

FINANCIAL SERVICES BOARD

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Our ref: 15/11/3 (CISCA C2)

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Date: 16 March 2006

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CISCA CIRCULAR NO 2 TO FOREIGN COLLECTIVE INVESTMENT SCHEMES

FOREIGN COLLECTIVE INVESTMENT SCHEMES CURRENTLY APPROVED IN TERMS OF SECTION 65 OF THE COLLECTIVE INVESTMENT SCHEMES CONTROL ACT, NO 45 OF 2002 ("the Act"); NOTICE 2076 OF 2003 AS AMENDED BY NOTICE 1502 OF 2005 ("the Conditions")

It became compulsory on 1 August 1998 for a foreign collective investment scheme to obtain approval to market its products in South Africa. In approving these schemes, the approach of the FSB is to ensure that the home regulatory environment is comparable to that of South Africa and the products offered are of a similar structure and risk profile to those that may be offered by a South African collective investment scheme. Legislation and minimum requirements have been adapted from time to time to ensure adherence to this approach.

For the sake of clarity, this Office herewith outlines these requirements, all of which must be reflected in the scheme prospectus:

1. In terms of paragraph 6(b) of the Conditions, read with section 45(b)(i) of the Act, a fund investing in securities, 90% of the market value of such securities included in the fund must be listed on exchanges having obtained full membership of the World Federation of Exchanges.
2. Borrowing will be allowed to the amount of 10% of the value of the fund and will only be permitted for purposes of redemption of participatory interest in terms of paragraph 6(d) of the Conditions.
3. Derivatives shall only be used for efficient portfolio management (i.e. no gearing / leverage / margining will be allowed). Unlisted derivative instruments will only be allowed for purposes as determined in paragraph 6(e) of the Conditions as amended, i.e. unlisted forward currency, interest rate or exchange rate swap transactions. No uncovered positions will be allowed.
4. When a fund invests in non-equity securities, 90% of these interest-bearing **instruments** included in such fund must have a credit rating of "investment grade" by Standard & Poors, Moodies or Fitch Ratings Ltd as determined in paragraph 6(c) of the Conditions.

Board Members: Dr CDR Rustonjee (Chairperson) AM Sithole (Deputy Chairperson) BM Hawksworth Ms JV Mogadime
Ms LM Mojela Ms AMM Mokgabudi Prof PJ Sutherland Ms HS Wilton
Board Secretary: SB Makgalemele
Executive Officer: RJG Barrow



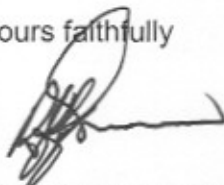
5. If a fund includes participatory interests of other collective investment schemes, such participatory interests must have a risk profile which is not significantly higher than the risk profile of other underlying securities which may be included in terms of the Act. See paragraph 22(h) of Chapter V of Notice 1503 of 2005 in this regard.
6. A fund may not invest in a fund of funds or a feeder fund in terms of paragraph 6(h) of the Conditions as amended.
7. A fund of funds must be invested in at least five other funds and may not invest in another fund in excess of 20% of the said fund of funds market value in terms of paragraph 6(i) of the Conditions as amended.
8. No scrip borrowing shall be allowed.

All managers or operators of approved schemes are hereby requested to ensure that the abovementioned minimum requirements are contained in the prospectus of their relevant scheme(s). Should a prospectus require amendment, please note that the amended prospectus must be submitted to this Office within 6 months from date of this circular for approval in terms of paragraph 7 of the Conditions.

You are hereby requested to confirm receipt of this Circular before 14 April 2006, together with a letter of compliance/non-compliance of your scheme(s) with the aforementioned requirements.

In the interim, this Office will not consider applications for additional portfolios, unless a letter of undertaking to abide by these requirements pending the prospectus amendments being affected, is provided.

Yours faithfully



REGISTRAR OF COLLECTIVE INVESTMENT SCHEMES

ACKNOWLEDGEMENT OF RECEIPT

I hereby acknowledge receipt of a copy of Cisca Circular No. 2 and herewith attach the letter of compliance/non-compliance with the requirements as set out in the circular.

Signature of Managing Director

Name of Scheme

Date

Please return to:
Registrar of Collective Investment Schemes
P.O Box 35655
Menlo Park
Pretoria
0102

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