



CORPORATE PROFILE



strate 
Central Securities Depository



Strate: The Trusted Third Party

We are a trusted provider of products and services that deliver value to stakeholders and enhance South Africa's position as an attractive investment destination. Our core purpose is to mitigate risk, bring efficiencies to the financial market and improve South Africa's profile as an investment destination.

Vision

- ≡ We are the trusted third party, and strive to offer innovative and diversified products and services across all asset classes
- ≡ We maximise value under the Strate brand for our current and future stakeholders

Purpose

Our purpose is to provide stakeholders with clearing, settlement and depository services for securities, enabling end-to-end pragmatic, reliable, innovative solutions that facilitate the management of risk and the realisation of value.

Strategic objectives

- ≡ To ensure operational excellence
- ≡ To manage enterprise risk effectively
- ≡ To ensure service excellence
- ≡ To be a learning organisation, satisfying personal aspirations, enabling continuous growth and ensuring good corporate citizenship
- ≡ To fulfill regulatory and supervisory obligations
- ≡ To be financially viable and independent, ensuring a fair return to shareholders and cost-effective services to customers
- ≡ To encourage global best practices and develop value-add opportunities

Trusted third party

Supporting the South African economy

Our core business is to provide clearing, settlement and depository services for securities. We currently handle the settlement of equities, warrants and bonds for the JSE Ltd, the Bond Exchange of South Africa and the Yield-X market. We also provide a number of data, products and services that add value to our clients' business.

Strate is an independent, public unlisted company, jointly owned by the JSE and the four major banks of South Africa. With assets under custody in excess of R5 trillion (US\$636 billion), we play a crucial role in South Africa's financial sector. Our sophisticated electronic settlement system has increased market activity in South Africa by helping to reduce settlement and operational risk, increasing efficiency and lowering costs.

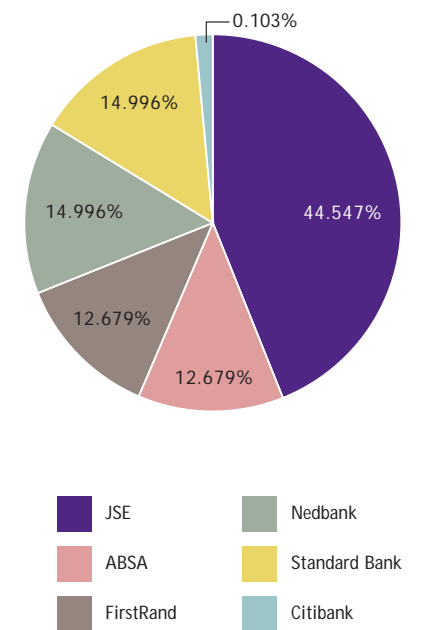
Harnessing the power of technology

The need for an efficient electronic settlement system first arose in 1996 following the introduction of the Johannesburg Equity Trading system. Shares were no longer traded on the trading floor, which led to a massive leap in the number of daily trades. The JSE's paper-based settlement process was incapable of handling this increase in daily transactions.

In 1997, a team of banks and JSE representatives sourced and licensed a Swiss system that was adapted to suit the local market and renamed SAFIRES (Southern African Financial Instruments Real-time Electronic Settlement). The first phase of Strate was implemented at the end of September 1999, with Harmony Gold Mining as our pilot company. Between then and January 2002, every listed equity on the JSE migrated into Strate and they now all settle via our system. Since the introduction of Strate, there has not been a single failed settlement for main board trades on the JSE.

In 2003 we merged with UNEXcor and Central Depository Ltd, the clearing and settlement houses for bond market instruments listed on the Bond Exchange of South Africa.

Strate's shareholders





Responding to the needs of our stakeholders

Clearing and settlement services

Our principal function is the clearing and settlement of financial instruments. Through our equities settlement service for the JSE Ltd, we settle both on-market trades (where an investor places an order with a JSE broker) and off-market trades (where an instruction to settle is placed directly with one of our participants and not through the JSE's trading system). We also settle on-exchange and off-exchange bond trades for the Bond Exchange of South Africa.

In alignment with international best practice, we operate on the principle of rolling settlements, where equities are settled five business days after the trade date. Standard bond market trades are settled after three business days. We also have the ability to settle on a trade plus zero basis and do so for certain money market instruments listed on the Bond Exchange of South Africa.

Corporate actions

We process and disseminate corporate actions for listed companies. Our corporate actions mechanisms have been highly commended by settlement authorities in other countries and are integral to our objective of reducing settlement risk.

Issuer services

We currently provide the following value-add reporting services to Issuers on request:

- ≡ Beneficiary download reports via e-mail direct to the Issuer and or their sponsor
- ≡ Ad hoc beneficiary downloads for the purpose of mailing in respect of special events
- ≡ Top 100 beneficial owners
- ≡ Beneficial owners/shareholders holding more than a certain percentage of the issued share capital or dematerialised balance
- ≡ Non-resident beneficial owners/shareholders
- ≡ Number of beneficial owners/shareholders and the percentage held
- ≡ Ad hoc data sorts by beneficial owners/shareholders
- ≡ Movements by beneficial owners/shareholders since previous reporting period
- ≡ Accurate buyer seller details for trades executed on a specific day or over an extended period

The benefits of Strate: Driving market practices and setting new standards

Our electronic settlement system offers a number of benefits to the South African financial market. Among these are:

- ≡ **Electronic custody of securities** By recording securities electronically, Strate eliminates the risk of lost, forged or stolen documents.
- ≡ **Security of the system** Sophisticated encryption and authentication software ensures that the security of our electronic records remains uncompromised. To relay electronic messages, Strate utilises the S.W.I.F.T. network, regarded as the most secure network in the world.
- ≡ **Optional use of the in-house wide area network (WAN).**
- ≡ **Rolling settlement** Enables investors to know exactly when their trade will settle. Every day Strate settles the trades which took place five business days before for equities traded on the JSE and three days for standard bond trades through the Bond Exchange of South Africa and Yield-X.
- ≡ **Contractual settlement** Investors are assured that their transactions will settle when specified, vastly reducing the risk of delayed settlement and loss of earnings.
- ≡ **Simultaneous Final Irrevocable Delivery versus Payment (SFIDvP)** Settlement is completed in one, irrevocable step, ensuring that the required securities are reserved and the funds are available. This is achieved through SAMOS (South African Multiple Options System), the South African Reserve Bank's computing infrastructure.
- ≡ **Accuracy of the shareholders' register** The electronic register is updated real-time on the day of settlement, giving listed companies a more accurate list of their shareholders.
- ≡ **Compliance with G30 recommendations** Strate complies with all the recommendations set forth by The Group of 30, a private group of prominent financial industry participants, ensuring that our settlement risks are minimised.
- ≡ **Ability to settle all financial instruments** Besides equities, bonds, warrants and money market securities, the SAFIRES system has the ability to settle all financial instruments in the same environment. This would create consolidation, streamlining and potential cost savings to the market.
- ≡ **Combination of gross and net settlement** Strate's netting engine allows for both gross and net settlement, giving market players the ability to use both methods for multiple investment products.
- ≡ **Electronic execution of Corporate Actions** Strate executes all corporate actions electronically, leading to increased efficiency and cost effectiveness.
- ≡ **Increased market regulation** All business processes associated with electronic settlement are regulated by us, which has contributed to a massive reduction of risk in the financial market.



The Electronic Settlement of Money Market Securities

Over 2008/2009, Strate will add the electronic settlement of money market instruments to our suite of services. The South African market will not be dematerialising existing instruments but all new instruments will be issued, cleared and settled electronically. In the money market environment, the recording of beneficial owners in Strate's Securities Ownership Register ('SOR') in the Central Securities Depository will lead to greater transparency of ownership, as only foreign companies are permitted to open an SOR account in a nominee capacity. Furthermore, the SOR would be regarded as the 'definitive' record of ownership.

In addition to all money market securities being ultimately issued, traded and settled electronically, all related money market coupon and maturity payments will also be settled electronically. Other changes highlighted include:

- ≡ Securities issued will no longer be in 'Bearer' form, nor will there be a requirement for certificate numbers
- ≡ Delivery of securities against trades will not require 'splitting'
- ≡ No difference in the reporting of primary and secondary trades for settlement
- ≡ Issuers will have electronic real-time records of all beneficial owners of its securities
- ≡ Secure real-time settlement of trades, coupon and maturity payments
- ≡ Final irrevocable delivery-versus-payment at beneficial owner level
- ≡ Improved market liquidity
- ≡ Enhanced straight-through processing
- ≡ Lower operating risk, reducing clerical errors and omissions and a significant reduction in the opportunities for fraud and theft
- ≡ A reduction in operating overheads associated with the paper environment

Creating opportunities for social upliftment

One of Strate's core objectives is to be a learning organisation, satisfying personal aspirations and enabling continuous growth for ourselves and the wider community. Investing in our local communities is an essential part of our business and we support a number of worthy causes which have a positive impact on people's lives and their futures.

We encourage our staff to become involved with our Corporate Social Investment initiatives, and they regularly participate in community outreaches. We also have a programme in place where staff members can nominate worthy causes within their communities. We support the following educational and community initiatives:

- ≡ **Ebenezer Care Centre** The centre provides a loving home environment for about 150 destitute people and helps them to become self-reliant through education and skills development. Since 1999, we have supported the Care Centre through both financial support and by volunteering.
- ≡ **Thuthuka Bursary Fund** The Fund, created by key players in the accounting profession, assists students from disadvantaged backgrounds with entry into the profession. We support the fund financially.
- ≡ **JSE Adopt-a-School Programme** The programme encourages schools in disadvantaged communities to participate in the JSE's Investment Challenge. We contribute financially to the programme, provide schools with access to financial media and teach learners how to trade shares.

Strate Charity Shares

Strate Charity Shares is one of South Africa's most remarkable and innovative Corporate Social Investment initiatives. Run by Strate and Computershare Investor Services, the programme allows shareholders to quickly and easily donate small holdings of shares that are too costly to sell through a stockbroker. Donating shares does not cost the donor and is tax-deductible.

The Strate Charity Shares committee has chosen well-known national charities qualified for tax relief under Section 18(A) of the Income Tax Act, including the Salvation Army, Lifeline, the African Children's Feeding Scheme and the Bethany House Trust.



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