PRESS RELEASE

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New securities account structure designed to counter the impacts of an intermediary failure

The Companies Act (2008) has introduced enabling legislation which allows for a new securities account structure which will mitigate Investor risk in the event of a financial failure of a Central Securities Depository (CSD) Participant within South Africa's financial markets.

Iann Seymour Smith, Head of Custody and Settlement at Strate Ltd, says that as the failure of Lehmans rippled through the financial world, many financial institutions and Investors called for higher levels of transparency, increased regulation and improved access to their securities in the event of an intermediary failure.

Under the revised Companies Act (2008), Strate (South Africa's authorized CSD), has been able to revise its own Rules allowing for the legal record of ownership to be recorded at CSD level thereby granting full legal ownership rights to Investors at all times.

To practically align with these legislative changes, Strate in conjunction with its Participants and supported by the Financial Services Board (FSB), has introduced the concept of Segregated Depository Accounts (SDAs) in South Africa – the key purpose of which is to provide a safe-keeping account structure for Investors ahead of any Insolvency Proceeding being instituted against their chosen Participant with full legal ownership remaining undisturbed. The product is designed to reduce market, price and operational risk by avoiding a situation where the Securities may otherwise have been trapped in the books of the failed Participant while the Insolvency Administrator endeavours to identify their ownership and return the Securities to the rightful owner. The SDA functionality significantly enhances the portability of a clients holdings, allowing them to engage with an alternate service provider at short notice thereby ensuring that if there was an Insolvency Proceeding instigated against their Participant, their account would not be frozen by the Insolvency Administrator and the Client could continue trading in that account in a relatively seamless manner.

Seymour Smith stresses that the Lehman incident as well as requests from large international Investors have made it imperative for South Africa to have something in place to manage such a potential risk.

End.

About Strate

Strate Ltd is proud to be the licensed Central Securities Depository (CSD) for the electronic settlement of financial instruments in South Africa. As the trusted independent provider of innovative post trade products and services in Africa, Strate offers state of the art technology, international expertise and global best practice to the financial markets.

Strate provides electronic settlement for securities including equities, bonds and derivative products such as warrants, Exchange Traded Funds (ETFs), retail notes and tracker funds for Africa's largest stock exchange, the Johannesburg Stock Exchange (JSE), and equities for the Namibian Stock Exchange. It has now added the settlement of money market securities to its portfolio of services. It provides services to Issuers for their Investors in terms of the Companies Act (2008) and Securities Services Act (SSA) (2004).

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