

AfirClear Limited

Copyright © AfriClear 2013

DIRECTIVES FOR CLEARING AGENCY RULES

Version 1

AfriClear

Contents

1. PARTICIPANT OFFICER COMPETENCY REQUIREMENTS	3
1.1. PERSON IN CHARGE OF CLEARING AND SETTLEMENT OPERATIONS	3
1.2. COMPLIANCE OFFICER	3
1.3. CLEARING AND SETTLEMENTS OFFICER	4
2. CLEARING AND SETTLEMENT	5
2.1. CLEARING AND SETTLEMENT PERIODS AND TIMES.....	5
2.2. PRE-VALIDATED TRADES - PCAP	5
2.3. NON PRE-VALIDATED SETTLED TRADES – GCAP	5
2.4. SETTLEMENT TYPES EQUITIES AND BONDS.....	6
2.5. PARTICIPANT CLEARING AND SETTLEMENT OBLIGATIONS – TROP-X EQUITES.....	6
2.6. CORPORATE ACTION ELECTIONS.....	7
2.7. AFRICLEAR AS LENDER OF LAST RESORT FOR EQUITES	8
3. CLEARING AND SETTLEMENT DERIVATIVES	9
3.1. ACCEPTABLE COLLATERAL	9
4. PENALTIES FOR LATE AND FAILED SETTEMENT	11
4.1. PENALTIES FOR LATE AND FAILED SETTLEMENT	11
4.2. PAYMENT OF FEES.....	12
5. AFRICLEAR FEES.....	13
5.1. PARTICIPANT FEES	13
5.2. CLEARING AND SETTLEMENT FEES PER DESIGNATED MARKET	13

In these Directives, unless otherwise stated or the context requires otherwise, any expression that denotes any gender includes the other gender and the singular includes the plural and vice versa.

The definitions contained in the Trop-X Rules are applicable to these Directives and are incorporated herein by reference.

1. PARTICIPANT OFFICER COMPETENCY REQUIREMENTS

1.1. Person in Charge of Clearing and Settlement Operations

The person in charge of **clearing** and **settlement** operations must, at a minimum, met the following requirements;

- a) is honest and has integrity;
- b) has a minimum of 5 years' experience in a similar role;
- c) must display the necessary operational ability as prescribed in **these Rules**; and
- d) must display a high level of financial soundness.

1.2. Compliance Officer

No employee of a **participant** shall be eligible to act as the **Compliance Officer** of a **participant** unless the employee has:

- a) for pre-validated trading been approved as the Compliance Officer of a member of Trop-X; or
- b) been approved to be a **Compliance Officer** by a **designated market clearing agency participant** equivalent; or
- c) at least one year's compliance or relevant financial services experience; and
- d) been exempted from or obtained a pass in or in the process of obtaining a Diploma in Investment Compliance of the UK Chartered Institute of Securities and Investments or equivalent offered by a similarly accredited body in a **recognized jurisdiction**; and
- e) has passed the Ethics and Legal and Regulatory Environment Modules of the **Trop-X** Registered Persons Qualifications Matrix.

1.3. Clearing and Settlements Officer

No employee of a **participant** shall be eligible to act as the **Clearing and Settlements Officer** of a **participant** unless the employee :

- a) is approved to be a **Clearing and Settlement Officer** by a **designated market clearing agency participant** equivalent; or
- b) possesses one year's clearing and settlement or relevant financial services experience; and
- c) has been exempted from or obtained a pass in the Investment Operations Certificate (IOC) including Administration of Settlement and Investments module of the UK Chartered Institute of Securities and Investments or equivalent offered by a similarly accredited body in a **recognized jurisdiction**; and
- d) has passed the Settlements Officer Module of the **Trop-X** Registered Persons Qualifications Matrix.

2. CLEARING AND SETTLEMENT

2.1. Clearing and settlement periods and times

Participants must be open for business and be ready to clear and settle **trades** in **listed securities** during all trading hours set by each **designated market** and outlined below:

Trop-X listed equities and bonds market	09h00 until 18h00
Trop-X derivatives market	TBA

2.2. Pre-validated trades - PCAP

These **trades** are **cleared** and **settled** real time and there are no obligations for PCAPs.

2.3. Non pre-validated settled trades – GCAP

- a) Participants and Business Partners can view real time opening, intra-day and closing positions via **ARTECS**.
- b) When the Seychelles **Central Bank** or the DVP agent window opens, a payment advice shall be sent to **Participants**.
- c) The start time of the Seychelles **Central Bank** is not controlled by **ARTECS** or **AfriClear**. Accordingly, the rest of the settlement and system activities are shifted or compressed based on the start time of the Seychelles **Central Bank** for equities settled in Seychelles Rupee.
- d) The members and **Participants** nett settlement orders are generated by **ARTECS** in real time and are available at the end of trading on trade date for the member, the Exchange, **AfriClear** and **AfriDep**. These are also bulked by **ARTECS** and available in real time to the **Participants**.

AfriClear

- e) **Settlement** instructions received after 18h00 are bulked and posted for the following **business day**.
- f) **AfriClear** operations close is at 18h00. Should an **exchange** or **participant** require the parameter to be moved beyond 18h00, the requestor needs to inform **AfriClear** in writing by no later than 17h00.
- g) It is the responsibility of the **participants** to reconcile their **securities** positions in **ARTECS**. For this purpose, **ARTECS** generates reports real time showing participant custodial holdings. In case of any discrepancies, the **Participants** are required to request the audit trail details by requesting a Statement of Transactions message.

2.4. Settlement types equities and bonds

- a) DVP – Delivery Versus Payment
- b) RVP – Receive Versus Payment
- c) DFP – Deliver Free of Payment
- d) RFP – Receive Free of Payment
- e) PMO – Pay Money Only
- f) RMO – Receive Money Only
- g) PVT – Pre-validated trade

2.5. Participant clearing and settlement obligations – Trop-X equities

ATS matched transactions

- a) A **Participant** must ensure that if its Non-controlled Client will be a beneficial owner of **Trop-X listed securities** that the **client** commits to settlement orders to **AfriClear** by 12h00 on S-1. If they are unable or not in a position to commit to the settlement orders, they must inform **AfriClear** of their intentions/reasons.
- b) The **ARTECS** system makes available the nett settlement orders to **Participants** on T.

AfriClear

- c) **AfriClear** accepts allocations and reallocations prior to 10h00 on S-2. A **participant** must commit to its clients trades by 12h00 on S-1.
- d) **Participants** may “un-commit” to settlement orders prior to 12h00 on S-1 in exceptional circumstances and in consultation with **AfriClear** and the **Designated Market**.
- e) For a buy-in or a sell-out **AfriClear** will inform the **participant** of the required ‘un-commit’ and / or roll date for settlement.
- f) Where a **participant** has committed to settle a trade and the **client** fails to meet his obligations, a **participant** will assume the obligation to **settle** the **trade**.
- g) If a **participant** becomes aware that its **client** is not able to **settle** a **trade**, the **participant** must make every effort to enter into an arrangement to ensure that the **trade settles** on **settlement date**. If the **participant** is unable to enter into such an arrangement, the **participant** must immediately notify the **Head of Compliance**.
- h) A **participant** must effect **AfriClear** instructed funds transfer for all relevant **settlement** types to the appointed **DVP settlement bank** or the **Central Bank** by 11h00 on S.

2.6. Corporate action elections

- a) **Clients** must advise their **CAP** of elections in the timeframe required.
- b) Where the **client** does not communicate the election required within the timeframe required this will result in the default election in the conditions applicable in the relevant **corporate action**.
- c) Any elections not made by a **member** or that **member’s CAP** will result in the default election set out in the conditions applicable to the relevant **corporate action**.
- d) **CAPs** must advise the **Designated Market** and relevant **Securities Facility** of elections in the timeframe required.

2.7. AfriClear as lender of last resort for equities

AfriClear may arrange at its discretion to lend **securities** or **funds** to a **Designated Market** to effect **settlement**. If a loan is granted each **trade** will be considered on a case by case basis at prevailing market borrowing rates and administration costs.

3. CLEARING AND SETTLEMENT DERIVATIVES

3.1. Acceptable collateral

The types of margin collaterals that **AfriClear** may accept from **participants** and that **participants** may accept from **clients** are as follows:

No.	Acceptable Instruments	Maximum Valuation
1	Cash	100% of Face Value
2	AA rated Government Securities	
	- Up to 5 years maturity	95% of Market Value
	- More than 5 years maturity	90% of Market Value
3	Bank Certificates of Deposit	100% of Market Value
4	Bank Guarantees (BG) or Letter of Credit (LC) ²	100% of Face Value
5	Gold Bars and Kruger Rands	70% of Market Value
6	Gold Certificates issued by banks approved by MAS	70% of Market Value
7	Listed Securities: Top 40 shares listed on the Johannesburg Stock Exchange, FTSE 100 shares listed on the London Stock Exchange, STI 30 Singapore Exchange Limited listed securities, S&P 500 shares listed on the New York Stock Exchange, the American Stock Exchange and NASDAQ, ASX 200 shares listed on the Australian Stock Exchange or 1st Section of Tokyo Stock Exchange and other exchanges and the relevant listed securities as agreed by AfriClear from time to time.	70% of Market Value

Notes:

1 Currencies which are subject to exchange control such that it is illegal tender outside the “currency” home country or has restriction on convertibility are not acceptable marginable instruments.

2 Any Bank Guarantee (BG) or Letter of Credit (LC) issued by a bank-client itself or by a related bank of the client for the purposes of margining its own trades may not be accepted by **AfriClear**. In addition, in order for BG & LC to be acceptable, they must be issued by banks that hold a valid license and operating in a Recognized

AfriClear

Jurisdiction and they must not be in a currency that is subject to exchange control including any restriction on convertibility.

4. PENALTIES FOR LATE AND FAILED SETTLEMENT

4.1. Penalties for late and failed settlement

Participant's failure to ensure its client's trade is cleared and settled per the Rules and Directives .	USD 100 per client per security .
Failure to report the necessary instructions to AfriClear within stipulated times.	USD 100 per client per security .
Failure to ensure that a client has sufficient securities or funds to settle trades .	USD 100 per client per security .
Late commitments	USD 300
Where a Participant assumes obligations of clients .	USD 300
Where a participant is unable to settle the trade in terms of these Rules and the Directives which results in AfriClear facilitating the borrowing of securities .	USD 60 plus the brokerage on the trade for which securities are borrowed with a minimum fine of 0.125% of the value of the trade , not exceeding USD 5,000
Where a Participant is unable to settle the trade in terms of the Rules and the Directives which results in the AfriClear facilitating the borrowing of funds to settle the trade .	USD 300 plus the brokerage on the trade for which funds are borrowed with a minimum fine of 0.125% of the value of the trade , not exceeding USD 5,000.

Penalties must be paid within 5 (five) **business days** of the date of invoice unless an appeal is lodged in terms of the **Rules**.

Any appeal against the penalties imposed by the **AfriClear** must be made **in writing** by the **Participant** and received by **AfriClear** no later than 15h00 on the day that the penalty is payable.

AfriClear

Service	Fee
Securities lending for Participant settlement.	USD 100 administration fee plus the greater of USD 100 or 3% p.a. above the lending rate obtained by AfriClear on the initial value of the lent securities for the loan period.
Funding for Participant settlement.	USD 100 administration fee plus an interest charge of 3% p.a. above the Prime Overdraft Rate at AfriClear's banker.

4.2. Payment of fees

A **participant** must pay **fees** charged by the **AfriClear** within 5 (five) **business days** of the date of invoice.

5. AFRICLEAR FEES

5.1. Participant fees

PCAP NIL

DCAP

Application Fee 500

Annual Fee 2,000

Each Officer 500 / annum

GCAP

Application Fee 500

Annual Fee 2,000

Each Officer 500 / annum

5.2. Clearing and Settlement Fees per Designated Market

Trop-X

VCAP, SME and Main Board Equities – 1.25 basis points of notional value of trade