

# STRATE RULE AMENDMENTS

Quarter 4 2022



**strate**

Strate (Pty) Ltd hereby proposes the following amendments to the Strate Rules, which are issued in terms of section 35 of the Financial Markets Act, No. 19 of 2012:

**Bold underlined** text indicates an addition

**[Bold square-bracketed]** text indicates a deletion

## RULE 1

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### 1.2 Definitions

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**‘Uncertificated Securities Register’** means the record of Uncertificated Securities administered and maintained by a Participant or Strate, as determined in accordance with the Strate Rules, and in respect of Securities issued in terms of the Companies Act, has the meaning assigned in section 1 of that Act; **and**

**[‘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]**

...

#### **Explanatory Note for Rules 1, 2 and 3:**

It is proposed that Strate’s Urgent Issues Committee be disbanded and its functions assumed by Strate’s Regulatory and Supervisory Committee.

The purpose of this reorganisation is to streamline administrative structures and provide for a more efficient assignment of duties.

For stylistic reasons, there has also been a rephrasing of the obligations in Rule 2.22 to be a positive rather than a negative statement of obligations.

## RULE 2

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### **[Urgent Issues Committee] Business Conduct of Participants**

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

**and Supervisory** Committee for the rectification of the alleged conduct must be stated so as to enable the Participant to apply to the **[Urgent Issues] Regulatory and Supervisory** Committee for the removal of the orders made in terms of Strate Rule 2.24 once the conditions stated in the order have been satisfied.

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

## RULE 3

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### 3.10 Suspension, Termination and Replacement

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

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

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### 3.13 Right of Appeal

3.13.1 If:

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3.13.1.5 the **[Urgent Issues] Regulatory and Supervisory** Committee has imposed any restrictions, conditions or given instructions in terms of State Rule 2.24,

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

## RULE 4

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- 4.3 A Participant which divulges or makes known any confidential information in contravention of State Rule 4.2 **[is] may be [guilty of improper conduct and]** subject to disciplinary action in terms of the State Rules.

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### **Explanatory Note:**

It is proposed that the wording in this Rule be changed in order to grant more discretion to the Regulatory and Supervisory Committee when determining whether improper conduct has occurred, allowing it to take into account all the circumstances of the incident.

## RULE 6

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

6.4.1 Should a Client elect to be an Own Name Client, the Participant may levy a **charge or service** fee on the Issuer of the relevant Securities **[and the Issuer will bear the costs of the following services provided by the relevant Participant:**

6.4.1.1the provision to the Own Name Client of two statements of the Securities Account per annum;

6.4.1.2the payment of all interest, dividend, capital redemption payments and all other entitlements received by the Participant from the Issuer;

6.4.1.3the administration and maintenance of the Clients' Securities Account; and

6.4.1.4the 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.]

**for the provision to the Own Name Client of two statements of the Securities Account per annum.**

6.4.2 [Interest is payable by the Issuer on outstanding fees and charges as set out in Strate Rule 6.4.1. The interest is 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.] **The charge or service fee must take into consideration the regulations published in terms of section 52 of the Companies Act,**

**6.4.3 The Participant may not levy a charge or fee to the Own Name Client for the provision of the statements referred to in Strate Rule 6.4.1.**

#### **Explanatory Note:**

It is proposed that this Rule be changed in order to bring the obligations under Rule 6.4 in line with the provisions of section 52(4) of the Companies Act, 2008.

Strate is of the view that any expansion on the provisions of section 52(4) should be set out in the Companies Act Regulations as contemplated in section 52(5), and not in the Strate Rules.