

BOARD NOTICE RAADSKENNISGEWING

BOARD NOTICE 1 OF 2002

CUSTODY AND ADMINISTRATION OF SECURITIES ACT, 1992 (ACT NO 85 OF 1992) AMENDMENTS TO THE RULES OF SHARE TRANSACTIONS TOTALLY ELECTRONIC LIMITED (STRATE)

1. Under section 12(4) of the Custody and Administration of Securities Act, 1992 (Act No. 85 of 1992), it is hereby notified that Share Transactions Totally Electronic Limited (STRATE) has applied for the Registrar's approval of the amendments of its rules, contained in the Schedule.
2. Under section 12(5)(a) of the said Act members of the public who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar, P O Box 35655, Menlo Park, 0102, within a period of 30 days from the date of publication of this notice.

J VAN ROOYEN

REGISTRAR

SCHEDULE

General explanatory notes:

1. Words in bold type in square brackets ([]) indicate deletions from existing rules.
2. Words underlined with a solid line (_____) indicate insertions in existing rules.

1. Amendment of rule 1.2

"Head of Supervision" means the Head of Supervision of the CSD or any other person designated by him/her;

"executive officer" means the Chief Executive Officer of the CSD or any other person designated by him/her;

"own name client" means a client whose own name appears in the uncertificated securities account of the CSD participant and who has instructed the CSD participant in the client mandate that a direct relationship between the client and the issuer is to be maintained;

"settlement" means the process to complete a transaction in eligible [uncertificated] securities in terms of the rules and directives of the CSD and JSE Securities Exchange South Africa;

["PASA" means the Payments Association of South Africa]

["sponsor" means a person which complies with all the entry criteria set out in rule 4.1.3 which is acceptable to the controlling body and which provides sponsorship to a CSD participant]

2. Amendment of rule 4.1.3

4.1.3 To be eligible to be admitted as or to remain a CSD participant, a person shall satisfy the controlling body that –

4.1.3.1 it is managed by persons and employs persons who comply with the standards of training and experience and other qualifications as prescribed by the controlling body [in consultation with the Registrar];

4.1.3.3 it has formally completed all relevant documentation required by the controlling body, including a Business Continuity Plan, a Disaster Recovery Plan, as well as the necessary service level agreements with third parties before the CSD related operations commence;

4.1.3.4 it has located its disaster recovery hardware and related facilities off-site;

4.1.3.5 where an indemnity letter is required and the holding company of the applicant falls outside the jurisdiction of South Africa, the holding company states that South African law will be applied in its interpretation and application, and that the holding company submits to the jurisdiction of South African courts; and the holding company elects *domicilium citandi et executandi* at a South African address;

4.1.3.6 it has submitted the applicant's financial statements and a copy of a letter of approval stating in the case where the holding company of the applicant falls outside South Africa, the relevant regulators' acknowledgement of the business entity and type of business activities regulated by the appropriate body in that country;

4.1.3.7 [4.1.3.3] it has the financial resources to meet its obligations as a CSD participant as set out in the directives;

4.1.3.8 [4.1.3.4] it has adequate systems, procedures, personnel, facilities and technical capacity enabling it to fulfill its obligations and operational requirements in terms of the rules and directives promptly and accurately;

4.1.3.9 [4.1.3.5] it shall pay all fees and levies as determined from time to time by the controlling body;

4.1.3.10 [4.1.3.6] it has adequate securities lending and borrowing arrangements as determined from time to time by the controlling body;

4.1.3.11 [4.1.3.7] it is a participant in SAMOS and a member of PASA or has a sponsor which is a participant in SAMOS and a member of PASA]. all clearing and settlement services for payment will take place through the auspices of any clearing bank with an account in SAMOS and which is a participant in the relevant Payments Clearing House;

4.1.3.12 [4.1.3.8] it has adequate systems, [and] procedures and policies in place to protect the information, data, records and documents relating to uncertificated securities accounts and the affairs of clients against any unauthorised access, alteration, destruction or dissemination;

4.1.3.13 it has adequate insurance to cover the risks associated with its CSD participation;

4.1.3.14 where required, it has complied or will comply with Exchange Control Regulations; and

4.1.3.15 [4.1.3.9] it complies with any other reasonable criteria which the controlling body may from time to time specify.

3. Amendment of rule 6.3.1.2

6.3.1.2 A CSD participant [shall] may open two or more central securities accounts with the CSD in the name of the CSD participant with each account reflecting -

4. Amendment of rule 7.1.3

7.1.3.5 Every CSD Participant shall timeously report to the controlling body whether anything has come to the directors' attention indicating that any material malfunction, as defined and documented by the board of directors of the CSD participant, in the functioning of the aforementioned controls, procedures and systems has occurred during the period under review.

5. Amendment of rule 7.1.4

7.1.4 The directors of the CSD Participants are required to submit the report required in terms of rule 7.1.3 within 120 calendar days after the financial year-end of the CSD participant [commencing on or after the 1 January 2000].

6. Insertion of rule 7.1.5

7.1.5 Every CSD participant shall advise the controlling body in writing within 14 days of

7.1.5.1 any material changes to its shareholding since the date of approval of the CSD Participant's application;

7.1.5.2 any changes to the composition of its board of directors.

7. Amendment of rule 7.1

7.1.6 [7.1.5]The external auditor of the CSD participant shall annually report to the controlling body whether or not the auditor concurs with the reports required in terms of rule 7.1.3. If the auditor does not concur with such report, the auditor shall provide reasons for such non-concurrence.

7.1.7 The external auditor of the CSD participant shall submit a report annually to the controlling body, within 120 calendar days after the financial year-end of the CSD participant expressing an opinion on whether:

7.1.7.1 the integrity, fit and proper standing of the persons that control and manage the CSD participant continues to exist; and

7.1.7.2 the systems and procedures relating to risk reduction are adequately and in all material respects in operation to ensure the safe custody and administration of securities deposited with the CSD participant, particularly with regard to processing, physical, logical security, back-up and contingency controls.

7.1.[6]8 A CSD participant's records shall, in addition to the requirements of the Companies Act, contain at least the following details of all deposits and withdrawals of securities in uncertificated securities accounts –

- 7.1.[6]8.1 the name of the client whose uncertificated securities account is affected;
- 7.1.[6]8.2 the name of the issuer of the uncertificated securities
- 7.1.[6]8.3 the quantity and description of the uncertificated securities
- 7.1.[6]8.4 the quantity, description and details of any uncertificated securities lent or borrowed;
- 7.1.[6]8.5 details of any pledge or charge on the securities

7.1.[7]9 A CSD participant shall reconcile balances with the CSD on a daily basis. Any differences shall immediately be –

- 7.1.[7]9.1 reported to the CSD; and
- 7.1.[7]9.2 investigated and corrected by the CSD or CSD participant.

8. Amendment of rule 7.3.1

7.3.1 The CSD participant shall obtain a written mandate from its client governing the relationship between them. The mandate must be signed by the client prior to the commencement of any action by the CSD participant for or on behalf of the client. For existing clients a mandate as required by this rule shall be obtained by no later than [1 March 2000] 1 March 2002.

9. Amendment of rule 7.3.2.6

7.3.2.6 the CSD participant shall provide the client with a statement of the uncertificated securities account at least twice a year. In the event that the own name of the client appears in the sub-register of the CSD participant, the statement shall be provided without charge to the client and at the expense of the Issuer;

7.3.2.7 the client indicates whether the uncertificated securities held or to be held are to be registered in the own name of the client, in the name of the nominee company of the CSD participant or in the name of any other person;

10. Insertion of rule 7.4.2**7.4.2 Fees and charges for services provided to own name clients**

7.4.2.1 Should a client elect to be an own name client, the issuer of the relevant securities will bear the fees and charges of the following services provided by the relevant CSD participant:

7.4.2.1.1 the provision to the own name client of two statements of the uncertificated securities account per annum in the form as prescribed from time to time by the controlling body;

7.4.2.1.2 the payment of all interest, dividend, capital redemption payments and all other payments received by the CSD participant from the issuer;

7.4.2.1.3 the administration and maintenance of the relevant subregister;

7.4.2.1.4 the provision to the own name client of all notices, reports and circulars regarding rights and other benefits accruing to the securities which are received by the CSD participant from the issuer.

7.4.2.2 The controlling body may from time to time prescribe the fees and charges to be paid by the issuer to the CSD participant, as recommended from time to time by the executive officer, in consultation with the industry, and set out in a directive.

7.4.2.3 The CSD may provide services to the CSD participant and issuer to facilitate and administer the payment of the fees and charges and the CSD may prescribe in a directive the procedures, requirements and administration fee for its services as set out in rule 6.8.4. Nothing in this section shall be construed as causing the CSD to accept any credit risk or liability whatsoever for the non-payment of the fees or charges by the issuer.

7.4.2.4 The CSD shall notify the issuer of the fees and charges to be paid at least 30 calendar days prior to their implementation.

7.4.2.5 Fees and charges shall be paid within fifteen business days of statement date.

7.4.2.6 Should an issuer fail to make any payment within twenty business days of it becoming due and payable, the CSD shall notify the issuer and the CSD participant of the amount in arrears.

7.4.2.7 If the issuer does not pay the arrears within seven business days of such notice, the CSD may refuse to provide any further services as set out in rule 7.4.2.3 to the issuer and the CSD participant may take such further steps and legal actions against the issuer as it may deem necessary.

7.4.2.8 Interest shall be payable on outstanding fees and charges. The interest shall be calculated from due date of payment at the rate which is the prime lending rate offered by the CSD principal bank as at the date of statement.

11. Amendment of rule 7.6.2

7.6.2 A compliance officer shall --

7.6.2.4 submit a bi-annual report signed by the chief executive officer or designated officer of the CSD participant and the compliance officer, relating only to the CSD custodian business of the CSD participant and which indicates any material problems that the directors and/or compliance officer have experienced during the preceding six months and how these have been or are to be addressed. The report must include a disclosure and analysis of the impact of any material problems or losses experienced on the solvency of the company, as well as any material claims of which the directors and/or compliance officer are aware.

7.6.2.5 [7.6.2.4] shall receive all notices issued in terms of rule 4.9. and be responsible to ensure that these are complied with.