



**DRAFT CONDUCT STANDARD * OF 2019 (CISCA)
COLLECTIVE INVESTMENT SCHEMES CONTROL ACT, 2002
FINANCIAL SECTOR REGULATION, 2017**

**CONDUCT STANDARD ON NET ASSET VALUATION CALCULATION AND PRICING FOR
COLLECTIVE INVESTMENT SCHEME PORTFOLIOS**

The Financial Sector Conduct Authority hereby, under sections 114(3), read with 114(4)(b) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and sections 106(1)(a), read with 106(2)(b) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), prescribes requirements applicable to the calculation and pricing of the net asset value of a portfolio of a collective investment scheme, as set out in the Schedule.

**ABEL MOFFAT SITHOLE
FOR THE FINANCIAL SECTOR CONDUCT AUTHORITY**

SCHEDULE**1. Definition**

In this Schedule, “**the Act**” means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) and “**the Cisca**” means the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and any word or expression to which a meaning has been assigned in the Act or the Cisca has that meaning and, unless the context otherwise indicates—

“**accounting period**” means the period beginning with the last ex-dividend date and ending on the day immediately prior to the following ex-dividend date as determined in the deed;

“**annual effective yield**” means the annual effective yield to be calculated in terms of paragraph 9(17);

“**Authority**” means the Financial Sector Conduct Authority established under section 56 of the Act;

“**classes of participatory interests**” or “**class**” means a category of participatory interests;

“**clean price**” also known as the “**capital price**” means the NAV excluding any income accruals and any permissible expenses divided by the number of participatory interests in issue on that same day;

“**Conduct Standard**” means the Conduct Standard on net asset valuation calculation and pricing for collective investment scheme portfolios, 2019;

“**ex-dividend date**” means the first business day following the vesting of an income distribution to an investor;

“**fund administrator**” where it is not the manager, means the authorised agent, who administers the accounting, reconciliation, investor liability, valuation of assets, pricing of participatory interests, or the maintenance of the register of investors for the portfolio;

“GAV” means gross asset value, which is the total market value of all assets in a portfolio including any income accruals before any permissible deductions as contemplated in section 93 of the CISCA;

“Income Tax Act” means the Income Tax Act, 1962 (Act No. 58 of 1962);

“market value” means the fair valuation of all securities in a portfolio using the best available market information on the value of the securities;

“NAV” means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less any permissible deductions as contemplated in section 93 of the CISCA;

“NAV price” means the NAV divided by the number of participatory interests in issue, and **“NAV pricing”** has a corresponding meaning;

“payment in lieu of income accrual” means the amount described in paragraphs 10(4) and 10(5);

“pricing day” means the day on which the assets of the portfolio are valued;

“Shari’ah compliant portfolios” means portfolios which are identified as such and where the investment mandate specifies that the portfolio must be managed in a way which is consistent with Shari’ah principles;

“statistics service provider” means the statistics service provider appointed by the Authority for the purpose of collecting data on behalf of the Authority;

“valuation point” means the point in time on a pricing day at which the prices of participatory interests are calculated and shall be the time as determined in the deed; and

“verifier” means a person that verifies the value of a security independently of the manager where the security cannot be otherwise valued.

2. Application

- (1) This Conduct Standard applies to portfolios comprising collective investment schemes registered in terms of the Cisca, including collective investment schemes in property where applicable, but excluding collective investment schemes in participation bonds.
- (2) This Conduct Standard is intended to set minimum requirements for net asset valuation calculation and pricing for collective investment scheme portfolios, and a manager may adopt additional measures that would provide increased levels of adherence and support to the intention behind the requirements contained in this Conduct Standard and the Cisca.
- (3) Where this Conduct Standard is silent on a matter related to the valuation of securities in a portfolio and determining the NAV price of a participatory interest, a manager must implement alternative solutions which are consistent with the principles of this Conduct Standard and the Cisca as agreed with the trustee or custodian and included or to be included in a valuation policy.
- (4) Where any provision in a deed is in conflict with a provision of this Conduct Standard, the provision in this Conduct Standard prevails.

3. Determination of NAV

- (1) The NAV of a portfolio and NAV pricing is determined through the following process:
 - (a) Recording and valuation of assets within the portfolio;
 - (b) recording of income received or accrued to the portfolio;
 - (c) recording of expenses paid or accrued by the portfolio;
 - (d) allocation of proportionate values to participatory interests; and
 - (e) calculating and processing of distributions from the portfolio to investors.
- (2) In applying the above process a manager must apply and comply with the general principles as set out in paragraph 4, and the relevant requirements for each component of the process as set out in paragraphs 5 to 10 of this Standard.

4. General principles

- (1) All pricing processes and procedures must conform to generally accepted accounting practice or the accounting practices for collective investment schemes as may be determined by the Authority.
- (2) A manager and the fund administrator must ensure that accounting for a portfolio and determining the NAV price is performed on an accrual basis.
- (3) A manager must ensure that the calculation of the NAV and NAV pricing is correct and that the process of calculating the NAV and NAV pricing adheres to the following principles:
 - (a) Fairness, including that processes must be free from bias or discrimination;
 - (b) consistency, including that processes must be applied consistently at all times;
 - (c) transparency, including that processes must be clearly documented and that data must be readily available for review in sufficient detail to enable detailed analysis and auditing; and
 - (d) accuracy, including that processes for accuracy must be designed and implemented to ensure that the inherent accuracy thereof can be demonstrated.

5. Valuation and recording of assets (asset valuation)

Principles of valuation

- (1) A manager or fund administrator must value any asset at its fair market price.
- (2) Despite subparagraph (1), when a manager or fund administrator values assets of a money market portfolio, the assets may be valued at amortised cost, provided that the relevant deed permits the use of a constant NAV price.

Application of principles

- (3) A manager must adopt a valuation policy approved by the board of directors of the manager.
- (4) In order to achieve a fair market value, a manager and the fund administrator must ensure that –
- (a) the price of each security is retrieved on a consistent basis and at valuation point on each pricing day in a manner which is consistent with the deed;
 - (b) wherever possible and practical the price of each security is validated for reasonability by, among others –
 - (i) comparing multiple sources; and
 - (ii) reviewing the price against the price that was determined at the previous valuation point;
 - (c) in the event that a current price is not available due to the suspension in the trading of a listed security, for less than two trading days, a fair and reasonable price is determined by a person acceptable to the trustee taking into account all available information, in particular –
 - (i) the last trading price; and
 - (ii) the potential effect of such price on the overall value of the portfolio; orwhere the trustee does not approve such a person, a verifier is to confirm the fair and reasonable price;
 - (d) where the price of a security that was traded on an exchange is unavailable or is not representative of fair value due to suspension for more than two trading days or delisting, the fair value is determined taking into account the value at which the security will probably be realised using applicable valuation techniques for unlisted securities, as certified by a person acceptable to the trustee whom is an independent verifiable source, or the verifier, to be fair in the circumstances;
 - (e) where no market mechanism such as that provided by a clearing house or an exchange exists to facilitate the valuation process, such unlisted security is valued daily, based on a generally recognised methodology, to determine the fair value of the security by a person acceptable to the trustee;

- (f) the methodology referred to in items (d) and (e), is clearly described in the accounting or valuation policy and may include –
 - (i) discounted cash flow techniques which involve applying a market-related discount rate for similar instruments according to a manager's best estimate of future cash flows;
 - (ii) pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and pre-payment rates of the underlying positions;
 - (iii) the latest available price; and
 - (iv) where fair value cannot be reliably determined, the value of a security is reflected at cost provided that this is fair and reasonable in the prevailing circumstances and that all expenses directly attributable to the acquisition of the security are included in such cost;
- (g) the applicability of the methodology referred to in items (d) and (e) is assessed regularly to ensure that it remains fair and reasonable in the prevailing circumstances;
- (h) a security purchased at a discount or premium to the nominal value is dealt with in accordance with paragraph 7;
- (i) a security denominated in a currency other than that of the portfolio base currency is converted at the appropriate ruling exchange rate and the conversion rate is calculated at a time that is consistent with the portfolio valuation point on each pricing day; and
- (j) brokerage, securities transfer tax, initial charges on the acquisition of any security or participatory interest and any other charges directly related to the acquisition of a security or participatory interest are treated as capital expenses.

6. Recording of income

Principle

(1) Income from an asset or security in a portfolio must be accrued –

(a) at the same time as the valuation of the portfolio; and

(b) in a manner which accurately reflects the source and nature of the income.

Application of principle

(2) The frequency of accruing income must be in accordance with the valuation or pricing frequency as defined in the deed pertaining to the portfolio.

(3) When a portfolio is valued by a manager or fund administrator in terms of the deed, all income received and accrued since the previous pricing date must be included in the new valuation.

(4) All income to the portfolio must be clearly distinguishable as either domestic or foreign income.

(5) The nature of income in the portfolio in each instance must be clearly distinguishable as falling into one of the following categories:

(a) Dividend income, other than manufactured income as contemplated in the Income Tax Act;

(b) interest income;

(c) income from an real estate investment trust; or

(d) other income, and

in each income category set out in items (a) to (d), the respective withholding tax amounts must be separately identifiable.

(6) For purposes of this Conduct Standard, other income contemplated in subparagraph (5) includes, subject to permissible deductions –

(a) foreign exchange gains or losses incurred;

(b) rental income;

(c) scrip lending income;

(d) net manufactured dividends as contemplated in the Income Tax Act; and

(e) any other income as may be determined in terms of the Income Tax Act.

7. Accounting for premiums and discounts

(1) All premiums charged and discounts received on the acquisition of securities for the portfolio must be recognised as income in accordance with the Income Tax Act.

(2) The frequency of the calculation and processing of interest on assets and securities in the portfolio must, as a minimum, align to the valuation frequency of the portfolio.

(3) Premiums charged and discounts received on the acquisition of securities for the portfolio must be distributed to investors.

8. Recording of expenses

Principles

- (1) The expenses of a portfolio must be accrued at the valuation point.
- (2) Expenses of a portfolio which may be regarded as negligible in relation to the value of the portfolio, including bank charges, if applicable, may be recorded on a cash basis, provided that such exceptions are agreed with the trustee in advance and in writing.

Application of principles

- (3) All expenses of a portfolio must be accounted for inclusive of applicable taxes.
- (4) The permissible deductions from a portfolio as set out in the Cisca must be calculated, accrued and paid in accordance with the provisions of the applicable deed.
- (5) In the case of Shari'ah compliant portfolios, income that is not permitted for distribution in terms of Shari'ah laws must be removed from the portfolio through an appropriate expense line item clearly describing the nature of the expense.

9. Calculation of the portfolio NAV and NAV price

Principles (general)

- (1) Other than money market portfolios that maintain a constant NAV price, a portfolio must be priced and transacted on forward pricing basis, which means that the NAV price is calculated at the valuation point and then applied to all instructions received prior to the point in time on each valuation date by when offers to purchase or repurchase participatory interests must be received, as stipulated in the deed.
- (2) If a manager or fund administrator is unable to produce a NAV price on a pricing day for whatever reason, the manager may not apply stale prices unless prior approval of the Authority is obtained.

NAV pricing

(3) The NAV price or pricing must be determined using the following method –

Establish	the market value of all assets in the portfolio, i.e. clean price	see paragraph 5
Add	the income received and receivables to the portfolio	see paragraphs 6 and 7
Deduct	the expenses paid and payable from the portfolio	see paragraph 8
Divided by	the participatory interests in issue for the portfolio	

Portfolios with different classes of participatory interests

- (4) The sum of the market value of all classes must always be equal to the market value of the portfolio.
- (5) Other than in the case of a tax free saving class, a class may only be distinguished on the basis of fees applicable to that particular class.
- (6) Participatory interest movement in one class may not impact the price of any of the other classes of participatory interests of that portfolio.
- (7) All transactions in a class must be applied to both the capital and income portions of the NAV price in the same proportions that these capital and income portions exist in the NAV price, and accordingly –
 - (a) in the event that all participatory interests in a class are redeemed, all accruals and provisions attributable to that class must be brought to a nil value; and
 - (b) subsequent to the application of item (a), the books of account for that class may not reflect any amount with respect to payment in lieu of income, or a reserve carried for the capitalisation of shortfall in the income account.
- (8) A new class may only be created –
 - (a) between distribution points, without a need for special distribution where a manager's systems are able to accurately account for daily income and expenses for each class, thus ensuring that all income due to the class of investors, less

expense borne by them, are distributed at each distribution point in a fair and accurate manner; provided that-

- (i) the implementation date in the deed is suitably amended; and
- (ii) the trustee or custodian confirms in writing that the manager is capable of properly accounting for the introduction of classes at any time; or

(b) after a special distribution; or

(c) at the beginning of a new accounting period.

- (9) A manager must ensure that, despite the pricing method employed, pricing is undertaken in a manner that affords investors equal rights and equal treatment regardless of their respective class of participatory interests.
- (10) The pricing method employed and fees charged in different classes may not result in cross subsidisation of fees across classes.
- (11) Portfolios with different classes may be valued using any one of the following methodologies, where “T” refers to the valuation day and “PI” refers to participatory interest:
 - (a) The participatory interest-in-issue-methodology where non-class specific transactions and values are allocated to an individual class per the following ratio: $[T \text{ Class PI's in issue}] / [T \text{ Fund PI's in issue}]$ provided that –
 - (i) new classes may be created in terms of subparagraph (8); and
 - (ii) negative income is not capitalised;
 - (b) the NAV methodology where non-class specific transactions and values are allocated to an individual class per the following ratio:
$$([T - 1 \text{ Class NAV}] + [T \text{ Class NAV Flows}]) / ([T - 1 \text{ Portfolio NAV}] + [T \text{ Portfolio NAV Flows}]);$$
 - (c) the mixed NAV/capital methodology where non-class specific transactions and values are allocated to an individual class per the following ratio:

$$([T - 1 \text{ Class NAV}] + [T \text{ Class Capital Flows}]) / ([T - 1 \text{ Portfolio NAV}] + [T \text{ Portfolio Capital Flows}]);$$

- (d) the capital methodology where non-class specific transactions and values are allocated to an individual class per the following ratio:

$$([T - 1 \text{ Class Capital}] + [T \text{ Class Capital Flows}]) / ([T - 1 \text{ Portfolio Capital}] + [T \text{ Portfolio Capital Flows}]);$$

- (e) the GAV methodology where non-class specific transactions and values are allocated to an individual class as per the following ratio:

$$([T - 1 \text{ Class GAV}] + [T \text{ Class GAV Flows}]) / ([T - 1 \text{ Portfolio GAV}] + [T \text{ Portfolio GAV Flows}]);$$
 or

- (f) the mixed GAV/capital methodology where non-class specific transactions and values are allocated to an individual class as per the following ratio:

$$([T - 1 \text{ Class GAV}] + [T \text{ Class Capital Flows}]) / ([T - 1 \text{ Portfolio GAV}] + [T \text{ Portfolio Capital Flows}]).$$

- (12) A manager may switch from one methodology to another with the consent of the trustee or, in the case of a hedge fund without a trustee, the independent fund administrator.

- (13) The switch referred to in subparagraph (12) must coincide with the beginning of an accounting period.

Money market portfolios that maintain constant NAV price

- (14) When a money market portfolio maintains a constant NAV price, all instructions received prior to the point in time on each valuation date by which offers to purchase or repurchase participatory interest must be received as stipulated in the deed, must be included in the calculation of the annual effective yield on that pricing day.
- (15) The pricing of money market portfolios maintaining a constant NAV price must be consistent with the pricing of other portfolios with the following exceptions:
- (a) The daily NAV price per participatory interest of a money market portfolio must be fixed at 100 cents, so that the NAV price consists of a capital portion only;
 - (b) the net income per participatory interest must be calculated on a simple interest basis, accrued and declared daily within the portfolio accounts and investor ledger, and paid to investors monthly;
 - (c) assets in the portfolio must be valued on the basis of amortised cost plus daily accrued interest income;
 - (d) any premium or discount on the purchase of an asset must be amortised and recognised in the daily net income calculation; and
 - (e) any capital loss or gain resulting from the sale of an underlying asset must be:
 - (i) accounted for in the income account of the portfolio on the day it occurs; and
 - (ii) reflected in the yield for that particular day; andin the event of a net loss, it must be taken from capital.
- (16) The objective of the money market portfolio annual effective yield, published on a daily basis, must be to indicate to investors a compounded annual return and may not be used for income distribution purposes.
- (17) The money market portfolio annual effective yield must be calculated on a daily basis as follows with the rounding convention as indicated in brackets:
- (a) The sum of the daily accruals for distribution over the previous seven days, in cents per participatory interest, is divided by seven and multiplied by 365 (366 days for

leap years) to obtain the average annual nominal yield (indicated at not less than six decimal points);

- (b) the average annual nominal yield is divided by the number of distribution payment periods to obtain the periodic effective rate (indicated at not less than six decimal points); and
- (c) the periodic effective rate must be divided by 100, plus one, and the sum of the numbers must be raised to the power of the number of income distributions per year, subtract one and multiply by 100 to obtain the annual effective yield (not less than two decimal points).

Money market portfolios priced at variable NAV

- (18) A money market portfolio that is priced at a variable NAV must adhere to the provisions in paragraph 9(3), subject to the following:
- (a) A money market instrument that does not have a known traded market value must be valued daily –
 - (i) on an appropriate money market yield curve as described in the approved deed of the portfolio;
 - (ii) on an appropriate money market yield curve as determined by the Authority; or
 - (iii) by holding the instrument to maturity and valuing it at cost price plus interest accrued;
 - (b) the yield curve must be updated daily;
 - (c) a compounding formula must be applied to the yield curve which is to provide for the term of interest payments, that is whether the instrument pays interest annually, semi-annually, or quarterly; and
 - (d) each instrument's market value yield is interpolated using the curve and a NAV price is formulated by discounting the future cash flows at the specified rate.

Calculation of yield for portfolio other than money market portfolio that maintains a constant NAV price

- (19) The historic yield for a portfolio, other than a money market portfolio that maintains a constant NAV price, of which the investment objective includes an aim to produce income by investing predominantly in interest-bearing instruments, must be calculated monthly per portfolio class, based on the actual distributions declared in the last 12 months for that class, divided by the monthly average NAV price for the portfolio class over the same period
- (20) A manager must, subject to subparagraph (19), –
- (a) with regard to a newly launched class, which has not been in existence for 12 months but whose portfolio has been in existence for 12 months, calculate a yield based on the other existing classes adjusting for the difference in the fee being charged for the new class; and
 - (b) with regard to a newly launched portfolio, which has not been in existence for 12 months –
 - (i) calculate the yield after six months and annualise the distributions to have a comparable figure; or
 - (ii) not calculate a yield at all.
- (21) A manager must, subject to subparagraph (19), ensure that the minimum published yield does not fall below 0.00%, and does not reflect a negative yield.

10. Calculating and processing portfolio distributions

Principles

- (1) All income received and accrued by a portfolio or class after deducting permissible costs must be distributed to investors so that it is taxed in the hands of the investor and that the nature of the income is preserved in the process.
- (2) In the case of money market portfolios that maintain a constant NAV price, all realised gains and losses must be included in the calculation of the amount available for

distribution.

Application of principles

- (3) Negative net income (where charges exceed income) in a portfolio must be accounted for as follows:
- (a) Where there is a shortfall in income, the negative income amount may be deducted from capital subject to the determination of the deed; or
 - (b) if a portfolio has the aim of income generation or dividend growth and the manager reasonably expects that any current shortfall is temporary, the manager may not deduct the negative income amount from capital.
- (4) A manager must pay the amount specified in subparagraph (5) into the income account of a particular portfolio on the creation of new participatory interests to afford such participatory interests equal participation in the relative income which has accrued from the last ex-dividend date to the date on which the participatory interests are created.
- (5) The amount referred to in subparagraph (4) is calculated by-
- (a) dividing the total number of participatory interests in a portfolio at the time at which the calculation is made into the total amount then standing to the credit of the relevant income account; and
 - (b) multiplying the quotient by the number of new participatory interests created at the time at which the calculation is made.
- (6) Distribution data relating to a portfolio or participatory interest must contain the following details:
- (a) The date of the distribution declaration; and
 - (b) the distribution amount, in cents per participatory interest, broken down into the different components as may be required for taxation reporting purposes.

- (7) Expenses and payments in lieu of income accruals in a portfolio must be apportioned across the components referred to in subparagraph (6)(b) in the ratio in which the components have been received.

11. Disclosure requirements for portfolio data

NAV prices

- (1) The NAV price must be disclosed as follows:
- (a) It must be truncated (rounded down) to not less than two decimal places in cents per participatory interest; and
 - (b) the number of participatory interests must be truncated to not less than two decimal places in all systems and communications with industry participants.
- (2) NAV prices must be published in the media in accordance with any requirements prescribed by the Authority relating to disclosures by managers, authorised agents, managers or operators of a foreign scheme approved in terms of section 65 of the CISCA, or any person acting on behalf of any of the aforementioned persons.
- (3) The most current NAV price information to be supplied to the statistics service provider must contain the following minimum columns:
- (a) Portfolio name, including the class name;
 - (b) maximum initial fee expressed as a percentage of NAV;
 - (c) date of the NAV price; and
 - (d) the NAV price of latest trading day in cents per participatory interest.

Distributions

(4) Distributions from a portfolio must be truncated as follows:

- (a) For portfolios other than money market portfolios, the distribution per participatory interest must be truncated to not less than four decimal places (i.e. R0.0000) and any surplus must be carried over in the class to the next distribution period;
- (b) for money market portfolios, the daily distribution per participatory interest must be truncated to no less than six decimal places (i.e. R0.000000), with distributions allocated in terms of the rules for a normal distribution; and
- (c) the distribution must be allocated within the investor ledger truncated to two decimal places of the Rand value (R0.00) and any surplus must be credited to the income account of the portfolio per class for distribution in the next distribution period.

(5) Data relating to distributions by a portfolio (distribution data) must be disclosed as follows:

- (a) All distribution data in cents per participatory interest must be supplied to the statistics service provider on the ex-dividend date as set out in subparagraph (6); and
- (b) details on the declared distribution of all classes of all portfolios of a manager must be published on the manager's website on the first business day following the day of distribution within the portfolio.

(6) The distribution data per class provided to the statistics service provider and published on the manager's website must contain –

- (a) The date of declaration; and
- (b) the date of the distribution payment and the distribution amount (per participatory interest) broken down into the different income components.

- (7) The total expense ratio, when published by the manager, must be provided to the statistics service provider.

Publication of yields

- (8) The money market portfolio annual effective yield contemplated in paragraph 9(17) and the historic yield contemplated in paragraph 9(19) must be –
- (a) published in the media in accordance with any requirements prescribed by the Authority relating to disclosures by managers, authorised agents, managers or operators of a foreign scheme approved in terms of section 65 of the Cisca, or any person acting on behalf of any of the aforementioned persons ; and
 - (b) provided to the statistics service provider.

12. Dealing with errors

Principles

- (1) A manager must have policies and procedures in place that are designed to detect, prevent, and correct material valuation or pricing errors.
- (2) Valuation or pricing errors must be addressed promptly and investors, whether redeeming from, investing into or remaining in the portfolio, may not be prejudiced as a result of a material error or the process of a material error being corrected.
- (3) Subject to subparagraphs (8) to (13), an investor must be fully compensated and placed in the position the investor would have been in had the material error not occurred.
- (4) A manager is accountable and liable for losses of a portfolio incurred as a result of errors.

Sources of errors

- (5) In dealing with valuation or pricing errors, a manager must distinguish between –
- (a) occasional instances of technical or clerical valuation errors; and
 - (b) errors caused by weaknesses in internal controls which may result in recurring or frequent errors of the same nature.
- (6) Where an error is of a nature envisaged in subparagraph (5)(b), the manager must take steps to promptly rectify the error and the source of the error.
- (7) Sources of errors for purposes of subparagraph (6) include –
- (a) portfolio and security valuation errors;
 - (b) transaction processing errors;
 - (c) calculation errors;
 - (d) income classification errors in distributions;
 - (e) the incorrect application of tax;
 - (f) income distribution errors; and
 - (g) incorrect pricing data received.

Determining materiality and resolution

- (8) A manager must determine whether an error is material, and in considering materiality a manager must consider the sum of all effects related to the portfolio and the investors in determining whether an error is material.
- (9) When a manager has determined that an error is material, a manager must –
- (a) take reasonable steps to correct the material error;
 - (b) if applicable, notify investors;

- (c) if applicable, re-publish the NAV price;
 - (d) report the material error to the Authority within five business days after detecting it; and
 - (e) provide the Authority with a report on the process and progress relating to the correction of the material error within 20 business days of providing the report referred to in item (d) to the Authority.
- (10) For purposes of this paragraph an error in a published NAV price will be deemed to be material if the impact of the error exceeds 0.5% of the NAV price.
- (11) If the impact of a material error on an investor amounts to R100.00 or less, a manager may decide not to correct the error for that investor.
- (12) Where an investor has been unduly enriched at the expense of another investor, a manager or a fund administrator may agree to take steps to recover the undue benefits from the investor, subject to the same materiality policy applicable to investors.
- (13) Where a manager has provided payments or additional participatory interests to an administrative financial services provider authorised in terms of the Financial Advisory and Intermediary Services Act, and a valuation or administration error occurs, the manager must ensure that, considering that the administrative financial services provider holds participatory interests on behalf of investors in a bulk account, the administrative financial services provider conducts a correction process as set out in this Conduct Standard to compensate its clients for the error.

13. Reporting and rectifying non-compliance

- (1) When a manager is unable to comply, or anticipates potential non-compliance with, any provision of this Conduct Standard, the manager must –
- (a) immediately notify the trustee or custodian and the Authority in writing of the reasons for the anticipated or actual non-compliance; and

- (b) provide the trustee or custodian and the Authority with a solution to address the anticipated or actual non-compliance.

14. Short title and commencement

This Conduct Standard is called the Conduct Standard on net asset valuation calculation and pricing for collective investment scheme portfolios, 2019 and comes into operation six months after the date of publication.

DRAFT