



Financial Sector
Conduct Authority

CONSULTATION REPORT: DRAFT CONDUCT STANDARD ON NET ASSET VALUATION CALCULATION AND PRICING FOR COLLECTIVE INVESTMENT SCHEME PORTFOLIOS

COLLECTIVE INVESTMENT SCHEMES CONTROL ACT, 2002 (ACT NO. 45 OF 2002)
FINANCIAL SECTOR REGULATION ACT, 2017 (ACT NO. 9 OF 2017)

1. Purpose

The purpose of this document is to set out, as required in terms of section 104(1) of the Financial Sector Regulation Act, a report on the consultation process undertaken in respect of the draft Conduct Standard on net asset valuation calculation and pricing for collective investment scheme portfolios.

2. Definitions

In this consultation report, the following definitions apply:

“Authority” means the Financial Sector Conduct Authority;

“Collective Investment Schemes Control Act” means the Collective Investment Schemes Control Act, 2002 (No. 45 of 2002) (“the Cisca”); and

“Financial Sector Regulation Act” means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (“FSRA”).

3. Summary of public consultation process

3.1 This consultation report must be read with the *Statement supporting the draft conduct standard – Net asset valuation calculation and pricing for collective investment scheme portfolios*.

3.2 In June 2017, the Financial Services Board at that time published the following documents for public consultation:

- draft Notice relating to *Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolio* (draft Notice); and
- Net asset valuation calculation & pricing best practice guidelines for South African collective investment scheme portfolios.

3.3 On 7 December 2017, an industry workshop was scheduled with representatives of the Association of Savings and Investments South Africa as well as trustees of various Collective Investment Scheme's to discuss the commentary received on the draft Notice.

3.4 After the workshop different versions of the draft Notice, indicating to which extent the commentary received was considered, was shared with the stakeholders whom attended the workshop. Extensive engagements with industry took place to discuss and address the comments that were received on the draft Notice.

3.5 To the extent that the Authority was in agreement with commentary received on the draft Notice, amendments were made to the draft Notice accommodating such comments.

3.6 The draft Notice has since been converted into a Conduct Standard as a result of the Financial Sector Regulation Act coming into effect on 1 April 2018.

4. General account of the issues raised in the submissions made during the consultation

4.1 A total of 147 individual comments were received from 4 different commentators. Comments received from the Association of Savings and Investments South Africa was inclusive of all its members.

4.2 All comments received as part of the public consultation process were considered and are set out in the table as per the Schedule below, together with the Authority's response to the all comments received.

4.3 The issues raised by commentators were mostly of a technical nature and there were no fundamental policy matters influencing the outcome of the draft Conduct Standard in a substantial manner.

SCHEDULE

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

No.	COMMENTATOR
1.	Association for Savings and Investment South Africa ("ASISA"), inclusive of its members
2.	Rand Merchant Bank Trustees ("RMB Trustees")
3.	REZCO Asset Management ("REZCO")
4.	Momentum Asset Management ("MOMENTUM")

No.	Paragraph	Commentator	Comments	FSCA Response	
DEFINITIONS					
1	1	ASISA	“clean price”, also known as the ‘capital price’, means the <u>NAV excluding any income accruals and any deductible expenses</u> total market value of all net assets held in a portfolio on a specific day less the net income, divided by the number of participatory interests in issue on that same day;	The reference to ‘net assets’ causes confusion. The proposed wording will improve understanding.	Agreed. Amendment made.
2.	1	RMB Trustees	“clean price”, also known as the ‘capital price’, means the total market value of all net assets held in a portfolio on a specific day less the net income, divided by the number of participatory interests in issue on that same day;	<u>Suggested:</u> Par 9.4 allows for the capitalisation of shortfall in the revenue account therefore the specific class should carry the loss which would affect the clean price therefore I am of the opinion the definition of clean price should have clear reference to different classes	Agree, however it is not appropriate to address this in the definition. The different classes will be dealt with where relevant in the Standard.

No.	Paragraph	Commentator	Comments	FSCA Response	
3.	1	RMB Trustees	“fund administrator”, where it is not the manager, means the authorised agent responsible for accounting for a portfolio or maintenance of the investor ledger;	Suggested: adopt the BN 52 definition which is more specific and pertinent to the Role "fund administrator" where it is not the manager means a juristic person, who administers the accounting, reconciliation, investor liability, valuation of assets, pricing of participatory interests, and the maintenance of the register of investors for the Portfolio;	Agree, however, it is required that the administrator must be an authorised agent. Please refer to revised wording in the Standard.
4.	1	ASISA	<u>“GAV” means gross asset value, which is the value of the participatory interests after the deduction of the base fee, but before the deduction of the performance fee for the current performance fee measurement period;</u>	Please refer to the comment on the proposed paragraphs 9.4(4) (e) and (f).	Proposed ‘soft’ NAV. Disagree with the proposed amendment. The proposed definition does not conform to the general accounting understanding of “Gross”.
5.	1	ASISA	“NAV” means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less any <u>permissible deductions as contemplated in section 93 of the Act</u> deductible expenses such as audit fees, brokerage and service charge;	The proposed wording corresponds to CISCA and is deemed more appropriate.	Agree. Amendment made.

No.	Paragraph	Commentator	Comments		FSCA Response
6.		REZCO	“NAV” means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service charge;	Suggested: “NAV” means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less any allowable expenses such as audit fees, brokerage and service charge;”	Please refer to revised wording as per ASISA proposal.
7.		RMB Trustees	“NAV” means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service charge;	Suggested: The NAV is determined per Class due to the Service Charge therefore provision needs to be made for the Classes. “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 expenses such as audit fees, brokerage and service charge calculated per Class;”	Agree to include “permissible”. “Calculated per class” will be dealt with in the text of the Standard.
8.	1	ASISA	“NAV price” means the NAV divided by the number of participatory interests in issue for the portfolio, and “NAV pricing” has a corresponding meaning;	To improve the reading of the paragraph.	Agree. Amendment made.
		REZCO	“NAV price” means the NAV divided by the number of participatory interests in issue for the portfolio, and “NAV pricing” has a corresponding meaning;	Suggested: “class NAV price” means the NAV divided by the number of participatory interests in issue for a specific class of a portfolio, and “NAV pricing” has a corresponding meaning;”	Please see revised wording as per ASISA proposal; removal of ‘portfolio’ makes it applicable for either portfolio or class

No.	Paragraph	Commentator	Comments		FSCA Response
				Comment: Use “class NAV price” instead of “NAV price” because operationally it creates the impression you are talking about a NAV price on a fund/portfolio level which is not calculated in normal business practice (unless the fund consists of one class only).	
9.		RMB Trustees	“NAV price” means the NAV divided by the number of participatory interests in issue for the portfolio, and “NAV pricing” has a corresponding meaning;	Suggested: ““ Class NAV price ” means the NAV divided by the number of participatory interests in issue for a specific class of a portfolio , and “NAV pricing” has a corresponding meaning;”	Please see above.
10.	1	ASISA	<u>“payment in lieu of income accrual” means the amount which –</u> <u>(a) the manager must pay 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;</u> <u>(b) is calculated by dividing the total number of participatory interests in a portfolio at the</u>	Please refer to the comment on paragraphs 9.4(1) (d)(ii) and 10.2(3). A definition should be inserted in support of proposed amendments to these paragraphs which are also aligned with terminology in the Deed.	Agree in principle. Definition has been inserted, however the requirements were included in the text of the Standard – please see new paragraphs 10(4) and 10(5).

No.	Paragraph	Commentator	Comments	FSCA Response	
			<u>time at which the calculation is made into the total amount then standing to the credit of the relevant income account and by multiplying the quotient by the number of new participatory interests created at the time at which the calculation is made;</u>		
11.		REZCO	“Shari’ah compliant portfolios”	Suggested: Define Shari’ah first.	Disagree. The general understanding of Shari’ah and what Shar’ah compliance entails is clear and sufficient for purposes of this Standard.
12.	1	ASISA	“ service charge ” means the periodical charge stipulated in the deed, and disclosed in all marketing material, to remunerate the manager for the administration of a portfolio or different classes of participatory interests in a portfolio;	The disclosure of the service charge is not relevant in the context of requirements for a NAV Calculation and Pricing. Also, Board Notice 92 does not require a manager to disclose the service charge in <u>all</u> marketing material.	Agree. Amendment made.
13.	1	ASISA	“TER” means total expense ratio which is a measure of the total costs associated with managing and operating a portfolio which is derived by dividing the total cost of the	Please refer to the comment on paragraph 11.2(3)(c). The disclosure of the TER is dealt with in Board Notice 92.	Agree, however it is still required to disclose the total expense ratio to the

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			portfolio or the different classes of participatory interests in the portfolio by its total assets to arrive at a percentage		data statistics provider.
14.		REZCO	“TER” means total expense ratio which is a measure of the total costs associated with managing and operating a portfolio which is derived by dividing the total cost of the portfolio by its total assets to arrive at a percentage;	Comment: The definition seems to refer to Total Investment Cost (TIC) and not TER which refers to all operating costs except trading related costs.	The definition has been deleted as it is dealt with in Board Notice 92 Of 2014.
15.		RMB Trustees	“TER” means total expense ratio which is a measure of the total costs associated with managing and operating a portfolio which is derived by dividing the total cost of the portfolio by its total assets to arrive at a percentage;	Suggested: The definition is not consistent with the definition identified in BN92 which seems to be more comprehensive and clearer "total expense ratio" means a measure of a portfolio's assets, whether calculated per class or not, that have been expended as payment for services rendered in the management of the portfolio or collective investment scheme, expressed as a percentage of the average daily value of the portfolio or collective investment scheme calculated over a period of one financial year by the manager of the portfolio or collective investment scheme	The definition has been deleted.
16.	1	ASISA	“valuation point” means the point in time on a pricing-valuation day at	Align the wording with the definition of “valuation day”	Valuation day was amended to pricing

No.	Paragraph	Commentator	Comments		FSCA Response
			which the prices of participatory <u>interests</u> are calculated and shall be the time as determined in the deed; and	and the word “interests” was omitted.	day as it needs to align with the prescribed model deed.
17.	1	ASISA	“VAT on fees” means the amount calculated by applying the official Value Added Tax rate as specified by SARS to the respective fee	The term is not used in the Draft Notice and should be deleted.	Agree. Amendment made.
18.	1	ASISA	“verifier” means a person that verifies the value of a security independently of the manager where the security cannot be otherwise valued	Please refer to the comment on paragraph 6.2(f).	Disagree. Please see comment and response under paragraph 6.2(f).
PURPOSE AND APPLICABILITY					
19.	2(1)	ASISA	Footnote linked to paragraph 2(1) Further guidance on the application of the principles is provided in the Addendum.	The footnote duplicates paragraph 5(4) and should be deleted.	Agree. Amendment made.
20.	2(3)	RMB Trustees	Par 2(3) This Notice applies to portfolios comprising collective investment schemes registered in terms of the Act, excluding collective investment schemes in participation bonds.	Suggested: Collective Investment Schemes in Property needs to be excluded as well.	Partially agree. Where a CIS in property includes securities in the portfolio, the Standard will apply.
PRINCIPLES					
21.	3(3)	ASISA	A manager must ensure that the portfolio calculation of the NAV and	It is proposed that the paragraph should be aligned	It is agreed to align the wording with the

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			<u>NAV</u> pricing is correct and that the process of portfolio-calculating the NAV and NAV pricing adheres to the following four principles (a) Fairness: processes must be free from bias or discrimination. (b) Consistency: processes must be applied consistently over an accounting period. (c) Transparency: processes must be clearly documented and the data must be readily available for review in sufficient detail to enable a detailed analysis and audit. (d) <u>Accuracy</u>: Processes for accuracy must be designed and implemented to ensure that the inherent accuracy thereof is demonstrated.	with the definitions and that the descriptions of the principles should be deleted as it may be limiting. definitions. Please see revised wording in the Standard.
22.	3(3)(b)	RMB Trustees	Par 3(3)(b) Consistency: processes must be applied consistently over an accounting period	Was the Regulator's intention around referencing to consistency "over an accounting period". Consistency should be applied at all times and changes are only to be done in terms of the Notice Agree. Amendment made.
APPLICATION				

No.	Paragraph	Commentator	Comments		FSCA Response
23.	4(1)	ASISA	A manager must ensure compliance with this Notice.	The requirement is superfluous.	Agree. Amendment made.
24.	4(2)	ASISA	A manager may delegate fund administration services to an independent service provider or another entity in the group of companies of which the manager forms part, in accordance with section 4(5) of the Act.	The duplication of the legislative provision for delegation does not seem to serve a specific purpose in the context of the Draft Notice.	Agree. Amendment made.
25.	4(4)	RMB Trustees	Par 4(4) Where this Notice 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 Notice and the Act.	Suggested:a manager must implement alternative solutions which are consistent with the principles of this Notice and the Act as agreed with the Trustee and included or to be included in the Valuation Policy	Agree. Amendment made.
26.	4(6)	MOMENTUM	Where a manager anticipates any failure or inability to comply with any provisions of the Notice, the manager must- (a) notify the trustee and the registrar in writing of the reasons for the non-compliance;	We suggest that a timeframe to notify the Trustee and Registrar is included in the requirement to notify.	Agree. Amendment made.
STRUCTURE OF NOTICE					

No.	Paragraph	Commentator	Comments		FSCA Response
27.	5(1)	ASISA	The NAV of a portfolio and participatory interests <u>NAV</u> pricing is determined through	Align the wording with the definitions.	Agree. Amendment made.
28.	5(1)(b)	ASISA	the recording of income received and <u>or</u> accrued to the portfolio;		Agree. Amendment made.
29.	5(1)(c)	ASISA	the recording of expenses paid and <u>or</u> owed by the portfolio;		Agree. Amendment made.
30.		REZCO	5(1)(c): “the allocation of proportionate values to participatory interests and <u>pricing of the portfolio</u> ”	Comment: This section is what the first three points already indicates to be done and is therefore appears to be redundant.	We assume that the reference should be (d). Disagree. It is required to indicate the steps taken in the process, the allocation of values and pricing is the next step in the process.
31		RMB Trustees	Par (5)(1)(c) the recording of expenses paid and owed by the portfolio	Suggested: the recording of expenses paid and accrued by the portfolio	Agree. Amendment made.
32.		RMB Trustees	5(1)(c): “the allocation of proportionate values to participatory interests and pricing of the portfolio”	Suggested: the allocation of proportionate values to and pricing of classes of participatory interests of the portfolio	Agree – see revised wording.
33.	5(1)(d)	ASISA	the allocation of proportionate values to participatory interests and pricing of the portfolio those participatory interests <u>interests</u> ; and	To clarify.	Disagree – see revised wording.

No.	Paragraph	Commentator	Comments		FSCA Response
34.	5(1)(e)	ASISA	the calculating and processing of income distributions from the portfolio to investors.		Agree. Amendment made.
35.	5(2)(b)	ASISA	Includes a worked example in the Addendum	Duplication of paragraph 5(4); should be deleted.	See paragraph 3(2). No longer any duplication.
36.	5(3)(a)	ASISA	the <u>allocation</u> methodologies applicable to different classes of participatory interests;	To clarify.	Deleted from Standard as application of classes are dealt with in its own paragraph.
37.	5(4)	ASISA	The Addendum <u>Valuation Best Practice Guidelines for CIS Portfolios</u> serves to provide guidance on the practical effects of the principles contained in the Notice and is therefore not legally enforceable- should not be construed as a rule or regulation.	More appropriate to refer to the title of the guidelines and to align with the wording in the foreword of the Guidelines.	Please note that the “Valuation Best Practice Guidelines for CIS Portfolios” will be issued separately as a Guidance Notice.
VALUATION AND RECORDING OF ASSETS (ASSET VALUATION)					
38.	6.1(1)	ASISA	The overriding principle is that any asset must be valued at its <u>using a</u> fair market price.	To improve the reading of the paragraph.	Disagree. We believe that “at its fair market price” is the correct positioning.
39.	6.2(b)(ii)	REZCO	6.2(b)(ii): “wherever possible and practical the price of each security is validated for reasonability by, among others - reviewing the price against the previously retrieved price.”	Suggested: “wherever possible and practical the price of each security is validated for reasonability by, among others -	Agree – see revised wording.

No.	Paragraph	Commentator	Comments		FSCA Response
				reviewing the price against prior valuation point price.”	
40.		RMB Trustees	6.2(b)(ii): “wherever possible and practical the price of each security is validated for reasonability by, among others - reviewing the price against the previously retrieved price.”	Suggested: “wherever possible and practical the price of each security is validated for reasonability by, among others - reviewing the price against prior valuation point price.”	Agree – see revised wording.
41.	6.2(c)	ASISA	where a current price is not, for any reason, available at the valuation point, the latest available price may be used subject to verification by the verifier that this price is fair and reasonable in the circumstances;	Please refer to the comment on paragraph 6.2(f).	Please note that this is where a “verifier” is necessary. Amendments were made to the relevant paragraphs of the Standard to better reflect the most recent industry comments, international best practice and current operational realities in a fair and transparent manner.
42.	6.2(d)	ASISA	in the event that a current price is not available due to suspension in the trading of that security, a fair and reasonable price is determined, with the consent of the trustee, taking into account all available information and the potential effect of such price on the overall value of the portfolio;	Please refer to the comment on paragraph 6.2(f).	Amendments were made to the relevant paragraphs of the Standard to better reflect the most recent industry comments, international best practice and current operational realities in

No.	Paragraph	Commentator	Comments		FSCA Response
					a fair and transparent manner.
43.	6.2(d)	MOMENTUM	in the event that a current price is not available due to suspension in the trading of that security, a fair and reasonable price is determined , with the consent of the trustee, taking into account all available information and the potential effect of such price on the overall value of the portfolio;	Section 44 of the Act has specific requirements with regards to pricing of securities, will 6.2(d) be the alternate process to follow if section 44 of the Act is not practical to follow or will 6.2(d) override the provisions of section 44 of the Act. Please clarify	Amendments were made to the relevant paragraphs of the Standard to better reflect the most recent industry comments, international best practice and current operational realities in a fair and transparent manner.
44.	6.2(d)	RMB Trustees	6.2(d): a fair and reasonable price is determined with the consent of the trustee	Amendment: a fair and reasonable price is determined, as agreed with the trustee as this would be an understanding between the Trustee and the Manco to follow a specific course of conduct rather than the Trustee provide permission to do so	Amendments were made to the relevant paragraphs of the Standard to better reflect the most recent industry comments, international best practice and current operational realities in a fair and transparent manner.
45.	6.2(e)	ASISA	where the price of a security that is traded on an exchange is unavailable or is not representative of fair value due to suspension, delisting or termination, such security is valued at the value at which the security will probably be	Please refer to the comment on paragraph 6.2(f).	Please see response under 6.2(c)

No.	Paragraph	Commentator	Comments	FSCA Response	
			realised using applicable valuation techniques for unlisted instruments, as certified by a competent person, an independent verifiable source, or the verifier, to be fair in the circumstances;		
46.	6.2(f)	ASISA	<u>where the price of a security is not available for any reason or</u> where no market mechanism such as that provided by a clearing house or an exchange exists to facilitate the valuation process, such security is <u>should be</u> valued daily, based on a generally recognised methodology, to determine the fair value, of the security at a point in time and by a person acceptable to the trustee;	It is suggested that the scenarios in paragraphs 6.2(c), (d) and (e) should be combined into this paragraph as these paragraphs all include circumstances in which prices may be unavailable. There is no rationale to apply different requirements, i.e. valuation by verifier or person acceptable to the trustee, where the outcome, i.e. price unavailable, is the same even if the causes of the outcome differ. Application should be consistent and aligned with the similar requirement in Board Notice 90.	Not agreed. The matter that is being dealt with here forms part of three new paragraphs (5(4)(b) to (c)) that address the three different scenarios where security prices are not available. It is important that verifier must be independent and that it is a person as specifically described (not just a person) and defined for clarity purposes. More recent industry comments, international best practice and current operational realities were taken into account.

No.	Paragraph	Commentator	Comments		FSCA Response
47.	6.2(g)	ASISA	the methodology referred to in sub-paragraph (f), is clearly described in the accounting <u>or valuation</u> policy and may include-	Valuation methodologies are typically included in the valuation policy set by the manager.	Agree. Amendment made.
48.		RMB Trustees	6.2(g): the methodology referred to in sub-paragraph (f), is clearly the accounting policy and may include-	Suggested: the methodology referred to in sub-paragraph (f), is clearly the accounting policy of the Manager used to prepare its financial statements	The comment was not understood but dealt with as per ASISA proposal.
49.	New 6.2(g)(iii)	ASISA	<u>the latest available price</u>	For the sake of completeness; included in content of 6.2(c).	Agree. Amendment made.
50.	6.2(i) to become 6.2(g)(iv)	ASISA	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;	Paragraph 6.2(i) should be moved to follow the proposed paragraph 6.2(g)(iii), to become 6.2(g)(iv). Suggest that the words "fair and" be deleted to avoid an inconsistency - it cannot be fair and reasonable if fair value cannot be reliably measured.	Agreed to make new subparagraphs as proposed, but not to change the wording. We are of the opinion that it should be both fair and reasonable.
51.	6.2(j)	ASISA	a security purchased at a discount or premium to the nominal value is accounted for on a yield to maturity basis in accordance with section 24J of the Income Tax Act	It is superfluous to include a provision of the Income Tax Act that apply in any event.	Partially agree. This was provided for purposes of certainty and for that reason we do not want to remove the reference to the Tax Act, but have

No.	Paragraph	Commentator	Comments		FSCA Response
					removed the reference to the specific provision in the Tax Act as that would make sense.
52.	6.2(k)	ASISA	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 valuation day;	In some African countries there might not be a “ruling” exchange rate. The reference should be deleted as an “appropriate exchange rate” will be sufficient.	Disagree. We are of the opinion that appropriate is too wide and may lead to arbitrary application of the exchange rate of a manager’s choice. This provision provides for the majority of instances. Where not available it may be dealt with on a case by case basis.
53.	6.2(l)	ASISA	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 <u>or participatory interest</u> are treated as a capital expense.	For the sake of consistency.	Agree. Amendment made.
RECORDING OF INCOME					
54.	7.2(1)	REZCO	7.2(1): “The frequency of accruing income must accord with the frequency stipulated in the deed.”	Edited: “The frequency of accruing income must be in accordance with the frequency stipulated in the deed.”	Agree. Amendment made.

No.	Paragraph	Commentator	Comments		FSCA Response
				or “The frequency of accruing income must correspond with the frequency stipulated in the deed.”	
55.		RMB Trustees	7.2(1): “The frequency of accruing income must accord with the frequency stipulated in the deed.”	Suggested: “The frequency of accruing income must be in accordance with the frequency stipulated in the deed.”	Agree. Amendment made.
56.	7.2(2)	ASISA	When the portfolio is valued in terms of the deed, all income accruals since the previous valuation date must be included in the new valuation	Duplication of paragraph 3(2).	Disagree. This is to indicate the sequential process. Para 3.2 sets out the principle. (New numbering in Standard)
57.	7.2(4)	ASISA	The nature of income must be clearly distinguishable as falling into one of the following categories- (a) <u>Cash/scrip</u> dividend income; (b) interest income; or (c) <u>REIT income; or</u> (d) other income, and	It should be clarified to be cash and scrip dividends and not manufactured dividends that are specifically noted as to fall into the category ‘other income’. Suggest including separate line item for REIT income - becoming more prevalent.	Agree in principle. However, wording changed to reflect that manufactured dividends are excluded. Agree. Necessary amendment made.
58.	7.2(5)	ASISA	For purposes of this Notice, other income contemplated in paragraph (4)(c) <u>includes is limited to-</u>	The list should not be exhaustive.	Agree. Amendment made.
59.	7.2(5)(a)	ASISA	foreign exchange gains or losses incurred on income receivable <u>or</u>	To improve reading.	Please see revised wording and structure

No.	Paragraph	Commentator	Comments	FSCA Response
			expenses payable, including costs incurred that are related to the foreign exchange transactions;	mostly accommodating proposal.
59.		RMB Trustees	7.2(5): a) foreign exchange gains or losses incurred on income receivable, including costs incurred that are related to the foreign exchange transactions b) rental income; c) scrip lending fees	Suggested: related to foreign exchange permissible expenses payable Rental income is misleading and is most probably REIT Income (Real Estate Investment Trust) Scrip Lending Fees received Please see revised wording and structure mostly accommodating proposal. REIT income has now been separately provided for under subparagraph (4). Wording has been amended to refer to income.
60.	7.2(5)(c)	ASISA	Scrip lending fees <u>income</u>	To clarify the difference between scrip lending fee income and scrip borrowing expense. Agree. Amendment made.
61.	7.2(5)(d)	ASISA	<u>Net</u> manufactured dividends as contemplated <u>d</u> in the Income Tax Act	"Net" included to show that in a hedge fund, where manufactured dividends can also be paid, that the manufactured dividends received should be reduced by manufactured dividends paid. Agree. Amendment made.

No.	Paragraph	Commentator	Comments		FSCA Response
62.	7.2(5)(e)	ASISA	any other income as may be determined by SARS	Remove reference to SARS to provide for general applicability.	Disagree. The intention was to specifically include a category of SARS defined income. The introduction has been amended to refer to the Income Tax Act to allow for general applicability.
63.	7.3	ASISA	(1) All premiums charged and discounts received on the acquisition of securities must be recognised as income in accordance with section 24J of the Income Tax Act. (2) The frequency of the calculation and processing of interest as determined in section 24J must, as a minimum, align to the distribution frequency of the portfolio. (3) Premiums charged and discounts received on the acquisition of securities must be distributed to investors.	It is superfluous to include provisions of the Income Tax Act that apply in any event.	Partially agree. This was provided for purposes of certainty and for that reason we do not want to remove the reference to the Tax Act, but have removed the reference to the specific provision in the Tax Act.
64.	7.3 (2)	REZCO	7.3(2): “The frequency of the calculation and processing of interest as determined in section 24J must, as a	Suggested: “The frequency of the calculation and processing of interest as determined in section 24J must, as a minimum, align to	Partially agree. Amendments have

No.	Paragraph	Commentator	Comments		FSCA Response
			minimum, align to the distribution frequency of the portfolio.”	the valuation frequency of the portfolio.” Comment: You can not only adjust it a minimum to match the distribution period as it has an effect on the purchased income allocations at each income point (everyday).	been made accordingly.
65		RMB Trustees	7.3(2): “The frequency of the calculation and processing of interest as determined in section 24J must, as a minimum, align to the distribution frequency of the portfolio.”	Suggested: Not clear why the distribution period is used for the benchmark as the 24J income does affect the Revenue/Income Price and therefore should be aligned to the valuation frequency “The frequency of the calculation and processing of interest as determined in section 24J must, as a minimum, align to the valuation frequency of the portfolio.”	Agree. Amendments made but no longer specifically refer to section 24J.
RECORDING OF EXPENSES					
66.	8.1(1)	ASISA	The expenses of the portfolio must be accrued at the same time as the valuation point. of the portfolio	To align with the definition of valuation point.	Agree. Amendments made.
67.	8.1(2)	ASISA	Expenses 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 receipted basis, provided that such exceptions are agreed with the trustee in advance and in writing.	Correction. Expenses are not on a “receipted” basis.	Agree. Amendments made.

No.	Paragraph	Commentator	Comments	FSCA Response	
CALCULATION OF THE PORTFOLIO NAV AND NAV PRICE					
68.	9.1 to move to 9.4	ASISA	A portfolio must be priced and transacted on future forward pricing basis, which means that the NAV price is calculated based on each day's closing prices at the valuation point and then applied to all transactions for which instructions were received <u>prior to the point in time on each valuation date by when offers to purchase or repurchase participatory interest must be received, as stipulated in the deed.</u> during that same day prior to the point in time determined by the deed by when offers to repurchase participatory interests must be received, which may not be later than the valuation point. <u>If a manager or fund administrator is unable to produce a NAV price on a valuation day for whatever reason, approval must be obtained from the registrar before stale prices are applied.</u>	Propose to move 9.1 (proposed wording) to be the first item under 9.4 – this principle is applicable to portfolios with different classes of participatory interests. Money Market portfolios pricing at CNAV (9.5) will start with its own principle. To align with the definition of valuation point and paragraph 6.2(a) which states “the price of each security is retrieved on a consistent basis and at valuation point on each valuation day in a manner which is consistent with the deed”. FSB to consider additional wording.	Disagree to move as paragraph 9.1 contains the overriding principle. Money market portfolios that price at CNAV have been excluded. Agree to amended wording.
69.	9.1	REZCO	9.1: “A portfolio must be priced and transacted on future pricing basis, which means that the NAV price is calculated based on each day’s closing prices and	Suggested: “A portfolio must be priced and transacted on future pricing basis, which means that the NAV price is calculated based	Please see amended wording which addresses the issue raised.

No.	Paragraph	Commentator	Comments	FSCA Response
			then applied to all transactions for which instructions were received during that same day prior to the point in time determined by the deed by when offers to repurchase participatory interests must be received, which may not be later than the valuation point.” on each day’s closing prices and then applied to all transactions for which instructions were received during that same day prior to the point in time determined by the deed by when a dealing of participatory interests must be received, which may not be later than the valuation point.” Comment: All transactions i.e. purchase, redemption, switches, transfer are all subject to the deadline and affect the NAV. Therefore, to restrict it only to repurchases is too narrow.	
70.		RMB Trustees	9.1: “A portfolio must be priced and transacted on future pricing basis, which means that the NAV price is calculated based on each day’s closing prices and then applied to all transactions for which instructions were received during that same day prior to the point in time determined by the deed by when offers to repurchase participatory interests must be received, which may not be later than the valuation point.” Suggested: “A portfolio must be priced and transacted on future pricing basis, which means that the NAV price is calculated based on each day’s closing prices and then applied to all transactions for which instructions were received during that same day prior to the point in time determined by the deed by when a dealing of participatory interests must be received, which may not be later than the valuation point.”	Please see amended wording as it addresses the issue raised.
71.	9.2	ASISA	For the purposes of describing the process of portfolio valuation, the manager must differentiate between (a) portfolios consisting of different classes of participatory interests; The requirements are set in different paragraphs.	Agreed.

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			(b) money market portfolios pricing participatory interests at CNAV; and (c) all other portfolios.		
72.	9.3	ASISA	Portfolio NAV Pricing	To align with the definition of NAV pricing.	Agree. Amendment made.
73.		REZCO	9.3: Heading “Portfolio pricing”.	Suggested: “Portfolio pricing for other portfolios” Comment: This does not follow the sequence under 9.2. It seems like it pertains to 9.2(c) concerning other portfolios.	Paragraph 9.2 has been deleted.
74.		RMB Trustees	9.3: Heading “Portfolio pricing”.	Suggested:: “Single Class Portfolio pricing”	The revised heading and deletion of par 9.2 addresses the issue.
75.	9.3(1)	ASISA	The portfolio NAV price/pricing is determined using the following method	To align with the definition of NAV pricing.	Agree. Amendment made.
76.	9.3(2)	ASISA	The pricing process facilitates the determination of the- (a) clean price (capital value); (b) income price (capital value plus income) ; and (c) NAV price (capital value plus income) .	Correction.	The subparagraph has been removed and the processes are described elsewhere in the Standard.
77.		MOMENTUM	The pricing process facilitates the determination of the-	We suggest including the suggested changes as detailed in the previous column.	The subparagraph has been removed and the processes are

No.	Paragraph	Commentator	Comments		FSCA Response
			(a) clean price (capital value); (b) income price (net income value); and (c) NAV price. (Clean price plus income price)	The income price will be the net income value, which is gross income less permissible deductions. The NAV price should then be the clean price plus the income price.	described elsewhere in the Standard.
78.	9.3(2)(b)	RMB Trustees	9.3(2):b income price(capital value plus income)	Suggested: Amend: remove “capital value” as the Income price does not include a capital value	The subparagraph has been removed and the processes are described elsewhere in the Standard.
79.	9.4(1)(a)	ASISA	The sum of the market value of all the classes must in aggregate always be equal to the market value of the portfolio.	Repetition.	Agree. Amendment made.
80.	9.4(1)(b)	ASISA	A class may only be distinguished on the basis of fees applicable to that particular class.	There may be other valid bases to distinguish between classes, for example portfolios used as a tax free savings product.	Provision is made in the amended wording to include tax free savings classes. The Authority does not wish to allow distinctions on another basis at this point in time.
81.	9.4.1(d)	ASISA	All transactions in a class must be applied to both the capital and income revenue portions of the NAV price in the same proportions as those capital and income revenue	To ensure consistent references to income.	Agree. Amendment made.

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			portions exist in the NAV price, therefore- (i) 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 (ii) subsequent to the application of sub-paragraph (i), the books of account for this class may not reflect any amount with respect to <u>payment in lieu of income instead of</u>, or a reserve carried for the capitalisation of shortfall in the <u>income revenue</u> account.	Please refer to the proposed definition of “payment in lieu of income.	
82.		RMB Trustees	9.4.1(d):All transactions in a class must be applied to both the capital and revenue	Suggested: All <u>participatory Interest</u> transactions in a class must be applied to both the capital and revenue	Comment is not understood but addressed as per ASISA proposal.
83.	9.4(1)(e)	ASISA	A new class may be launched— (i) —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	The process for creating a new class is not relevant in the context of the Draft Notice. It should be deleted.	Disagree as the intention is to provide clarity and certainty.

No.	Paragraph	Commentator	Comments	FSCA Response
84.	9.4(3)	ASISA	distributed at each distribution point, in a fair and accurate manner; provided that the implementation date in the deed has been is suitably amended and the trustee confirms in writing that the manager is capable of properly accounting for the introduction of classes at any time; or (ii) after a special distribution; or (iii) at the beginning of a new accounting distribution period.	
			The pricing <u>method employed</u> and fees charged in different classes may not result in cross subsidisation of fees across classes	To align terminology with paragraph 9.4(2). Agree. Amendment made.
85.	9.4(4)	ASISA	Portfolios with different classes may be valued using any one of the following methodologies <u>where "T" refers to valuation day:</u>	To clarify. Agree. Amendment made.
86.	9.4(4)(a)	ASISA	The participatory interest-in-issue-methodology where non-class specific transactions and values are allocated to an individual class <u>provided that:</u>	Propose to move the provisions under 9.4(4)(a)(i) and 9.4(4)(a)(ii) to follow the description of the methodology. Partially disagree. The standard will refer to application of subparagraph (8) regarding new classes and the item (a) has

No.	Paragraph	Commentator	Comments	FSCA Response
			• <u>new classes are only created at the start of a new distribution period, and</u> • <u>it is never required to capitalise negative income,</u> per the following ratio: [T Class <u>PI's participatory interests</u> in issue] / [T Fund <u>PI's participatory interests</u> in issue]	been reworked to accommodate the proviso. It is indicated in subparagraph (11) that "PI" refers to participatory interest.
87.	9.4(4)(a)(i)	ASISA	(i) new classes may be created – (aa) at the beginning of a new distribution period; (bb) after a special distribution; or (cc) any other time as may be determined in the deed; and any other time as may be determined in the deed; and	Delete – included in the description of the methodology in 9.4(4)(a). Disagree on description of creation of new classes, but have removed duplication.
88.	9.4(4)(a)(ii)	ASISA	negative income will not require capitalisation.	Delete – included in the description of the methodology in 9.4(4)(a). Agree. Amendment made.
89.	New 9.4(4)(e) & (f)	ASISA	<u>(e) The GAV methodology where non-class or non-series specific transactions and values are allocated to an individual class</u>	Additional methodologies to provide for Hedge Funds. Please refer to the proposed definition of GAV. Comment is accepted and agreed, however series are not regulated in South

No.	Paragraph	Commentator	Comments	FSCA Response
			<u>or series as per the following ratio:</u> $\frac{([T-1 \text{ Class or Series GAV}] + [T \text{ Class or Series GAV Flows}])}{([T-1 \text{ Portfolio GAV}] + [T \text{ Portfolio GAV Flows}])}$ <u>(f) The mixed GAV/Capital methodology where non-class or non-series specific transactions and values are allocated to an individual class or series as per the following ratio:</u> $\frac{([T-1 \text{ Class or Series GAV}] + [T \text{ Class or Series Capital Flows}])}{([T-1 \text{ Portfolio GAV}] + [T \text{ Portfolio Capital Flows}])}$	Africa and thus not used.
90.	9.4(5)	ASISA	A manager may switch from one methodology to another, with the consent of the trustee or <u>, in the case of a hedge fund without a trustee, a independent fund administrator, in the case of a hedge fund without a trustee, where applicable, and subject to sub-paragraph (1)(a)(i).</u> It is preferable that such switch coincide with the beginning of an <u>accounting period.</u>	To improve reading. The referenced paragraph is not identifiable. Agree. Amendment made.

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91.	new before 9.5(1)	ASISA	<u>When a money market portfolio is priced at CNAV, all instructions received prior to the point in time on each valuation date by when 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.</u>	A principle for CNAV money market portfolios should be introduced - similar to 9.1 for portfolios with different participatory interests.	Agree. Amendment made.
92.	9.5(1)(b)	ASISA	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, despite actually and paid to investors monthly.	To improve reading.	Agree. Amendment made.
93.	9.5(1)(e)	ASISA	Any capital loss or gain resulting from the sale of an underlying asset must be accounted for in the income account of the portfolio on the day it occurs and must be reflected in the yield for that particular day. <u>In the event of a net loss, capital must be redeemed.</u>	To clarify how the case of a capital loss for the day exceeding the income accrued for the day should be accounted for.	Agree. Amended the wording.

No.	Paragraph	Commentator	Comments	FSCA Response
94.	9.5.2	ASISA	The objective of the money market portfolio daily annual effective yield, published on a daily basis, is to indicate to investors a compounded annual return and may not be used for income distribution purposes.	To clarify. Agree. Amendment made.
95.	9.5(4)	ASISA	A money market portfolio that is priced at a variable NAV must adhere to the provisions in paragraph 9.2, subject to the following: (a) Money market instruments that do 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; or (ii) on an appropriate money market yield curve as determined by the registrar; 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	The same principles as for other fixed income securities apply for money market securities priced at a variable NAV. It need not be duplicated. Disagree. However agree on comment for deletion of (e) and (f).

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			is to provide for the term of interest payments, that is whether the instrument pays interest annually, semi-annually, or quarterly. (d) Each instrument's market value yield is interpolated using the curve and an all-in price is formulated by discounting the future cash flows at the specified rate. (e) Once the all in price is calculated, the accrued interest is calculated. (f) The clean price is then calculated by taking the difference between the all in price and the accrued interest	
CALCULATION AND PROCESSING PORTFOLIO DISTRIBUTIONS				
96.	10.1(1)	ASISA	The following accounting principles must be applied per class, where applicable	No principles listed – superfluous. Disagree. It needs to be indicated that the principles apply per class etc. Provided for 2 principles.
97.	10.2(1)	ASISA	Negative net income, that is where charges exceed income, must be accounted for as follows: (a) Where there is a shortfall in income that, in the opinion of the manager, <u>is reasonably</u>	To clarify. Agree with first part-amendment made. Disagree with deletion of the three-month period to next distribution date as a

No.	Paragraph	Commentator	Comments	FSCA Response
			<u>expected to</u> persist <u>until the next distribution date for more than three months</u> , the negative income amount may be deducted from capital subject to the mandate and investment objectives of the portfolio.	distribution period can be as long as a year resulting in a large single loss for the investor.
98.	10.2(1)(a)	REZCO	10.2(1)(a): “Where there is a shortfall in income that persists for more than three months, the negative income amount may be deducted from capital subject to the mandate and investment objectives of the portfolio;”	Question: Why three months? Why not the length of the income period? See above.
99.		RMB Trustees	10.2(1)(a): The overriding principle is that all income received and accrued to the portfolio 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	I agree that it is the overriding principle however I think it is worth mentioning that the distribution will be less permissible expenses Agree. Amended paragraph 10.1 (2).
100.		RMB Trustees	10.2(1)(a): “Where there is a shortfall in income that persists for more than three months, the negative income amount may be deducted from capital subject to the mandate and investment objectives of the portfolio;”	Suggested: Not sure around the rationale of a three-month period? Would a shortfall that persists for an accounting period not be more suitable? As per above.
101.		RMB Trustees	10.2(1)(a): The distribution data must contain the following details	Suggested: The distribution data <u>at a portfolio class level</u> must contain the following details Disagree. See paragraph 10(1).

No.	Paragraph	Commentator	Comments		FSCA Response
102.	10.2(2) (b)	ASISA	the distribution amount, in cents per participatory interest, broken down into the different components as may be determined by SARS	Remove reference to SARS to provide for general applicability.	Partially agreed – see revised wording “...for taxation reporting purposes.”
103.	10.2(3)	ASISA	Portfolio expenses and payments in lieu of instead of income accruals, must be apportioned across the components in subparagraph (2)(b) in the ratio in which the gross components have been accrued.	Please refer to the proposed definition for “payment in lieu of”.	Agree – please refer revised wording. Disagree to insert ‘gross’ as it is not relevant in the context of components.
DISCLOSURE REQUIREMENTS FOR PORTFOLIO DATA					
104.	11	ASISA		The heading of paragraph 11 should be amended to fit with the content of the paragraph. The publication of certain portfolio data is dealt with in Board Notice 92.	Agree. Amendment made to heading.
105.	11.1(1)	ASISA	The rounding convention must be used in the publication of the NAV price and must be disclosed as follows:	To align with proposed heading of paragraph.	Agree. Amendment made.
106.	11.1(1) (a)	ASISA	The NAV price and the number of participatory interests that is disseminated disclosed to the market must be truncated rounded to not less than two decimal places in cents per participatory interest.	It is suggested that the reference to “rounding convention” should be replaced with “truncate”. The requirements apply to disclosure of shortened figures.	Disagree to combine as the two paragraphs deals with two diverse issues. Agree with some of the word changes.

No.	Paragraph	Commentator	Comments		FSCA Response
				It is also suggested that paragraph 11.1(1)(b) should be combined with this paragraph.	
107.	11.1(1)(b)	ASISA	The number of participatory interests must be rounded to not less than two decimal places in all systems and communications with industry participants.	The paragraph should be combined with paragraph 11.1(1)(a).	Disagree to combine as the two paragraphs deals with two diverse issues.
108.	11.1(3)	ASISA	NAV prices must be published in the media in the manner determined by the registrar.	This is covered in Board Notice 92.	Disagree. The Authority prefers to have the provision in both documents for completeness and reference purposes. With regards to publication of NAV prices, see revised wording.
109.	11.1(3)	ASISA	NAV price data must be supplied daily to the S statistics -S service P provider appointed by the registrar for data collation and as specified in sub-paragraph (4).	Statistics Service Provider is not defined, remove capital letters. The reference to daily should be deleted as it does not take into account hedge funds that do not necessarily price daily.	Agree. Amendment made.
110.		REZCO	11.1(3): "NAV price data must be supplied daily to the Statistics Service Provider appointed by the registrar for	Question: What about portfolios that don't price daily, but weekly or monthly?	Agree. Amendment made.

No.	Paragraph	Commentator	Comments		FSCA Response
			data collation and as specified in sub-paragraph (4)."		
111.		RMB Trustees	11.1(3): "NAV price data must be supplied daily to the Statistics Service Provider appointed by the registrar for data collation and as specified in sub-paragraph (4)."	Suggested: The Hedge Funds do not have daily Prices and therefore daily needs to be amended to refer to the frequency of the Pricing Date.	Agree. Amendment made.
112.	11.1(4)	ASISA	The daily-most current NAV price supplied to a the S statistics S service P provider must contain the minimum following columns	Statistics Service Provider is not defined, remove capital letters The reference to "daily" should be replaced with "most current" to take into account hedge funds that do necessarily price daily.	Agree. Amendment made.
113.		RMB Trustees	11.1(4): The daily NAV price information supplied to a Statistics Service Provider must contain the minimum following columns	Suggested: I suggest to include (e) information as required by the Service Provider	Disagree. The Authority can only prescribe the information required by the Authority.
114.	11.2(1)	ASISA	The distribution should be truncated rounding convention must be applied as follows:	It is suggested that the reference to "rounding convention" should be replaced with "truncate". The requirements apply to disclosure of shortened figures.	Agreed. Amendment made.
115.	11.2(1)	ASISA	(a) For non-money market portfolios, the distribution	It is suggested that the reference to "rounding	Agreed. Amendment made.

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			cents per participatory interest must be rounded off <u>truncated</u> to not less than four decimal places (i.e. R0.0000) and any surplus must be carried over to the next distribution period at portfolio level. (b) For money market portfolios, the daily distribution cents per participatory interest must be rounded off <u>truncated</u> to not less than six decimal places (i.e. R0.000000), with distributions allocated in terms of the rules for a normal distribution. (c) The distribution must be allocated within the investor ledger rounded off <u>truncated</u> to two decimal places of the Rand value (R0.00) and any surplus is to be credited to the income account of the portfolio for distribution in the next distribution period.	convention” should be replaced with “truncate”. The requirements apply to disclosure of shortened figures.
116.		RMB Trustees	11.2(1)(a): For non-money market portfolios, the distribution cents per participatory interest must be rounded off to not less than four	Suggested: any surplus will be remain in the income account of the portfolio

No.	Paragraph	Commentator	Comments	FSCA Response
			decimal places (i.e. R0.0000) and any surplus must be carried over to the next distribution period at portfolio level. (c) any surplus is to be credited to the income account of the portfolio for distribution in the next distribution period.	however will be at the portfolio Pi Class level.
117.	12.2(1)(b)	REZCO	12.2(1)(b): “errors caused by weaknesses in internal controls which result in frequent errors of the same nature.”	Suggested: errors caused by weaknesses in internal controls which may result in frequent errors of the same nature. Comment: This does not read properly with 12.2(2).

No.	Paragraph	Commentator	Comments	FSCA Response	
118.	11.2(2)	ASISA	Distribution data must be published <u>disclosed</u> as follows:	To align with proposed heading of paragraph.	Agree. Amendment made.
119.		REZCO	12.2(2): “Where an error is of a nature envisaged in sub-paragraph (1)(b), the manager must, immediately and prior to rectifying the error, rectify the cause of the error.	Comment: This could potentially be impractical.	Agree. Please see revised wording.
120.	11.2(2) (a)	ASISA	All distribution data in cents per unit <u>participatory interest</u> must be supplied to the S statistics S service P provider <u>appointed by the registrar</u> on the ex-dividend <u>ex-distribution</u> date as set out in sub-paragraph (3).	To align with definitions. Incorporate paragraph 11.2(2)(c).	Agreed, but ‘ex-dividend date’ is defined and cannot be changed.
121.	11.2(2) (b)	ASISA	Detail 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.	Board Notice 92 requires disclosure of distributions in MDD.	Disagree. This is retained for clarity in the context of providing distributions to all parties concerned.
122.	11.2(2) (c)	ASISA	All declaration data must be supplied to the Statistics Service Provider appointed by the registrar for data collation.	Combine with paragraph 11.2(2)(a).	Agree. Amendment made.
123.	11.2(3)	ASISA	The distribution data provided to the S statistics S service P provider and	Board Notice 92 requires disclosure of distributions in MDD.	Disagree. Provides for clarity in the context of providing

No.	Paragraph	Commentator	Comments	FSCA Response	
			published on the manager's website must contain-	distributions to all parties concerned.	
124.		RMB Trustees	11.2(3): The distribution data provided to the Statistics Service Provider and published on the manager's website must contain....	Suggested: The distribution data per Class provided Distribution Payment Date to be included (currently already done)	Agree. Amendments made.
125.		RMB Trustees	12.2(3): "Errors which must be rectified include."	The universe of possible errors should not be limited to the list	Agreed, therefore the word "include" is used.
126.	11.2(3) (b)	ASISA	the distribution amount (in cents per unit participatory interest) broken down into the different income components; and	To align with definitions.	Agreed. Amendment made.
127.	11.2(3) (c)	ASISA	TER	Disclosure of TER is dealt with in Board Notice 92. It is not provided as part of the distribution file nor published.	Agreed. Amendment made.
128.	11.3(1)	ASISA	A manager may only publish the yield in respect of – (a) money market portfolio yield as provided for under paragraph 9.5(4); and (b) any other portfolio predominantly invested in interest bearing instruments as calculated on a historic basis.	Delete (a) – covered in paragraph 9.5(3). Delete (b) – please refer to comment on paragraph 11.3(2) and (3) below. Publication of yields is dealt with in Board Notice 92.	See revised wording in standard.

No.	Paragraph	Commentator	Comments		FSCA Response
129.	11.3(2) &(3) Move to follow on 9.4(5)	ASISA	(2) The <u>historic yield for a portfolio, other than a money market portfolio, that derives its income primarily from interest-bearing instruments</u> must be calculated monthly per portfolio class, based on the actual distributions declared in the last 12 months for that class divided by the average daily NAV price for the portfolio class over the same period. (3) <u>With reference to paragraph (2).</u> <u>A a</u> manager - (a) may, 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; (b) may, with regard to a newly launched fund, which has not been in existence for 12 months.-	It was originally intended for these paragraphs to apply to non-money market debt portfolios. The yield should be clarified as the historic yield. The reference to “daily” should be deleted as it does not take hedge funds that do not necessarily price daily into account. As these paragraphs contain calculation methodologies; it should be moved to follow on paragraph 9.4(5). It should not form part of paragraph 11.	Agree. Amendment made.

No.	Paragraph	Commentator	Comments	FSCA Response
			(i) calculate the yield after six months and annualize the distributions to have a comparable figure; or (ii) not calculate a yield at all; (c) must ensure that the minimum published yield may not fall below 0.00% and may not reflect a negative yield.	
130.	12.1	ASISA	12.1 Principles (1) A manager must have policies and procedures in place that seek to detect, prevent, and correct errors. (2) 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 in the process of	Agree. Amendment made.

No.	Paragraph	Commentator	Comments	FSCA Response	
			correcting a material error. (3) Subject to paragraph 12.3, an investor must be fully compensated and returned to 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 as a result of errors.		
131.	12.1(3)	ASISA	(a) Despite sub-paragraphs (1) and (2), and subject to the materiality provisions described in paragraph 12.3, a manager may apply a materiality calculation to the error to determine whether or not to rectify the error. (b) Subject to paragraph 12.3, any materiality calculation must take into account various factors, including the- (i) extent of the error, provided a loss to the investor of more than 0,5% is regarded as material; (ii) effect on the value of any single investor's investment	Covered in 12.3 - delete to remove duplication. Add wording from ASISA standard to introduce the principle of a materiality calculation.	Partially agree. Amendments were made to reflect a new minimum non-materiality threshold as it is not prudent for the Authority to permit the manager to determine the materiality threshold, also considering the international best practice on thresholds.

No.	Paragraph	Commentator	Comments	FSCA Response
			<u>Notwithstanding the preceding point, the manager may apply a materiality calculation to the error to determine whether or not to take action to resolve the error.</u>	
132.	12.1(4)	ASISA	(4) Where an investor has been unduly enriched at the expense of another investor, or a manager or a third-party fund administrator, the manager or third-party fund administrator may take steps to recover the undue benefits from the investor by agreement between the manager and the third-party fund administrator, subject to the same materiality policy applicable to investors.	Third party administrator is not defined, amended to align with definition. Partially agree. Amendments have been made to this section.
133.	12.2(2)	ASISA	Where an error is of a nature envisaged in sub-paragraph (1)(b), the manager must, immediately and prior to rectifying the error, rectify the cause of the error.	It might not always be possible to rectify the cause of the error prior to rectifying the error, and certainly the manager would not want an error to persist. The incentive to correct the cause of the error does not go away with the correction of the error. Partially agreed – please see revised wording.
134.	12.2(3)	ASISA	Errors which must be rectified include, <u>but are not limited to -</u>	To clarify. Disagree. The word 'include' implies "not limited to".

No.	Paragraph	Commentator	Comments		FSCA Response
135.	12.2(3)	ASISA	<u>(f) income distribution errors</u>	Add an additional item to ensure clarity.	Agree. Amendment made.
136.	12.3	RMB Trustees	12.3: Determining materiality and resolution 0	Suggested: No reference is made with regards to reporting of the error. Currently as agreed with the Mancos we are Trustee to, an error report is provided to us for review prior to correction and the Manco will report to the FSB if the error is material (although no regulatory requirement on this regard). I think it is important for the Regulator to identify if they would want material errors to be reported to them or if it would suffice to report to the Trustee	Noted, the requirement is that the Manager must have a (documented) policy and procedure in place to ensure that material errors are reported to the regulator. While this does not specifically note the Trustees role, it should not be forgotten that it forms part of the trustees role to ensure that trustees identify the value of assets being held.
137.	12.3(1)	ASISA	For purposes of this Notice, a pricing error is material if a reasonable investor would consider it important, and in determining materiality the sum of all effects must be considered.	Essentially a duplication of 12.3(2).	Agree. Amendment made.
138.	12.3(2)	ASISA	A manager must- <u>(a) consider the sum of all effects in determining materiality</u>	To incorporate 12.3(1)	Partially agree. Wording has been amended. However, the Authority deems 5

No.	Paragraph	Commentator	Comments	FSCA Response
			(a b) undertake error rectification to return an affected investor to the position the investor would have been in, had the error not occurred; and (b <u>c</u>) provide the registrar with its plan for rectification within 10 <u>business</u> days of identifying the error.	business days to be sufficient and necessary for reporting errors.
139.	12.3(3)	ASISA	A manager must apply a maximum tolerance for materiality of an error <u>at portfolio level</u> which is 0, 5% based on the NAV price unless specified otherwise, provided that a manager may apply stricter tolerances for certain portfolio types if deemed appropriate.	To clarify. See revised wording.
140.	12.3(4)	ASISA	Despite the percentage as specified in subparagraph (3), any error in an amount, in total, below R50.00 per investor may be considered as immaterial.	There may be some significant practical challenges in this respect. ASISA members are investigating alternative solutions in this regard. ASISA will provide feedback as soon as possible. Consideration was given and the amount was increased to R100 to attain alignment.
141.		MOMENTUM	Despite the percentage specified in subparagraph (3), any error in an amount, in total, below R250.00 per investor may be considered as immaterial.	Partially agree, however R250 is too high, the amount has We suggest changing the R50.00 value used to determine the rand value materiality to at least R250.00. The R50.00 value was determined many years ago

No.	Paragraph	Commentator	Comments		FSCA Response
				when transaction costs were much less. In many instances the administrative costs to correct an error is more than the actual value of the error and therefore in most cases it is not feasible to correct errors under R250.00 but currently they are corrected due to the R50.00 rand value materiality amount.,	been adjusted to R100.
142.	12.3(6) (c)(i)	ASISA	the effect on daily NAV prices	Take into account hedge funds that do necessarily price daily.	Agree. Amendment made.
143.	12.3(6) (h)	ASISA	agree any corrective action between <u>with</u> the <u>fund</u> administrator and, where applicable, the trustee.	To improve reading.	Disagree. Amendments have been made to better reflect the required outcome. Please note comment to RMB Trustee at para. 12.3.
144.	12.3(8)	ASISA	A manager must <u>take reasonable steps to</u> ensure that, where it has provided payments or additional participatory interests to an administrative financial services provider, authorised in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002), as a result of valuation or administration errors, that the administrative financial services provider conducts a correction process as set out in this Notice, to	A manager can only take reasonable steps.	Disagree, original wording retained.

No.	Paragraph	Commentator	Comments	FSCA Response	
			compensate its investors clients for the error, and considering that it holds participatory interests on behalf of investors in a bulk account.		
145.	13	ASISA	This Notice is called the NAV calculation and pricing for collective investment scheme portfolios standard and comes into operation on date of commencement (for consultation purposes)*.	Delete reference to “standard”. ASISA members recommend that the requirements become effective 6 months from the date of the publication of the Notice to allow for procedures and processes to be reviewed for compliance.	See revised short title.
146.	13	REZCO	13. “This Notice is called the NAV calculation and pricing for collective investment scheme portfilos standard and comes into operation on date of commencement...”	Edited: “This Notice is called the NAV calculation and pricing for collective investment scheme portfolios standard and comes into operation on date of commencement...”	Corrected spelling error
147.		RMB Trustees	13. “This Notice is called the NAV calculation and pricing for collective investment scheme portfilos standard and comes into operation on date of commencement...”	Edited: “This Notice is called the NAV calculation and pricing for collective investment scheme portfolios standard and comes into operation on date of commencement...”	See response above.