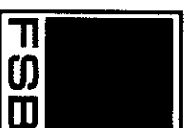


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CISCA CIRCULAR NO. 12

TO ALL MANAGERS OF COLLECTIVE INVESTMENT SCHEMES IN SECURITIES

A MATTER REQUIRING CLARIFICATION

1. It has come to the attention of this Office that certain collective investment scheme managers are investing more than 20% in money market portfolios based on the definition of "assets in liquid form" as contained in Schedule 1 of Board Notice 1503 of 2005 (the Notice).
2. The phrase "assets in liquid form" is defined in Schedule 1 of the Notice as meaning:
 - (a) "any amount of cash consisting of Reserve Bank notes and coin;
 - (b) any instrument determined in Chapters III and IV; or
 - (c) participatory interests in money market portfolios referred to in Chapters III and IV, and which is capable of being converted into cash within seven days".
3. The money market portfolios referred to in chapters III and IV of the Notice are those consisting solely of money market instruments and those in a foreign currency.
4. Paragraph 3(4)(a) of the Notice provides: "A manager may include in a portfolio, participatory interests in portfolios ('underlying portfolios') of collective investment schemes in securities or foreign collective investment schemes to a maximum aggregate value of 20% of the market value of the first mentioned portfolio ...".
5. The provisions of paragraph 3(4)(a) of the Notice are clear. Such provisions give a manager of a collective investment scheme the discretion to include participatory

interests in the underlying portfolio¹ but at the same set out conditions and limits of such inclusion. The value of participatory interests to be included in a money market portfolio may not exceed 20% of the aggregate market value of that portfolio.

6. Any investment in a money market portfolio which exceeds 20% of the aggregate market value of such portfolio, is in breach of paragraph 3(4)(a) of the Notice which requires, that all investments in any portfolio, including those contemplated in schedule 1(c) of the definition of "assets in liquid form", be limited to 20% of the aggregate market value of the portfolio in which the investment is placed.

7. Accordingly, an investment of more than 20% in a money market portfolio as per the definition of "assets in liquid form" is a breach of paragraph 3(4)(a) of the Notice.

8. The definition of "assets in liquid form" should be read with other provisions of the Notice, particularly paragraph 3(4)(a) which sets out conditions and limits of investments in a portfolio.



BERT CHANETSA

REGISTRAR OF COLLECTIVE INVESTMENT SCHEMES

¹ ("a manager may include in a portfolio...")