MEMBER AND NON-MEMBER SETTLED CLIENTS - ACCOUNT REFERENCE DATA

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1. VERSION CONTROL

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0.1 Draft	Brett Kotze	2017-03-20	Document creation
0.2 Draft	Brett Kotze	2017-03-25	Updated with internal comments
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2. GLOSSARY

Term	Description
BIC	Bank Identifier Code used by SWIFT
BDA	Broker Dealer Accounting system
BPID	Strate Business Partner Identification code
CSA	Central Securities Account held at Strate
CSDP	CSD Participant
JSE	Johannesburg Stock Exchange
Member settled client	a client who has appointed a trading member to settle transactions in bonds on his behalf via the CSDP of the trading member;
MIC	Market Identifier Code set in term of ISO
Non-member settled client	a client other than a member settled client who has appointed his own CSDP to settle transactions in bonds on his behalf;
NUCLEARS	Clearing system used by the JSE
SCA	Safe Custody Account held with the CSDP
SOR account	Securities Ownership Register account held at the CSD level. Now renamed the Central Securities Account
Strate Client Account Code	Replacement of the current UNEXCor Client Code

3. INTRODUCTION

Strate have initiated a new project entitled the Debt Instrument Solution (DIS) project, which aims to replace the incumbent UNEXCor (referred to as the Strate Bond system) system.

The Strate Bond system has been around for several decades and processes have been built around the system with regards to client and transactional reference data and the use thereof.

With the replacement of the system, new processes (and functionality) have been built to maintain the reference data so that the required use may be maintained.

These changes include:

1) The identification of the JSE through a BPID and MIC.
2) The identification of the member through a BPID.
3) The identification of the non-member settled clients' CSDP through a BPID.
4) The identification of the member settled clients' members' CSDP through a BPID.
5) The identification of the members' CSDP (for proprietary trading) through a BPID.
6) The UNEXCor account code which will be renamed to Strate Client Account Code.
7) CSDP cash and custody account details for non-member and member settled clients as well as proprietary accounts.
8) Resident/non-resident reference data
9) BIC codes for the members (used by clients to identify their trading party – will not be used for sending and receiving messages).

With regards to point 1 to 5 above – these have been excluded from the scope of this document, as these will be managed and maintained by the JSE on Nuclears. The important point to understand around these details is that Strate and the CSDPs' systems need these details for identification of the various entities throughout the settlement chain.

This document will focus on points 6 to 9 as set out above.

4. UNEXCOR ACCOUNT CODE – STRATE CLIENT ACCOUNT CODE

The DIS blueprint was originally designed to ensure that the market would move into a Securities Ownership Register (SOR) account model - similar to that of the Money Market SOR account model. The principle at the time was that the SOR account would belong to the client and would be used by the JSE's BDA system as a unique identifier of the clients for booking of trades (NOTE – where a bond trading member is also a equities trading member the transactions have to be booked on BDA as well).

After several workshops it was agreed that we would not move into a SOR account structure on go-live of the DIS project due to the added implementation complexity and that rather the market would transition to Central Securities Account (CSA) after go-live. The timing and details around this are still being discussed in the market, with some clients opting to move to a CSA structure before go-live. Further discussions are also required if the CSA account, especially if it is a nominee account, meets the requirements of the BDA system of a unique identifier for the client.

Based on the above and on the requirement for BDA to have a unique client identifier, it has been agreed to maintain the UNEXCor Client Code (renamed to Strate Client Account Code) for the immediate future.

Although this document does not focus on this activity in explicit detail, it is important to note that Strate will maintain a table which will translate the Strate Client Account Code received in the settlement order message sent by the JSE to the CSDPs' CSA (which may be the CSDPs' nominee or in the clients name) in the settlement allegement sent to the CSDPs.

The following process will be applied for the issuance and updating of the Nuclears system for new member and non-member settled clients post go-live.

Member Settled Clients

- On opening a new member settled client account the member will send a template to the JSE Settlement Authority (Bonds@jse.co.za) requesting a Strate Client Account Code.
- The JSE Settlement Authority will validate the details and add the members CSDPs CSA account to the template.
- The JSE Settlement Authority will then send the completed template to Strate's Helpdesk.
- Strate's Helpdesk will:
  - o Validate that a Strate Client Account Code does not already exist – if it exists it will be rejected back to the JSE Settlement Authority
  - o Load the new Strate Client Account Code
  - o Update the table to map the Strate Client Account Code to the member's CSDPs CSA
- Strate will then forward the Strate Client Account Code to the JSE Settlement Authority.
- JSE Settlement Authority will send the Strate Client Account Code to the requesting member.
- The member will load the Strate Client Account Code to Nutron and will then be able to start trading for the client.
- If the member is also an equities member, the member will then load the Strate Client Account Code on the BDA system as well.

This would complete the process for loading of a member settled client.

Non-member Settled Clients

It is envisaged that there will be 2 slightly different processes with regards to non-member settled clients -

1) One where the non-member client will settle through their CSDP's nominee CSA account.
2) One where the non-member client is opening their own CSA account.

One where the non-member client will settle through their CSDPs nominee CSA account

- The non-member settled client would have opened up a new custody account or would have an existing custody account.
- The non-member settled client would supply the member with the attached template with all mandatory details completed.
- On opening a new non-member settled client account, the member will send a template to the JSE Settlement Authority (JSEBonds@jse.co.za) requesting a Strate Client Account Code.
- The JSE Settlement Authority will validate the details on the template.
- The JSE Settlement Authority will then send the completed template to Strate's Helpdesk.
- Strate's Helpdesk will:
    o Validate that a Strate Client Account Code does not already exist – Strate will supply the existing code to the JSE Settlement Authority
    o Load the new Strate Client Account Code
    o Update the table to map the Strate Client Account Code to the non-members CSDP CSA
- Strate will then forward the Strate Client Account Code to the JSE Settlement Authority.
- JSE Settlement Authority will send the Strate Client Account Code to the requesting member.
- The member will load the Strate Client Account Code to Nutron and will then be able to start trading for the client.
- If the member is also an equities member, the member will then load the Strate Client Account Code on the BDA system as well.

Where the client has an omnibus or nominee custody account there will be multiple Strate Client Account Codes linked to one custody account. This will form part of the validation.

One where the non-member client is opening their own CSA

The only difference with this process is that a Central Securities Account (CSA) – Account Opening Form is completed and sent to Strate to open the CSA account by the CSDP – refer to Strate's document. Bar this the process will remain the same.

- The non-member settled client would have opened up a new custody account or would have an existing custody account.
- The non-member settled client would supply the member with the attached template with all mandatory details completed.
- On opening a new non-member settled client account the member will send a template to the JSE Settlement Authority (JSEBonds@jse.co.za) requesting a Strate Client Account Code.
- The JSE Settlement Authority will validate the details on the template.
- The JSE Settlement Authority will then send the completed template to Strate's Helpdesk.
- Strate's Helpdesk will:
  - o Validate that a Strate Client Account Code does not already exist – Strate will supply the existing code to the JSE Settlement Authority
  - o Load the new Strate Client Account Code
  - o Update the table to map the Strate Client Account Code to the non-members CSA
- Strate will then forward the Strate Client Account Code to the JSE Settlement Authority.
- JSE Settlement Authority will send the Strate Client Account Code to the requesting member.
- The member will load the Strate Client Account Code to Nutron and will then be able to start trading for the client.
- If the member is also an equities member, the member will then load the Strate Client Account Code on the BDA system as well.

Where the client has an omnibus or nominee custody account there will be multiple Strate Client Account Codes linked to one CSA or custody account. This will form part of the validation.

5.   CSDP CASH AND CUSTODY ACCOUNT DETAILS FOR NON-MEMBER AND MEMBER SETTLED CLIENTS AS WELL AS PROPRIETARY ACCOUNTS

For the generation of settlement orders to Strate, the CSDP cash and custody details must be loaded and maintained on Nutron. Per the JSE's Rules and Directives for non-member settled client's accounts, these details include:

- the non-member settled client's custody account number and branch code at its CSDP;

- the non-member settled client's cash account number and branch code at its CSDP;
- the non-member settled client's CSDP's BPID; and
- the non-member settled client's Strate Client Account code.

As noted above, the CSDP's BPID will be maintained by the JSE. Also refer to section 4 above with regards to Strate Client Account code.

With regards to the non-member settled client's custody account number and branch code and cash account number and branch code (as well as the Strate Client Account Code) – these need to be loaded each time a new non-member settled client is loaded or the settlement order (trade leg) will be rejected by Strate. So these details have become mandatory.

Clean up and migration of data

To help members to correct and align data on Nutron and Nuclears, the JSE in conjunction with Strate and the CSDPs will be cleaning up the non-member settled client's data and migrating the data as part of the go-live activities. This will include:

Doing an extract from Nuclears of all non-member settled client's details including:
- Members name
- Nutron Account number
- UNEXCor Client code
- Custody Branch code – where this has been loaded
- Custody Account number – where this has been loaded
- Cash Account Branch code – where this has been loaded
- Cash Account number – where this has been loaded

These details will be sent to the non-member client's CSDP who will validate the details, clean up the details and add the missing details. The CSDPs will also add their or the client's CSA account details for use by Strate on their embellishment table.

These details will then be sent back to the JSE and Strate and will be used to clean up the data on Nutron/Nuclears.

At this stage it is envisaged that this will be done in a phased approach where non-member settled clients details are extracted at a point in time and then the delta extracted on a weekly basis until go-live.

With regards to proprietary accounts as well as member settled client's accounts – as these reference one custody and cash account – these will be updated by the JSE on go-live weekend.

6. RESIDENT VERSUS NON-RESIDENT

In terms of the South African Reserve Bank exchange control requirements, Trading Members must identify if they are trading for a resident or non-resident when executing a trade. Historically this data has been maintained on the UNEXCor system.

With the falling away of the UNEXCor system, this information must be maintained on the Nutron/Nuclears application and it will be the member's responsibility to maintain this information.

As this information has not been maintained on Nutron/Nuclears historically, the JSE is working with Strate to align the data between UNEXCor and Nutron/Nuclears. This will include a cleanup of data on Nutron/Nuclears which will be done by the JSE. Members will be advised once the data has been cleaned up so that they can maintain the data from that date.

7. BIC CODES FOR THE MEMBERS

As part of the DIS project, the market is harmonizing and aligning their infrastructure and processes with that of the cash equities flows.

One of the changes required is the identification of the trading member when a client sends settlement instructions to their CSDP. In the cash equities market this is accomplished by use of a SWIFT BIC code in the settlement instructions message.

The JSE has investigated and identified 12 members that are currently not SWIFT members and therefore do not have a SWIFT BIC code. The JSE has been in correspondence with SWIFT with regards to loading dummy SWIFT BIC codes and have confirmed the process with SWIFT. Dummy BIC codes are issued without cost and may not be used for the generation or receiving of SWIFT

messages. They are simply used as an identification of a party in a SWIFT message which serves its purpose for the exercise.

The JSE is currently in contact with the 12 members.

8. ANNEXURE A – CLIENT TEMPLATE

Members Details	
Member's name	*Mandatory*
Contact person at the member	*Mandatory*
Clients Details	
Member or Non-member settled client	*Mandatory*
Name of Client/Applicant (full registered name)	*Mandatory*
Address of Client	*Mandatory*
Registration number/SA ID number/Foreign Passport number/Personal Reference number/Legal Form Reference number/ Trust Deed Registration number	*Mandatory*
VAT number	*If applicable*
SARS Income Tax number	*If applicable*
CSDP Details	
CSDP Name	*Mandatory for non-member settled clients*
CSDP CSA number if in a nominee	*Mandatory for non-member settled clients*
CSA number if account held at the CSD	*Mandatory for non-member settled clients*
Custody Account Number	*Mandatory for non-member settled clients*
Cash Account Number	*Mandatory for non-member settled clients*
Strate Client Account Code	
Strate Client Account Code number	