

SETTLEMENT OBLIGATION 1

SETTLEMENT PRINCIPLES FOR TRANSACTIONS IN EQUITY SECURITIES

Settlement will take place in accordance with the following principles:

- 1.1. Each transaction represented by a single contract note between the ultimate buyer and ultimate seller;
- 1.2. Applying the market convention that parties to a transaction have a contractual obligation to cause such transaction to settle on a specific day, settlement day (which is three business days after the trade was done); and
- 1.3. On a net basis per member, per equity security per trade type.

SETTLEMENT OBLIGATION 2

CUSTODY MANDATES FOR CONTROLLED CLIENT ACCOUNTS

- 2.1 A controlled client must sign a mandate in favour of a member before any cash or securities are received by the member.
- 2.2 A controlled client must obtain a receipt from the member when securities in certificated form are placed under the control of the member.
- 2.3 A controlled client must receive a statement on at least a quarterly basis or more frequently if the client so requests and reconcile the equity securities and funds reflected on the statement with his records. Any discrepancies should immediately be raised with their member for investigations.
- 2.4 A controlled client must advise a member of its choice for an elective corporate action as set out in the client mandate or agreed with their member
- 2.5 A controlled client must advise a member if it wishes to receive information from any issuer regarding securities that the client owns and if their email address may be supplied to the Issuer to allow for electronic communication from the Issuer.

SETTLEMENT OBLIGATION 3

GENERAL PRE-TRADE SETTLEMENT REQUIREMENTS

A controlled client may not place an order to sell equity securities unless:

- 3.1 the securities to be sold are in the custody of the member in uncertificated form; or
- 3.2 the controlled client can evidence to their member that they own the equity securities to be sold and that such securities will be available for settlement on T+3; or
- 3.3 another transaction has been entered into by the client for the equivalent number of equity securities to be available for settlement on T+3 or before; or
- 3.4 the controlled client has made arrangements to borrow the equivalent number of equity securities and the equivalent securities will be available for settlement to take place on T+3; or
- 3.5 a corporate action provides for an equivalent amount of equity securities being available for settlement on settlement date; or
- 3.6 The equity securities are being moved between registers and the securities will be available on the South African register for settlement.

SETTLEMENT OBLIGATION 4

CONTROLLED CLIENT SETTLEMENT OBLIGATIONS

By no later than 16h00 on T+1, a controlled client must ensure that their member is in a position to settle the transaction on T+3, either by providing the necessary funds or equity securities to the member or entering into an arrangement with the member to ensure that settlement takes place on settlement day.

Where the controlled client does not provide the necessary funds or equity securities to the member by end of day on T+1, the transaction will be margined and where margin is called the member may call for the margin from the controlled client. If the transaction is subject to Rolling of Settlement and the Failed Trade procedures, the margin will be held until the future settlement date of the Rolling of Settlement or when the Failed Trade is resolved.

Where a controlled client fails to meet their settlement obligations for a sale transaction, the transaction will be reversed to the members account at 16h00 on T+2 and the member will assume the obligation to settle.

SETTLEMENT OBLIGATION 5

GENERAL SETTLEMENT PROVISIONS

- 5.1 Where the controlled client fails to put the member in a position before 16h00 on T+1 to settle the transaction on settlement day, the member may close out the client's transaction and claim the difference between the original transaction value and the close out value from the client, including interest, subject to any agreement with the client or notification to the client to the contrary, and to any action taken by the Settlement Authority in terms of the failed trade procedures set out in the rules. The member may sell for the account of the client so many of any other equity securities held on the client's account as is necessary to cover any loss that may be incurred by the client as a result of the close out of the original transaction. The client shall also remain liable for any losses, costs and charges incurred, or charge imposed by the member, in respect of any of the aforementioned transactions.
- 5.2 Where the controlled client has not complied with its obligation to put the member in a position to effect settlement and neither the member nor the Settlement Authority is able to effect settlement, the Settlement Authority shall as at 10h00 on T+3 declare the transaction to be a failed trade.
- 5.3 Notwithstanding 5.1 and 5.2 above, the notification at any stage by a controlled client to a member of its inability to put the member in a position to settle a transaction, may result in the declaration of a failed trade by 09h00 on the following business day, if neither the member nor the Settlement Authority is able to ensure that settlement will take place on settlement day by doing a securities lending & borrowing.

SETTLEMENT OBLIGATION 6

BORROWING OF EQUITY SECURITIES OR CASH AND MEMBER BUY-IN

- 6.1 If a controlled client is unable to meet his settlement obligations and the member is unable to enter into an arrangement to ensure that settlement takes place, the member must advise the Settlement Authority.
- 6.2 If the Settlement Authority is able to lend the necessary funds or equity securities to the member to ensure that settlement takes place, the member must close out the original transaction before the close of business on the next business day.

SETTLEMENT OBLIGATION 7

BORROWING COSTS SECURITIES

Where a member borrows securities from the Settlement Authority to effect settlement on behalf of a controlled client, the controlled client is responsible for any costs that may be incurred by the member in this regard and any penalties imposed on the member by the Settlement Authority. These costs include the costs related to manufactured dividends.

SETTLEMENT OBLIGATION 8

BORROWING COSTS - CASH

Where a member borrows funds from the Settlement Authority to effect settlement on behalf of a controlled client who has not made payment of the required funds to the member timeously, the controlled client is responsible for any costs incurred by the member or penalties imposed on the member by the Settlement Authority in this regard.

SETTLEMENT OBLIGATION 9

FAILED TRADE OR ROLLING OF SETTLEMENT - FAILING PARTY

- 9.1 Where a controlled client does not meet his settlement obligations timeously and neither the member nor the Settlement Authority are able to borrow the necessary funds or equity securities to ensure that settlement of the transaction takes place, the transaction of the failing controlled client may be rolled or failed in accordance with instructions provided by the Settlement Authority to the member.
- 9.2 A failing controlled client, in the case of a rolled or failed trade, will in addition to any fees and penalties, be responsible for any corporate action entitlements or losses that is claimed and paid to the non-failing party.

SETTLEMENT OBLIGATION 10

ROLLING OF SETTLEMENT – NON-FAILING PARTY

- 10.1 A controlled client may be instructed by the JSE, via their member, to roll settlement of their transaction, where the rolling of the settlement will allow the transactions to settle on a future settlement date.
- 10.2 The failed transaction may only be rolled twice which should not be more than 6 business days from the original settlement date.
- 10.3 If the transaction is rolled in accordance with 10.1, then the controlled client will be entitled to claim for any corporate action entitlement or losses incurred.

SETTLEMENT OBLIGATION 11

CLOSING OUT A TRADE AND COMPENSATION – NON-FAILING PARTY

- 11.1 If there is a failed trade which will result in a transaction not settling, a controlled client must, if instructed by the JSE via their member, fail the transaction.
- 11.2 Subsequent to the failing of the transaction, the JSE will decide if the controlled client, via their member should re-transact or if the transaction should be settled by compensation.
- 11.3 If the transaction is failed, and re-transacted or settled via compensation, in accordance with 11.2, then the controlled client will be entitled to claim for any corporate action entitlement or losses incurred