

30 November 2018

Dear Client

FEES REVIEW 2019 | STRATE TO IMPLEMENT FEE INCREASES AT BELOW INFLATION LEVELS

Strate is a recognised and licenced Financial Market Infrastructure ('FMI') that performs a critical role in the clearing, settlement and recording of securities transactions for the South African markets.

A safe and efficient FMI is crucial if we are to maintain and promote financial stability and economic growth in our country.

In order to do this, it is essential that we maintain a robust and effective infrastructure that helps ensure the integrity of securities issuance while also minimising and managing the risks associated with the safekeeping and transfer of securities. The elimination of principal risk across the market through the 'Delivery vs Payment' mechanisms that have been embedded in our operations remains a firm focus.

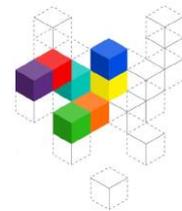
Ongoing investment into technology refreshes and system enhancements over the years has been essential to ensure that the infrastructure we provide continues to support the needs of the SA market and still measure up to exacting international standards. The regulatory focus on FMIs has also come with an associated increase in regulatory levies.

Continued growth in market volumes have, historically, helped us to absorb the inflationary increases in operating costs but also, to a large extent, those costs associated with technology refresh initiatives and /or enhancements and, even, the regulatory costs. This is evidenced by the fact that the last broad-based fee increases applied by Strate were effected in January 2013. Our ability to continue doing this has, however, come under pressure given the slowing down of the rate at which market volumes have increased and the relative weakening of our currency in recent years.

Strate has been very successful in containing operating costs at an Annual Average Growth Rate (AAGR) of 1.6% for the past three years. The mounting pressure from the economic factors already mentioned is, however, leading to an unsustainable rate of compression and good governance has necessitated a revision of our fees to ensure the sustainability of our infrastructure going forward.

An average increase of 3% across the Equities, Bonds and Money Market environments, is considered prudent if we are to avoid above inflation adjustments later as a consequence of ignoring the current economic signals.

In response to concerns raised regarding the timing of these increases, it has been agreed that they will only be effective as of 1 March 2019 in order to allow for more active client engagement.



In our interactions with stakeholders and clients, it has become clear that our fee value proposition has not always been clear and that our fee schedules are overly complicated.

This has led us to embark on a comprehensive fee project with a view to presenting appropriate improvements to our fee methodologies between June and September 2019.

The success of this project hinges on cooperation and it is essential that you, as our stakeholders, help us to understand the specific impacts that our current fee model has on you and your clients across the full value chain.

This insight will be invaluable and will significantly enhance our ability to land a clear and fair pricing model for the future. It will also assist in understanding the way in which our fee model may be impacting not only relative accessibility to our markets but also how it could, potentially, influence foreign investment appetite.

Please be assured of our focused efforts to ensure that Strate continues to support and service the markets, taking the best interests of all parties into account.

Yours faithfully

ANDRÉ NORTJÉ

Chief Executive Officer