

FINANCIAL SERVICES BOARD

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DATE:	17 December 2009	E-MAIL:	patrickw@fsb.co.za

CISCA CIRCULAR NO 11

TO: MANAGERS AND TRUSTEES OF COLLECTIVE INVESTMENT SCHEMES IN SECURITIES

SUBJECT: DIVIDEND INCOME TYPE OF PORTFOLIOS

BACKGROUND

A meeting was held between representatives of National Treasury, FSB, SARS and ASISA on 2 December 2009 to discuss dividend income portfolios. It is important to note that the investigation ("investigation") into these portfolios is ongoing and at this stage the continuation of these portfolios cannot be guaranteed.

NEW APPLICATIONS

It has been decided that the FSB may continue with the approval process for new portfolios should the applicant so wish. In this respect applicants need to take all possible consequences into account as part of their decision to continue with such applications. This is detailed below:

The following must be taken into account:

1. The investigation has not been finalised therefore the outcome is still uncertain;
2. The investigation could affect certain structures and SPV's used by underlying investments of these portfolios;
3. The outcome of the investigation could require amendments to existing legislation;
4. The abovementioned regulators still have concerns which could impact negatively on the future of such portfolios;
5. Applicants must provide the FSB with an exit strategy should there be a decision to close these portfolios; and
6. All marketing material and fact sheets must carry a cautionary warning to all potential and existing investors, informing them of the possible consequences of investing in such a portfolio. This warning must include a statement that such portfolio could be closed at any time and that the outcome of the investigation could have adverse tax consequences.



EXISTING PORTFOLIOS

There is still uncertainty as to the tax status of the dividend income portfolios. This can only be cleared once all the underlying structures and SPV's currently in use have been investigated by the relevant regulators. The following procedures must be adhered to before the end of January 2010:

1. Investors must be informed of the investigation and the possible adverse tax consequences. The communication in this respect must be sent to us for our records.
2. Managers of these dividend income portfolios must provide the FSB with an exit strategy should there be a decision to close the portfolios.
3. Paragraphs 1 to 6 above in respect of "New Applications" also apply to managers of existing portfolios.

GENERAL

Finally, your attention is invited to section 106 of the Collective Investment Schemes Control Act read with sections 107 and 109 thereof. Any contravention of section 106 or 107 shall be referred to the Enforcement Committee of the Board of the Financial Services Board for determination.

Kindly acknowledge receipt of this Cisca Circular No 11 before 31 January 2010.



REGISTRAR OF COLLECTIVE INVESTMENT SCHEMES

ACKNOWLEDGEMENT OF RECEIPT

I acknowledge receipt of a copy of Cisca Circular No. 11.

Signature

Name of Manager

Date

Signature

Name of Trustee

Date