

In this edition:**STRATE'S FEES WILL NOT RISE
FOR THIRD YEAR IN A ROW**

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will not rise for
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row***

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STRATE will not be increasing its fees to the market in 2007.

This is the third year in a row that STRATE has chosen not to raise its prices. In the process, STRATE is providing an effective discount for Participants and investors on an inflationary adjusted basis.

"This means that STRATE's clients will have achieved considerable savings in real terms during this time," says Monica Singer, STRATE's CEO. "It is a benefit that dovetails neatly with STRATE's strategy of always being cost conscious and keeping expenditure tightly under control."

Against this backdrop, Singer emphasises:

- STRATE's decision not to increase its fees to the market is advantageous not only to South African investors but also to their foreign counterparts, thereby enhancing the attractiveness of the domestic market to the international investment community;
- STRATE only recouped its accumulated loss by mid 2006 and are still to provide its shareholders with a return on the capital

- that they have contributed;
- STRATE's fee strategy is a reflection of its ongoing commitment to being the trusted and preferred provider of products and services that are accessible to, and create value for, its current and future stakeholders;
 - STRATE's fee income is a critical element of its core business of providing clearing, settlement and depository services for equities and bonds – services it plans to extend to the money market; and
 - STRATE is in the process of reviewing its Corporate Action fees for 2007.

ALTERNATE SETTLEMENT MODEL (ASM) PROGRAMME STRUCTURE

The Alternate Settlement Model (ASM) Programme has been reconfigured to include a number of sub-projects. Each of these sub-projects has differing objectives, is divided into different phases, and has differing priorities and differing deadlines. However, as a whole, the sub-projects all contribute to the achievement of the ASM objectives, and as such need to be coordinated and managed as one initiative.

These sub-projects are not ordered according to their priority and include:

- ASM Overall View
- System Selection Project
- SOR Business Justification Project
- Bonds Project
- Equities Project

The Money Market project is excluded from the scope of the ASM at this time.

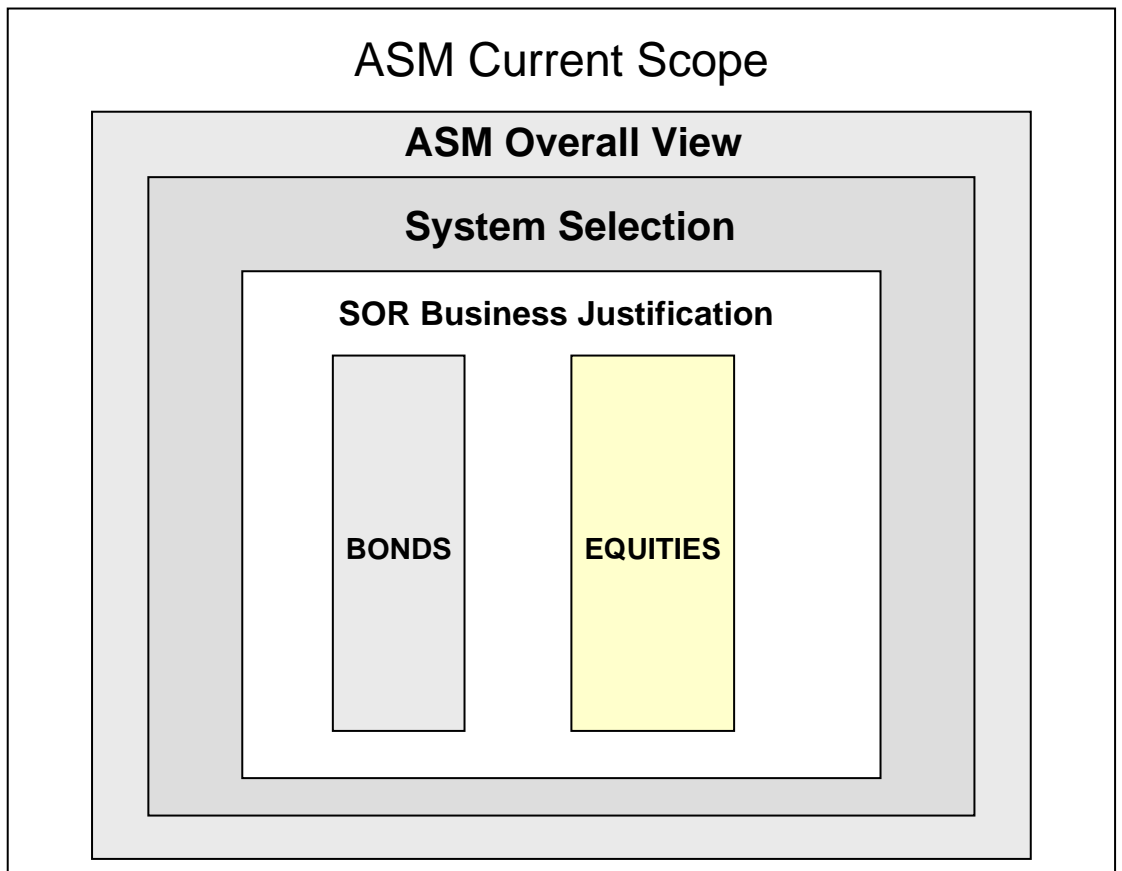
Other projects, such as the System Implementation project, have also been excluded from the scope at this time.

This coordination includes the summary view of the sub-projects that constitute the ASM Programme, as well as a view of the commonalities across these, decisions taken that would impact all the sub-projects, risks generated by any or all of the sub-projects that would impact the ASM Programme, STRATE and the market, resourcing issues, content sharing opportunities and market communication and feedback, among others.

The market objectives of the ASM were initially agreed to be and remain:

- Alignment of Rules and Regulations in different markets
- Straight-Through-Processing (STP)
- Increased settlement certainty
- Business Process Improvement
- Economies of Scale
- Cost Reduction
- Risk Reduction

A graphical representation of this current scope is presented below:



PARALLEL ENVIRONMENT

In order to improve our application testing capabilities, STRATE is pleased to announce that a new Parallel Testing environment will be commissioned early in the New Year. This will give us the ability to test any system changes in a simulated production environment for a period of time and compare the outputs between the Test and Production environments using automated comparison tools. This additional capability will help us to further reduce the risk of the implementation of system fixes, enhancements and developments beyond the extensive internal and market testing that is currently conducted.

Unfortunately, with any change there comes risk. In order to implement the Parallel Testing facility we need to intercept the incoming message feed and split it to feed both the production and parallel testing environments. We believe that the implementation of this utility has a very low risk of disrupting the incoming feed. This utility has already been tested and will continue running for the next three weeks while we conduct further extensive tests to ensure that it works as intended. These changes are internal to STRATE and require no intervention from / by participants

Due to the potential risk of this implementation (although we believe it is not high) we have decided to hold back the implementation until after the Futures Closeout in early January. Assuming that no issues arise during the testing, we intend to implement it over the weekend of 06 and 07 January 2007. During this weekend we will conduct further tests in the production environment to satisfy ourselves that the production feed will not be impacted, prior to the market opening on Monday.

However, in spite of all the measures we have in place, there is always a risk that something may go wrong. Accordingly we will be closely monitoring the production feed until we are comfortable that it is behaving as expected. Should any problems be encountered after the markets open on Monday 8th,

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we will immediately assess the significance of the issues and either decide to continue and fix the problems later, roll back the change, depending on the impact on our systems and on the market itself. Should we need to reverse the changes, this will take approximately 4 hours, during which time the incoming messages will accumulate for processing once the system is restored. We will immediately communicate the situation to all stakeholders and will continue regular communications until normal processing is restored. Should no issues be encountered, this will be communicated by the end of Monday 8th January 2007.

We trust that this implementation will be successful and look forward to the additional capabilities that it will provide us. We appreciate your cooperation and understanding and look forward to jointly sharing the benefits the Parallel Environment will provide in the New Year.

Should you have any queries, please contact Iann Seymour-Smith (011 759 5349 / 083 707 0992) or Howard Balmer (011 759 5434 / 082 325 7052)



**Wishing you joy and happiness
Over the festive season and a prosperous
New Year.**

From STRATE Ltd

In the STRATE tradition of a paperless environment,
we will be distributing electronic cards. The savings on printing and postage have been donated
to Ebenezer Care Centre – a home for destitute adults and children south of Johannesburg.