

What is dematerialisation?

Dematerialisation refers to the process whereby paper share certificates are replaced with electronic records of ownership. Once investors have handed in their certificates, they are sent to the relevant transfer secretary for validation. Once the authenticity of the certificate has been verified, the actual dematerialisation process begins. For all intents and purposes, once you have submitted your share certificate for dematerialisation, it ceases to exist.

Why dematerialise your shares?

We encourage investors to dematerialise their shares immediately. Dematerialised shares are safe from fraud, theft and loss. In addition shares cannot be sold unless they have been dematerialised which may cause a delay in selling your shares.

To whom do I take my share certificates for dematerialisation?

Investors may submit their share certificates to either a Central Securities Depository (CSD) Participant or stockbroker for dematerialisation.

Is there a cost involved?

You will not be charged to dematerialise your shares however your selected agent may charge a custody fee for keeping record of these shares on an ongoing basis. It is recommended that investors select an agent which is most suited to their requirements in terms of being an 'own name client', 'controlled client' or 'non-controlled client'. Further details are below.

What is a CSD Participant?

Strate is South Africa's CSD for equities, bonds and money markets and the CSD Participants are the only market players who can liaise directly with Strate. In order to qualify for this status, they had to fulfil the entry criteria set out by Strate and approved by the Financial Services Board. The current CSD Participants are: ABSA, First National Bank, Computershare, Nedbank, Société Générale, Standard Bank, Link Investor Services, Citi Bank and Standard Chartered Bank.

Is there any way I can submit the certificates of all my different holdings at once?

Yes, you may submit all your certificates at once to your CSD Participant or stockbroker.

What evidence will I receive of having submitted my certificates?

When you submit your certificates to your CSD Participant or stockbroker, you will receive a receipt as proof of ownership. Once the certificates have been dematerialised, you will start to receive regular statements on your share account.

How long will the dematerialisation process take?

The dematerialisation process generally takes a few days. However, depending on the volume of certificates due to be processed by the transfer secretary, it may take up to ten days.

Can I trade during those few days it takes for my share certificate to be dematerialised?

While your shares are undergoing dematerialisation, you will be unable to sell them. This is why it is advisable to submit your shares to your CSD Participant / stockbroker as soon as possible.

What are the options open to me regarding the selection of an agent – CSD Participant / stockbroker - to settle on my behalf in the Strate environment?

Well, under the Strate system, there are essentially two types of clients: **controlled** and **non-controlled**.

A **controlled broker client** is one who elects to keep his shares and funds in the custody of his stockbroker and therefore indirectly the stockbroker's chosen CSD Participant. Owing to the fact that CSD Participants are the only market players who liaise directly with Strate, all brokers must have accounts with CSD Participants and communicate electronically with them.

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A controlled client deals directly and exclusively with his broker and his regular share statement comes from his broker. For those who already have a relationship with a broker, it is recommended that you verify whether your broker mandate has been updated in order to render it valid for settlement in the Strate environment.

A **non-controlled broker** client is one who appoints his own CSD Participant to act on his behalf. The investor surrenders his certificates and opens an account with his selected CSD Participant while dealing with his broker only when he wants to trade. He would have to provide the broker with the details of his share account at his CSD Participant. A non-controlled client receives his share statements directly from his CSD Participant.

Must I complete an application form / contract with my selected agent?

Once you have decided which category you would like to be in, you should approach your selected CSD Participant or stockbroker. You will be required to complete a client mandate which will allow you to define more closely the kind of relationship you elect to conduct with your agent. When opening your account, the CSD Participant or broker will capture all share information as well as any pertinent personal details into digital format within Strate, the CSD.

How do I ensure that my agent does not take full control over my portfolio?

It is advisable to define - by means of your mandate - the level of control your CSD Participant / broker has over your portfolio. Certain shareholders may wish to empower their agents to trade, make corporate action decisions etc on their behalf. This is known as discretionary control. Other shareholders may elect to remain in complete control of their portfolio. They would be classified as non-discretionary clients. Issues such as these should be discussed with your stockbroker and recorded in your mandate.

Will I still be able to register my shares in my own name or will my selected agent insist on registering my shares in his nominee name?

Stockbrokers are obliged to register clients' shares in their nominee name. Of the nine CSD Participants, a select few offer 'own-name registration'. All other CSD Participants will automatically register your shares in their nominee name and investors are encouraged to enquire accordingly.

If my agent registers my holdings in a nominee name, will I cease to receive information from the companies in which I hold shares?

The revised JSE listing requirements dictate that Issuers are obliged to distribute company information to all beneficial shareholders who wish to receive it, irrespective of how their shares are registered. As such, there will be a designated field on the mandate you sign with your selected stockbroker or CSD Participant which gives you the option of electing to receive such information from the company. So, if you would like to receive annual reports etc, it is imperative that you indicate this preference on your mandate.

If my shares are going to be registered in the nominee name of my stockbroker, I want assurance that my stockbroker has financial integrity and that my portfolio is secure in the name of his nominee company. How do I establish this?

For this very reason, the JSE has established a set of criteria with which member firms will have to comply in order to be eligible to hold nominee registers in the Strate environment. These entry criteria include issues such as internal controls and capital adequacy requirements. This should give investors the peace of mind that the member firms holding their assets are indeed viable financial institutions.

How will I receive my dividends under the new system?

Dividends will be transferred electronically into your CSD Participant / broker account on the due date.

**Should you have any further queries regarding Strate, you may contact:
Phone: (011) 759 5300 • Fax: (011) 759 5500
or visit Strate's website at www.strate.co.za**

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