Directive of Strate (Pty) Ltd

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Strate Directive SC.7

Operational Market Windows – Unlisted – Equities

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To provide for the procedure for the settlement of transactions in respect of unlisted equities held in uncertificated form in the Strate environment

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1. Interpretation and Definitions

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

2. General

2.1 The following are the basic considerations and assumptions on which the operational timings are based:

2.1.1 The timings are with respect to the Strate System;

2.1.2 For all incoming messages, it is 'Received Time' by the Strate System;

2.1.3 For all outgoing messages, it is 'Sent Time' by the Strate System; and

2.1.4 For internal processing, it is 'Processing Time' by the Strate System.

2.2 The matching criteria for all Unlisted transactions (all Client types) consists of first and second level matching.

2.2.1 The first level matching is:

- ISIN
- Settlement type (RVP/DVP/RFP/DFP) Securities Quantity
- Trade Date
- Settlement Date
- Trading Party's/Counterparty's Client Securities Account Number
- Trading Party's/Counterparty's Participants' BP ID

2.2.2 The second level matching is:

- Client type
- Consideration/Rand Amount (for tolerance level, see section 5 of this Strate Directive)
- Taxable Indicator

2.3 The Strate System BOD is run from 03h00. Strate informs Participants and Business Partners where there is a change in the timing of the BOD process.

2.4 The start time of SAMOS is not controlled by the Strate System or Strate. Accordingly, the rest of the settlement and system activities are shifted or compressed based on the start time of SAMOS.

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2.5 The Strate System EOD is at 19h00. Should an Exchange or a Participant require the parameter to be moved beyond 19h00, the requestor needs to inform Strate in writing by no later than 17h30.

2.6 A Participant must reconcile its Securities' positions in the Strate System. For this purpose, the Strate System generates a statement of holdings message at 18h00 on a daily basis or only on such days when there has been a change in Securities positions in a Central Securities Account, as required by the Participant, and sends it to Participants. In case of any discrepancies, a Participant is required to request the audit trail details by requesting a statement of transactions message.

3. Unlisted Transactions

3.1 The client type for an Unlisted Transaction is "00".

3.2 All free of payment and against payment Unlisted Transactions must conform to a minimum T+0 and a maximum T+3 settlement cycle.

3.3 An Unlisted Transaction must be reported by the seller and purchaser of Unlisted Securities to the relevant Participant. The settlement cycle is determined by the buyer and seller, taking into consideration the minimum and maximum settlement cycles detailed in 3.2 above.

3.4 The Participant must report the Unlisted Transaction to Strate on a Business Day between 07h00 and 18h00.

3.5 The cut-off time for transaction reporting, matching and commitment of against payment Unlisted Transactions is 14h00 on S.

3.6 The cut-off time for transaction reporting, matching and commitment of free of payment Unlisted Transactions is 18h00 on S.

3.7 In the event that a Participant receives an Unlisted Transaction instruction after the cut-off for reporting transactions to Strate, or the transaction does not match by the cut-off, the Participant may facilitate the settlement process by reporting the Unlisted Transaction instruction to Strate for the next available settlement date. This facilitation process may continue for a maximum of 9 (nine) Business Days after the trade date of the original instruction, after which it must be cancelled. The actual settlement cycle including the facilitation process may not exceed T+9. A Participant is not permitted to amend the trade date of the original instruction.

3.8 A Back-to-Back Link to a committed transaction must be in place by 18h00 on S-1. A Back-to-Back Link is permitted on S, subject to permission being granted from Strate Settlement Services. If a Back-to-Back Link or Dependency Link is created for an uncommitted transaction, it must conform to the commit cut-off applicable to each linked transaction.

3.9 A Participant may un-commit to an Unlisted Transaction.

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3.10 In the event a Participant intends to un-commit to an Unlisted Transaction in 'Ready for Settlement' status:

a. the requesting Participant must send a written request to Strate Settlement Services and the counterparty Participant;

b. the counterparty Participant must send a written acceptance of the request to Strate Settlement Services; and

c. Strate Settlement Services reviews both the request and the acceptance and where Strate Settlement Services has determined that there is no potential market risk, Strate Settlement Services may open the un-commit window upon receipt of a telephonic request from the Participant for a maximum of 30 (thirty) minutes and permit the requesting Participant to un-commit.

3.11 The Unlisted Transaction capture facility allows for referencing of the ultimate buyer and seller and a Participant must enter its Client's Securities Account number when capturing.

3.12 All internal Unlisted Transactions, where the Participant is settling both legs of the transactions, must be reported to Strate.

3.13 An instruction booked incorrectly to Strate must be cancelled or corrected and not left to fail in the system. A cancellation of an un-committed transaction is permitted until S.

3.14 Only a proper failed transaction is allowed to fail in Strate. A proper failed transaction refers to:

3.14.1 A transaction that is reported against a counterparty who does not match the transaction;

3.14.2 A transaction that is reported but is short of Securities; or

3.14.3 Settlement is not funded during the specified payment window.

3.15 A Participant must check the status of its own transactions by monitoring its status intimations.

3.16 The 'Query Facility' in CMFE available to a Participant must be utilised to monitor its own transactions and check the transactions reported against it.

3.17 Payment runs are initiated by Strate as required. The first payment run is initiated once the first SAMOS settlement window has been opened (at 07h30) and the last payment run is initiated prior to 15h00. A participants must instruct its Settlement bank to fund the applicable SAMOS account by 09h00 on S for the first payment run, and within 30 (thirty) minutes of its receipt of the payment advice from Strate for subsequent payment runs.

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4. Corporate Action Transactions

The Corporate Actions covered by this section of the Directive include, but are not restricted to, all offers and excess rights allocations.

4.1 A minimum T+1 settlement cycle is required for reporting a Corporate Action transaction between a Participant and Strate or a Participant and the Issuer. The client type for a Corporate Action transaction is “23”.

4.2 A Participant must report to Strate and match a Corporate Action transaction by 15h00 on S-1.

4.3 Other than as provided for in 4.4, a Participant must commit to a Corporate Action transaction by 17h00 on S-1.

4.4 A Corporate Action transaction may be committed to by the Participant of the Issuer on a same-day basis and in terms of the following parameters:

4.4.1 For a free of payment transaction, committed to by 18h00 on S; and

4.4.2 For a transaction involving payment, committed to by 14h00 on S.

4.5 All internal Corporate Action transactions, where the Participant is settling both legs of the transaction, must be reported to Strate.

4.6 A new issue of securities is handled on the basis of DvP and RvP orders that are captured by the Participant of the Issuer, and the creation of the opposite leg by the counterparty Participant. The Client type for a new issue transaction is “23”.

5. Tolerance Level

In order to facilitate and ensure that settlement is effected, the Controlling Body of Strate has approved an acceptable tolerance level on the matching criteria of all Off-market transactions, namely that:

5.1 The Strate System tolerance level applicable to Unlisted Transactions involving payment, is R50.

5.2 Strate together with the Participants shall determine, monitor and from time to time may revise Strate System tolerance level for Unlisted Transactions. Any changes in terms hereof shall be notified to Participants.

5.3 The matching process is deemed successful if by using the RvP’s Rand amount as a base, the consideration matches with a DvP figure that is within the agreed Strate System tolerance level.

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6. Account Transfers

6.1 Same Day Settlement of an Account Transfer, between Participants and internally involving a single Participant, is permitted. The Client type for an Account Transfer is “30”.

6.2 Subject to 6.4 below, an Account Transfer must be reported to Strate, matched, and committed by 18h00 on S.

6.3 An Account Transfer is permitted provided that there is no change in beneficial ownership.

6.4 An Account Transfer is permitted on Record Date (RD) provided it is within the same CSA. The transaction must be matched and committed to by 18h00 on RD. A Participant must have evaluated, and assumes responsibility for, any potential Corporate Action implications.

6.5 Same Day Settlement of an Account Transfer, between Participants and between Central Securities Accounts when the transfer involves a single Participant, is not permitted on RD for Securities where there is a pending Corporate Event, except as provided in section 8 of this Strate Directive.

6.6 A Participant must process an Account Transfer with the free of payment Settlement type (RFP/DFP).

7. Portfolio Movements

7.1 Same Day Settlement of a Portfolio Movement, between Participants and internally involving a single Participant, is permitted. The Client type for a Portfolio Movement is “31”.

7.2 Subject to 7.5 below, a Portfolio Movement must be reported to Strate, matched and committed by 18h00 on S.

7.3 A Portfolio Movement is permitted provided that there is no change in beneficial ownership.

7.4 A Portfolio Movement is permitted on Record Date (RD) provided it is within the same CSA. The transaction must be matched and committed to by 18h00 on RD. A Participant must have evaluated, and assumes responsibility for, any potential Corporate Action implications.

7.5 Same Day Settlement of a Portfolio Movement, between Participants and between Central Securities Accounts where the transfer involves a single Participant, is not permitted on Record Date (RD) for Securities where there is a pending Corporate Event, except as provided in section 8 of this Strate Directive.

7.6 A Participant must process a Portfolio Movement with the free of payment Settlement type (RFP/DFP).

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8. Same Day Settlement

8.1 Same Day Settlement may be allowed at the discretion of Strate if:

8.1.1 the request for the Same Day Settlement has been sent electronically by the Participant to SettlementServices@Strate.co.za:

8.1.1.1 before 13h00 for a transaction involving payment, in order to allow sufficient time for consideration, approval and processing before the final SAMOS payment run; and

8.1.1.2 before 18h00 for a free of payment transaction.

8.1.2 on Record Date for Securities where there is a pending Corporate Event, the request for Same Day Settlement has been sent electronically by the Participant or Securities Lending Business Partner to SettlementServices@strate.co.za (the Securities Lending Business Partner must copy the relevant Participant via email) and the transaction is reported to Strate and matched by 09h00 and the Participant commits by 10h00;

8.1.3 Same Day Settlement of a Securities Lending and Borrowing Transaction, Securities Lending and Borrowing Return Transaction, Collateral Transaction or a Collateral Return Transaction reported after 09h00 on Record Date for Securities where there is a pending Corporate Event, adhere to this directive and are subject to submission of an electronic request to SettlementServices@strate.co.za; and

8.1.4 prior electronic approval is obtained from Strate Settlement Services and Strate Corporate Actions.

8.2 Where a Same Day Settlement has been allowed, the instruction must be reported to Strate, matched and committed by the Participant by 14h00 on Settlement date. For Securities on Record Date, a transaction must be reported to Strate, matched and committed by the Participant by 10h00.

8.3 A Same Day Settlement transaction may be linked via Back-to-Back functionality, subject to a request being sent electronically to SettlementServices@strate.co.za.

8.4 Prior to requesting authority for a Same Day Settlement, a Participant must have evaluated, and assumed responsibility for, the potential Corporate Action implications resulting from a Same Day Settlement. A Participant must communicate its intention to conclude a Same Day Settlement to Strate Corporate Actions via telephone and followed up by email confirmation to corporateactions@strate.co.za.

8.5 Where a Same Day Settlement has been allowed in terms of this Strate Directive, it does not attract a fine as stipulated in the relevant fine Directive, but a same day administration fee is levied.

8.6 A Same Day Settlement that has been allowed in terms of this Strate Directive will not adversely affect the performance evaluation of the Participant by Strate Supervision.

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