JSE: T+3

The move to T+3 Settlement and the Securities Borrowing and Lending Industry

Created in Conjunction with:

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1 INTRODUCTION

The following document serves to provide a high-level educational summary regarding the move to a T+3 settlement cycle and its impact on the securities borrowing and lending (SBL) community. The document looks at explaining the clearing and settlement process as well as the move to T+3 in South Africa, including the motivation for the move, timelines, required changes and challenges, and concludes by taking a look at the impact of the shorter settlement cycle on securities lending and borrowing.

The need to move to a T+3 settlement cycle has been a market-wide initiative spearheaded by the JSE in an effort to comply with global best practice, as recommended by the International Organization of Securities Commissions (IOSCO). The move to T+3 settlement is not only an initiative to bring about compliance with international standards, but also a mandated requirement endorsed by the Financial Services Board (FSB) on the JSE.

Other motivations for a shorter settlement cycle include increased liquidity due to being able to access and reinvest assets faster, resultant lower counterparty risk and market-wide settlement systems and processes improvements (necessary in order to meet the requirements of a shorter timeline).

2 CLEARING AND SETTLEMENT

Clearing and settlement is often described as the last step in a trading transaction. 'Clearing' refers to the generation of the settlement instruction and the risk management between trade and settlement, whereas 'settlement' is the actual exchange of securities or money – referred to as Deliver versus Payment (DvP) or Receive versus Payment (RvP).

A more formal definition of clearing and settlement as outlined in the Financial Markets Act may be found in the glossary.

3 T+5 VS. T+3 DEFINITION AND ROLLING SETTLEMENT

The required steps in the clearing and settlement process are detailed in the JSE's Rules and Directives, and occur in the days after the execution of the trade. Currently the JSE facilitates clearing and settlement according to a schedule that requires the process be completed in five business days, referred to as a T+5 settlement process. It is the intention of the JSE to shorten this process to ensure that settlements are completed in three business days, thus a move to a T+3 settlement process to align to global best practice.

With moving to a T+3 settlement cycle the JSE is carrying forward the current convention of T+5 settlement – namely rolling, contractual settlement. Rolling will mean that every business day is a trade day and a settlement day, with corresponding contractual obligations placed on members and clients to ensure settlement takes place. Many offshore markets, including the United States and United Kingdom, make use of a rolling T+3 settlement process, which allows market participants to 'roll' or push out the date of settlement. This can create some timing mismatches when transacting with offshore counterparties (as outlined later in this document). Rolling of settlement was introduced by the JSE in 2009 and is only used on an exceptional basis at the discretion of the JSE Settlement Authority.

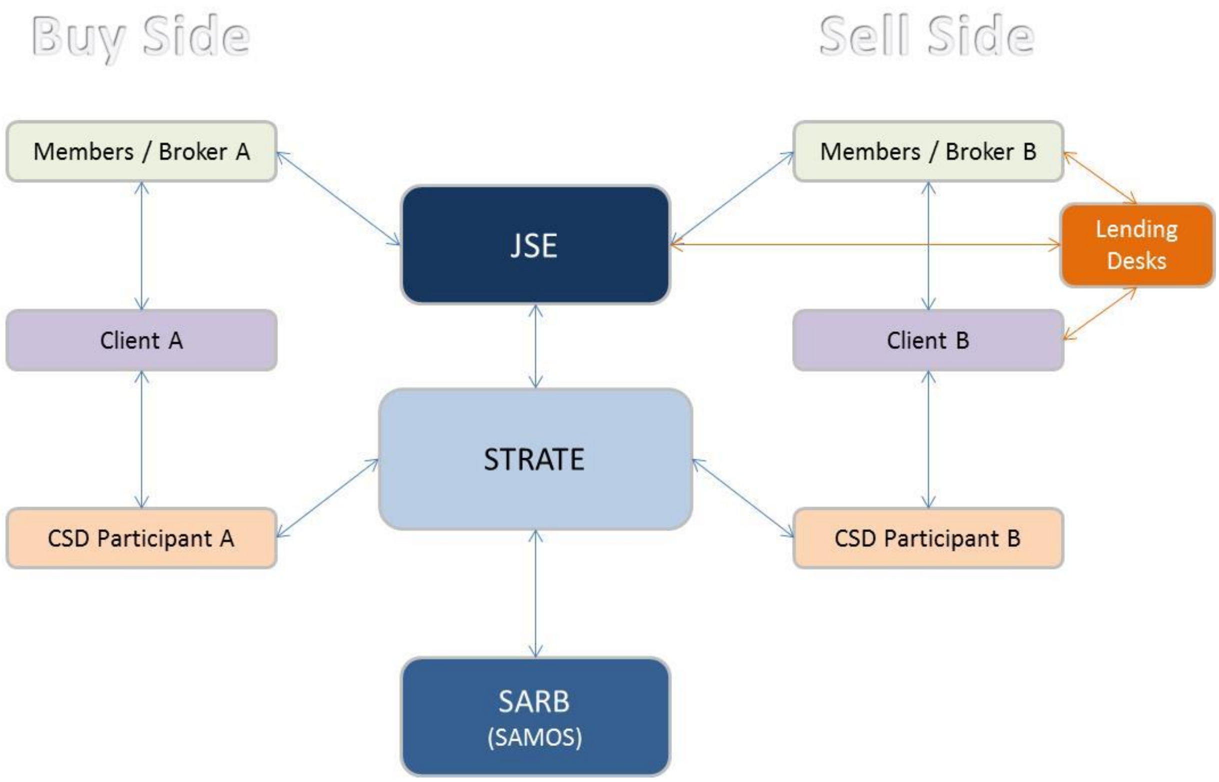
4 KEY PARTIES IN THE SETTLEMENT PROCESS

While this document does not serve to provide in-depth detail of the workings of the clearing of the settlement process, a brief overview of the parties involved in the settlement process as well as summary of the equity settlement process is outlined below to provide the reader with context to understand the impact of the move to T+3.

The key parties involved in the clearing and settlement process, as outlined in the below diagram, are:

- the client's broker;
- the client's Central Securities Depository Participant (CSDP) (in the case of a non-controlled client);
- the Central Securities Depository (CSD) - which in South Africa is Strate;
- the JSE Settlement Authority;
- the securities lending desks; and
- the South African Reserve Bank (SARB).

Equity Settlement Flow:



Brokers

A JSE broker performs a vast array of activities in the trade and post-trade space, including pre-trade risk management, execution of trades, deal management (which includes allocations of trades and trade confirmation of securities), as well as custody of assets in the case of controlled clients. The broker has full settlement obligation for all trades executed by them – meaning that they are liable to ensure that settlement takes place for all trades that they execute.

Controlled clients

Controlled Clients are those clients whose funds and securities are under the control of a JSE broker. For Controlled Clients settlement of the transactions will take place through the broker's CSDP.

Non-controlled clients

Non-controlled clients are those clients who appoint their own CSDP, who in turn will hold the clients' funds and securities. The JSE broker has no involvement in clients' assets or interaction to their CSDPs other than generation of the settlement transactions through Strate.

Central Securities Depository Participant (CSDP)

A CSDP performs custodian and settlement duties for non-controlled clients and JSE brokers (proprietary and controlled clients' nets) who hold their custody accounts with the CSDPs. Furthermore CSDPs provide transaction commit instructions as well as settlement at account-level for non-controlled clients, proprietary and controlled clients. CSDPs also allow for settlement through central bank funds through Strate.

STRATE

Strate is South Africa's licensed Central Securities Depository (CSD). Depending on whether trading occurs on-market or off-market, Strate provides processing functions between the JSE broker, CSDPs, JSE and SARB to ensure that trades successfully settle. Those that could not settle are processed as failed trades by the JSE Settlement Authority for on-market trades).

JSE

The JSE is Africa's largest securities exchange by market capitalisation. The JSE provides settlement assurance for trades executed on the central order book of the JSE trading engine and has appointed the JSE Settlement Authority to monitor and manage all on-market trades.

The JSE Settlement Authority plays the role of a lender of last resort. In this capacity the JSE will attempt to source and lend out securities to JSE brokers who cannot (by any other reasonable means) obtain those securities in order to settle a trade and prevent a failed trade. However the JSE is not always able to successfully find the required securities and in those instances the trade will be marked as a failed trade and the applicable resultant actions will be taken.

Lending Desks

The lending desks play a key role in the strategic lending and borrowing process, as well as the settlement lending and borrowing component of the settlement process by providing either clients, JSE brokers or the JSE Settlement Authority, with required securities in order to successfully settle a trade.

South African Reserve Bank (SARB)

Cash settlement is done through the SARB with the use of their South African Multiple Option Settlement (SAMOS) system, which communicates with Strate to facilitate the movement of funding between participants.

5 ON-MARKET EQUITIES SETTLEMENT OVERVIEW

A summary of the on-market process is outlined below. The timeframes indicate the deadline for each activity on the T+5 cycle vs. the timing in the T+3 environment. For completeness the Off-Market process can be found in Appendix 2

5.1 On-Market Process

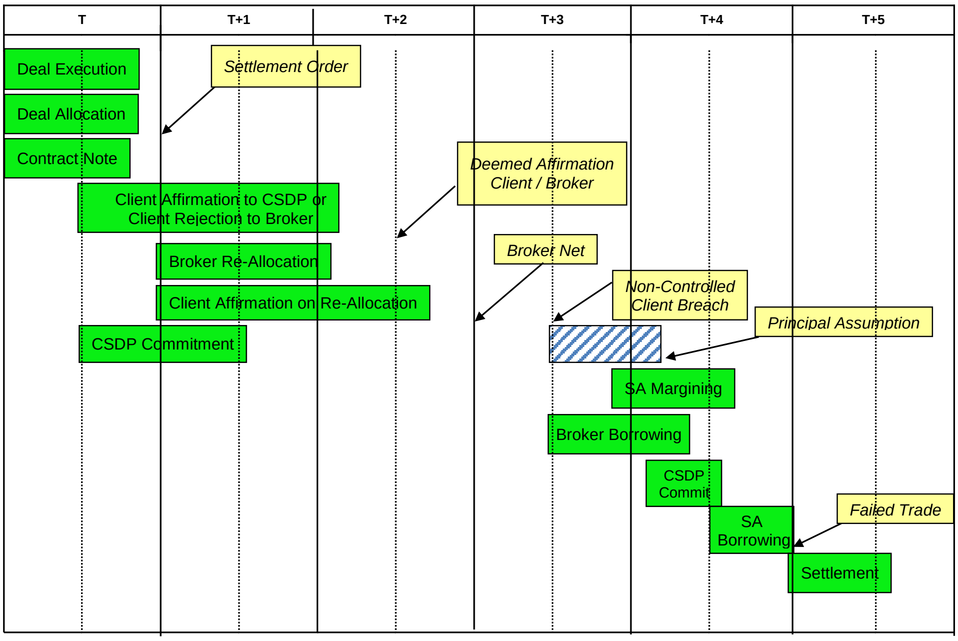
Action	Action Description	Completed by / Resulting from	Current Timings: T+5	Future Timings: T+3
Deal Execution	Trades received by members and executed on the trading system	Clients / JSE members	Real-time	**Real-time**
Deal Allocation	After trades have been executed and received by BDA – members allocate to clients account	JSE members	Real-time	**Real-time**
Contract Note	Contract note – referred to as a trade confirmation – is sent to the client after the allocation has been completed	JSE members	T (Real-time after allocations)	**T (Real-time after allocations)**
Settlement Orders – non-controlled clients	After the allocation to the clients account -generation of settlement instructions – settlement orders – to Strate who in turn generate allegements to the applicable CSDPs	JSE members	T (Real-time after allocations)	**T (Real-time after allocations)**

Client Settlement Instruction to CSDP / Rejection to broker	Clients instruction to the CSDP or rejection of the Contract Note to the member	Client	T+2 (12h00)	**T+1 (18h00)**
Deemed Affirmation Client	If client does not reject the Contract Note it is deemed to be valid	Client	T+2 (12h00)	**T+1 (18h00)**
Broker re-allocation	Where the client rejects the Contract Note the member has to fix details and resend the corrected contract note to the client	JSE members	T+2 (16h00)	**T+1 (18h00)**
Client Settlement Instruction on Reallocation	Clients instruction to the CSDP	Client	T+2 (16h00)	**T+1 (18h00)**
Brokers nets – Proprietary and Controlled Client Nets	Aggregation of deals for Proprietary and Controlled clients and generation of nets	JSE members	T+2 (EOD)	**T+1 (EOD)**
Margining	Margining of uncovered positions	JSE members	T+3 (EOD)	**T+1 (EOD)**
CSDP commitment	CSDPs commit to settlement orders from receipt of the settlement allegements until Compulsory Reverse Substitution.	CSDPs	From T+1 to 12h00 on T+4	**Real-time T to 16h00 on T+2**
Non-controlled client breach	Where the client has not placed their CSDP in a position to commit	Client	T+3 (12h00)	**T+2 (12h00)**
Principal Assumption – referred to as *Compulsory Reverse Substitution*	Non-controlled and controlled clients (Sales) settlements are reversed back to the executing JSE member	JSE members	T+4 (12h00)	**T+2 (16h00)**

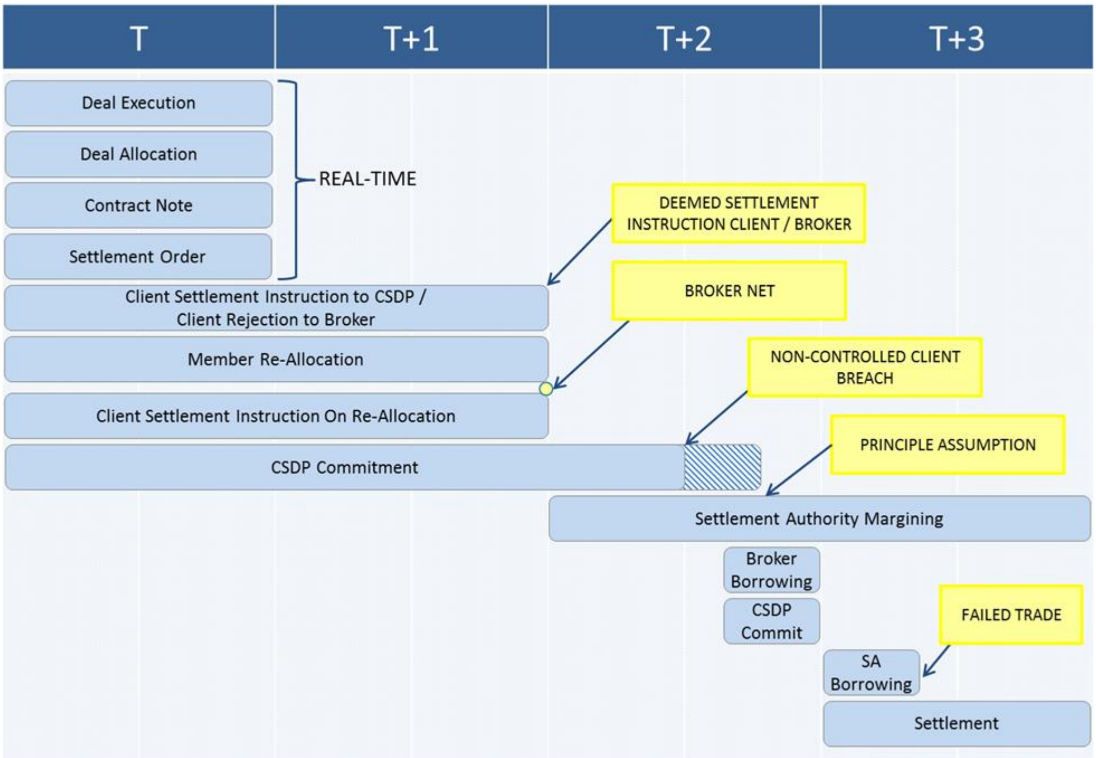
Broker borrowing on Principal Assumption (Compulsory Reverse Substitution)	Member borrows shares – in the case of a sale – to ensure settlement takes place	JSE members	T+4 (12h00 to 14h00)	**T+2 (16h00 to 18h00)**
CSDP Commit	CSDP commits to Compulsory Reverse Substitution	CSDP	T+4 (12h00 to 14h00)	**T+2 (16h00 to 18h00)**
Settlement Authority SLB	Where the member can't borrow – JSE Settlement Authority steps in as lender of last resort	JSE Settlement Authority	T+4 (14h00 to 16h00)	**T+3 (08h00 to 10h00)**
Failed Trade Procedures *These procedures could include:* - *Rolling Of Settlement* - *Failed Trade with a Re-transactions* - *Failed Trade with Compensation*	Where JSE Settlement Authority cannot borrow the securities	JSE Settlement Authority	T+4 (16h00 to 18h00)	**T+3 (10h00 to 12h00)**
Settlement			T+5	**T+3**

6 CURRENT T+5 VERSUS T+3 TIMELINES AND ITS IMPACT ON SECURITIES LENDING DESKS

Current T+5 on-market settlement cycle:



To-be T+3 on-market settlement cycle:



When comparing the T+5 cycle to the T+3 cycle, it can be observed that the individual tasks in the settlement cycles have essentially remained the same - the key difference is the time allocated to perform each task.

As outlined above, securities lending desks provide assistance to the client, the JSE broker or the JSE Settlement Authority by making the required securities available on loan to allow settlement of transactions. Some of the most pertinent changes that will impact the JSE brokers include the need for deal executions and allocations to be done in a real-time basis where possible. It is important that allocations are done in real-time (or close to real-time) in order to allow sufficient time to determine if the client has adequate stock or whether securities borrowing is required.

Broker borrowing transactions for reverse substituted settlement allegements will be required to be completed by the end of T2, a day and a half earlier than before, therefore reinforcing the move to faster post-trade functions.

Further detail on the impact of the shortened cycle on the lending desks may be found below.

7 THE PHASES OF MOVING TO T+3

The JSE have taken a three-phase approach to rolling out the move to a T+3 settlement cycle with completion expected in 2016.

- **Phase one** – referred to as the regulatory and automation phase, saw several back-office processes being upgraded. This phase was completed in July 2013.
- **Phase two** – The introduction of the new Equities Clearing System (ECS) in a T+5 environment. This phase was completed in October 2014.
- **Phase three –** will see the implementation of the T+3 settlement cycle as well as the automation of the fails trade manage system. Phase three will be rolled-out in 2016.

A detailed description of what each phase entails may be found in Annexure 1.

8 DOES A SHORTER CYCLE MEAN MORE FAILED TRADES?

The JSE has maintained a record of low failed trades, where there have only been 14 failed on-market trades since the implementation of electronic settlement in South Africa (and the introduction of the Central Securities Depository – Strate). This record was largely enabled by a longer period to resolve potential failing trades under T+5 and a reliably liquid and robust securities lending and borrowing market.

With the move to a T+3 settlement cycle, the JSE is projecting more failed trades due to the shorter settlement cycle (i.e. the loss of 2 days will result in less time to complete the various settlement activities).

A study by Thomas Murray stated the following observations: South Africa should move to a T+3 settlement cycle even if it results in "some" failed trades.

- Global benchmarks would improve by moving to T+3 - even if there are fails.
- Its adherence to a T+5 settlement cycle is the only area where South Africa does not meet the FTSE requirements for an Advanced Emerging Market.

According to Thomas Murray, fail rates for most exchanges are between 2 and 8 percent (i.e. well above the rate currently occurring in the South African market).

9 HOW WILL THE JSE KEEP FAILED TRADES ON AN ACCEPTABLE LEVEL?

The JSE has indicated the following plans to reduce failed trades:

- Further automation from trade execution to settlement – this includes moving to real-time trade confirmation on T, which was introduced as part of the second phase of the JSE's T+3 project.
- Further automation across the market for Corporate Actions.
- Removal of inefficiencies relating to share removals between global and local markets – this has been the cause of all local failed trades since go-live of electronic settlement. This will be compounded when moving to the shorter T+3 settlement cycle.
- Increased Securities Lending & Borrowing liquidity – so as to make more shares available for lending and borrowing to ensure settlement.
- Actively educating the market about the move to T+3 and driving an understanding of the implications of this.

The JSE has further cited that securities lending and borrowing is the key to reducing the amount of failed trades and has requested that SASLA drive out efforts to:

- Encourage more lenders;
- Resolve current misunderstandings and concerns around securities lending and borrowing (such as those relating to corporate actions and dividend withholding tax);
- Align securities lending and borrowing processes around the new T+3 settlement cycle;
- Remove current process inefficiencies; and
- Engage with the regulators where required.

10 SHORT SELLING IN THE SOUTH AFRICAN MARKET

Section 10.50.1.2.4 of the JSE's Rules and Directives states that securities lending and borrowing should be entered into pre-trade for on-market trades. Therefore a borrowing arrangement of an equivalent amount of securities must be available on settlement date.

Therefore the drive by the JSE is not related to strategic lending and borrowing, but more focused on settlement-related lending and borrowing. It should be noted though that certain market practices in the strategic lending and borrowing realm cause "squeezes" in the market, which in turn can have a ripple effect in the settlement-related lending and borrowing space. The JSE has also requested that these market practices be highlighted and actions taken to reduce or remove these market practices.

11 CHANGES NEEDED TO IMPLEMENT T+3

Drive for greater efficiency

A key point that arose from industry participants regarding improving efficiency, was that better systems with greater automation of current processes are essential to meet the tighter timelines. The JSE has stated that operational hours will be extended to accommodate the changing environment. However, this is dependent on some key processes being upgraded, such as moving the Broker Dealer Accounting system (BDA - the system used by the JSE brokers) from a batch-processing system to a real-time system to allow clients to make same-day allocations, in order for the extra time to make a tangible difference. It is also essential for each party in the settlement cycle to meet the new deadlines for their settlement obligations, as delays will have a knock-on effect.

Education of offshore counterparties on settlement differences between countries for dual-listed securities

As outlined earlier, most offshore counterparties have a rolling T+2 settlement process, therefore the level of urgency to ensure settlement takes place in the three days after trade execution may not be as high (as the offshore counterparty has the option to roll settlement in the offshore markets).

Currently South Africa's T+5 settlement cycle has allowed brokers and agents a tight but seemingly sufficient window to get their offshore clients to move securities between registers where they have arbitraged between markets. Moving to T+3 will place additional strain on ensuring successful settlement with an offshore counterparty, especially if the offshore counterparty is unaware of South Africans' inability to freely roll their settlement as done in the offshore markets.

Education and communication

Given feedback from various industry players, it is evident that there is a demand for more detail on the changing timelines in each step of the clearing and settlement process, as well as more educational documents to alleviate any misunderstandings. In response to this, the JSE has embarked on an extensive communication and education drive, to ensure that all affected stakeholders are appropriately informed of the impact of the move to T+3, and the various activities required of the market to ensure a smooth transition to the new settlement cycle.

12 LIQUIDITY AND T+3

Liquidity may be simply explained as how quickly a security can be traded into and out of. A well-documented benefit of moving to a shorter settlement cycle is that it would increase the rate at which shares are being settled and therefore improve liquidity in the market.

The question then raised, is which types of shares would the shorter settlement cycle benefit with improved liquidity? Liquidity is volume-driven, therefore having shares settle quicker results in those shares being available sooner to trade. It therefore stands to reason that it will be those highly in demand, frequently-traded shares that will exhibit better liquidity.

An important addition is that for the securities lending industry their largest concern with liquidity is with regards to the more tightly-held shares that are in demand but are difficult to source. In this regard the shorter settlement cycle will not have a tangible impact on liquidity.

13 IMPACT ON THE SECURITIES BORROWING AND LENDING INDUSTRY

Greater settlement demand

Given the shorter timeframe for the broker to source the relevant securities, the possibility of broker borrowing for settlement or use of the JSE Settlement Authority is expected to be higher.

Reintroduction of minimum fees

Given the short timeframe that a stock is out on loan for settlement purposes, the operational expenses associated with these types of transactions in certain instances are greater than the fees earned by the desks. As a result the reintroduction of a minimum fee is being considered by the desks and is supported by the JSE (who is already willing to pay the minimum fee for any borrowing they may do as a lender of last resort).

Shorter timeframes require greater efficiencies

While there are no defined system changes required from the lending desks for the move to T+3, a greater level of operational efficiency will be necessary to facilitate successful settlement in a shorter cycle.

Longer hours

A potential operational change is the extension of working hours in order to take the applicable actions to ensure settlement.

Reliance on real-time or close to real-time allocations

In order for the brokers or CSDPs to have appropriate notice that security borrowing is going to be required, security allocations need to be done in real-time or as close to real-time as possible.

14 CONCLUSION

A move to T+3 settlement has been in the works for many years, and it is clear that the move has gathered support from all of the relevant market players. The move is seen as a vital step in the evolution of the local equities market, and will do much to enhance the credibility of the market (not to mention, satisfy the requirements of our regulators).

From a Lending Desk perspective, the most significant impact of the T+3 cycle will be to ensure operational efficiency, the obligation to facilitate more liquidity, the potential for longer trading hours and a greater reliance on securities lending desks from both the client and broker borrowers as well as the JSE Settlement Authority.

APPENDIX 1 – THE MAKE-UP OF THE 3 PHASES OF THE JSE'S T+3 PROJECT

T+3 PHASE 1 – Constituents and Impacts - IMPLEMENTED		
What did we achieve	*Changes introduced*	*Market participants impacted*

Phase 1 of the project was primarily internally focused, and resulted in the implementation of initial automation within the BDA system and other system changes to fulfill regulatory requirements.	• BDA:
	  ○ Separation of Proprietary and Controlled client custody accounts and the processing thereof (linked to the changes specified by the Financial Markets Act)
	  ○ Further automation of Corporate Actions (between the Brokers and their respective CSDPs), which laid the foundation for further changes implemented with Phase 2 of the project
		• Brokers:
		  ○ BDA: The implementation of custody account changes (the separation of Proprietary and Controlled client custody accounts) and the processing thereof
		  ○ Previously manual back-office processes relating to Corporate Actions were automated between the Brokers and their respective CSDPs

T+3 PHASE 2 – Constituents and Impacts – IMPLEMENTED		
What we will achieve	*Changes introduced*	*Market participants impacted*

Phase 2 was again primarily internally focused, and saw the implementation of a more integrated and automated IT platform to enable the move to T+3.
 	
This was done primarily through enhancements to the BDA system (allowing for real-time deal management and further automation for brokers) and the introduction of the new Equities Clearing System (ECS) system which replaced the existing Trade Monitoring System.
	• Equities Clearing System - ECS (First Phase):
	  ○ Implemented a new JSE clearing system to replace the existing Trade Monitoring System. This new system caters for all functionality offered by the outgoing system as well as a host of new enhancements. It also caters for the following clearing and settlement functionality – previously facilitated by the BDA system:
	    – Creation of settlement instructions to the CSD
	    – Netting of prop and controlled clients (netting of settlements at EOD T+2)
	    – Risk Management (coverage of Proprietary and Controlled client deals, commits by CSDP and margining at EOD T+3)
	
	• BDA Enhancements:
	  ○ Real-time deal management (allowing for real-time allocations, trade
		The Phase 2 market impact was relatively low, with the main focus being on internal JSE systems.
		
		• Brokers:
		  ○ ECS: Brokers were given view-only access to the new system – to enable the monitoring of settlement
		  ○ BDA: shortening of trade execution timelines via real-time processes
		  ○ Some previously manual back-office processes are now automated
		
		• Buy-Side Clients:
		  ○ They are now encouraged to generate allocations as soon as possible after trade (for submission to BDA) and send settlement instructions to their CSDPs to commit to the

	confirmation, settlement instructions (via ECS) and commits by the CSDPs) ○ Automation for Brokers (i.e. Prime Broking, further Corporate Actions enhancements and back-office operations)	transactions

T+3 PHASE 3 – Constituents and Impacts – CURRENTLY IN PROGRESS		
What we will achieve	*Changes being introduced*	*Market participants impacted*
Phase 3 is currently underway and has a significant impact on all Equity Market participants. Phase 3 focuses on moving the market to the new T+3 settlement cycle. This will be enabled by changes to the JSE's ECS system, along with a series of process and systems changes which are to be made by the rest of the market participants (covering post-trade and post settlement). The shortening of the settlement cycle increases the likelihood of more failed trades - which is the key focus of Phase 3 in terms of providing functionality to manage this on a daily basis.	• Equities Clearing System – ECS (Second Phase): ○ Adoption of new processing timelines to align to the agreed T+3 settlement cycle (i.e. netting and margining will occur at EOD T+1) ○ Introduction of Fails Management automation (to accommodate the projected volumes of failed trades that are expected by the move to T+3 - with integration across the market (Brokers, Strate, CSDPs and clients)) • BDA: ○ Further automation for Brokers (i.e. portfolio moves, account transfers, SLBs and Collateral) and upload files ○ Adoption of new processing timelines to align to the agreed T+3 settlement and Corporate Action cycles (and the aforementioned ECS changes) ○ Terminating transactions processing • External: ○ Change of in-house systems and processes to align to the agreed T+3 settlement and Corporate Action cycles ○ Processing of Corporate Actions aligning to the new T+3 settlement cycle	• Brokers: ○ ECS: Introduction of new functionality and processing timelines ○ BDA: changes to accommodate the T+3 settlement cycle including Corporate Actions ○ Previously manual back-office processes will now be automated ○ Introduction of new and updated processes to accommodate the move to T+3 • Strate: ○ Changes to accommodate the T+3 settlement cycle including Corporate Actions ○ Changes to accommodate the new Failed Trade processes ○ Introduction of new and updated processes to accommodate the move to T+3 • CSDPs: ○ Changes to accommodate the T+3 settlement cycle including Corporate Actions ○ Changes to accommodate the new Failed Trade processes ○ Introduction of new and updated processes to accommodate the move to T+3 such as terminating transactions ○ Other automation such as off-markets, etc. • Buy-side: ○ Changes to accommodate the T+3 settlement cycle including Corporate Actions ○ Changes to accommodate the new Failed Trade processes ○ Introduction of new and updated processes to accommodate the move to T+3 • Overseas counterparties:

	○ Terminating transactions processing	○ Changes to accommodate the T+3 settlement cycle including Corporate Actions ○ Changes to accommodate the new Failed Trade processes ○ Introduction of new and updated processes to accommodate the move to T+3 ○ Changes relating to removals between registers

APPENDIX 2 - OFF-MARKET SETTLEMENT CYCLE

1. Each party to the trade provides their CSDP with the relevant settlement instruction.
2. The trade is validated by the CSDP.
3. Pre-matching of the trade is performed by the CSDP.
4. Once matching criteria is successfully met, a message is sent to Strate who perform a second level of matching checks.
5. If unmatched, the CSDP will notify the client – making them aware that it is possible to roll to the next best agreed upon settlement date.
6. If the trades are matched, a commit message is sent to Strate and subsequent messages are received from Strate to indicate that settlement allegement has been matched.
7. The CSDP checks the client account to determine if there are sufficient funds/securities.
8. If there are insufficient securities in the client account, the CSDP will check for any outstanding purchase transactions. If there are no outstanding purchase transactions the client is contacted to source the securities to allow the trade to settle.
9. At this point lending desks may be approached by the client or the CSDP with the aim of borrowing the relevant securities in order to allow for the settlement of the original trade.
10. If securities cannot be sourced by client, trades can be rolled to the next best settlement date - to a maximum of five days after contractual settlement date, after which point the trade will be updated to a "commit failed" status.
11. If there are sufficient shares/funds, settlement can take place.
12. On settlement date Strate facilitates the transfer of funds between the CSDP and the SARB.
13. Once the transfer of funds is complete, settlement of securities takes place in Strate's books.

GLOSSARY

"Clear", in relation to a transaction or group of transactions in listed securities, means –

a) to calculate and determine, before each settlement process –
   i. the exact number or nominal value of securities of each kind to be transferred by or on behalf of a seller;
   ii. the amount of money to be paid by or on behalf of a buyer, to enable settlement of a transaction or group of transactions; or
b) where applicable, the process by means of which –
   I. the functions referred to in paragraph (a) are performed; and
   II. the due performance of the transaction is underwritten from the time of trade to the time of settlement.

Commit process – refers to the steps undertaken by the CSDPs to ensure that a transaction will settle by checking the clients account for sufficient securities and clients instructions

Fails management – refers to the processes in place that facilitate the successful settlement of a trade

Grossed up – non-tax exempt lenders are required to pay a tax on dividends earned on securities that are out on loan. Gross up refers to lenders requiring the borrowers of shares to pay this tax.

Off-market equities – trades that are not processed through the JSE system. Each party to the trade informs their CSDP in order to proceed with settlement through Strate.

"Settle" means - in respect of listed securities, other than listed derivative instruments –

   i. the completion of a transaction by effecting the transfer of a security in the relevant uncertificated securities registers
   ii. ii the payment of funds or any other consideration payable in respect of that transaction, through a settlement system as defined in the rules.