped, debated and signed off by all affected stakeholders before development begins. The Strate Working Committee and the Strate Corporate Actions Working Committee, which include representatives from Participants, exchanges, transfer secretaries and lending desks, provide a collaborative platform for operating model design, directive amendments, messaging standards and timelines. The CSD Council enables engagement with the broader CSD ecosystem, and project-specific workshops and steering committees are scheduled as needed. For new initiatives, such as the Trade Repository, Strate forms working groups with technical and business representation from regulators and market participants.

Ongoing assessment of Participant needs

Strate maintains proactive client engagement through regular one-on-one meetings, executive sessions (such as the Strate Nexus initiative), and participation in the CSDP Forum and other market committees. The CSD Council, chaired by the CEO and attended by heads of all CSD Participants, meets three times a year to discuss strategic matters. Regular client engagement and satisfaction surveys are conducted to evaluate the effectiveness of Strate's engagement and to ensure that evolving market needs are met.

Goals, objectives and performance measurement

Strate's goals and objectives are aligned with the FMA and are monitored by the FSCA and PA. The organisation's five strategic imperatives – operational excellence and resilience, high-quality engaged talent, stakeholder focus, FMI design and create, and FMI digital adoption and scale – are translated into measurable objectives. These are captured in an annual corporate scorecard, which is reviewed and approved by the Board and tracked monthly by the Operations Committee and Executive Committee. Progress is reported quarterly to the Board, through the CEO Report, and biannually to the REMNOMSEC and the Board. Achievements are measured using predetermined criteria, including financial ratios, surveys and monitoring tools, and are reported in the CEO's regular updates to the Board.

Regular review of efficiency and effectiveness

Strate's efficiency and effectiveness are evaluated on an ongoing basis using clearly defined metrics. The CSD and TR Operational Committees meet monthly to track operational matters and new business initiatives. The Change Steering Committee monitors deliverables under the Strate Market Calendar and all in-flight projects. Reporting on these processes and metrics is provided to REMNOMSEC, the Audit and Risk Committee, and the Board during regular cycles. Depending on the objective, evaluation may occur intraday (e.g. for settlement objectives) or monthly (e.g. for financial obligations), with Board and committee reporting taking place quarterly, half-yearly and annually as appropriate.

Principle 22: Communication procedures and standards

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

Use of internationally accepted communication procedures

Strate supports and uses internationally accepted communication procedures to ensure secure, efficient and resilient connectivity with its Participants and stakeholders. The primary communication procedures include SWIFT (with full support for SwiftNet, Alliance Access and Alliance Gateway infrastructure) and the Afriverse™, a protocol-independent platform tailored for the African financial ecosystem. SWIFT is a globally recognised standard for secure financial messaging, and the Afriverse™ provides authenticated, encrypted communication with multiple integration options (API, MQ, MFT, Web UI) and advanced security features. All communication channels operate within closed user group rules and are subject to robust authentication and security protocols.

Cross-border operations and interoperability

For cross-border operations, Strate leverages international platforms such as Clearstream's Collateral Platform, Euroclear's EasyWay and Euroclear's Funds Platform. These arrangements allow Strate to support local collateral management, cross-border removals and fund processing while maintaining settlement and custody within its infrastructure. Strate employs internationally accepted communication procedures and standards (SWIFT and Afriverse™) for these operations, ensuring interoperability with global standards and secure, efficient communication with foreign platforms.

Adoption of international communication standards

System communications at Strate are conducted using authenticated messaging based on ISO 15022 and ISO 20022 standards for equities, bonds and money market instruments. These standards are recognised globally and ensure that Strate's systems are interoperable with international financial market infrastructures.

Translation and conversion for non-standard formats

In rare cases where message formats differ between international and domestic systems, Strate uses Incentage software as integration and messaging middleware. This solution enables bidirectional translation between ISO 15022 and ISO 20022, message transformation and routing, and validation and enrichment of message content. This ensures seamless interoperability and compliance with both international and local standards.

Principle 23: Disclosure of rules, key procedures, and market data

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key.

Comprehensive disclosure of Rules and procedures should be publicly disclosed

Strate's Rules and procedures are fully described in the Strate Rules, Directives, Regulatory Framework and Supervisory Framework. The Strate Rules and Directives are published on the company's website and in the official Government Gazette. Additional documents, such as interface specifications, procedure manuals and service level agreements, are disclosed to appropriate audiences through secure channels, meetings and workshops.

Clarity and review of Rules

All Rules and procedures undergo a formal review process with market stakeholders before being submitted to the Regulatory and Supervisory Committee and the Board for approval. The FSCA then publishes the draft Rules for public comment before final approval. Any ambiguity or lack of clarity is addressed through regular reviews by the Legal team or Directive owners. The review process allows for ad hoc amendments to published documents, with reasons for changes detailed in explanatory memoranda.

Procedures for non-routine events

The Strate Rules include provisions for non-routine but foreseeable events, such as Participant default, crisis management and loss-sharing. Directives address disaster recovery, business continuity, and operational window extensions. The Participant Failure Manual and other Directives specify procedures for exceptional circumstances, and operational events are reviewed to adapt processes as needed.

Change management and public disclosure

Drafts of new or amended Rules and Directives are disclosed to Participants and stakeholders via workshops, committees and forums. All parties are invited to provide input before approval. Training and materials are available to Participants. All Strate Rules and Directives are publicly available on the Strate website, and fee schedules are distributed to stakeholders as appropriate.

System design, rights and obligations

The Strate Rules and Directives provide clear descriptions of system operations, Participant obligations and, where applicable, rights and risks. Fees are published annually, and business requirement specifications and system interface documentation are provided for new and existing products. Stakeholders receive full documentation to interface with Strate, and national legal procedures allow them to exercise their rights.

Facilitating Participant understanding

Strate offers training, exams and ongoing education for compliance officers and market participants. Understanding is monitored through compliance supervision, exam results and regular engagement. Remedial actions, such as training or support, are provided for Participants who demonstrate a lack of understanding, and non-conformity may result in fines or further engagement.

Disclosure of fees and service descriptions

All fees and costs are disclosed in relevant fee schedules, which are available to stakeholders on request. Proposed fee structures and amendments are discussed with various market participants prior to approval and implementation. Service descriptions are included in fee schedules to aid understanding, though there is currently no competing FMI in the South African market for direct comparison. Technology and communication procedures are disclosed as relevant.

Regular disclosure and market data

Strate completes and publicly discloses responses to the CPMI-IOSCO Disclosure Framework at least every two years or following material changes. Quantitative information such as Rules, Directives, fee schedules, operational manuals and settlement statistics is published or distributed as appropriate. Additional information, such as thought leadership articles and new product offerings, is shared through various media, primarily in English.

Principle 24: Disclosure of market data by trade repositories

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

Provision of data to authorities and the public

At present, Strate's TR is not yet operational, and therefore no market data is currently made available to relevant authorities or the public. The TR is expected to become operational in the first half of 2027. Once live, the TR will be required to provide timely and accurate data in line with regulatory and industry expectations, supporting market transparency and public policy objectives.

Processes and procedures for data provision

As the TR is not yet operational, there are currently no processes or procedures in place for providing data to relevant authorities. When the TR becomes active, it will be necessary to establish robust processes to ensure data is provided in a timely and appropriate manner, enabling authorities to meet their regulatory mandates and legal responsibilities. These processes will need to be supported by appropriate legal, procedural, operational and technological frameworks.

Information systems and data quality

Since the TR is not yet live, there are no information systems currently in place for the provision of accurate current and historical data. Once operational, the TR will be expected to implement robust information systems to ensure data accuracy and provide data in formats that are accessible, comparable and easily analysed by both authorities and the public.

4. List of publicly available resources

This section lists publicly available resources, including those referenced in the disclosure, that may help a reader understand the FMI and its approach to observing each applicable principle.

https://www.strate.co.za/wp-content/uploads/2021/08/Strate-Rules-August-2021.pdf
https://www.strate.co.za/strate-directives/

5. Appendix 1

Principles not applicable to Strate

Principle 5: Collateral

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

Principle 6: Margin

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

Principle 10: Physical deliveries

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

Principle 14: Segregation and portability

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

Principle 24: Disclosure of market data by trade repositories

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

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