



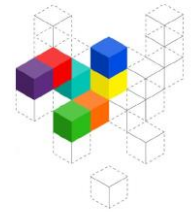
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PROPOSED RULES OF STRATE (PTY) LTD

(Registration Number 1998/022242/07)



GENERAL EXPLANATORY NOTE:

[]

Words in bold type in square brackets indicate omissions or deletions from the existing Strate Rules.

Words underlined with a solid line indicate insertions in the existing Strate Rules

The main purpose of these proposed Strate Rules is to consolidate Strate Rules dealing with bond Securities and Money Market Securities, in relation to the Debt Instruments Solution (DIS) project. As a result, sections 6 and 7 of the Strate Rules will be consolidated and renamed as “ACCOUNTS” and “SETTLEMENT” respectively. It is proposed that the provisions dealing with Central Securities Accounts and the Uncertificated Securities Register be consolidated, as a result of the convergence of the bond Securities and Money Market Securities systems and operational procedures.

The provisions dealing with equity Securities Subregisters, Segregated Depository Accounts and SDA Register will remain applicable.

Other amendments not related to the DIS project are also being proposed, as per the explanatory memoranda inserted throughout this document.

For ease of reference, the existing Strate Rules 6 and 7 that are being consolidated have been included at the end of this document (See Appendix 1).

Editorial changes:

1. It is further proposed that various editorial changes (which are self-explanatory) be made to the following Strate Rules as indicated in the text below:

3.2.2.2, 3.12.1, 3.13.1.5, 5.1.1.1, 5.1.6, 5.8.4.3, 5.8.8.1, 8.3.2.5, 11.4, 11.5.1, 11.5.13, 12.9.4, 14, 16.2.2, 16.4.1 and 16.6.1.2.
2. It is further proposed that the word “shall” be replaced with the word “must” or “will”, where it is appropriate throughout the Strate Rules.
3. It is further proposed that Strate Rules be amended to reflect modern punctuation by the substituting of a “dash” (i.e. “-” and “—”) wherever it occurs in the definitions, for a “colon” (i.e. “:”).



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1 INTERPRETATION AND DEFINITIONS

...

Definitions

1.2 In the Strate Rules, unless the context otherwise requires or indicates: [–]

‘Authenticated Instruction’ means any instruction sent or received through the **[SAFIRES system or other Settlement system being used by Strate]** Strate System;

Explanatory Memorandum:

It is proposed that the definition of “Authenticated Instruction” be amended by replacing the words “SAFIRES system or other Settlement system” with the term “Strate System” as per the proposed definition of “Strate System” below.

['Authorising Instruction' means a separate written instruction given by a Client to a Participant in respect of every Entry to be effected by the Participant on behalf of the Client in that Client's Securities Account;]

['BEE Instruction' means, for BEE Securities, a separate written instruction given by a Client to a Participant in respect of every Entry to be effected by the Participant on behalf of the Client in that Client's Securities Account, in accordance with the BEE Contract or upon the BEE Verification of that Client, subject to the manner of verification specified in the relevant BEE Ownership Scheme;]

Explanatory Memorandum:

It is proposed that the definitions of “Authorising Instruction” and “BEE Instruction” be deleted and consolidated in a proposed definition of “Client Instruction”. The proposed definition of “Client Instruction” seeks to simplify and consolidate the separate provisions relating to Client instructions by referring to a single term, “Client Instruction”.

['Beneficiary Download' means the disclosure of information on Securities holdings, as prescribed by Strate Directive;]

Explanatory Memorandum:

It is proposed that the definition of “Beneficiary Download” be deleted as it is no longer required or no longer used in the Strate Rules. It will be dealt with in Strate Directive.

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

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

**Explanatory Memorandum:**

It is proposed that a definition of “Client Instruction” be inserted to consolidate all the terms or definitions relating to Client instructions, namely: “Authorising Instruction”, “BEE Instruction” and “Standing Instruction”. The proposed definition of “Client Instruction” seeks to simplify the Strate Rules relating to Client instructions. In line with the continued advances in various communication mechanisms, Strate is not concerned with the form or content of the Client Instruction, as long as the Participant can show that it is authorised by the Client to act in a particular transaction.

‘Debit Balance’ means a negative balance in a Securities Account or Central Securities Account [maintained by a Participant];

Explanatory Memorandum:

It is proposed that the definition of “Debit Balance” be amended by inserting the term “Central Securities Account”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.

[‘Directive’ means depository directive, which means a directive issued by Strate in accordance with the Strate Rules;]

Explanatory Memorandum:

It is proposed that the definition of “Directive” be deleted and replaced with the proposed term and definition of “Strate Directive” below.

‘Eligible Securities’ means Uncertificated Securities or Immobilised Securities which Strate permits to be Deposited and held in a Central Securities Account [, **or in the case of Money Market Securities, to be held in the Securities Ownership Register];**

Explanatory Memorandum:

It is proposed that the definition of “Eligible Securities” be amended by inserting the word “Deposited” in line with Strate Rule 6.1 dealing with the Deposit of Eligible Securities. It is further proposed that reference to “Money Market Securities” and “Securities Ownership Register” be deleted in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.

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

Explanatory Memorandum:

It is proposed that the definition of “ETME” as contained in Rule 7 dealing with Money Market Securities be moved from section 7 to section 1, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.

[‘Guaranteed Transaction’ means a trade in Securities which is concluded through an Exchange trading system and which is guaranteed in terms of the rules and directives of such Exchange;]

Explanatory Memorandum:

It is proposed that the definition of “Guaranteed Transaction” be deleted as it is no longer required or no longer used in the Strate Rules.

‘Immobilisation’ means the process of Depositing certificates or documents of title in respect of certificated Securities with Strate or **[its wholly owned subsidiary]** a Nominee owned, controlled or administered by



Strate, and the recording of the ownership **[in] of** such Securities in a Securities Account or Central Securities Account;

Explanatory Memorandum:

It is proposed that the definition of “Immobilisation” be amended by inserting the word “Central Securities Account”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. The definition is also being amended to replace “subsidiary” with “Nominee” as it is a generally accepted term in the market.

['ISA' means International Standards on Auditing;]

Explanatory Memorandum:

It is proposed that the definition of “ISA” be deleted as it is no longer required or no longer used in the Strate Rules.

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

Explanatory Memorandum:

It is proposed that the definition of “ISIN” as contained in Rule 7 dealing with Money Market Securities be moved from section 7 to section 1, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.

['MM Securities Account' means a Central Securities Account opened and maintained by or on behalf of a Participant for a Client, or for itself, in the Securities Ownership Register reflecting the Client Identification Data of such Client, or itself, and the Nominal Value of MM Securities Deposited and all Entries made in respect of such MM Securities;]

Explanatory Memorandum:

It is proposed that the definition of “MM Securities Account” be deleted in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. This term will no longer be used in Strate Rules and is catered for in the definition of “Central Securities Account”.

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

Explanatory Memorandum:

It is proposed that the definition “Moment of Finality of Instructions” be amended by making reference to “Strate System” as per the proposed definition of “Strate System”.

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

'On-market Trade' or 'On-market' means a trade in Securities reported by an Exchange;

Explanatory Memorandum:

It is proposed that the terms “Off-market” and “On-market” be inserted next to the terms “Off-market Trade” and “On-market Trade” respectively, as these terms are used interchangeably in the Strate Rules and Directives. The proposed insertions seek to facilitate the interpretation of Strate Directives dealing with Off-market and On-market transactions.



‘Own Name’ or ‘Own Name Client’ means, in respect of a Client that holds equity Securities, the Entry of such Client’s Own Name in the Securities Account of the Participant subject to the criteria stipulated by Directive **[and for the purposes of Strate Rule 7, includes a Client whose Own Name appears in the Securities Ownership Register];**

Explanatory Memorandum:

It is proposed that the definition of “Own Name” be amended by replacing the term “Securities Ownership Register”, to restrict it to equity Securities, as per the current market practice.

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

Explanatory Memorandum:

It is proposed that the definition of “Primary Participant” be amended by replacing the term “Segregated Depository Account” with “Central Securities Account”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. The term “Segregated Depository Account” is catered for by incorporating it in the definition of “Central Securities Account”.

[‘Repurchase Agreement’ means the sale, and simultaneous purchase, of Securities by a seller;]

Explanatory Memorandum:

It is proposed that the definition of “Repurchase Agreement” be deleted as it is no longer required or no longer used in the Strate Rules.

[‘SAFIRES’ means Southern African Financial Instruments Real Time Electronic Settlement System, Strate’s Clearing, Settlement and depository system;]

Explanatory Memorandum:

As per the proposed definition of “Strate System” below, it is proposed that the definition of “SAFIRES” be deleted as it will no longer be required or no longer used in the Strate Rules.

‘SDA Register’ means the record of Uncertificated Securities held in a Segregated Depository Account kept by Strate in terms of the Strate Rules, which is the register of ownership for the equity Securities deposited therein, and is deemed to be the Uncertificated Securities Register;

Explanatory Memorandum:

It is proposed that the definition of “SDA Register” be amended by inserting the word “equity” Securities, in line with Strate’s approach to restrict SDAs to equity Securities.

‘Secondary Participant’ means the Participant appointed by a Client to administer a **[Segregated Depository Account] Central Securities Account** in the event of an Insolvency Proceeding against the Primary Participant;

Explanatory Memorandum:

It is proposed that the definition of “Secondary Participant” be amended by replacing the word “Segregated Depository Account” with “Central Securities Account”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. The term “Central Securities Account”



includes a “Segregated Depository Account”. It is important to note that proposed definition further provides for the portability of all Central Securities Accounts.

[‘Securities Ownership Register’ means the record of MM Securities held in a MM Securities Account kept by Strate in terms of the Strate Rules, which is the register of ownership for dematerialised Money Market Securities, and is deemed to be the Uncertificated Securities Register, where applicable;]

Explanatory Memorandum:

It is proposed that the definition of “Securities Ownership Register” be deleted in line with Strate’s approach to consolidate the Strate Rules dealing with account structures for equity and bond Securities, and Money Market Securities. This term will no longer be used in Strate Rules and is catered for in the definition of “Uncertificated Securities Register”.

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

- (a) opened in the name of a Client;
- (b) administered by a Participant; and
- (c) clearly segregated and distinguishable from the Participant’s Central Securities Account;

Explanatory Memorandum:

It is proposed that the definition of “Segregated Depository Account” be amended by inserting the words “equity Securities which is”, in line with Strate’s approach to restrict SDAs to equity Securities. The definition has also been broken down into paragraphs (a), (b) and (c).

‘Settle’ has the meaning set out in section 1 of the Act, and ‘Settling’ or ‘Settlement’ has a corresponding meaning;

Explanatory Memorandum:

It is proposed that reference to “Settling” and “Settlement” be inserted in the definition of “Settle” to facilitate the interpretation of Strate Rules and Directives dealing with Settlement. These terms are used interchangeably in Strate Rules and Directives.

[‘Standing Instruction’ means a general instruction in writing given by a Client to a Participant authorising the Participant to effect Entries on behalf of the Client in that Client’s Securities Account;]

Explanatory Memorandum:

It is proposed that the definition of “Standing Instruction” be deleted and consolidated into a single definition of “Client Instruction” as proposed above.

‘Strate Directive’ means a depository directive issued by Strate in accordance with these Strate Rules;

Explanatory Memorandum:

It is proposed that the definition of “Strate Directive” be inserted to replace the definition of “Directive” as explained above.

‘Strate Rules’ means depository rules issued by Strate in accordance with the Act **]; and are the Strate Rules],** as contained in this document;

Explanatory Memorandum:



It is proposed that the definition of “Strate Rules” be amended to incorporate the above minor editorial changes.

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

Explanatory Memorandum:

It is proposed that the definition of “Strate System” be inserted to give effect to Strate Rules and Directives dealing with Settlement. The proposed definition of “Strate System” is taken from various Strate Directives. As such, it is proposed that the definition of “Strate System” be deleted from all affected Strate Directives when these proposed Strate Rules come into effect.

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

Explanatory Memorandum:

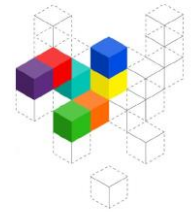
It is proposed that the definition of “Subregister” be amended by inserting the word “equity”, in line with Strate’s approach to restrict Subregisters to equity Securities.

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

Explanatory Memorandum:

It is proposed that the definition of “Transfer” be amended by replacing the word “account” with the word “Account” as defined in the Strate Rules. “Account” is defined as either the Central Securities Account or Securities Account, depending on the context.

‘Urgent Issues Committee’ means a committee of the Controlling Body, responsible for the management of the procedures set out in Strate Rules 2.21 to 2.30; and



3. STRATE PARTICIPATION

Participation eligibility

...

3.2.2 Financial soundness

...

3.2.2.2 ... its holding company or **[Capital Sponsor]** capital sponsor;

...

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

Explanatory Memorandum:

It is proposed that Strate Rule 3.10.2 be amended by replacing the words "Client's instructions" with the term "Client Instructions", as per the proposed definition.

Voluntary Termination

...

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

3.11.1.2 moved all Securities to other Participants **[on the instruction of Clients]** in accordance with the Client Instructions and where Clients have not provided such instructions, to other Participants;

Explanatory Memorandum:

It is proposed that Strate Rule 3.11.1.2 be amended by replacing the words "on the instructions of Clients" with "Client Instructions", as per the proposed definition.

Effects of termination of participation

3.12 Upon termination of participation:

3.12.1 ...Strate Directives[;]. Any action ...

...

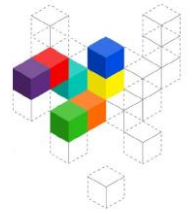
3.12.4 the Participant must not make use of Strate or any Nominee owned **[or]** controlled or administered by Strate; and

...

Explanatory Memorandum:

It is proposed that Strate Rule 3.12.4 be amended by inserting reference to a Nominee "administered" by Strate, in line with market practice. See also proposed Strate Rule 6.1.2 below.

Right of Appeal



3.13.1 If:

...

3.13.1.5 ... in terms of Strate Rule **[2.22.4;]** 2.24,



5. DUTIES OF PARTICIPANTS

Holding of Sufficient Securities

5.1.1 ... :

5.1.1.1 its Clients' Securities Accounts (excluding its own Securities); and

...

Segregation offered by Strate

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

Segregation offered by Participants

5.1.5 A Participant must offer each Client the option to hold one or more separate Central Securities Account(s) **[(including Segregated Depository Account(s))]** or Securities Account(s), enabling such Client to distinguish its Securities from those of the Participant's other Clients held collectively or individually in a Central Securities Account(s) or Securities Account(s).

Explanatory Memorandum:

It is proposed that Strate Rules 5.1.4 and 5.1.5 be amended by deleting reference to "(including Segregated Depository Account(s))", in line with Strate's approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. The term "Central Securities Account" includes "Segregated Depository Account".

5.1.6 A Participant must, in writing, make the offer to hold Securities in either option as described in Strate Rule 5.1.5, notifying the **[client]** Client of:

...

Duty of Record Keeping

5.2 Participant's Records must, in addition to the requirements of relevant legislation applicable to that **[security]** Security, contain at least the following details of all Entries in Securities Accounts:

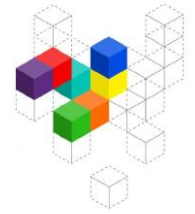
Explanatory Memorandum:

It is proposed that Strate Rule 5.2 be amended to incorporate the above editorial change.

Administrative Duties

5.8 A Participant must ensure that:

5.8.3 all interest, dividend, capital redemption payments and all other entitlements received by it from an Issuer of Securities **[will be]** is paid, in accordance with the **[Client's instructions]** Client Instructions, Strate Rules and Strate Directives, to the Client upon receipt in accordance with the Client's holdings at the date that the entitlement was calculated;

**Explanatory Memorandum:**

It is proposed that Strate Rule 5.8.3 be amended by replacing the words “Client’s instructions” with “Client Instructions”, as per proposed definition.

5.8.4.3 ... with the processing of corporate actions[.];

...

5.8.5 statements in respect of Securities Accounts and Central Securities Accounts are provided to Clients at least bi-annually, and at least monthly in respect of Money Market Securities;

Explanatory Memorandum:

It is proposed that Strate Rule 5.8.5 be amended by inserting the term “Central Securities Accounts”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. This Strate Rule is also being amended to impose a duty on Participants to send monthly statements to Clients in respect of Money Market Securities, as per the market practice.

5.8.6 all Entries in Securities Accounts and Central Securities Accounts pursuant to **[an instruction in terms of Strate Rule 6.7.2] Client Instructions** are recorded in the statements provided to Clients in terms of Strate Rule 5.8.5;

...

Explanatory Memorandum:

It is proposed that Strate Rule 5.8.6 be amended by inserting the term “Central Securities Accounts”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. It is further proposed that the words “an instruction in terms of Strate Rule 6.7.2” be replaced with the term “Client Instructions”, in line with the proposed definition of “Client Instruction”.

5.8.8.1 in respect of BEE Securities[.];

...

5.8.9 it obtains information from its Client relating to a beneficial, limited or other interest in Securities Deposited by a Client **[with the Participant]** in terms of the Strate Rules and Strate Directives;

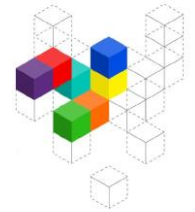
Explanatory Memorandum:

It is proposed that Strate Rule 5.8.9 be amended by deleting the words “with the Participant”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. The proposed deletion will also cater for the Deposit of Securities in the Central Securities Account.

Securities issued by a company incorporated and listed in a foreign jurisdiction with a dual or secondary listing on a South African Exchange

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

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



- 5.9.2.1 Securities include immobilised Securities; and
- 5.9.2.2 immobilised means the process of Depositing certificates or documents of title in respect of certificated Securities with Strate or **[its wholly owned subsidiary]** a Nominee owned, controlled or administered by Strate and the recording of the ownership **[in]** of such Securities in a Securities Account or Central Securities Account**;**.

Explanatory Memorandum:

It is proposed that Rule 5.9 be amended by inserting the term “Central Securities Account”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. It is further proposed that the word “an account” be replaced with the terms “Securities Account or Central Securities Account” as defined. 5.9.2.2 is also being amended to replace “subsidiary” with “Nominee” in line with market practice.



6. ACCOUNTS

Explanatory Memorandum:

It is proposed that Strate Rules 6 and 7 be consolidated and rearranged, and the principles therein be combined in the new Strate Rules 6 and 7 where necessary, in order to consolidate Strate Rules dealing with settlement and accounts for equity and bond Securities, and Money Market Securities. The proposed Strate Rule 6 will be named “Accounts”, and will deal with accounts and related matters for equity and bond Securities, and Money Market Securities. The proposed Strate Rule 7 (dealing with Money Market Securities) will deal with Settlement and related matters for equity and bond Securities, and Money Market Securities. Certain provisions in Strate Rules 6 and 7 will be incorporated into Strate Directives as per the explanatory memoranda of the affected Strate Directives.

Please note that several existing Strate Rules have been renumbered, and the current renumbering is shown in these proposed Strate Rules in a greyed-out red square brackets. E.g. [1.2.1]. Please also note the square brackets “[]” and the underlining “___” in these consolidated Strate Rules, indicates what has been omitted and inserted respectively.

Further, for ease of reference, the existing Strate Rules 6 and 7 (that are being consolidated) have been incorporated in the grey text box at the end of this document and marked as Appendix 1.

6.1 Deposit of Securities

6.1.1 Only Eligible Securities **[shall] may** be Deposited and held in Strate in a Central Securities Account[s] opened and maintained by Strate for a Participant[s].

6.1.2 [6.3.7] Securities **[held] Deposited** in Strate may be registered in the name of **[Strate or its wholly owned subsidiary]** a Nominee owned, controlled or administered by Strate.

6.1.3 [6.1.2] A person who wishes to Deposit Eligible Securities **[shall] must** first open a Securities Account or Central Securities Account [with] through a Participant in accordance with Strate Rules and Strate Directives.

6.1.4 [6.1.3] **[The] A** Participant must ensure that all Eligible Securities Deposited **[with it]** by a Client are entered into a Securities Account and or Central Securities Account opened and maintained in terms of Strate Rules and Strate Directives.

6.1.5 [6.3.1.3] A Corporate Participant may only open and maintain a **[n]** Securities Account or Central Securities Account for its own Securities.

Explanatory Memorandum:

- 6.1.1 is taken from Strate Rule 6.1.1 minor editorial changes to fit the context”.
- 6.1.2 is taken from Strate Rule 6.3.7. Reference to “Strate and its wholly owned subsidiary” is being replaced with “a Nominee owned, controlled or administered by Strate” in line with market practice.
- 6.1.3 is taken from Strate Rule 6.1.2 with the insertion of the word “Central Securities Account” in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.
- 6.1.4 is taken from Strate Rule 6.1.3 with the insertion of the word “Central Securities Account” in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.



- 6.1.5 is taken from Strate Rules 6.3.1.3. (See also Strate Rule 7.3.2 which is being deleted). The term “Central Securities Account” is being inserted in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.

6.2 Classification of Accounts

6.2.1 Central Securities Accounts

6.2.1.1 [6.3.1.1] Strate is responsible for the opening, maintaining and closing of Central Securities Accounts **[for]** on behalf of a Participant[s].

6.2.1.2 [6.13.2] **[A Segregated Depository Account may be opened in the Own Name of a Client, or in the name of a Nominee.]** One or more Central Securities Accounts may be opened for a Participant or a Client, but no Money Market Securities may be held in the name of a Nominee, except where the Nominee is a foreign Nominee.

6.2.1.3 [7.3.4 & 7.3.12] A Client may have a **[MM Securities Account]** Central Securities Account with more than one Participant, but subject to Strate Rule 6.2.1.12, such Client may only operate its **[MM Securities Account]** Central Securities Account through the Participant that opened the **[MM Securities Account in the Securities Ownership Register]** Central Securities Account on behalf of such Client.

6.2.1.4 [6.13.3] A **[Primary]** Participant is responsible for administering its Client’s **[Segregated Depository Account]** Central Securities Account in accordance with **[the provisions of]** Client Instructions, the Act, Strate Rules and Strate Directives **[and Client’s instructions]**.

6.2.1.5 [6.3.2] **[Subject to 6.3.1]** A Participant may request Strate to open a Central Securities Account[s] in the name of the Participant or a Client with each Central Securities Account reflecting:

- 6.2.1.5.1 the number or Nominal Value of Securities of each kind Deposited with Strate by that Participant for its own account and all Entries made in such Account; and
- 6.2.1.5.2 the number or Nominal Value of Securities of each kind Deposited with Strate by that Participant for the account of its Clients and all Entries made in such Account.

6.2.1.6 [6.3.1.2] ...

Explanatory Memorandum:

- 6.2.1.1 is taken from Strate Rule 6.3.1.1 with the deletion of the words “ for Participants” to cater for Client’s Central Securities Accounts as well.
- 6.2.1.2 is taken from Strate Rule 6.13.2. (See also Strate Rules 7.3.3 and 7.3.6 which are being deleted). An exception relating to Nominees in respect of Money Market Securities is taken from Strate Rule 7.3.6.
- 6.2.1.3 is taken from Strate Rules 7.3.4 and 7.3.12, which have been combined and redrafted to fit the context. The term “MM Securities Account” is being replaced with “Central Securities Account” throughout the Strate Rules, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.
- 6.2.1.4 is taken from Strate Rule 6.13.3. (See also Strate Rule 7.3.11 which is being deleted). The term “Segregated Depository Account” is being replaced with “Central Securities Account” where appropriate throughout the Strate



Rules, in line with Strate's approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.

- 6.2.1.5 is taken from Strate Rule 6.3.2. (See also Strate Rule 7.3.5 which is being deleted).
- Strate Rule 6.3.1.2 has been renumbered to 6.2.1.6.

Operation of Central Securities Accounts

6.2.1.7 [6.13.8.4] Only Strate may credit or debit Securities in a **[Segregated Depository Account] Central Securities Account**, subject to Strate Rule 6.2.1.8.

6.2.1.8 [6.13.8.5] Strate must only Transfer Securities or make any other Entry in a **[Segregated Depository Account] Central Securities Account [on receipt of an Authenticated Instruction from a Participant, and in accordance with the Strate Rules and Strate Directives]** in terms of the Act, Companies Act, Strate Rules and Strate Directives, and in accordance with an Authenticated Instruction or by order of court.

6.2.1.9 [6.13.8.6] A Participant must ensure that all Securities credited or debited to its Clients' **[Segregated Depository Accounts] Central Securities Accounts** are credited or debited to the relevant Securities Accounts in its Records, where applicable.

Explanatory Memorandum:

- 6.2.1.7 is taken from Strate Rules 6.13.8.4. (See also Strate Rule 7.5.4 which is being deleted).
- 6.2.1.8 is taken from Strate Rules 6.13.8.5. (See also Strate Rule 7.5.5 which is being deleted). References to the Act, Companies Act and court order are being inserted.
- 6.2.1.9 is taken from Strate Rule 6.13.8.6.

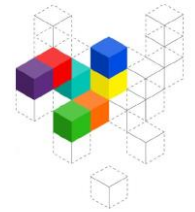
Appointment of a Secondary Participant and Movement of Securities

6.2.1.10 [6.13.4] **[Where a Segregated Depository Account is opened in accordance with Strate Rules 6.13.1,]** A Client that has a Central Securities Account may, in writing, appoint a Secondary Participant that has agreed to act as such and as stipulated by Strate Directive. On assenting to act as a Secondary Participant, such Participant must confirm in writing to the Client and Strate that it has assented to act as a Secondary Participant.

6.2.1.11 [6.13.5] **[Where a Secondary Participant has been appointed in accordance with Strate Rules 6.13.4, such]** A Secondary Participant **[must]** may only open and administer a **[Segregated Depository Account] Client's Central Securities Account** in the event of an Insolvency Proceeding against such Client's Primary Participant, in accordance with Strate Rules and Strate Directives.

6.2.1.12 [6.13.6] A Client may only operate its **[Segregated Depository Account] Central Securities Account** through its Primary Participant. In the event of an Insolvency Proceeding against the Client's Primary Participant, the Client may only operate its **[Segregated Depository Account] Central Securities Account** through the Secondary Participant appointed **[in accordance with Strate Rules 6.13.4, and]** in accordance with Strate Rules and Strate Directives.

6.2.1.13 [6.13.7.1] In the event of an Insolvency Proceeding against a Client's Primary Participant, Strate must, upon instruction by the Secondary Participant, as stipulated by Strate Directive, move the unencumbered Securities held in a **[Segregated Depository Account] Central Securities Account**



administered by a Primary Participant to a Central Securities Account administered by a Secondary Participant appointed in accordance with **[Strate Rule 6.13.4]** Strate Rules and Strate Directives.

6.2.1.14 [6.13.7.2] The movement of Securities held in the **[Segregated Depository Accounts]** Central Securities Account from a Primary Participant to a Secondary Participant, in accordance with Strate Rule 6.2.1.13, does not constitute a change in ownership, and transfers no greater rights or lesser obligations to the Client.

- 6.2.1.10 is taken from Strate Rule 6.13.4. (See also Strate Rule 7.3.13 which is being deleted). Minor editorial changes are being propose to fit the context.
- 6.2.1.11 is taken from Strate Rule 6.13.5. (See also Strate Rule 7.3.14.2 which is being deleted). Minor editorial changes are being propose to fit the context.
- 6.2.1.12 is taken from Strate Rule 6.13.6. (See also Strate Rule 7.3.14.3 and 7.3.14.1 which are being deleted). Minor editorial changes are being propose to fit the context.
- 6.2.1.13 is taken from Strate Rule 6.13.7.1. (See also Strate Rule 7.3.15 which is being deleted). Minor editorial changes are being propose to fit the context.
- 6.2.1.14 is taken from Strate Rule 6.13.7.2. (See also Strate Rule 7.3.16 which is being deleted). Minor editorial changes are being propose to fit the context.

6.2.2 Securities Accounts

6.2.2.1 [6.3.3] A Securities Account[s] may only be opened and maintained by a Participant.

6.2.2.2 [6.3.4] ...

6.2.2.3 [6.3.5] A Participant[s] must ensure that **[the Securities held for their own Account]** its own Securities and **[Securities held for their Clients]** its Clients' Securities are deposited into separate Securities Accounts and are clearly segregated and distinguishable.

6.2.2.4 [6.3.6] **[The standards of record keeping which apply to Securities in the Subregister must also apply and be maintained by Participants in respect of other Records of underlying Clients of Participants.]** A Participant must apply and maintain the same standards of record keeping applicable to a Subregister, in respect of other Records of Securities Accounts of its underlying Clients.

Explanatory Memorandum:

- 6.2.2.1 is taken from Strate Rule 6.3.3.
- Strate Rule 6.3.4 is being renumbered to 6.2.2.2.
- 6.2.2.3 is taken from Strate Rule 6.3.5, with editorial amendments in line with modern terminology.
- 6.2.2.4 is taken from Strate Rule 6.3.6. This proposed Strate Rule is being redrafted to impose a positive duty on a Participant in regard to other records of its underlying Clients.

Operation of Securities Accounts

6.2.2.5 [6.7.1] A Participant must, upon receipt of an Authenticated Instruction from Strate advising it of the completion of a transaction which affects the balance of a Securities Account or Central Securities Account [held by the Participant], complete a corresponding Entry in the relevant Securities Account in accordance with **[Client's instructions in respect of BEE Securities the BEE Contract or subject to a**



BEE Verification being obtained, as applicable, and in respect of Restricted Securities subject to a Restricted Securities Verification being obtained] Client Instructions, Strate Rules, Strate Directives, Chapter 2 Part E of the Companies Act, where applicable, the Act and other relevant legislation; provided that in respect of:

6.2.2.5.1 BEE Securities, such corresponding Entry must also be in accordance with the BEE Contract or is subject to a BEE Verification being obtained, as applicable; and

6.2.2.5.2 Restricted Securities, such corresponding Entry is subject to Restricted Securities Verification being obtained.

6.2.2.6 [6.7.2] A Participant must only submit an Authenticated Instruction to Strate, or make an Entry on behalf of a Client in a Securities Account, in accordance with **[Standing Instruction or Authorising Instruction received from the Client, in respect of BEE Securities the BEE Instruction and BEE Contract or subject to BEE Verification, as applicable, in respect of Restricted Securities subject to Restricted Securities Verification]** Client Instructions, the Act, Companies Act, Strate Rules and Strate Directives, or by order of court; provided that in respect of:

6.2.2.6.1 BEE Securities, such Entry must also be in accordance with the BEE Contract or is subject to BEE Verification, as applicable; and

6.2.2.6.2 Restricted Securities, such Entry is subject to Restricted Securities Verification.

6.2.2.7 [6.7.4] A Participant must effect the Entry pursuant to Strate Rule 6.2.2.6 in the relevant **[accounts]** Account of the Client[s] where the Securities are held.

6.2.2.8 [6.7.5] A Participant must, on the receipt of **[an Authorising Instruction, a Standing Instruction, or BEE Instruction]** Client Instructions, reflect in the Participant's Records of the Client the content of such instructions.

6.2.2.9 [6.7.6] ...

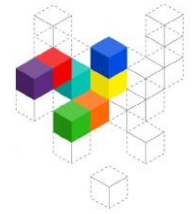
Explanatory Memorandum:

- 6.2.2.5 is taken from Strate Rule 6.7.1 with the insertion of paragraphs.
- 6.2.2.6 is taken from Strate Rule 6.7.2 with the insertion of paragraphs. The terms "Authorising Instruction", "Standing Instruction" and "BEE Instruction" are being replaced with "Client Instructions" as defined.
- 6.2.2.7 is taken from Strates Rule 6.7.4. (See also Strate Rule 7.5.6 which is being deleted).
- 6.2.2.8 is taken from Strate Rule 6.7.5.
- Strate Rule 6.7.6 is being renumbered to 6.2.2.9.

6.3 [Information in respect of Accounts and the Uncertificated Securities Register] Uncertificated Securities Register

6.3.1 [New] A record of ownership of Eligible Securities Deposited in Strate must in respect of:

6.3.1.1 equity Securities, be recorded either in a Securities Account held by a Participant in a Subregister, or in a Segregated Depository Account held by Strate in a SDA Register; and



6.3.1.2 bond Securities and Money Market Securities, be recorded in a Central Securities Account in an Uncertificated Securities Register held by Strate,

in accordance with Strate Rules and Strate Directives.

6.3.2 **[6.8.2A]** The Uncertificated Securities Register of an Issuer consists, in respect of **[the Uncertificated Securities held in the Subregisters and, where applicable, the SDA Register.]**:

6.3.2.1 equity Securities, the record of Uncertificated Securities in the Subregister held by a Participant and the SDA Register held by Strate; and

6.3.2.2 bond Securities and Money Market Securities, the record of Uncertificated Securities in the Uncertificated Securities Register held by Strate.

6.3.3 **[6.8.2]** Every Securities Account and the Uncertificated Securities Register must:

6.3.3.1 **[6.8.2.1 bear the name, an appropriate identification number, where issued, and address of the Client on whose behalf the Account was opened]** bear:

6.3.3.1.1 the name of the Client;

6.3.3.1.2 business, residential or postal address of the Client;

6.3.3.1.3 **[New]** an email address of the Client if available, unless the Client has declined to provide an email address; and

6.3.3.1.4 an identifying number that is unique to the Client;

6.3.3.2 **[6.8.2.2 clearly reflect the date of the making of any Entry in the Securities Account]** reflect all Entries and the date of making such Entries;

6.3.3.3 **[6.8.2.3 clearly]** reflect the number or Nominal Value of Securities of each kind Deposited **[with the Participant];** and

6.3.3.4 **[6.8.2.4]** ...

6.3.4 **[6.8.3]** Access to information and inspection of **[the Securities Account and]** the Issuer's Uncertificated Securities Register **[will be]** is allowed in accordance with Chapter 2 Part E of the Companies Act, where applicable, or any other law.

6.3.5 **[6.8.4]** Any request from an Issuer **[of Securities]** to Strate to furnish it with details of holdings **[in that Issuer]** as reflected in the **[Securities Accounts or the]** Issuer's Uncertificated Securities Register **[maintained by the Participant or Strate as the case may be]** must be made to Strate in the form required by Strate.

6.3.6 **[6.8.5]** **[Upon request by Strate, a Participant must by no later than 12H00 on the second Business Day following such request, provide Strate with details of holdings in an Issuer of Securities as reflected in its Securities Accounts or the Uncertificated Securities Register as at the close of Business on the day of the request by Strate: Provided that the request was received by no later than 12H00 on that day.]** Upon



request by Strate, a Participant must, in accordance with the Strate Directive, provide Strate with details of holdings as reflected in the Issuer’s Uncertificated Securities Register.

6.3.7 [6.8.6] Strate must furnish the Issuer[s] [of Securities] with the information as is required to be disclosed in terms of the Act, Companies Act where applicable, or any other law, and may furnish Issuer[s] with additional information, in accordance with Strate Rules and Strate Directives.

6.3.8 [7.11.1] [Where there has been no activity and no holdings in an MM Securities Account for a period of 3 (three) years, such MM Securities Account must be recorded in the Securities Ownership Register as dormant by Strate under advice from the relevant Participant.] Where there has been no activity and no holdings in a Central Securities Account for such period as set out in the Strate Directives, Strate may record such Central Securities Account as dormant.

6.3.9 [7.11.4] [If an MM Securities Account has been recorded in the Securities Ownership Register as dormant as set out in Strate Rule 7.11.1, and such MM Securities Account remains dormant for a further period of 2 (two) years, the MM Securities Account must be “deleted” by Strate from the Securities Ownership Register under advice from the relevant Participant.]

[7.11.5] [Participants are not entitled to delete MM Securities Accounts in the Securities Ownership Register. Only Strate may delete all Records of the MM Securities Account in the Securities Ownership Register from the MMSS and archive and retain such Records for a period of 7 (seven) years.]

Where a Central Securities Account has been recorded as dormant as set out in Strate Rule 6.3.8, Strate:

6.3.9.1 may in accordance with Strate Directives, delete such Central Securities Account; and

6.3.9.2 must retain the Records thereof for a minimum period of 7 (seven) years after the deletion of such Central Securities Account.

6.3.10 [6.8.7] A Participant[s] must retain Records of a Securities Account[s] for a minimum period of 7 (seven) years from the date when [such]a Securities Account[s] ceased to have any Securities holdings.

Explanatory Memorandum:

- 6.3.1 is new. This proposed Strate Rule defines where a record of ownership of equity and bond Securities, and Money Market Securities in the Strate environment is kept in terms of section 50(3) of the Companies Act.
- 6.3.2 is taken from Strate Rule 6.8.2A and has been redrafted to cater for all Securities type. This proposed Strate Rule defines what constitutes an Uncertificated Securities Register of the Issuer.
- 6.3.3 is taken from Strate Rule 6.8.2. It defines the information to be contained in the Accounts and has been redrafted to include Central Securities Accounts. It also requires the inclusion of email addresses into the Central Securities Account or a Securities Account as required by the Companies Regulation 32(2). Strate Rules 6.8 and 7.4 have been deleted as the principles therein have been incorporated in 6.3.3.
- 6.3.4 is taken from Strate Rule 6.8.3 with the deletion of “Securities Account” to also cater for Central Securities Accounts in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.
- 6.3.5 is taken from Strate Rule 6.8.4 with the deletion of “Securities Account” to also cater Central Securities Accounts in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.
- 6.3.6 is taken from Strate Rule 6.8.5. It is being redrafted to omit reference to the 12H00 timeline which is dealt with in Strate Directive SA.8 - *File Layout for Disclosure of Beneficial Ownership (BND) - Equities and Bonds*.
- 6.3.7 is taken from Strate Rule 6.8.6. (See also Strate Rule 7.4.2 which is being deleted).



- 6.3.8 to 6.3.9 are taken from Strate Rule 7.11. They deal with the maintenance / deletion of records in the Central Securities Accounts. They have been redrafted to retain the principles in the Strate Rules, with the details being moved to the proposed Strate Directive (*SB.3 - Registers and Accounts Administration – Bond and Money Market Securities*).
- 6.3.10 is taken from Strate Rule 6.8.7 and has been redrafted slightly

6.4 Fees and charges for services provided to Own Name Clients

6.4.1 [6.4.1] ...:

6.4.1.1 [6.4.1] ...;

6.4.1.2 [6.4.2] ...;

6.4.1.3 [6.4.3] ...; and

6.4.1.4 [6.4.4] ...

6.4.2 [6.5] ... Strate Rule [6.4] 6.4.1 ...

Explanatory Memorandum:

- Strate Rule 6.4 is being renumbered as 6.4.1.
- Strate Rule 6.5 is being renumbered as 6.4.2.

6.5 Nominees

[A Participant may only open a Securities Account in the name of a Nominee where] A Participant must not open a Securities Account or Central Securities Account in the name of a Nominee, unless:

6.5.1 [6.6.1] ...;

6.5.2 [6.6.2] ...;

6.5.3 [6.6.3] ...;

6.5.4 [6.6.4]

Explanatory Memorandum:

Strate Rule 6.6 has been renumbered to 6.5, and the stem (or the introductory statement) has been redrafted to emphasize the importance of the Participant's duty in this regard.



7. SETTLEMENT

Explanatory Memorandum:

It is proposed that Strate Rule 7 be consolidated and rearranged, and its provisions be rearranged or merged with Strate Rule 6 where necessary, in order to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities. The proposed Strate Rule 7 will be renamed as “Settlement”, and will deal with accounts and related matters for equity and bond Securities, and Money Market Securities.

Please note that several existing Strate Rules have been renumbered, and the current renumbering is shown in these proposed Strate Rules in a greyed-out red square brackets. E.g. [1.2.1]. Please also note the square brackets “[]” and the underlining “ ” in these consolidated Strate Rules, indicates what has been omitted and inserted respectively.

Please note that certain definitions in the Existing Strate Rule 7 have been moved to section 1, while others have been omitted or moved to Strate Directives.

Further, for ease of reference, the existing Strate Rules 6 and 7 (that are being consolidated) have been incorporated in the grey text box at the end of this document and marked as Appendix 1.

7.1 Dematerialisation and Immobilisation of Securities

7.1.1 [6.2.1] ...

7.1.2 [6.2.2] ...

7.1.3 [6.2.3] ...

Explanatory Memorandum:

Strates Rule 6.2.1, 6.2.2 and 6.2.3 have been renumbered to 7.1.1, 7.1.2 and 7.1.3.

7.2 Withdrawal

7.2.1 [6.10.1] **[Any]** A Client who wishes to withdraw its Securities held **[by a Participant]** in the Client’s Securities Account or Central Securities Account and obtain a certificate or document of title in respect of all or part of those Securities, must notify the relevant Participant thereof in which case the Participant must comply with the procedure stipulated by Strate Directive.

7.2.2 [6.10.2] **[The application]** A request for Withdrawal, handling and processing of Withdrawal, and the delivery of a certificate or document of title in respect of all or part of those Securities must be done in accordance with the Act, Chapter 2 Part E of the Companies Act, where applicable, Strate Rules and Strate Directives.

7.2.3 [7.10.3] Transfer of ownership and any dividends, interest, capital redemption payments or other entitlements in respect of the **[MM]** Securities so Withdrawn **[cannot]** must not be effected through Strate.

Explanatory Memorandum:

- 7.2.1 is taken from Strate Rule 6.10.1. (See also Strate Rule 7.10.2).



- 7.2.2 is taken from Strate Rule 6.10.2 and 7.10.2. The detailed provisions in Strate Rule 7.10.2 have been moved to a proposed Strate Directive dealing with the conversion of Certificated Securities to Uncertificated Securities and vice versa (Bond Securities and Money Market Securities).
- 7.2.3 is taken from Strate Rule 7.10.3. The word “dividends” has been inserted to cater for equity Securities.

7.3 Settlement

7.3.1 Settlement of transactions

7.3.1.1 [6.12.1] Settlement of transactions in Securities Deposited with Strate, including Off-market Trades, must take place in the manner determined by Strate and in accordance with the **[rules of an Exchange] Strate Rules and Strate Directives**, and where applicable, in accordance with the **[Strate Rules and Strate Directives] rules of an Exchange; provided that transactions in Money Market Securities must also be reported to the ETME as stipulated by Strate Directive.**

7.3.1.2 [6.12.2] Any Settlement of Securities which fails as a result of a Participant being unable to meet its commitment to such Settlement is deemed to be a failed Settlement and **[will] must** be dealt with in accordance with the **[rules of that Exchange] Strate Rules and Strate Directives**, and where applicable, in accordance with the **[Strate Rules and Strate Directives] rules of the relevant Exchange.**

Explanatory Memorandum:

- 7.3.1.1 is taken from Strate Rule 6.12.1. (See also Strate Rules 7.7.1 and 7.4.3 which are being deleted). A proviso dealing with the reporting of Money Market transactions is taken from Strate Rule 7.4.3.
- 7.3.1.2 is taken from Strate Rule 6.12.2. (See also Strate Rule 7.7.2 which is being deleted).

7.3.2 Unconditional Commitment to Settle

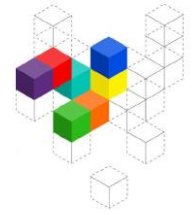
7.3.2.1 [6.11.1.1] ...

7.3.2.2 [6.11.2] In the event that a Participant fails to ensure that it is in a position to Settle any On-market Trade or Off-market Trade on Settlement day, Strate may, **[in] at its sole discretion** (notwithstanding any action taken in accordance with Strate Rule **[6.12.2] 7.3.1.2**), impose a fine on that Participant as stipulated by Strate Directive or proceed in terms of the disciplinary procedures set out in terms of the Strate Rules.

7.3.2.3 [6.11.1.2] Notwithstanding Strate Rule **[6.11.1.1] 7.3.2.1**, upon the occurrence of an Insolvency Proceeding against a Participant, its Client or other Settling Party, such Participant, its Client or other Settling Party or any other Participant, Client or Settling Party may, in respect of any obligation owed to it by such Participant, Client or Settling Party, revoke its commitment or Settlement instruction as contemplated in section 35A of the Insolvency Act and section 35(2)(w) of the Act, prior to the Moment of Finality of Instructions stipulated by Strate Directives and, where applicable, in accordance with the rules of a relevant Exchange or Clearing House.

7.3.2.4 [6.11.1.3] ...

Explanatory Memorandum:



- Strate Rule 6.11.1.1 is being renumbered to 7.3.2.1.
- Strate Rule 6.11.2 is being renumbered to 7.3.2.2. (See also Strate Rule 7.6.1 which is being deleted).
- Strate Rule 6.11.1.2 is being renumbered to 7.3.2.3. (See also Strate Rule 7.6.2 which is being deleted).
- Strate Rule 6.11.1.3 is being renumbered to 7.3.2.4.

7.3.3 Transfer of Ownership

7.3.3.1 [6.11.3] Transfer of ownership of any Securities in a Securities Account or Central Securities Account must be effected by debiting of the Securities Account or **[Segregated Depository Account] Central Securities Account** from which the Transfer is effected and crediting the Securities Account or **[Segregated Depository Account] Central Securities Account** to which the Transfer is effected, as the case may be, in accordance with the Act, Companies Act, where applicable, Strate Rules and Strate Directives.

7.3.3.2 [6.11.4] A transferee becomes the owner of the Securities upon the crediting of the transferee's Securities Account **[in the Subregister]** or the Central Securities Account.

7.3.3.3 [6.11.5] Transfer of ownership of Securities in accordance with Strate Rules **[6.11.3]** **7.3.3.1** and **[6.11.4]** **7.3.3.2** occurs despite any fraud, illegality or Insolvency Proceeding that may affect the relevant Securities, or have resulted in the Transfer being effected; but a transferee who was a party to or had knowledge of the fraud or illegality, or had knowledge of the Insolvency Proceeding, as the case may be, may not rely on this Strate Rule.

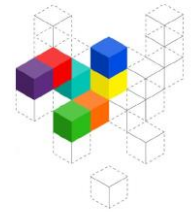
7.3.3.4 [6.13.8.4 & 6.13.8.5] Only Strate may effect the Transfer of Securities in the Uncertificated Securities Register. **Strate must only Transfer Securities or make any other Entry in the Segregated Depository Account on], upon** receipt of an Authenticated Instruction from a Participant, or by an order of court, in accordance with the Strate Rules and Strate Directives.

7.3.3.5 [6.13.8.7] Nothing in this Strate Rule **[6.13]** **7.3.3 [shall]** prejudices any power of Strate to effect Transfer to a person to whom the right to any Securities has been transmitted by operation of law or by agreement, or pursuant to a court order.

7.3.3.6 [6.11.6] **[The Subregister]** An Uncertificated Securities Register, including a Subregister, maintained in accordance with these Strate Rules is sufficient proof of any matters directed or authorised to be entered therein by Strate Rules and Strate Directives.

Explanatory Memorandum:

- 7.3.3.1 is taken from Strate Rule 6.11.3. (See also Strate Rules 6.13.8.1 and 7.5.1 which are being deleted).
- 7.3.3.2 is taken from Strate Rule 6.11.4. (See also Strate Rules 6.13.8.2 and 7.5.2 which are being deleted).
- 7.3.3.3 is taken from Strate Rule 6.11.5. (See also Strate Rules 6.13.8.3 and 7.5.3 which are being deleted).
- 7.3.3.4 is taken from Strate Rules 6.13.8.4 and 6.13.8.5, which have now been combined. (See also Strate Rules 7.5.4 and 7.5.5 which are being deleted).
- 7.3.3.5 is taken from Strate Rule 6.13.8.7. (See also Strate Rule 7.5.7 which are being deleted).
- 7.3.3.6 is taken from Strate Rule 6.11.6. (See also Strate Rules 6.13.8.8 and 7.5.8 which are being deleted). The word “maintain” is not applicable to Participants in relation to Central Securities Accounts.
- Strate Rule 6.13.9 is being deleted entirely as it is no longer required.



7.4 Debit Balances

[6.9.1] A Participant must not give, or give effect to an instruction which would result in any Securities Account or Central Securities Account administered **[or maintained]** by such Participant reflecting a Debit Balance at the end of a day.

Explanatory Memorandum:

7.4 is taken from Strate Rules 6.9. (See also Strate Rule 7.9 which are being deleted).

7.5 Netting

[6.11A] ...

Explanatory Memorandum:

Strate Rule 6.11A is being renumbered to 7.5.

7.6 Pledge and Cession *in Securitatem Debiti*

7.6.1 **[6.7.3]** Pledge and Cession *in Securitatem Debiti* of Securities

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

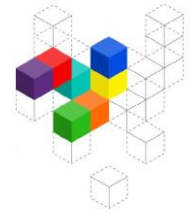
7.6.1.1 **[6.7.3.1]** the requirements of the Act, Strate Rules and Strate Directives **[shall also be applicable]** apply to any Account in which the Client's Securities are held;

7.6.1.2 **[6.7.3.2]** it must, in accordance with the Act, prevent the Securities from being Transferred from the **[Securities]** Account or the underlying account in which the Client's Securities are held, except with the written consent of the pledgee or cessionary;

7.6.1.3 **[6.7.3.4]** it must, when it sends statements to its Clients in accordance with Strate Rule 5.8.5, also send to the person to whom the Securities are pledged or ceded *in securitatem debiti*, a statement evidencing the existence of the pledge or cession *in securitatem debiti*;

7.6.1.4 **[6.7.3.3]** it must, in its statements to its Clients and the person to whom the Securities are pledged or ceded *in securitatem debiti*, indicate which Securities have been pledged or ceded *in securitatem debiti* and specify the nominal amount or number of such Securities; provided that in respect of:

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



7.6.1.4.2 **[in respect of]** Restricted Securities, such statements must also indicate that the Restricted Securities may only be Transferred subject to Restricted Securities Verification.

Explanatory Memorandum:

- 7.6.1.1 is taken from Strate Rule 6.7.3.1. (See also Strate Rules 7.8.1 and 7.8.2.1 which are being deleted).
- 7.6.1.2 is taken from Strate Rule 6.7.3.2. (See also Strate Rule 7.8.2.2 which is being deleted).
- 7.6.1.3 is taken from Strate Rule 6.7.3.4. (See also Strate Rule 7.8.2.4 which is being deleted). It has been redrafted to remove repetitions relating to BEE and Restricted Securities as they are already contained in the proposed Strate Rule 7.6.1.4.
- 7.6.1.4 is taken from Strate Rule 6.7.3.3. This also combines the principle of sending statements to a pledgee or cessionary as contained in Strate Rule 6.7.3.4. (See also Strate Rule 7.8.2.3 which is being deleted).

7.6.2 [New] Pledge and Cession *in securitatem debiti* of a Securities Account

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

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

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

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

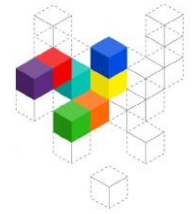
7.6.2.3 The pledgee or cessionary of Securities or an interest in Securities referred to in Strate Rule 7.6.2.1 is entitled to all the rights of a pledgee of movable property or cessionary of a right in movable property pledged or ceded to secure a debt.

Explanatory Memorandum:

This is the proposed “wheelbarrow” pledge rule in respect of Securities Accounts.

It is proposed that Strate Rule 7.6.2 be inserted to make provision for the granting of a pledge or cession to secure a debt in relation to a Securities Account, as an alternative to the granting of such an interest in respect of specified Securities (see current Strate Rule 6.7.3.3). The proposed Strate Rule is in line with FMA section 39(3), which also makes reference to depository rules dealing with this aspect.

The term Entry is defined widely in the Strate Rules and FMA to include “an electronic recording of any issuance, deposit, withdrawal, transfer, attachment, pledge, cession *in securitatem debiti* or other instruction in respect of Securities or an interest in Securities”.



8. RISK AND COMPLIANCE

....

Compliance Officer

...

8.3.2 A compliance officer must:

...

8.3.2.5 ... or compliance officer are aware[.];



11. SUPERVISION

...

Use of Information

11.4 Any information, document, book, tape or Record or other object obtained by the Controlling Body or **[Central Securities Depository] Strate** pursuant to an investigation or otherwise, may be used in evidence in any disciplinary proceedings as set out in the Strate Rules.

...

Improper Conduct

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

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

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

Explanatory Memorandum:

It is proposed that Strate Rule 11.5.2 be amended by inserting the term “Central Securities Account”, in line with Strate’s approach to consolidate Strate Rules dealing with equity and bond Securities, and Money Market Securities.

...

11.5.5 acting without Client Instructions, or failing to act in accordance with **[the instructions of a] Client Instructions**;

Explanatory Memorandum:

It is proposed that Strate Rule 11.5.5 be amended to incorporate the defined term “Client Instruction”, as per the proposed definition of “Client Instruction”. It is further proposed that the Strate Rule 11.5.5 be amended to clarify the fact that Participants are also prohibited from acting without Client Instructions.

11.5.13 failing to rectify a shortfall in Securities in accordance with the Strate Rules[.]; or

...



12 DISCIPLINARY PROCEDURE

...

Disciplinary Powers of the Regulatory and Supervisory Committee

...

12.9 In the case of matters referred to it under Strate Rule 12.6:

...

12.9.4 **[The]** the Regulatory and Supervisory Committee may direct that any action taken by it in terms of Strate Rule 12.8.3 be published, and to whom it will be published, ...

...

Payment of Fine

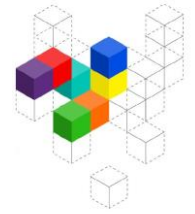
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12.14 Any fine and costs paid to Strate pursuant to a ruling made in terms of the Strate Rules must be used to further the **[Regulatory and Supervisory Committee]** regulatory and supervisory objectives of Strate **[in terms of the Act]** as determined by the Controlling Body.

...

Explanatory Memorandum:

It is proposed that Strate Rule 12.14 be amended by replacing the word “Regulatory and Supervisory Committee” with “regulatory” to correct the error.



14. GENERAL

...

14.3 Reserved

Applicable Law and Jurisdiction

14.4.[1.]1 ...

14.4[1.]2 ...



16 PROCEDURES FOR MANAGEMENT OF PARTICIPANT'S INSOLVENCY PROCEEDING

...

Participant Failure Committee

...

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

....

16.2.2.4 to proceed expeditiously and competently; **[and]**

16.2.2.5 ... and other Central Securities Depository procedures; and

...

Settlement

16.4.1 On the occurrence of an Insolvency Proceeding against a Participant, the provisions of **[Strate Rules 6.11.1, 7.6 and 7.7]** Strate Rule 7.3 will apply in respect of all unsettled transactions.

...

Client Migration

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

16.6.1.1 ... ; and

16.6.1.2 oversee the movement of all Clients' Securities to other Participants, as contemplated in Strate Rules 3.10.2, 3.10.3, **[6.13.7 and 7.3.16]** and 6.2.1.13.

Explanatory Memorandum:

The proposed renumbering of cross-references in Strate Rules 16.4.1 and 16.6.1.2, as per the proposed consolidation of Strate Rules 6 and 7.



17. ISSUERS

17.1 An Issuer may, in the manner stipulated by Strate Directives, create, issue, dematerialise and/or Deposit Eligible Securities in a Securities Account or Central Securities Account.

Explanatory Memorandum:

This is taken from Strate Rule 7.2.3. It provides for a framework for Strate Directives dealing the issuing of Securities or ISINs. It is further proposed that the existing Strate Rules 17.1 to 17.7 be renumbered, with the adjustment of cross-referencing where necessary.

It is proposed that Strate Rules 7.2.3, 7.2.4, 7.2.5, 7.2.6, and 7.2.7 be deleted and the detailed provisions therein be catered for in the proposed Strate Directive for Issuing of Securities (bond Securities and Money Market Securities).

17.2 Subject to Strate Rules and Strate Directives dealing with Withdrawal, an Issuer must not issue certificates or written instruments evidencing, or purporting to evidence title to Securities issued and Deposited in Strate.

Explanatory Memorandum:

17.2 is taken from Strate Rule 7.10.1. It is proposed that this Strate Rule be inserted in the Issuers' section as Rule 17.2 as it fits better in this section. It is further proposed that the existing Strate Rules 17.1 to 17.7 be renumbered, with the adjustment of cross-referencing where necessary.

17.~~1~~~~3~~ ...;

17.~~2~~~~4~~ ...;

17.~~3~~~~5~~ ...;

17.~~4~~~~6~~ ...;

17.~~5~~~~7~~ ...:

17.~~5~~~~7~~.1 ...;

17.~~5~~~~7~~.2 ...; and

17.~~5~~~~7~~.3 ...

17.~~6~~~~8~~ Where the Controlling Body has exercised its discretion to suspend the provision of services by Strate in terms of Strate Rules 17.~~4~~~~6~~ and 17.~~5~~~~7~~, the Controlling Body must notify the Exchange, where applicable, in writing of its decision.

17.~~7~~~~9~~ ...



Extract of the existing Strate Rules

Sections 6 and 7

6. ACCOUNTS OTHER THAN MONEY MARKET SECURITIES ACCOUNTS

Deposit of Securities

- 6.1.1 Only Eligible Securities shall be Deposited and held in Strate in Central Securities Accounts opened and maintained by Strate for Participants.
- 6.1.2 A person who wishes to Deposit Eligible Securities shall first open a Securities Account with a Participant in accordance with the Strate Rules and Strate Directives.
- 6.1.3 The Participant must ensure that all Eligible Securities Deposited with it by a Client are entered in a Securities Account opened and maintained by the Participant in terms of the Strate Rules and Strate Directives.

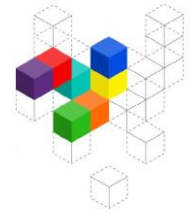
Dematerialisation and Immobilisation of Securities

- 6.2.1 Upon receipt of any certificate or document of title from a Client, its agent or a third party that centrally holds certificates or documents of title of Restricted Securities or BEE Securities, pursuant to the relevant BEE Ownership Scheme, for the purposes of Dematerialisation or Immobilisation, the Participant must forthwith issue the Client, its agent or such third party, with a receipt recording the name of the Securities and the number or Nominal Value of the Securities so received.
- 6.2.2 A Participant must check the certificate or document of title which it has in its possession and determine from the face of it whether the Client is the legal owner of such Securities. If the Client is not on the face of the certificate or document of title the legal owner, the Participant may reject it.
- 6.2.3 The Dematerialisation or Immobilisation of Securities must take place in accordance with the Act, and the Companies Act, where applicable, and in the manner as stipulated by Strate Directive.

Classification of Accounts

Central Securities Accounts

- 6.3.1.1 Strate is responsible for the opening, maintaining and closure of Central Securities Accounts for Participants.
- 6.3.1.2 A Participant must ensure that the Securities held for its own account and the Securities held for its Clients are Deposited into separate Central Securities Accounts and are clearly segregated and distinguishable at all times.
- 6.3.1.3 A Corporate Participant may only open and maintain an Account for Securities owned by it.
- 6.3.2 Subject to 6.3.1 above, a Participant may request Strate to open Central Securities Accounts in the name of the Participant or a Client with each Account reflecting:
- 6.3.2.1 the number or Nominal Value of Securities of each kind Deposited with Strate by that Participant for its own account and all Entries made in such Account; and



6.3.2.2 the number or Nominal Value of Securities of each kind Deposited with Strate by that Participant for the account of its Clients and all Entries made in such Account.

Securities Accounts

- 6.3.3 Securities Accounts may only be opened and maintained by a Participant.
- 6.3.4 A Client may only operate its Securities Account through the Participant with whom such Account is opened and maintained.
- 6.3.5 Participants must ensure that the Securities held for their own account and the Securities held for their Clients are deposited into separate Securities Accounts and are clearly segregated and distinguishable.
- 6.3.6 The standards of record keeping which apply to Securities in the Subregister must also apply and be maintained by Participants in respect of other Records of underlying Clients of Participants.
- 6.3.7 Securities held by Strate may be registered in the name of Strate or its wholly owned subsidiary.

Fees and charges for services provided to Own Name Clients

- 6.4 Should a Client elect to be an Own Name Client, the Participant may levy a fee on the Issuer of the relevant Securities and the Issuer shall bear the costs of the following services provided by the relevant Participant:
- 6.4.1 the provision to the Own Name Client of two statements of the Securities Account per annum;
- 6.4.2 the payment of all interest, dividend, capital redemption payments and all other entitlements received by the Participant from the Issuer;
- 6.4.3 the administration and maintenance of the Clients' Securities Account; and
- 6.4.4 the provision to the Own Name Client of notices, reports and circulars regarding rights and other benefits accruing to the Securities which are received by the Participant from the Issuer.
- 6.5 Interest shall be payable by the Issuer on outstanding fees and charges as set out in Strate Rule 6.4. The interest shall be calculated from due date of payment at the rate which is the prime lending rate offered by Strate's principal bank as at the date of statement.

Nominees

- 6.6 A Participant may only open a Securities Account in the name of a Nominee where:
- 6.6.1 the Nominee has been approved by an Exchange in terms of section 76(1)(a) of the Act;
- 6.6.2 the Nominee has been approved by the Registrar in terms of section 76(3) of the Act;
- 6.6.3 the Nominee is a foreign Nominee, and the Participant must obtain confirmation that such foreign Nominee operates within its domestic legal framework with the appropriate regulatory approval required in its home jurisdiction.
- 6.6.4 the Nominee has been approved by Strate in accordance with section 76(1)(b) of the Act, Strate Rules and Strate Directives.



Operation of Securities Accounts

- 6.7.1 A Participant must, upon receipt of an Authenticated Instruction from Strate advising it of the completion of a transaction which affects the balance of a Securities Account held by the Participant, complete a corresponding Entry in the relevant Securities Account in accordance with the Client's instructions, in respect of BEE Securities the BEE Contract or subject to a BEE Verification being obtained, as applicable, and in respect of Restricted Securities subject to a Restricted Securities Verification being obtained, the Strate Rules, Strate Directives, Chapter 2 Part E of the Companies Act, where applicable, the Act and other relevant legislation.
- 6.7.2 A Participant must only make an Entry on behalf of a Client in a Securities Account in accordance with the Standing Instruction or Authorising Instruction received from the Client, in respect of BEE Securities the BEE Instruction and BEE Contract or subject to BEE Verification, as applicable, in respect of Restricted Securities subject to Restricted Securities Verification, the Act, Companies Act, Strate Rules and Strate Directives.
- 6.7.3 Where a Participant records a pledge or cession *in securitatem debiti* on behalf of a Client in a Securities Account:
- 6.7.3.1 the requirements of the Act, Strate Rules and Strate Directives shall also be applicable to any Securities Account in which the Client's Securities are held;
- 6.7.3.2 it must, in accordance with the Act, prevent the Securities from being Transferred from the Securities Account or the underlying account in which the Client's Securities are held, except with the written consent of the pledgee or cessionary;
- 6.7.3.3 it must, in its statements to its Clients, indicate which Securities have been pledged or ceded and specify the nominal amount or number of such Securities; in respect of BEE Securities, such statements must indicate that the BEE Securities may only be Transferred in accordance with the BEE Contract or subject to BEE Verification as determined in the relevant BEE Ownership Scheme, provided that, in respect of BEE Securities, no such encumbrance shall be permitted over or in respect of the relevant BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme; and in respect of Restricted Securities such statements must indicate that the Restricted Securities may only be Transferred subject to Restricted Securities Verification; and
- 6.7.3.4 it must, when it sends out statements in accordance with Strate Rule 6.7.3.3, send to the person to whom the Securities are pledged or ceded, a statement evidencing the existence of the pledge or cession to secure a debt; in respect of BEE Securities, such statements must indicate that the BEE Securities may only be Transferred in accordance with the BEE Contract or subject to BEE Verification as determined in the relevant BEE Ownership Scheme, provided that, in respect of BEE Securities, no such encumbrance shall be permitted over or in respect of the relevant BEE Securities, except with a written confirmation provided by the BEE Issuer Verification Agent as permitted pursuant to the relevant BEE Ownership Scheme; and in respect of Restricted Securities such statements must indicate that the Restricted Securities may only be Transferred subject to Restricted Securities Verification.
- 6.7.4 A Participant must ensure that every Entry in a Securities Account is executed pursuant to an Authorising Instruction, a Standing Instruction, or a BEE Instruction received from a Client or the Client's duly authorised agent. A Participant must effect the Entry pursuant to Strate Rule 6.7.3 in the relevant accounts of the Clients where the Securities are held.



6.7.5 A Participant must, on the receipt of an Authorising Instruction, a Standing Instruction, or a BEE Instruction, reflect in the Participant's Records of the Client the content of such instruction.

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

Information in respect of Accounts and the Uncertificated Securities Register

6.8.1 Every Central Securities Account must specify the date of an Entry in that Central Securities Account and must clearly reflect the number or Nominal Value of Securities of each kind Deposited with Strate by a Participant.

6.8.2 Every Securities Account and the Uncertificated Securities Register must:

6.8.2.1 bear the name, an appropriate identification number, where issued, and address of the Client on whose behalf the Account was opened;

6.8.2.2 clearly reflect the date of the making of any Entry in the Securities Account;

6.8.2.3 clearly reflect the number or Nominal Value of Securities of each kind Deposited with the Participant; and

6.8.2.4 reflect any further information that may be required by Strate, Chapter 2 Part E of the Companies Act, where applicable, or any other law.

6.8.2A The Uncertificated Securities Register of an Issuer, consists of the Uncertificated Securities held in Subregisters and, where applicable, the SDA Register.

6.8.3 Access to information and inspection of the Securities Account and the Uncertificated Securities Register will be allowed in accordance with Chapter 2 Part E of the Companies Act, where applicable, or any other law.

6.8.4 Any request from an Issuer of Securities to Strate to furnish it with details of holdings in that Issuer as reflected in the Securities Accounts or the Uncertificated Securities Register maintained by the Participant or Strate as the case may be, must be made to Strate in the form required by Strate.

6.8.5 Upon request by Strate, a Participant must by no later than 12H00 on the second Business Day following such request, provide Strate with details of holdings in an Issuer of Securities as reflected in its Securities Accounts or the Uncertificated Securities Register as at the close of Business on the day of the request by Strate: Provided that the request was received by no later than 12H00 on that day.

6.8.6 Strate must furnish the Issuers of Securities with the information as is required to be disclosed in terms of the Act, Companies Act where applicable, or any other law and may furnish the Issuers with additional information, in accordance with the Strate Rules and Strate Directives.

6.8.7 Participants must retain Records of Securities Accounts for a minimum period of 7 (seven) years from the date when such Securities Accounts ceased to have any Securities holdings.

Debit Balances



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

Withdrawal

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

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

Unconditional Commitment to Settle

6.11.1.1 Once a Participant's conditional commitment to Settlement of a transaction in Securities becomes unconditional as stipulated by Strate Directive, it must ensure that the transaction Settles on Settlement day.

6.11.1.2 Notwithstanding 6.11.1.1, upon the occurrence of an Insolvency Proceeding against a Participant, its Client or other Settling Party, such Participant, its Client or other Settling Party or any other Participant, Client or Settling Party may, in respect of any obligation owed to it by such Participant, Client or Settling Party, revoke its commitment or Settlement instruction as contemplated in section 35A of the Insolvency Act and section 35(2)(w) of the Act, prior to the Moment of Finality of Instructions stipulated by Strate Directives and in accordance with any rules of a relevant Exchange or Clearing House.

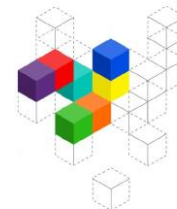
6.11.1.3 No Settlement instructions may be revoked by a Participant, Client or other Settling Party after the Moment of Finality of Instructions stipulated by Strate Directives.

6.11.2 In the event that a Participant fails to ensure that it is in a position to Settle any On-market Trade or Off-market Trade on Settlement day, Strate may, in its sole discretion (notwithstanding any action taken in accordance with Strate Rule 6.12.2), impose a fine on that Participant as stipulated by Strate Directive or proceed in terms of the disciplinary procedures set out in terms of the Strate Rules.

6.11.3 Transfer of ownership in any Securities in a Securities Account must be effected by debiting of the Securities Account or Segregated Depository Account from which the Transfer is effected and crediting the Securities Account or Segregated Depository Account to which the Transfer is effected, as the case may be, in accordance with the Act, Companies Act, where applicable, Strate Rules and Strate Directives.

6.11.4 A transferee becomes the owner of the Securities upon the crediting of the Securities Account in the Subregister.

6.11.5 Transfer of ownership of Securities in accordance with Strate Rules 6.11.3 and 6.11.4 occurs despite any fraud, illegality or Insolvency Proceeding that may affect the relevant Securities; or have resulted in the Transfer being effected: but a transferee who was a party to or had knowledge of the fraud or illegality, or had knowledge of the Insolvency Proceeding, as the case may be, may not rely on this Strate Rule.



6.11.6 The Subregister maintained in accordance with these Strate Rules is sufficient proof of any matters directed or authorised to be entered therein by the Strate Rules and Strate Directives.

Netting

6.11A Strate may utilise netting arrangements for the calculation of settlement obligations, so that only a net number or nominal value of Securities per ISIN, or amount of cash, is owed either to or by a Participant. This is done by the set-off of the total number or nominal value of Securities per ISIN, or amount of cash, which a Participant is obliged to deliver or pay, respectively, against the total number or nominal value of Securities per ISIN, or amount of cash, which a Participant is entitled to receive.

Settlement of transactions in Securities

6.12.1 Settlement of transactions in Securities Deposited with Strate, including Off-market Trades, must take place in the manner determined by Strate and in accordance with the rules of an Exchange, where applicable, and in accordance with the Strate Rules and Strate Directives.

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

Segregated Depository Accounts

6.13.1 A Primary Participant may open, maintain and close Segregated Depository Accounts for its Clients as stipulated by Strate Directive.

6.13.2 A Segregated Depository Account may be opened in the Own Name of a Client, or in the name of a Nominee.

6.13.3 A Primary Participant is responsible for administering its Client's Segregated Depository Account in accordance with the provisions of the Act, Strate Rules, Strate Directives and Client's instructions.

6.13.4 Where a Segregated Depository Account is opened in accordance with Strate Rule 6.13.1, a Client may, in writing, appoint a Secondary Participant that has agreed to act as such and as stipulated by Strate Directive. On assenting to act as a Secondary Participant, such Participant must confirm in writing to the Client and Strate that it has assented to act as a Secondary Participant.

6.13.5 Where a Secondary Participant has been appointed in accordance with Strate Rule 6.13.4, such Secondary Participant must open and administer a Segregated Depository Account in the event of an Insolvency Proceeding against such Client's Primary Participant, in accordance with the Strate Rules and Strate Directives.

6.13.6 A Client may only operate its Segregated Depository Account through its Primary Participant. In the event of an Insolvency Proceeding against the Client's Primary Participant, the Client may only operate its Segregated Depository Account through the Secondary Participant appointed in accordance with Strate Rule 6.13.4, and in accordance with the Strate Rules and Strate Directives.

Movement of Securities from Primary Participant to Secondary Participant

6.13.7.1 In the event of an Insolvency Proceeding against a Client's Primary Participant, Strate must, upon instruction by the Secondary Participant, as stipulated by Strate Directive, move the unencumbered Securities held in a Segregated Depository Account administered by a Primary



	Participant to a Segregated Depository Account administered by a Secondary Participant appointed in accordance with Strate Rule 6.13.4.
6.13.7.2	The movement of Securities held in the Segregated Depository Accounts from the Primary Participant to the Secondary Participant, in accordance with 6.13.7.1, does not constitute a change in ownership, and transfers no greater rights or lesser obligations to the Client.
6.13.8	The following operational provisions will apply to Segregated Depository Accounts:
6.13.8.1	Transfer of ownership of Securities in a Segregated Depository Account shall be effected by the debiting of the Segregated Depository Account or Securities Account from which the Transfer is effected and the crediting of the Segregated Depository Account or Securities Account to which the Transfer is effected, as the case may be, in accordance with the Act, Companies Act, where applicable, Strate Rules and Strate Directives.
6.13.8.2	A transferee becomes the owner of the Securities, upon the crediting of the Segregated Depository Account in the SDA Register. The SDA Register maintained in accordance with these Strate Rules is sufficient proof of any matters directed or authorised to be entered therein by the Strate Rules and Strate Directives.
6.13.8.3	Transfer of ownership of Securities in accordance with Strate Rules 6.13.8.1 and 6.13.8.2 shall occur notwithstanding any fraud, illegality or Insolvency Proceeding which may affect the Securities in respect of which the Transfer was effected or which may have resulted in the Transfer being effected: provided that a transferee who was a party to or had notice of the fraud or illegality may not rely on this Strate Rule.
6.13.8.4	Only Strate may credit or debit Securities in Segregated Depository Accounts.
6.13.8.5	Strate must only Transfer Securities or make any other Entry in a Segregated Depository Account on receipt of an Authenticated Instruction from a Participant, and in accordance with the Strate Rules and Strate Directives.
6.13.8.6	A Participant must ensure that all Securities credited or debited to its Clients' Segregated Depository Accounts are credited or debited to the relevant Securities Accounts in its Records.
6.13.8.7	Nothing in this Strate Rule 6.13 shall prejudice any power of Strate to effect Transfer to a person to whom the right to any Securities held in a Segregated Depository Account has been transmitted by operation of law or agreement, or pursuant to a court order.
6.13.8.8	The Segregated Depository Account shall be sufficient proof of any matters directed or authorised to be entered therein by the Act, Companies Act, where applicable, Strate Rules, Strate Directives and Client's instructions.
6.13.9	The requirements of the Act, Companies Act, Strate Rules and Strate Directives applicable to Securities Accounts shall also be applicable to any Segregated Depository Accounts and corresponding Securities Accounts. In the event of a conflict between another provision of the Strate Rules or Strate Directives and this Strate Rule 6.13, then to the extent of such conflict, the provisions of this Strate Rule 6.13 shall prevail.



7. MONEY MARKET SECURITIES OWNERSHIP REGISTER

7.1 Definitions

‘Client Identification Data’ means, in respect of an owner of MM Securities, the information stipulated by Strate Directive;

‘ETME’ means an application system which is situated between the business partners with a trader role and the electronic Money Market Settlement System and is used as a bulk matching and trade allocation tool that reports trades for Settlement to the MMSS;

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

‘Issuer Agent’ means an entity that is registered with Strate as stipulated by Strate Directive and is appointed by an MM Issuer to act as its agent for the issuing of MM Securities;

‘MM Issuer’ means an entity which issues MM Securities;

‘MMSS’ means the electronic Money Market Settlement System that facilitates securities services with regards to Money Market Securities;

‘National Numbering Agency’ means the numbering agency appointed by the International Association of National Numbering Agencies for the allocation of ISINs to South African securities;

‘Unique Client Code’ means a code specified and created by Strate identifying the owner of MM Securities and linking the MM Securities Accounts in the Securities Ownership Register with the relevant owner thereof.

7.2 Creation and Deposit of Securities

7.2.1 Rule 7 applies to each MM Security allocated an ISIN by the National Numbering Agency.

7.2.2 Where any provision of the Strate Rules is not expressly or impliedly amended by Strate Rule 7, the Strate Rules apply in respect of MM Securities in the same manner as they apply to other Eligible Securities.

7.2.3 MM Securities may be created, Deposited and held in the MM Securities Accounts in the Securities Ownership Register.

7.2.4 An MM Issuer who wishes to Deposit MM Securities must register with Strate and open a MM Securities Account with a Participant in accordance with the Strate Rules and Strate Directives, and provide Strate with the following information:

7.2.4.1 the name of its Issuer Agent;

7.2.4.2 the name of its Participant;

7.2.4.3 its Client Identification Data;

7.2.4.4 Settling Bank.

7.2.5 An MM Issuer creates a MM Security by Depositing it with the associated ISIN, amount on issue and other relevant information, as stipulated by Strate Directive, in the Securities Ownership Register.



7.2.6 An MM Issuer must immediately notify Strate if its Issuer Agent has changed and supply Strate with the necessary information on the new Issuer Agent.

7.2.7 On receipt of the information as required in terms of Strate Rule 7.2.6, Strate must ensure that the MM Securities issued under the former Issuer Agent that have not yet matured, are linked to the newly appointed Issuer Agent who will then be the responsible Issuer Agent for those MM Securities.

7.3 MM Securities Accounts

7.3.1 A MM Securities Account may only be opened and maintained in the Securities Ownership Register by a Participant.

7.3.2 A Corporate Participant may only open and maintain an Account in the Securities Ownership Register for MM Securities owned by it.

7.3.3 One or more MM Securities Accounts may be opened for a Client in the Securities Ownership Register.

7.3.4 A Client may have a MM Securities Account with more than one Participant.

7.3.5 In addition to maintaining MM Securities Accounts on behalf of Clients, a Participant may open one or more MM Securities Accounts for its own MM Securities in the Securities Ownership Register.

7.3.6 A Participant may not open a MM Securities Account for a Client in the name of a Nominee except where the Nominee is a foreign Nominee and the Participant has obtained confirmation that such foreign Nominee operates within its domestic legal framework with the appropriate regulatory approval required in its home jurisdiction.

7.3.7 When opening a MM Securities Account, a Participant must provide Strate with the Client Identification Data.

7.3.8 If the Client Identification Data changes, a Participant must inform Strate of such change and update the MM Securities Account as stipulated by Strate Directive.

7.3.9 A Participant is responsible for ensuring the correctness of the Client Identification Data provided in Strate Rules 7.3.7 and 7.3.8.

7.3.10 Strate must assign to each Client a Unique Client Code, which must be reflected in each MM Securities Account opened by a Participant on behalf of such Client.

7.3.11 A Participant must ensure that all MM Securities Deposited and Transferred in the Securities Ownership Register on behalf of a Client are entered in a MM Securities Account opened and maintained by the Participant in terms of the Strate Rules and Strate Directives.

7.3.12 Subject to 7.3.14.3, a Client may only operate its MM Securities Account through the Participant that opened the MM Securities Account in the Securities Ownership Register on behalf of such Client.

Appointment of a Secondary Participant

7.3.13 Where a MM Securities Account has been opened, a Client may in writing, appoint a Secondary Participant, that has agreed to act as such and as stipulated by Strate Directive. On assenting to



act as a Secondary Participant, such Participant must confirm in writing to the Client and Strate that it has assented to act as a Secondary Participant.

- 7.3.14 Where a Secondary Participant has been appointed in accordance with Strate Rule 7.3.13:
- 7.3.14.1 the Participant that opened and is responsible for administering the MM Securities Account shall be deemed to be the Primary Participant;
- 7.3.14.2 the Secondary Participant must administer the MM Securities Account in the event of an Insolvency Proceeding against a Client's Primary Participant, in accordance with the Strate Rules and Strate Directives.
- 7.3.14.3 the Client may only operate its MM Securities Account through its Primary Participant. In the event of an Insolvency Proceeding against the Client's Primary Participant, such Client may only operate its MM Securities Account through the Secondary Participant appointed in accordance with Strate Rule 7.3.13, and in accordance with the Strate Rules and Strate Directives.

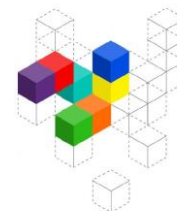
Movement of Securities from Primary Participant to Secondary Participant

- 7.3.15 Notwithstanding the provisions of Strate Rule 7.3.14.3, in the event of an Insolvency Proceeding against a Client's Primary Participant, Strate must, upon instruction by the Secondary Participant, as stipulated by Strate Directive, move the unencumbered Securities held in a MM Securities Account administered by a Primary Participant to a MM Securities Account administered by a Secondary Participant appointed in accordance with Strate Rule 7.3.13.
- 7.3.16 The movement of Securities held in the MM Securities Accounts from the Primary Participant to the Secondary Participant, in accordance with 7.3.15, does not constitute a change in ownership, and transfers no greater rights or lesser obligations to the Client.

7.4 Information and Reporting in respect of MM Securities Accounts

- 7.4.1 Each Participant must maintain in respect of each Client and every MM Securities Account must have the following details:
- 7.4.1.1 Unique Client Code;
- 7.4.1.2 Client Identification Data, name and address of Client;
- 7.4.1.3 MM Securities Account details in the Securities Ownership Register;
- 7.4.1.4 the ISIN and Nominal Value of MM Securities of each kind Deposited and or Transferred; and
- 7.4.1.5 any further information that may be required by the Act, Companies Act, Strate Rules and Strate Directives.
- 7.4.2 Strate, on receipt of a request from the MM Issuer in terms of Strate Rule 7.4.1 must provide such information in a manner and time stipulated by Strate Directive.
- 7.4.3 All MM Securities transactions must be reported to the ETME as stipulated by Strate Directive.

7.5 The Transfer of MM Securities



- 7.5.1 Transfer of ownership in a MM Security must be effected by debiting the MM Securities Account in the Securities Ownership Register from which the Transfer is effected and crediting the MM Securities Account in the Securities Ownership Register to which the Transfer is effected, in accordance with the Strate Rules and Strate Directives.
- 7.5.2 A transferee becomes the owner of the MM Securities, upon the crediting of the MM Securities Account in the Securities Ownership Register.
- 7.5.3 Transfer of ownership in accordance with Strate Rules 7.5.1. and 7.5.2 occurs notwithstanding any fraud, illegality or Insolvency Proceeding which may affect the MM Securities: or may have resulted in the Transfer being effected: but a transferee who was a party to or had knowledge of the fraud or illegality, or had knowledge of the Insolvency Proceeding, as the case may be, may not rely on this Strate Rule.
- 7.5.4 Only Strate may effect the Transfer of MM Securities in the Securities Ownership Register.
- 7.5.5 Strate must only on receipt of an Authenticated Instruction by a Participant or by order of court, Transfer MM Securities in the Securities Ownership Register, in terms of the Strate Rules and Strate Directives.
- 7.5.6 A Participant must ensure that every Entry in a MM Securities Account is executed pursuant to an Authorising Instruction or a Standing Instruction received from a Client or the Client's duly authorised agent and reflect in the Participant's Records of the Client the content of such instruction.
- 7.5.7 Nothing in this Strate Rule 7.5 shall prejudice any power of Strate to effect Transfer to a person to whom the right to any MM Security has been transmitted by operation of law or agreement.
- 7.5.8 The Securities Ownership Register maintained in accordance with these Strate Rules is sufficient proof of any matters directed or authorised to be entered therein by the Strate Rules and Strate Directives.
- 7.6 Commitment to Settle**
- 7.6.1 In the event that a Participant who has committed to Settle a transaction fails to ensure that it is in a position to Settle such transaction on Settlement day, the Controlling Body may, in its sole discretion (notwithstanding any action taken in accordance with Strate Rule 7.7.2), impose a fine on that Participant in accordance with a schedule as stipulated by Strate Directive or proceed in terms of the disciplinary procedures set out in terms of the Strate Rules.
- 7.6.2 Notwithstanding 7.6.1, upon the occurrence of an Insolvency Proceeding against a Participant, its Client or other Settling Party, such Participant, its Client or other Settling Party or any other Participant, Client or Settling Party may, in respect of any obligation owed to it by such Participant, Client or Settling Party, revoke its commitment or Settlement instruction as contemplated in section 35A of the Insolvency Act and section 35(2)(w) of the Act, prior to the Moment of Finality of Instructions stipulated by Strate Directive.
- 7.7 Settlement of transactions**
- 7.7.1 Settlement of transactions in MM Securities must take place in the manner stipulated by Strate Directive and in accordance with the Strate Rules.
- 7.7.2 Any Settlement of MM Securities which fails as a result of a Participant being unable to meet its commitment to such Settlement or its failure to adhere to the stipulated timelines or operational



requirements is deemed to be a failed Settlement and will be dealt with in accordance with the Strate Rules and Strate Directives.

7.8 The Pledge or Cession to Secure a Debt

7.8.1 A Participant must record a pledge or cession to secure a debt on behalf of a Client in a MM Securities Account in accordance with the provisions of the Act, Strate Rules and Strate Directives.

7.8.2 Where a Participant records a pledge or cession to secure a debt on behalf of a Client in a MM Securities Account:

7.8.2.1 the requirements of the Act, Strate Rules and Strate Directives shall, where the Client is a foreign Nominee, be applicable to any MM Securities Account in which the Client's Securities are held;

7.8.2.2 it must, in accordance with the Act, prevent the Securities from being Transferred from the MM Securities Account or the account in the name of the foreign Nominee in which the Client's MM Securities are held, except with the written consent of the pledgee or cessionary;

7.8.2.3 it must, in its statements to its Clients, indicate which MM Securities have been pledged or ceded to secure a debt and specify the nominal amount of such MM Securities; and

7.8.2.4 it must, at least monthly, send to the person to whom the MM Securities are pledged or ceded to secure a debt, a confirmation of its recording of the pledge or cession to secure a debt.

7.9 Debit Balances

7.9.1 A Participant must not give, or give effect to an instruction which would result in any of the MM Securities Accounts maintained by the Participant reflecting a Debit Balance.

7.10 Withdrawal

7.10.1 Subject to Strate Rule 7.10.2, an MM Issuer must not issue certificates or written instruments evidencing, or purporting to evidence, title to MM Securities issued by the MM Issuer.

7.10.2 Any Client who wishes to Withdraw its MM Securities held by a Participant in a MM Securities Account in the Securities Ownership Register and obtain a certificate or written instrument in respect of all or part of those MM Securities must notify the Participant thereof, in which case:

7.10.2.1 the Participant must notify the relevant MM Issuer to provide such a certificate or written instrument and immediately remove the details of the MM Securities so Withdrawn from the MM Securities Account.;

7.10.2.2 the MM Securities must be Transferred by the relevant Participant to the MM Issuer's Securities Ownership Register MM Securities Account;

7.10.2.3 the Issuer Agent must reduce the amount on issue in the Securities Ownership Register for the particular MM Securities by the Withdrawn amount;

7.10.2.4 the MM Issuer must prepare and deliver to the relevant person a certificate or written instrument in respect of the MM Securities so Withdrawn.

7.10.3 Transfer of ownership and any interest, capital redemption payments or other entitlements in respect of the MM Securities so Withdrawn cannot be effected through Strate.



7.11 Maintenance and Operation of MM Securities Accounts

- 7.11.1 Where there has been no activity and no holdings in an MM Securities Account for a period of 3 (three) years, such MM Securities Account must be recorded in the Securities Ownership Register as dormant by Strate under advice from the relevant Participant.
- 7.11.2 A Participant may freeze its Client’s MM Securities Account in the Securities Ownership Register and no transactions may be recorded against a frozen MM Securities Account until the Participant reinstates such MM Securities Account. A Participant may freeze a Client’s MM Securities Account where the Participant is required to do so in terms of the Act, Strate Rules, Strate Directives or any other law.
- 7.11.3 No transactions may be recorded against an MM Securities Account recorded in the Securities Ownership Register as dormant as set out in Strate Rule 7.11.1, until the relevant Participant reinstates such MM Securities Account.
- 7.11.4 If an MM Securities Account has been recorded in the Securities Ownership Register as dormant as set out in Strate Rule 7.11.1, and such MM Securities Account remains dormant for a further period of 2 (two) years, the MM Securities Account must be “deleted” by Strate from the Securities Ownership Register under advice from the relevant Participant.
- 7.11.5 Participants are not entitled to delete MM Securities Accounts in the Securities Ownership Register. Only Strate may delete all Records of the MM Securities Account in the Securities Ownership Register from the MMSS and archive and retain such Records for a period of 7 (seven) years.