
CONTENTS -INHOUD

No.

*Page
No. Gazette
 No.*

BOARD NOTICE

70 Securities Services Act (36/2004): Proposed amendment to the Rules of Strate Limited

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BOARD NOTICE

BOARD NOTICE 70 OF 2007

SECURITIES SERVICES ACT, 2004

PROPOSED AMENDMENT TO THE RULES OF STRATE LIMITED

1. In terms of section 61 (5) of the Securities Services Act, 2004 (Act No. 36 of 2004), it is hereby notified that Strate Limited has applied to the Registrar of Securities Services for approval of proposed amendments of its rules, which amendments are set out in the Schedule.
2. In terms of section 61 (5) of the said Act, all interested persons who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Securities Services, PO Box 35655, Menlo Park, 0102, within a period of 14 days from the date of publication of this notice.
3. In terms of section 61 (6) of the said Act, I, Rob Barrow, hereby determine 16 July 2007 as the date on which the rules in the Schedule come into operation. If any objections are received, another commencement date may be determined by notice in the Gazette.

RJGBARROW
REGISTRAR OF SECURITIES SERVICES

SCHEDULE

PROPOSED AMENDMENT TO THE RULES OF STRATE LIMITED

General explanatory notes

1. Words underlined with a solid line () indicate the insertions in the existing rules.
2. Words in bold and in square brackets ([]) indicate omissions from the existing rules.

1.2 Interpretation and Definitions

Money Market Securities Account means a securities account for money market securities;

Participation eligibility

3.1 ...

- 3.3 Any Participant which ceases to satisfy any of the participation criteria set out in Rule [4.1 J3.2] must immediately notify the CSD in writing.

Urgent Issues Committee

3.8.1 ...

- 3.8.2 The Urgent Issues Committee must consider whether a Participant is conducting its Business in such a manner that there is imminent danger that such Participant may be unable to meet its commitments or be directly detrimental to the interests of its Business and operation of other Participants, Clients, Issuers or the CSD.

Termination by the Controlling Body

3.10.1 ...

- 3.10.2 A Participant, its trustee, liquidator, curator, judicial manager, administrator or other lawful agent must upon notification of the Participant's termination, transfer all Securities:

Accounts to other Participants in accordance with Client instructions in terms of Rule 5.6.3.9, the Client Mandate, Rules and Directives.

- 3.10.3 [Reserved] Where a Client has not provided a Participant with the instructions referred to in Rule 3.10.2 within 30 (thirty) calendar days of the Participant its trustee, liquidator, curator, judicial manager, administrator or other lawful agent giving notice to the Client of its termination in terms of Rule 5.7.7, the Participant, its trustee, liquidator, curator, judicial manager, administrator or other lawful agent shall transfer the Client's Securities Account to another willing Participant in its discretion and advise the Client of the details of the receiving Participant.
- 3.10.4 A Participant, or its trustee, liquidator, curator, judicial manager, administrator or other lawful agent as the case requires, shall immediately notify the Executive Officer and the Registrar in writing upon the happening of any of the events referred to in Rule 3.10.1 and shall in addition to their obligation in Rule 3.10.3 immediately upon the termination of the participation of the Participant ensure that all of its Records are placed in custody as determined by the Controlling Body.
- 3.10.5 ...
- 3.10.6 The CSD must give reasons to the Participant for its termination[;].

Voluntary Termination

- 3.11.1 ...
- 3.11.1.1 entered into satisfactory arrangements regarding outstanding obligations and potential liabilities and ensured that all outstanding Business of that Participant is completed and the Participant no longer has any outstanding obligations of any kind to [its Clients] other Participants, Clients, Issuers or the CSD;

Effects of termination of participation

- 3.12...
- 3.12.3 notwithstanding Rule 3.12.2, all cash entitlements shall not be deposited into the account of the terminated Participant but shall remain deposited in a trust account held by the CSD until such time as the entitlements may be able to be allocated to the respective Clients of the terminated Participant;
- 3.12.[3]4 the Participant may no longer make use of the CSD or any Nominee owned or controlled by the CSD; and'
- 3.12.[4]5 where applicable, a Participant shall cause all unencumbered Securities held on its behalf in a Nominee owned or controlled by the CSD to be transferred to another Participant within the records of the Nominee owned or controlled by the CSD or such other person as nominated by the Controlling Body. The records representing such Securities shall be transferred to the other Participant; provided that if the Participant does not nominate another Participant the CSD shall transfer such Securities to a Participant nominated by the Controlling Body. Encumbered securities shall only be transferred to a Participant as

contemplated in this section, when, and if, the securities have been released from their encumbrance.

Confidentiality

4.2...

4.2.5 the information must be disclosed to the CSD in terms of the Rules and Directives,

Administration and Maintenance of Information

5.1 ...

5.5 A Participant must report to the CSD, as stipulated by Directive, **[any] all** Off-market Trades resulting in a change of beneficial ownership in those Securities.

Client Mandate

5.6.1 ...

5.6.2 Where a Client's Securities Account has been transferred to a new Participant pursuant to Rule 3.10.3. such mandate must be signed with the new Participant within 90 (ninety) calendar days of such transfer, failing which the mandate between the Client and the terminated Participant would prevail.

5.6.**[2]**.3 The mandate must contain at least provisions that:

5.6.**[2]**.3.1 the Client shall be bound by the Act, Rules and Directives;

5.6.**[2]**.3.2 the Client must disclose to the Participant information about a beneficial, limited or other interest in Securities deposited by a Client with the Participant in terms of the Rules and Directives;

5.6.**[2]**.3.3 in case of a conflict between a provision of the Act, the Rules, Directives and the mandate, then to the extent of such conflict, the provisions of the Act, the Rules and Directives shall prevail;

5.6.**[2]**.3.4 the Client indicates whether the Securities held or to be held are to be registered in the Own Name of the Client or in the name of a Nominee approved in terms of the Act;

5.6.**[2]**.3.5 an Entry in a Securities Account shall only be made *if* an instruction is received from the Client or an agent duly authorised to act on behalf of a Client. The instruction may take the form of either:

5.6.**[2]**.3.5.1 a Standing Instruction; or

5.6.**[2]**.3.5.2 an Authorising Instruction;

5.6.**[2]**.3.6 Participants must effect the Entry pursuant to Rule 5.6.**[2]**3.5 in the relevant accounts of the Clients where the Securities are held.

5.6.**[2]**.3.7 the Participant must comply with any other provisions that may be required by legislation as a result of the nature of the Client;

- 5.6.[2].3.8 the Participant, or Client, as the case may be (except in circumstances set out in [5.5.2.12J Rule 3.10.2) shall be required to give the Client or Participant not less than 30 (thirty) calendar days written notice of the termination of the mandate;
- 5.6.[2].3.9 [Reserved] the Client must, following notification of termination of its Participant in terms of Rule 5.7.7, inform the Participant, its trustee, liquidator, curator, judicial manager, administrator or other lawful agent to which Participant the Client's Securities Account shall be transferred within 30 (thirty) calendar days of the Client receiving such notification; and
- 5.6 [2].3.10 any amendment to the mandate shall be in writing.
- 5.6.4 A Client may instruct its Participant not to send notices, reports and circulars regarding rights and other benefits accruing to them, as stipulated by the Directive dealing with the processing of corporate actions: provided the client mandate contains an explanation from the Participant of the implication of such an instruction and a written confirmation from the Client that the implications are understood.

Duties of Participants

5.7.1 ...

- 5.7.3 all notices, reports and circulars regarding rights and other benefits accruing to the Securities which are received by a Participant from the Issuer of Securities, except where the Client Mandate stipulates otherwise as contemplated in Rule 5.6.4, are conveyed within a reasonable time to the Client concerned;

5.7.4 ...

- 5.7.7 Clients are advised in writing within 3 (three) Business Days by the Participant, its trustee, liquidator, curator, judicial manager, administrator or other lawful agent of any suspension, restriction or termination of its participation, or of it being placed under interim management in terms of the Rules. Such advice shall include a reference to the Client's obligation to advise the Participant, its trustee, liquidator, curator, judicial manager, administrator or other lawful agent to which Participant the Client's Securities Account shall be transferred within 30 (thirty) calendar days of the Client receiving such notification, failing which Rule 3.10.3 would apply.

6. ACCOUNTS OTHER THAN MONEY MARKET SECURITIES ACCOUNTS

[(PLEASE NOTE THAT THIS SECTION DOES NOT APPLY TO MONEY MARKET SECURITIES BEING HELD ON A SECURITIES OWNERSHIP REGISTER)]

Operation of Securities Accounts

6.7.1 ...

- 6.7.4.4 it must, when it sends out statements in accordance with [r]Rule 6.7.4.3, 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.

Debit Balances

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

7. MONEY MARKET SECURITIES OWNERSHIP REGISTER

7.2 Creation and Deposit of Securities

7.2.1 ...

- 7.2.3 MM Securities may be created, deposited and held in the [in] MM Securities Accounts in the Securities Ownership Register.

- 7.2.4 An MM Issuer who wishes to deposit MM Securities must register with the CSD and open a MM Securities Account with a Participant in accordance with the Rules and Directives, and provide the CSD 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,

7.4 Information in respect of MM Securities Accounts

7.4.1 ...

- 7.4. ~~[3]~~ The CSD, on receipt of a request from the MM Issuer in terms of Rule 7.4.1 must provide such information in a manner and time stipulated by Directive.

7.5 The transfer of MM Securities

7.5.1 ...

- 7.5.7 Nothing in this Rule 7.5 shall prejudice any [power] power of the CSD to effect transfer to a person to whom the right to any MM Security has been transmitted by operation of law or [agreement] agreement.

7.10 Withdrawal

7.10.1 ...

- 7.10.2 Any Client who wishes to withdraw her 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:

n

8.1 Reports and audits • Participant

8.1.1 ...

- 8.1.4 The Participants must submit the report required in terms of Rule 8.1.3 within [120 (one hundred and twenty)] 90 (ninety) calendar days after the financial year-end of the Participant.

8.1.5 The external auditor of the Participant must submit a factual findings report annually to the Controlling Body, within [120 (one hundred and twenty)] 90 (ninety) calendar days after the financial year-end of the Participant which complies with the STRATE SAICA Guidelines, the Act and Rules.

8.1.6 ...

8.1.7 A Participant must, within [120 (one hundred and twenty)] 90 (ninety) calendar days from its financial year end, ensure that its external auditor submits to the Controlling Body, any further reports as required by the Act and Rules.

Internal Control and Risk Management

8.2.1 ...

8.2.2.7 on a daily basis, the Participant's Records of the aggregate quantity of the Securities of each class and type held by it are the same as those held by the CSD on its behalf(.

Improper Conduct

11.5...

11.5.11 failing to exercise sound independent professional judgment; or

Tribunal Hearing

12.15.1 ...

12.15.3 the chairperson of the Tribunal shall determine the procedure which the Tribunal shall follow both in respect of preliminary issues and in respect of the hearing itself, subject to the [these] Rules and to the principles of natural justice;

Payment of Fine

12.20 Should a Participant, officer, employee or agent of a Participant fail to pay any *fine* imposed by the Head of Supervision, the Regulatory Committee or the Tribunal, within 20 (twenty) Business Days after being informed of the amount of the fine, the Controlling Body may, after serving notice of not less than 3 (three) Business Days on such person [to]:

13. NOTICES

13.1 A Participant or other person utilising the services of the CSD, where applicable, shall notify the Controlling Body of a physical address, an electronic mail address, a facsimile address and a secured [S] securities delivery mechanism address at which such Participant or other person shall accept the delivery of all notices issued by the CSD in terms of the Rules.

13.2 The Controlling Body shall notify Participants or other persons utilising the services of the CSD, where applicable, of a physical address, an electronic mail address, a facsimile address and a secured [S] securities delivery mechanism address at which the CSD shall

accept the delivery of all notices from such Participants or other persons utilising the services of the CSD.

13.3 Any notice in terms of the Rules shall be in writing, and may be delivered by means of a secured **[S]**securities delivery mechanism and where this is not possible, by means of electronic mail, facsimile, by hand, or by registered post provided that where a Participant sends a notice in terms of the Rules to its Clients, it may do so by means of normal post.

13.4 ...

13.5 Any notice transmitted by a secured **[S]**securities delivery mechanism, electronic mail or by facsimile before 15H00 on a Business Day or such other time stipulated by Directive, shall be deemed, if a confirmation receipt is received, to have been received on the date of confirmation of the transmission, unless an error report is received.
