

## **CONSULTATION REPORT**

### **PRUDENTIAL STANDARD [-] OF 2023 (RF) – REGULATION 28 QUARTERLY REPORTING REQUIREMENTS FOR PENSION FUNDS**

#### **FINANCIAL SECTOR REGULATION ACT, 2017 (ACT NO. 9 OF 2017)**

#### **PENSION FUNDS ACT, 1956 (ACT NO. 24 OF 1956)**

### **1. Purpose**

- 1.1 Sections 100(3)(a) and 104 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act) states that with each regulatory instrument, the maker must publish a consultation report which must include:
- (a) a general account of the issues raised in the submissions made during the consultation; and
  - (b) a response to the issues raised in the submissions.
- 1.2 The purpose of this document is to set out, as required in terms of sections 100(3)(a) and 104 of the FSR Act, a report on the consultation process undertaken in respect of the Prudential Standard – Regulation 28 Quarterly Reporting Requirements for Pension Funds.

### **3. Summary of public consultation process**

- 3.1 On 7 November 2022, the Financial Sector Conduct Authority (Authority) published the following documents for public comment:
- (a) Notice regarding the publication of the draft Prudential Standard – Regulation 28 Quarterly Reporting Requirements for Pension Funds (draft Prudential Standard); and
  - (b) Statement supporting the draft Prudential Standard.
- 3.2 The Authority received approximately 114 comments from 15 different commentators. The comments received through the public consultation process resulted in changes being made to the draft Prudential Standard, as explained below.
- 3.3 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 responses to the comments received.
- 3.4 A general account of some of the issues raised during the consultation process and the responses of the Authority are tabulated below:

| <b>No.</b> | <b>Issue</b>                                                                                                                                                                                                                                                                                              | <b>FSCA's Response</b>                                                                                                                                                                                                                                                      |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.         | The Draft Prudential Standard requires all funds to report on compliance (i.e. detail of assets held in compliance with Regulation 28) and non-compliance. Currently the quarterly reporting is limited to non-compliance reporting and if there is no non-compliance, a report is not submitted. Various | The draft Prudential Standard that was published for comment required that all pension funds must now on a quarterly basis report assets held in compliance with Regulation 28 to the Authority in addition to the current non-compliance/exception reporting. The need for |

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|    | commentators were of the view that quarterly reporting on assets held in compliance with Regulation 28 will be overly burdensome with little benefit and will result in unnecessary costs for funds. There were views that annual reporting should suffice.                                                                                                                                                                                                   | this reporting is elaborated on in the Statement of Need supporting the draft Prudential Standard.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2. | Significant concerns were raised by most commentators regarding the proposed implementation timelines. It was submitted that funds will not be in a position to start the proposed quarterly reporting on assets held in compliance with Regulation 28 in accordance with the proposed timelines as various system and process changes will be necessary. Different commentators proposed different timelines for implementation ranging from 6 to 24 months. | However, the FSCA notes the concerns raised pertaining to timing pressures for implementation in giving effect to this new approach. The FSCA is of the view that the timing pressures are created because of the inclusion of the requirement to also report assets held in compliance with Regulation 28 and not only non-compliance with Regulation 28. The FSCA is also of the view that the concerns raised are valid, and it is agreed that funds should be afforded more time to prepare for the implementation of quarterly reporting on assets held in compliance with Regulation 28. However, the FSCA remains of the view that it is an imperative that the current non-compliance with Regulation 28 quarterly reporting is aligned with the amended Regulation 28 as soon as possible. As such, as an interim step the FSCA will proceed to finalise the Prudential Standard, but the requirement to report assets held in compliance with Regulation 28 on a quarterly basis has been removed from the draft Prudential Standard. Therefore, only reporting of non-compliance with Regulation 28 will be required which is a perpetuation of the current approach. However, the FSCA will also proceed to publish a new draft Prudential Standard for public consultation which incorporates both non-compliance reporting and reporting on assets held in compliance with Regulation 28 to ensure more robust consultation on this new approach is undertaken. The latter Prudential Standard will ultimately replace the aforementioned Prudential Standard. |
| 3. | Several comments were raised with regard to the tables requiring reporting on asset infrastructure and Environmental Social and Governance (ESG).                                                                                                                                                                                                                                                                                                             | Infrastructure assets and ESG reporting will be excluded for now.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 4. | Several comments were raised in relation to the look through principle and the changes in the Regulation that no longer allows for exclusions.                                                                                                                                                                                                                                                                                                                | The purpose of the Prudential Standard is to prescribe the format for reporting required in terms of Regulation 28. The changes in relation to the look-through principle in Regulation 28 were affected through the amendments made to Regulation 28. These issues should accordingly have been submitted during the consultation process on the amendments to Regulation 28 and cannot be dealt with in this Consultation Report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 5. | Comments were raised in relation to reporting tables requesting clarity of certain items contained therein. Suggestions were also made as to typing errors in the table.                                                                                                                                                                                                                                                                                      | The Authority has considered all the issues raised in respect of the tables and where applicable drafting improvements and changes has been made and clarity provided where required.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

### 3.7 Details of commentators and the full set of comments and responses are detailed below.

## SCHEDULE

### PUBLIC COMMENTS AND RESPONSES: PRUDENTIAL STANDARD – REGULATION 28 QUARTERLY REPORTING REQUIREMENTS FOR PENSION FUNDS

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#### SECTION A – LIST OF COMMENTATORS

| No  | Commentator                                         | Acronym            |
|-----|-----------------------------------------------------|--------------------|
| 1.  | Absa Financial Services Limited                     | AFS                |
| 2.  | Association for Savings and Investment South Africa | ASISA              |
| 3.  | Global Investment Reporting                         | GIR                |
| 4.  | Institute of Retirement Funds Africa NPC            | IRFA               |
| 5.  | Macsteel Group Pension and Provident Funds          | Macsteel           |
| 6.  | Momentum investments                                | Momentum           |
| 7.  | OUTvest (Pty) Ltd                                   | OUTvest            |
| 8.  | PetroSA Retirement Fund                             | PetroSA            |
| 9.  | PPS Investments (Pty) Ltd                           | PPS                |
| 10. | Retirement On-Line Pension and Retirement Funds     | Retirement On-Line |
| 11. | Sentinel Retirement Fund                            | Sentinel           |
| 12. | Standard Bank Group Retirement Fund                 | Standard Bank      |
| 13. | Unilever SA Pension Fund                            | Unilever           |
| 14. | Verso Financial Services (Pty) Ltd                  | Verso              |
| 15. | Willis Towers Watson                                | WTW                |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |               |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                  |
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| Item                                                  | Entity        | Section         | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FSCA Response                                                                                                                                                                                                                                    |
| SECTION 2 – SUBMISSIONS OF QUARTERLY REPORTS          |               |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                  |
| 1.                                                    | Standard Bank | General Comment | Cannot provide a view given the unreasonably short timeframe within which to provide meaningful comments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Noted.                                                                                                                                                                                                                                           |
| 2.                                                    | ASISA         | Section 2(1)    | Section 2(1) of the Draft Prudential Standard requires all funds to report on compliance and non-compliance. Currently the quarterly reporting is limited to non-compliance reporting and if there is no non-compliance, a report is not submitted. The headings in Part 1 of Annexure 1 refers to non-compliance and breaches in terms of sub regulation 3. If there is no non-compliance or breaches, should the report still be submitted as a nil return? It is understood that the reporting in Part 2 (infrastructure assets) will be required regardless.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | That was the proposal yes. However, see revised approach reflected in the Prudential Standard and explanation in the Statement of Need. If there was no non-compliance a report does not have to be submitted (see revised Prudential Standard). |
| 3.                                                    | Macsteel      | Section 2(1)    | <p>We can see no justification whatsoever for requiring retirement funds to complete what is essentially an expanded Schedule IB on a quarterly basis (and within an accelerated time frame). We do not believe the regulator, the funds or the public will gain or benefit in any meaningful way through this additional regulatory burden (which will not be trivial for the funds in terms of either effort or cost).</p> <p>We note that there is already a requirement for funds to report breaches on a quarterly basis – this has been in place for many years and, given that funds' compliance at fund level is already audited on an annual basis, we consider that if there were problems with the current processes, the regulator has had a decade in which to identify and address these. We cannot see a good reason for the regulator to insist on a vastly more complicated and burdensome (and expensive) quarterly reporting process at this time, as an urgent matter.</p> <p>We stress that we are not opposed to some revision and expansion of the current Schedule IB reporting (as part of funds' annual financial statements), provided this is sensible and proportionate – our chief objection is to the requirement for this expanded reporting to be provided on a quarterly basis.</p> | Disagree. However, see revised approach reflected in the Prudential Standard and explanation in the Statement of Need.                                                                                                                           |

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|                                                       |        |         | <p>We note that the “justification” provided in the Supporting Statement dated 04 November is the following:</p> <p><i>“Regulation 28 was revised in July 2022 and, among others, requires additional reporting requirements in relation to infrastructure assets and other amendments to the asset spreading requirements. The Regulation 28 amendments come into effect on 3 January 2023. It is imperative that the quarterly reports take into account the amendments and ensure that pension funds appropriately report on these matters.”</i></p> <p>Other than some changes to the asset-spreading and issuer limits in the Regulation (including the new ceiling on infrastructure investments), and the removal of some exclusions (the former paragraph 8(b)), the amendment introduces a new Table 2. which is a format for reporting on infrastructure investments held by a fund. The amended Regulation does NOT specify that this reporting should be done on a quarterly basis. Put simply, it is NOT “imperative” that funds should report quarterly on their infrastructure investments (or on their detailed compliance with the various asset-spreading and instrument/issuer limits). We submit that annual reporting, as part of fund’s annual financial statements, will give the regulator ample information on funds’ activities in this area.</p> <p>We also note, and take issue with, the regulator’s attempt to introduce this new requirement on an urgent basis:</p> <p><i>“The effective date, i.e. 3 January 2023, of the amendments to Regulation 28 necessitate urgent amendments to the quarterly reports.”</i></p> <p>We note that the amendments to Regulation 28 were published on 01 July 2022 and were signalled well in advance (a draft was published in November 2021). It appears therefore that the need for urgency arises from the regulator’s own tardiness in formulating the draft reporting proposal.</p> |               |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |               |
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|                                                       |        |         | <p>The regulator suggests that, if the proposed Prudential Standard is not implemented as a matter of urgency, funds will incur extra work and extra cost in complying with an interim reporting requirement before the final (quarterly reporting) requirement comes into effect. Fast-tracked implementation would <i>“avoid additional costs being incurred by the fund, which will likely negatively affect the benefits of pension fund members”</i> – but this side-steps the question of why this new quarterly reporting is necessary at all. The closest that the Supporting Statement comes to this is in paragraph 2.10:</p> <p><i>“In addition, the new quarterly reports will not only enable funds to report effectively, but to identify any non-compliances, or potential non-compliances, timeously. Should the implementation of these new quarterly reports be delayed, and possible non-compliance not identified, it is likely to lead to prejudice to financial customers, placing pension fund members at risk, and could also result in harm to the financial system.”</i></p> <p>We submit though that the Regulation 28 amendments are changes to the detail of the Regulation and not to the structure. A requirement to report breaches quarterly (on an “exception” basis) has been in place for a decade already (Notice no.3 of 2012) and the regulator has given no indication that this process is not working or requires urgent replacement (by a much more complex, burdensome and costly process).</p> <p>In this regard we submit that the “Statement of Impact of the Prudential Standard” is both ludicrous and disingenuous. We quote:</p> <p><i>“The Prudential Standard will have an immediate financial impact on all funds as there are additional areas of reporting required. Therefore, all funds need to have additional resources to ensure accurate reporting. However, it is submitted that the impact is mainly as a</i></p> |               |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity  | Section      | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FSCA Response                |
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|      |         |              | <p><i>result of the changes to Regulation 28, and not as a direct result of this Prudential Standard. The Prudential Standard is merely a tool to facilitate reporting of compliance with Regulation 28, including the new changes. No significant financial impact is envisaged in respect of funds that were not required to submit these reports previously."</i></p> <p>We repeat that the (old or new) Regulation 28 does <b>not</b> require this quarterly reporting – so it is disingenuous to blame the additional financial impact on the changes to the Regulation. And it simply makes no sense to say that "<i>No significant financial impact is envisaged in respect of funds that were not required to submit these reports previously</i>" – the opposite is true. The following paragraph is therefore just bizarre:</p> <p><i>"Therefore, the Authority does not expect a major financial impact on funds because of this Prudential Standard. The impact on all funds to report their asset allocations will mostly be manageable however it's imperative for all funds to make a provision for additional reporting required."</i></p> <p>We reiterate that funds will experience a (non-trivial) financial impact directly <b>because</b> of this Prudential Standard. No motivation is given for the claim that the impact will "<i>mostly be manageable</i>".</p> <p>We repeat that we are <b>not</b> opposed to some revision and expansion of the current Schedule 1B reporting (as part of funds' annual financial statements), provided this is sensible and proportionate</p> |                              |
| 4.   | PetroSA | Section 2(1) | <p>Whilst the fund is completely in support of enhanced good governance and certainly deems it necessary that existing reporting requirements are revised from time to time, the submission of quarterly reports would bring about an additional regulatory burden which is likely to lead to an increase in costs.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | See response directly above. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |                    |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                              |
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|                                                       |                    |              | <p>Breaches in terms of Regulation 28 are already reported on quarterly and it does not seem justifiable to enhance the frequency and the extent of reporting when there is already so much pressure on funds in terms of compliance (daily, monthly, quarterly and annually) and in terms of keeping down costs, in order to be able to manage a fund in the best interests of its fund members/stakeholders.</p> <p>In an environment plagued by a recent cycle of poor investment returns, high inflation and increasing regulatory costs and service provider fees it does not seem like a viable solution to require quarterly reporting at this point in time when annual reporting is already done that forms part of a fund's annual financial statements and therefore already gives the Authority insight in to how this process is managed by a fund. Upon submission of a fund's annual financial statements, the Authority would have the opportunity to raise further queries and further interrogate a fund, where deemed necessary, but does not have to impose a requirement across the board for funds to submit quarterly reporting.</p> |                              |
| 5.                                                    | Retirement On-Line | Section 2(1) | <p>We can see no justification for requiring retirement funds to complete what is essentially an expanded Schedule IB on a quarterly basis (and within an accelerated time frame). We do not believe the regulator, the funds or the public will gain or benefit in any meaningful way through this additional regulatory burden (which will not be trivial for the funds in terms of either effort or cost).</p> <p>We note that there is already a requirement for funds to report breaches on a quarterly basis – this has been in place for many years and, given that funds' compliance at fund level is already audited on an annual basis, we are of the view that had there been problems with the current processes, the regulator has had a decade in which to identify and address these. We cannot see a good reason for the regulator to insist on a vastly more complicated and burdensome (and expensive) quarterly reporting process at this time, as an urgent matter.</p>                                                                                                                                                                 | See response directly above. |

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|                                                       |        |         | <p>We stress that we are not opposed to some revision and expansion of the current Schedule IB reporting (as part of funds' annual financial statements), provided this is sensible and proportionate – our main objection is to the requirement for this expanded reporting to be provided on a quarterly basis.</p> <p>We note that the justification provided in the Supporting Statement dated 04 November is the following:</p> <p><i>“Regulation 28 was revised in July 2022 and, among others, requires additional reporting requirements in relation to infrastructure assets and other amendments to the asset spreading requirements. The Regulation 28 amendments come into effect on 3 January 2023. It is imperative that the quarterly reports take into account the amendments and ensure that pension funds appropriately report on these matters.”</i></p> <p>Other than some changes to the asset-spreading and issuer limits in the Regulation (including the new ceiling on infrastructure investments), and the removal of some exclusions (the former paragraph 8(b)), the amendment introduces a new Table 2 which is a format for reporting on infrastructure investments held by a fund. The amended Regulation does not specify that this reporting should be done on a quarterly basis. Put simply, it is not imperative that funds should report quarterly on their infrastructure investments (or on their detailed compliance with the various asset-spreading and instrument/issuer limits). We submit that annual reporting, as part of fund's annual financial statements, will give the regulator ample information on funds' activities in this area.</p> <p>We also note, and take issue with, the regulator's proposal to introduce this new requirement on an urgent basis:</p> <p><i>“The effective date, i.e. 3 January 2023, of the amendments to Regulation 28 necessitate urgent amendments to the quarterly reports.”</i></p> |               |

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|                                                       |        |         | <p>We note that the amendments to Regulation 28 were published on 01 July 2022 and were signalled well in advance (a draft was published in November 2021). If there is a need for urgency, we would have expected the regulator to formulate the draft reporting proposal much earlier.</p> <p>The regulator suggests that, if the proposed Prudential Standard is not implemented as a matter of urgency, funds will incur extra work and extra cost in complying with an interim reporting requirement before the final (quarterly reporting) requirement comes into effect. Fast-tracked implementation would “<i>avoid additional costs being incurred by the fund, which will likely negatively affect the benefits of pension fund members</i>” – but this side-steps the question of why this new quarterly reporting is necessary at all. The closest that the Supporting Statement comes to this is in paragraph 2.10:</p> <p><i>“In addition, the new quarterly reports will not only enable funds to report effectively, but to identify any non-compliances, or potential non-compliances, timeously. Should the implementation of these new quarterly reports be delayed, and possible non-compliance not identified, it is likely to lead to prejudice to financial customers, placing pension fund members at risk, and could also result in harm to the financial system.”</i></p> <p>We submit though that the Regulation 28 amendments are changes to the detail of the Regulation and not to the structure. A requirement to report breaches quarterly (on an “exception” basis) has been in place for a decade already (Notice no.3 of 2012) and the regulator has given no indication that this process is not working or requires urgent replacement (by a much more complex, burdensome and costly process).</p> <p>In this regard we submit that the “Statement of Impact of the Prudential Standard” is not correct. We quote:</p> |               |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity   | Section      | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FSCA Response                |
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|      |          |              | <p><i>“The Prudential Standard will have an immediate financial impact on all funds as there are additional areas of reporting required. Therefore, all funds need to have additional resources to ensure accurate reporting. However, it is submitted that the impact is mainly as a result of the changes to Regulation 28, and not as a direct result of this Prudential Standard. The Prudential Standard is merely a tool to facilitate reporting of compliance with Regulation 28, including the new changes. No significant financial impact is envisaged in respect of funds that were not required to submit these reports previously.”</i></p> <p>We repeat that the (old or new) Regulation 28 does <b>not</b> require this quarterly reporting – so it is not appropriate to blame the additional financial impact on the changes to the Regulation. And it does not make sense to say that <i>“No significant financial impact is envisaged in respect of funds that were not required to submit these reports previously”</i> – the opposite is true. The following paragraph is therefore not correct:</p> <p><i>“Therefore, the Authority does not expect a major financial impact on funds because of this Prudential Standard. The impact on all funds to report their asset allocations will mostly be manageable however it’s imperative for all funds to make a provision for additional reporting required.”</i></p> <p>We reiterate that funds will experience a (non-trivial) financial impact directly <b>because</b> of this Prudential Standard. No motivation is given for the claim that the impact will <i>“mostly be manageable”</i>.</p> <p>We repeat that we are <b>not</b> opposed to some revision and expansion of the current Schedule IB reporting (as part of funds’ annual financial statements), provided this is sensible and proportionate.</p> |                              |
| 6.   | Unilever | Section 2(1) | We can see no justification whatsoever for requiring retirement funds to complete what is essentially an expanded Schedule IB on                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | See response directly above. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |               |
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| Item                                                  | Entity | Section | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | FSCA Response |
|                                                       |        |         | <p>a quarterly basis (and within an accelerated time frame). We do not believe the regulator, the funds or the public will gain or benefit in any meaningful way through this additional regulatory burden (which will not be trivial for the funds in terms of either effort or cost).</p> <p>We note that there is already a requirement for funds to report breaches on a quarterly basis – this has been in place for many years and, given that funds’ compliance at fund level is already audited on an annual basis, we consider that if there were problems with the current processes, the regulator has had a decade in which to identify and address these. We cannot see a good reason for the regulator to insist on a vastly more complicated and burdensome (and expensive) quarterly reporting process at this time, as an urgent matter.</p> <p>We stress that we are not opposed to some revision and expansion of the current Schedule IB reporting (as part of funds’ annual financial statements), provided this is sensible and proportionate – our chief objection is to the requirement for this expanded reporting to be provided on a quarterly basis.</p> <p>We note that the “justification” provided in the Supporting Statement dated 04 November is the following:</p> <p><i>“Regulation 28 was revised in July 2022 and, among others, requires additional reporting requirements in relation to infrastructure assets and other amendments to the asset spreading requirements. The Regulation 28 amendments come into effect on 3 January 2023. It is imperative that the quarterly reports take into account the amendments and ensure that pension funds appropriately report on these matters.”</i></p> <p>Other than some changes to the asset-spreading and issuer limits in the Regulation (including the new ceiling on infrastructure investments), and the removal of some exclusions (the former paragraph 8(b)), the amendment introduces a new Table 2. which</p> |               |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |               |
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| Item                                                  | Entity | Section | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FSCA Response |
|                                                       |        |         | <p>is a format for reporting on infrastructure investments held by a fund. The amended Regulation does NOT specify that this reporting should be done on a quarterly basis. Put simply, it is NOT “imperative” that funds should report quarterly on their infrastructure investments (or on their detailed compliance with the various asset-spreading and instrument/issuer limits). We submit that annual reporting, as part of fund’s annual financial statements, will give the regulator ample information on funds’ activities in this area.</p> <p>We also note, and take issue with, the regulator’s attempt to introduce this new requirement on an urgent basis:<br/> <i>“The effective date, i.e. 3 January 2023, of the amendments to Regulation 28 necessitate urgent amendments to the quarterly reports.”</i></p> <p>We note that the amendments to Regulation 28 were published on 01 July 2022 and were signalled well in advance (a draft was published in November 2021). It appears therefore that the need for urgency arises from the regulator’s own tardiness in formulating the draft reporting proposal.</p> <p>The regulator suggests that, if the proposed Prudential Standard is not implemented as a matter of urgency, funds will incur extra work and extra cost in complying with an interim reporting requirement before the final (quarterly reporting) requirement comes into effect. Fast-tracked implementation would <i>“avoid additional costs being incurred by the fund, which will likely negatively affect the benefits of pension fund members”</i> – but this side-steps the question of why this new quarterly reporting is necessary at all. The closest that the Supporting Statement comes to this is in paragraph 2.10:<br/> <i>“In addition, the new quarterly reports will not only enable funds to report effectively, but to identify any non-compliances, or potential non-compliances, timeously. Should the implementation of these new quarterly reports be delayed, and possible non-</i></p> |               |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |               |
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| Item                                                  | Entity | Section | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FSCA Response |
|                                                       |        |         | <p><i>compliance not identified, it is likely to lead to prejudice to financial customers, placing pension fund members at risk, and could also result in harm to the financial system.”</i></p> <p>We submit though that the Regulation 28 amendments are changes to the detail of the Regulation and not to the structure. A requirement to report breaches quarterly (on an “exception” basis) has been in place for a decade already (Notice no.3 of 2012) and the regulator has given no indication that this process is not working or requires urgent replacement (by a much more complex, burdensome and costly process).</p> <p>In this regard we submit that the “Statement of Impact of the Prudential Standard” is both ludicrous and disingenuous. We quote:</p> <p><i>“The Prudential Standard will have an immediate financial impact on all funds as there are additional areas of reporting required. Therefore, all funds need to have additional resources to ensure accurate reporting. However, it is submitted that the impact is mainly as a result of the changes to Regulation 28, and not as a direct result of this Prudential Standard. The Prudential Standard is merely a tool to facilitate reporting of compliance with Regulation 28, including the new changes. No significant financial impact is envisaged in respect of funds that were not required to submit these reports previously.”</i></p> <p>We repeat that the (old or new) Regulation 28 does <b>not</b> require this quarterly reporting – so it is disingenuous to blame the additional financial impact on the changes to the Regulation. And it simply makes no sense to say that “<i>No significant financial impact is envisaged in respect of funds that were not required to submit these reports previously</i>” – the opposite is true. The following paragraph is therefore just bizarre:</p> |               |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                               |
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| Item                                                  | Entity | Section      | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | FSCA Response                 |
|                                                       |        |              | <p><i>“Therefore, the Authority does not expect a major financial impact on funds because of this Prudential Standard. The impact on all funds to report their asset allocations will mostly be manageable however it’s imperative for all funds to make a provision for additional reporting required.”</i></p> <p>We reiterate that funds will experience a (non-trivial) financial impact directly <b>because</b> of this Prudential Standard. No motivation is given for the claim that the impact will <i>“mostly be manageable”</i>.</p> <p>We repeat that we are <b>not</b> opposed to some revision and expansion of the current Schedule IB reporting (as part of funds’ annual financial statements), provided this is sensible and proportionate.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |
| 7.                                                    | WTW    | Section 2(1) | <p>We see no justification at all for requiring retirement funds to complete what is essentially an expanded Schedule IB on a quarterly basis (and within an accelerated time frame). We do not believe the regulator, the funds or the public will gain or benefit in any meaningful way through this additional regulatory burden – which will not be trivial for the funds in terms of either effort or cost.</p> <p>We stress that we are <b>not</b> opposed to some revision and expansion of the current Schedule IB reporting (as part of funds’ annual financial statements), provided this is sensible and proportionate – our chief objection is to the requirement for this expanded reporting to be provided on a quarterly basis.</p> <p>We note that there is already a long-standing requirement for funds to report breaches on a quarterly basis – this has been in place for many years and, given that funds’ compliance at fund level is already audited on an annual basis, we consider that if there were problems with the current processes, the regulator has had a decade in which to identify and address these. We see no good reason for the regulator to insist on a vastly more complicated and burdensome (and expensive) quarterly reporting process at this time, as an urgent matter.</p> | See response directly above.. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |               |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                         |
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| Item                                                  | Entity        | Section         | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | FSCA Response                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                       |               |                 | Although the amended Regulation 28 will introduce a requirement for funds to report on their exposure to infrastructure investments (we comment further on this below), there is nothing in the Regulation that states that such reporting (or any other reporting) should be quarterly. We recognise that the regulator has the power to prescribe reporting requirements (in terms of Regulation 28(8)), but it is disingenuous to claim that the addition of Table 2 to the Regulation in itself requires vastly expanded, mandatory quarterly reporting.                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                         |
| 8.                                                    | WTW           | Section 2(2)    | Does this mean that funds do <b>not</b> need to report limit breaches that arise where the breach is “ <i>due to a change in the fair value or characteristic of an asset, and not as a result of discretionary transacting</i> ” (using the wording of sub-paragraph (j) of Regulation 28(3)) – notwithstanding sub-paragraph (i) of Regulation 28(3)(j)?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | All breaches must be reported to the Authority on a quarterly basis, whether discretionary or non-discretionary, for example out of mandate trades are reported on the “drop-down list” under non-discretionary breaches on the Authority’s online submission system while discretionary breaches are reported on the Authority’s ‘drop-down list’ under discretionary breaches – this has not changed. |
| SECTION 3 – FREQUENCY AND MANNER OF REPORTING         |               |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                         |
| 9.                                                    | Standard Bank | General Comment | Cannot provide a view given the unreasonably short timeframe within which to provide meaningful comments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Noted.                                                                                                                                                                                                                                                                                                                                                                                                  |
| 10.                                                   | ASISA         | Section 3(1)    | <p>ASISA members believe there will not be substantial benefit in submitting the first and second quarter reports on the same day (30 September 2023). It is suggested that the requirement to submit a report as at 31 March 2023 is waived.</p> <p>Alternatively, we suggest a phased-in approach for the quarterly reporting i.e.</p> <ul style="list-style-type: none"> <li>• 31 March 2023 report to be submitted by 30 September 2023, which allows retirement funds and their administrators more time to implement and test changes,</li> <li>• 30 June 2023 report to be submitted by 30 November 2023, as it may not be practicable to start on the 30 June 2023 report until the 31 March 2023 report has been completed.</li> <li>• 30 September 2023 report to be submitted by 31 December 2023, which is as per the current reporting requirements.</li> </ul> | See Prudential Standard and explanation in the Statement of Need. The concern raised should now be addressed.                                                                                                                                                                                                                                                                                           |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |                    |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                               |
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| Item                                                  | Entity             | Section         | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FSCA Response                                                                                                 |
| 11.                                                   | IFRA               | Section 3(1)    | No comment with a request to consider the first report in the revised format being submitted by 31 December 2023, for the 31 March, 30 June and 30 September 2023 reporting periods. And thereafter that the 90 day reporting apply.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Please see the response directly above.                                                                       |
| 12.                                                   | Macsteel           | Section 3(1)    | Please refer to our response and comments on 2(1) above. (See item 3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Please refer to the responses to items 3 and 4 above.                                                         |
| 13.                                                   | PetroSA            | Section 3(1)    | It appears that the information submitted in the first reporting round will be outdated by the time it is considered by the Authority and this proposal therefore seems ineffective.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | See Prudential Standard and explanation in the Statement of Need. The concern raised should now be addressed. |
| 14.                                                   | Retirement On-Line | Section 3(1)    | Please refer to our response and comments on 2(1) above. (See item 5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Please refer to the responses to items 3 and 4 above.                                                         |
| 15.                                                   | Unilever           | Section 3(1)    | Please refer to our response and comments on 2(1) above. (See item 6)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Please refer to the responses to items 3 and 4 above.                                                         |
| 16.                                                   | WTW                | Section 3(1)    | Please refer to our response and comments on 2(1) above. (See item 7)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Please refer to the responses to items 3 and 4 above.                                                         |
| 17.                                                   | AFS                | Section 3(1)(a) | <p>The draft Prudential Standard proposes that a fund must complete all fields of the quarterly report and must submit the quarterly report to the Authority, for the first quarter ending 31 March 2023 on or before 30 September 2023.</p> <p>Whilst it is acknowledged that it is imperative that the quarterly reports take into account the Regulation 28 amendments which come into effect on 3 January 2023 and that the urgent publication of the new quarterly reports will promote legal certainty by ensuring that pension funds know exactly which information is required and in what format the information must be submitted to the Authority, it is submitted that funds be given sufficient time (which would entail the updating of management information systems and reporting processes in accordance with the requirements set out in the new quarterly reports) to transition from the current reporting to the new reporting as envisaged by the draft Prudential Standard.</p> <p>To give effect to this, the Authority is requested to consider a proposal that requires funds to provide reports for first three quarters in 2023 to the Authority on or before 31 December 2023, whilst continuing to submit quarterly reports in the current format.</p> | See Prudential Standard and explanation in the Statement of Need. The concern raised should now be addressed. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |                    |                             |                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                |
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| Item                                                  | Entity             | Section                     | Issue/Comment/Recommendation                                                                                                                                                                                                                                                    | FSCA Response                                                                                                                                                                                                                                                                                                  |
|                                                       |                    |                             | Through this approach, the Authority will continue to obtain information whilst affording funds adequate time to arrange themselves internally to provide information in accordance with the new quarterly reporting as envisaged in the draft Prudential Standard.             |                                                                                                                                                                                                                                                                                                                |
| 18.                                                   | Macsteel           | Footnote to section 3(1)(a) | What is the point of requiring funds to submit reports as at 31 March 2023 and 30 June 2023 at the same time? What will the regulator do with the (out-of-date) information in the March report, when the June report is available to it?                                       | See Prudential Standard and explanation in the Statement of Need. The concern raised should now be addressed.                                                                                                                                                                                                  |
| 19.                                                   | Retirement On-Line | Footnote to section 3(1)(a) | It is not clear what the reason is for requiring funds to submit reports as at 31 March 2023 and 30 June 2023 at the same time? The information in the March report will be out of date, when the June report is available?                                                     | See Prudential Standard and explanation in the Statement of Need. The concern raised should now be addressed.                                                                                                                                                                                                  |
| 20.                                                   | Unilever           | Footnote to section 3(1)(a) | What is the point of requiring funds to submit reports as at 31 March 2023 and 30 June 2023 at the same time? What will the regulator do with the (out-of-date) information in the March report, when the June report is available to it?                                       | See Prudential Standard and explanation in the Statement of Need. The concern raised should now be addressed.                                                                                                                                                                                                  |
| 21.                                                   | WTW                | Footnote to section 3(1)(a) | What is the point of requiring funds to submit reports as at 31 March 2023 and 30 June 2023 at the same time? What will the regulator do with the (out-of-date) information in the March report, when the June report is provided to it at the same time?                       | See Prudential Standard and explanation in the Statement of Need. The concern raised should now be addressed.                                                                                                                                                                                                  |
| 22.                                                   | IFRA               | Section 3(2)                | Noted, with a request that any such reporting requirements and amendments provide for an adequate lead time for all relevant parties to be able to amend reporting structures. The request is that the notice provides funds between nine (9) and twelve (12) months to comply. | See Prudential Standard and explanation in the Statement of Need. Since the requirement to report on assets held in compliance with Regulation 28 has been removed, we do not believe that an implementation period for non-compliance reporting is necessary as it is a perpetuation of the current approach. |
| 23.                                                   | Momentum           | Section 3(2)                | This could also be problematic if the manner of submission changes constantly. We have for example, encountered many issues with uploading information or documents onto the FSCA online portal in the past.                                                                    | Noted. However, the manner and format of the submission will not change “constantly”, as per the comment.                                                                                                                                                                                                      |
| ANNEXURE 1<br>PART 1 – TABLE 1                        |                    |                             |                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                |
| 24.                                                   | ASISA              | General comment             | The FSCA is kindly requested to make Annexure 1 available in an Excel template to assist in the preparation of the report that will be submitted to the FSCA.                                                                                                                   | The Authority will be testing the new online template with industry. ASISA may suggest members who wish to volunteer for user testing in due course.                                                                                                                                                           |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| Item                                                  | Entity | Section | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | FSCA Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 25.                                                   | ASISA  | Part 1  | <p>It is proposed that the tables under the heading “PART 1” each be numbered individually and that each have its own heading which is descriptive of the required information in that Table.</p> <p>The descriptions next to “Table 1” and “Table 2” are the same and causes confusion.</p> <p>Examples of what it could be:</p> <ul style="list-style-type: none"> <li>• Table 1.1 – Value of Total Assets for Reg 28 Disclosure – (table on page 4)</li> <li>• Table 1.2 – Holdings per asset category and non-compliant numbers – (table on page 5)</li> <li>• Table 1.3 – Overall Limits – (item 11 on page 15)</li> <li>• Table 1.4 – Investment Summary (Regulation 28) at Fund Level – (table on page 16)</li> <li>• Table 1.5 – Breaches in terms of sub-regulation 3 of Regulation 28 at Fund level – (table on page 17)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                        | See amendments made to Table 1 in the Determination (once the Determination is published).                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 26.                                                   | WTW    | Table 1 | <p>We do not understand how breaches should be reported in this table. Take a simple example: Regulation 28 restricts investment in Equities to a maximum of 75%. Through the operation of 3(b) of the Regulation, this applies not only to the Fund in aggregate, but also to members individually (therefore, in effect, to the individual portfolios offered to members under a member-investment-choice programme). Assume one of the member portfolios has breached the 75% limit (this would most likely be through a combination of domestic and offshore equity investments), but the Fund overall has not. How exactly should the Fund report this, especially since the information requested is “<i>Number of issuers/entities non-compliant during the period</i>”?</p> <p>We add that in practice, in our experience, breaches of any of these limits, whether in aggregate or at issuer/entity level, and whether for the fund overall or for member portfolios, are infrequent – in particular because the limits are quite generous and most funds in our experience have structured their investments and their member-choice portfolios so as to minimize the chances that any of the limits will be breached.</p> | <p>The electronic online submission will require the “submitter” of the quarterly report to click on whether there are fund level breaches or member level breaches. If the Answer is “NO” then the relevant columns will be “greyed out” and only the asset allocations at fund level needs to be completed as a compliance report.</p> <p>No substantial changes have been made to the current breach reports except to align with the gazetted Regulation 28 changes.</p> <p>The new electronic submission report will be tested with industry in due course.</p> |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity   | Section                                                           | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FSCA Response                                                                                                                                                                                                                                                                                                |
|------|----------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 27.  | ASISA    | List issuers/entities which exceeds 5% of total assets            | <p>Regulation 28(4) provides that where an asset comprises less than 5% of the of the assets of the fund, then the fund need only disclose the categories of assets and not each underlying asset. These assets are not excluded, it only reduces the reporting requirement. Table 1 and footnote 2 suggests that only issuers/entities exceeding 5% should be reported and that those less than 5% should not be included. The report will then not balance. This causes confusion.</p> <p>It is requested that more clarity is provided in footnote 2.</p>                                                                                                                                                              | <p>See amendments made to the headings in Table 1 of the Determination for clarification (once the Determination is published).</p> <p>The existing breach reporting has not been substantially amended; the format was merely aligned to the amended Regulation 28.</p> <p>See amendment to footnote 2.</p> |
| 28.  | GIR      | List issuers/entities which exceeds 5% of total assets            | Description clarification – please confirm if Table 1 should only list issuers/entities that have more than 5% of total value. If yes, there are also asset categories where limits are less than 5% which may be ignored if the 5% rule is applied. Table 1 should therefore disclose all issuers/entities.                                                                                                                                                                                                                                                                                                                                                                                                              | The Authority agrees. See amendments to Table 1 of the Determination for clarification (once the Determination is published).                                                                                                                                                                                |
| 29.  | Momentum | List issuers/entities which exceeds 5% of total assets            | <p>The requirement is to only list issuers/entities which exceeds 5% of total assets. In other words: A fund must disclose the asset aggregates of 5% and above per entity or issuer and the registered name of the entity or issuer as per footnote number 2.</p> <p>It is our assumption that a separate line item aggregating all investments that fall below this threshold would be needed under each category of assets in order to ensure that the report add up to the “Total Assets for Regulation 28 Disclosure” amount.</p> <p>If this is the case, we suggest that this is made clear in footnote number 2.</p> <p>If this is not the case, we suggest that this is also made clear in footnote number 2.</p> | Noted. See amendments made to Footnote 2 in Table 1 of the draft Determination (once the Determination is published)..                                                                                                                                                                                       |
| 30.  | ASISA    | List issuers/entities which exceeds 5% of total assets footnote 2 | The footnote is confusing but could be removed if the table headings are more descriptive – please also refer to comments above on Part 1 (comment 2) and Table 1: List of issuers/entities which exceeds 5% of total assets (comment 3).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Noted. See amendments made to Footnote 2 in Table 1 of the draft Determination (once the Determination is published)..                                                                                                                                                                                       |
| 31.  | ASISA    | B - Less: Reg 28(9) exempted instruments                          | This value should also include grandfathered portfolios and guaranteed or partially guaranteed policies which will not necessarily comply with the Regulation 28 limits on a look-through                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Please see amendment to Table 1 of the draft Determination (once the Determination is published) which will exclude the reference to exempted                                                                                                                                                                |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity | Section                                                              | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | FSCA Response                                                                                                                                                                                                                                                           |
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|      |        |                                                                      | basis or where the insurer is unable to provide look-through information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | instruments. Regulation 28 was amended to remove exclusions from subparagraph (8).<br><br>The only exclusion for this part of the calculation relates to investments not disclosed or data not available for disclosure.                                                |
| 32.  | GIR    | B - Less: Reg 28(9) exempted instruments                             | Should allow for exempted investments such as:<br>a. Grandfathered investments<br>b. Guaranteed investments<br>Partially guaranteed investments – the non-guaranteed portion of the investments should be disclosed with full look-through in Table 1.                                                                                                                                                                                                                                                                                           | The Authority disagrees. Please refer to the response to item 31 above.                                                                                                                                                                                                 |
| 33.  | Verso  | C. Less Investments not disclosed/data not available for disclosure” | As a section 13B retirement benefit administrator, we will need to collate all information received from various asset managers. Should any of these not be forthcoming from an asset manager within the required period, this places burden on us to submit the reports with all the relevant information within the required period. It appears this will be disclosed under part C of the first page of Annexure 1. Reference is made here to Schedule IAN – where do we provide this detail, as we don't see a Schedule IAN on the Annexure. | See amendments made to Table 1 of the draft Determination (once the Determination is published) that removes the reference to Schedule IAN. The information will be disclosed under “B: Less Investments not disclosed/data not available for disclosure”.              |
| 34.  | WTW    | Part 1, Table 1                                                      | Is the intention that the list of issuers/entities where exposure exceeds 25% is separate to the table of asset values that follows the Table 1 heading? (In other words, should there perhaps be both a Table 1 and a Table 2 here?)                                                                                                                                                                                                                                                                                                            | The issuers/entities where exposure exceeds 25% will be included in the list under “Assets held in Compliance with Regulation 28” as that list includes all issuers/entities where aggregate exposure exceeds 5%.<br>Please note that various tables have been deleted. |
| 35.  | ASISA  | Table 1 headings                                                     | The description in the heading under “Member Level” should read: “Number of <del>issuers/entities</del> <b>members</b> non-compliant during the period.                                                                                                                                                                                                                                                                                                                                                                                          | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published)..                                                                                                                                                 |
| 36.  | GIR    | Table 1 headings                                                     | Change “Number of Issuers/entities” to “Number of members”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                  |
| 37.  | ASISA  | Member level                                                         | The value of the Member Level statistics requires an explanation as “Member Level” disclosure, would be directly correlated to “Fund Level” disclosure. The introduction of the “two-pot system”                                                                                                                                                                                                                                                                                                                                                 | Only information on non-compliant members must be provided and information will be limited to the relevant section in respect of which the non-compliance                                                                                                               |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |          |                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| Item                                                  | Entity   | Section                                                                                                                     | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FSCA Response                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                                       |          |                                                                                                                             | <p>will specifically add potential additional complexity to the generation of member level statistics.</p> <p>Should it be the intention to understand the level of compliance on a member level, perhaps a simplified requirement may satisfy this need – for example:</p> <ul style="list-style-type: none"> <li>• the aggregate number of members on member level that has non-compliant positions vs total membership, and</li> <li>• a % split between whether these instances of non-compliance relate to assets inside the republic and/or foreign assets.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>occurred. Please also refer to the response to the comment in item 26.</p> <p>See amendments made to the headings in Table 1 of the draft Determination (once the Determination is published).</p> <p>The heading has been amended for member level non-compliance reporting to be in line with the current member level non-compliance reporting. No changes have been made to the current non-compliance reporting at member level.</p> |
| 38.                                                   | Momentum | Columns requiring statistics on Fund Level and Member Level on “Number of issuers/entities non-compliant during the period” | <p>The production of these statistics on a fund level may be less complicated than on a member level, however, both will require a significant effort to deal with complexities in generating these statistics. The introduction of the “two-pot system” will specifically add potential additional complexity to the generation of member level statistics in this regard.</p> <p>We are not sure to whom, or how, these statistics may be of use, or for what purpose these statistics may be used. In addition, details of instances of non-compliance are provided elsewhere in the report which we believe to be sufficient, albeit on fund level only. Accordingly, we are of the opinion that this requirement should be excluded from the proposed quarterly report.</p> <p>Should it be the intention to understand the level of compliance on a member level, perhaps a simplified requirement in which:</p> <ul style="list-style-type: none"> <li>• the aggregate number of members on member level that has non-compliant positions vs total membership, and</li> <li>• a % split between whether these instances of non-compliance relate to assets inside the republic and/or relate to foreign assets,</li> </ul> <p>may satisfy this need. We are unsure as to how the granular split per asset category could be of particular use.</p> | Please refer to the response to item 37 above.                                                                                                                                                                                                                                                                                                                                                                                               |
| 39.                                                   | WTW      | summary table of asset values                                                                                               | Note that Regulation 28(9) actually envisages that a fund will be exempted from any or all of the provisions of the Regulation (i.e.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Noted.                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |                                      |                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                            |
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| Item                                                  | Entity | Section                              | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                | FSCA Response                                                                                                                                                                                                                                                                                                                                              |
|                                                       |        |                                      | the exemption is for the <u>fund</u> , not for an investment), but no doubt there will be some cases where funds have secured exemptions in respect of specific investments, so perhaps this will work.                                                                                                     |                                                                                                                                                                                                                                                                                                                                                            |
| 40.                                                   | WTW    | Fund Level disclosure per asset type | We assume that funds should disclose (fund-level) exposure to the asset type in aggregate, and then the exposure to the largest issuer/entity for that asset type (with the name of the issuer/entity), as for the current Schedule IB.                                                                     | The comment is correct.                                                                                                                                                                                                                                                                                                                                    |
| 41.                                                   | ASISA  | Item 1.1(a)                          | Does the FSCA expect “accruals” like interest and expenses to form part of the cash disclosures?                                                                                                                                                                                                            | No, this will not be required in terms of the draft Standard. It will be required this is an asset spreading report for purposes of the annual financial statements - please refer to the draft Standard on the Requirements related to Regulatory Reporting and Audited Financial Statements for Pension Funds, published for comment on 9 November 2022. |
| 42.                                                   | ASISA  | Item 1.2(b)                          | Based on the recent updates by the Reserve Bank to no longer split the foreign allowance between “Africa” and “Foreign”, it is recommended that the same approach be followed in the Prudential Standard Regulation 28 Quarterly Reporting Requirements by excluding “Africa” as a specific reporting item. | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                                                                     |
| 43.                                                   | ASISA  | Item 2                               | Typing error – “ISLAMIC DEBT INSTRUMENTS” should be “ISLAMIC DEBT INSTRUMENTS”.                                                                                                                                                                                                                             | The Authority agrees. See correction made in Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                                                                     |
| 44.                                                   | GIR    | Item 2.1                             | Split the limits for “Inside the Republic” as follows:<br>2.1(a) Issued or guaranteed by Republic with limit of 100%<br>2.1(b) Not issued or guaranteed by Republic with limit of 75%<br>This would help in classifying instruments and being able to perform a compliance check.                           | See revised item 2 in the Table contained in the Determination (once the Determination is published).<br><br>The reporting requirements and format determined by the Authority must be consistent with the amended Regulation 28 published in July 2022.                                                                                                   |
| 45.                                                   | ASISA  | Item 2.1(c)                          | Refers to “South African Bank” but this item deals with Foreign. Keeping the reference to South African Bank would imply that you can only hold foreign debt issued by a SA bank. It is proposed to change it to “Foreign” bank.                                                                            | The Authority agrees. See amendments to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                                                                          |
| 46.                                                   | ASISA  | Item 2.1(d)                          | The following wording is incorrect:<br>(d) <i>Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets -per issuer/entity 25%</i>                                                                                                                   | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                                                                     |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                        |
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| Item                                                  | Entity | Section           | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                       | FSCA Response                                                                                                          |
|                                                       |        |                   | <p>As per Regulation 28 it should be:<br/> <i>(d) Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed: -</i></p> <p>The aggregate limit of 25% is incorrect and should be 50% as per Regulation 28.</p>                                                                                          |                                                                                                                        |
| 47.                                                   | WTW    | Asset type 2.1(d) | The labelling is wrong – it should be “ <i>Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act [etc.]</i> ” as for the current Schedule IB. Also note that it is pointless and confusing to show 25% as the issuer/entity limits for category 2.1(d), as the issuer/entity limits for 2.1(d)(i) and (ii) are lower than 25% in any case. | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 48.                                                   | ASISA  | Item 2.1(e)       | Typing error - 255 should be 25%                                                                                                                                                                                                                                                                                                                                                                                                                                                   | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 49.                                                   | GIR    | Item 2.1(e)       | Change “255” to “25%”                                                                                                                                                                                                                                                                                                                                                                                                                                                              | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 50.                                                   | ASISA  | Item 2.1(e)(i)    | Limit should be applied “per issuer/entity” not “per instrument”.                                                                                                                                                                                                                                                                                                                                                                                                                  | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 51.                                                   | GIR    | Item 2.1(e)(i)    | Change “per instrument” to “per issuer”                                                                                                                                                                                                                                                                                                                                                                                                                                            | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 52.                                                   | ASISA  | Item 2.1(e)(ii)   | The limit of 25% is incorrect and should be 15% as per Regulation 28.                                                                                                                                                                                                                                                                                                                                                                                                              | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 53.                                                   | GIR    | Item 2.1(e)(ii)   | Change “per instrument” to “per issuer”                                                                                                                                                                                                                                                                                                                                                                                                                                            | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 54.                                                   | GIR    | Item 2.2(e)(i)    | Change “per instrument” to “per issuer”                                                                                                                                                                                                                                                                                                                                                                                                                                            | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |         |                                                            |                                                                                                                                                                                                                                                                                                                 |                                                                                                                        |
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| Item                                                  | Entity  | Section                                                    | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                    | FSCA Response                                                                                                          |
| 55.                                                   | GIR     | Item 2.2(e)(ii)                                            | Change “per instrument” to “per issuer”                                                                                                                                                                                                                                                                         | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 56.                                                   | OUTvest | Item 3 – Equities                                          | We are of the opinion that the following should form part of Equities under Annexure 1, no. 3: <ul style="list-style-type: none"> <li>o Foreign equities</li> <li>o Commodity investments,</li> <li>o Hedge funds,</li> <li>o Property</li> </ul> We kindly request clarity why these are perhaps not included? | Please refer to the response to item 44 above.                                                                         |
| 57.                                                   | OUTvest | Item 3.1                                                   | We would appreciate if the Authority could provide us with clarity on what the term “Inside the Republic” means? Would the CoreShares Total World Stock Index ETF be considered as inside the republic, or outside the republic?                                                                                | Please refer to the response to item 44 above.                                                                         |
| 58.                                                   | ASISA   | Item 4                                                     | Typing error: “Immovable Propert” should be “Immovable Property”                                                                                                                                                                                                                                                | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 59.                                                   | GIR     | Item 4                                                     | Change “PROPERT” to “PROPERTY”                                                                                                                                                                                                                                                                                  | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 60.                                                   | ASISA   | Items 4.1(a)(ii) & 4.1(a)(iii)<br>4.2(a)(ii) & 4.2(a)(iii) | Issuer market capitalisation is incorrectly stated as “between R3bn and R10bn” and “less than R3bn” and should be “between R5bn and R10bn” and “less than R5bn” as per Regulation 28.                                                                                                                           | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 61.                                                   | GIR     | 4.1(a)(ii)                                                 | As per revised regulation, change “R3bn to R10bn” to “R5bn to R10bn”                                                                                                                                                                                                                                            | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 62.                                                   | GIR     | 4.1(a)(iii)                                                | As per revised regulation, change “less than R3bn” to “less than R5bn”                                                                                                                                                                                                                                          | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 63.                                                   | GIR     | 4.2(a)(ii)                                                 | As per revised regulation, change “R3bn to R10bn” to “R5bn to R10bn”                                                                                                                                                                                                                                            | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |
| 64.                                                   | GIR     | 4.2(a)(iii)                                                | As per revised regulation, change “less than R3bn” to “less than R5bn”                                                                                                                                                                                                                                          | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published). |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity   | Section                                                           | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                       | FSCA Response                                                                                                                                                                                                                                                                                                        |
|------|----------|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 65.  | WTW      | Asset type 4.1(a)(ii) and (iii); also 4.2(a)(ii) and (iii)        | The cut-off limit separating sub-classes (ii) and (iii) has been increased from R3bn to R5bn in the amended Regulation 28.                                                                                                                                                                                                                                                         | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                               |
| 66.  | ASISA    | Item 5.1(a)(i)                                                    | The per issuer limit for Gold (including Kruger Rands) is not shown in the Regulation 28 Amendments. Please clarify whether there should be a “per issuer” for Gold as per the current schedule IB.                                                                                                                                                                                | No changes were made to this item in the amendments to Regulation 28 and the limit for Gold has remained unchanged at 10% as per item 5.1(a)(i) of Schedule IB. There will be reporting on the number of issuers/entities that are non-compliant during the relevant period on fund and member levels.               |
| 67.  | ASISA    | Item 5.1(a)(ii)                                                   | The “5%” against “Other commodities” can be removed.                                                                                                                                                                                                                                                                                                                               | Please refer to the response in item 66 above.                                                                                                                                                                                                                                                                       |
| 68.  | ASISA    | Item 8.2                                                          | The ‘Foreign’ limit of 15% for hedge funds is incorrect and should be 10% as per Regulation 28.                                                                                                                                                                                                                                                                                    | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                               |
| 69.  | GIR      | Item 8.2                                                          | Limit should be 10%                                                                                                                                                                                                                                                                                                                                                                | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                               |
| 70.  | ASISA    | Items 9.1 & 9.2                                                   | The sub-category numbering is inconsistent with earlier items.                                                                                                                                                                                                                                                                                                                     | The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                                               |
| 71.  | Sentinel | Item 11                                                           | Does this include offshore/ Africa infrastructure investments                                                                                                                                                                                                                                                                                                                      | The distinction between Africa and other investments outside the Republic was removed in the amended Regulation 28 published in July 2022.                                                                                                                                                                           |
| 72.  | Sentinel | Item 11                                                           | Clarify if included in item 1-10                                                                                                                                                                                                                                                                                                                                                   | Please refer to the response in item 71 above.                                                                                                                                                                                                                                                                       |
| 73.  | Verso    | 11(a), overall limit for infrastructure across all asset classes. | Are we correct in our understanding that amounts in respect of infrastructure will only be reflected here, even if their underlying category is one under assets classes 1 – 10? This assumption is made given that the Investment Summary at Fund level (page 16) has infrastructure in its own line item 11, and the total of this table agrees to Schedule IA table just above. | Please refer to Table 2 included in the Regulation 28 amendment published in July 2022. The reporting required by the Authority is consistent with the amended Regulation 28. Also see response below.                                                                                                               |
| 74.  | ASISA    | 11(a) & 11(b)                                                     | It is proposed that this item 11 becomes a separate table for example “Table 1.3 – Overall Limits”. The columns for “Fund Level” and “Member Level” information can be removed for this table.<br><b>Table 1.3 - Overall Limits</b>                                                                                                                                                | Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the format of reporting as contained in the draft Determination.<br><br>Please refer to the amendments made to Table 1: Items 11(a) and (b) of the Determination has been removed as it is not relevant for this calculation. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                             |
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| Item                                                  | Entity | Section                | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | FSCA Response                                                                                                                                                                                                                               |
|                                                       |        |                        | <p><i>11(a) Overall limit for infrastructure across all classes (excluding debt instruments issued by, and loans to, the government of the Republic and any debt or loan guaranteed by the Republic) 45%</i></p> <p><i>11(b) Overall limit for all instruments per entity/issuer (local and or foreign) (excluding debt instruments issued by, and loans to, the government of the Republic and any debt or loan guaranteed by the Republic) 25%</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>References to infrastructure assets disclosure have been removed (item 11(a) 1 of the draft Determination) and will form part of the revised annual financial statements.</p> <p>See revised tables in draft Determination.</p>          |
| 75.                                                   | ASISA  | 11(a) & 11(b) footnote | <p>In the light of the proposals in comments 23 and 24 the footnote can be removed.</p> <p>Proposals in comments 23 and 24:</p> <p>It is proposed that this TOTAL be moved underneath item 10 – before item 11.</p> <p>It is further proposed to change the wording from “TOTAL ASSETS (Schedule IA – Total investments)” to “TOTAL ASSETS for REGULATION 28 DISCLOSURE – to reflect the same wording as “D” on page 4.</p> <p>It is proposed that this item 11 becomes a separate table for example “Table 1.3 – Overall Limits”. The columns for “Fund Level” and “Member Level” information can be removed for this table.</p> <p>Table 1.3 - Overall Limits</p> <p>11(a) Overall limit for infrastructure across all classes (excluding debt instruments issued by, and loans to, the government of the Republic and any debt or loan guaranteed by the Republic) 45%</p> <p>11(b) Overall limit for all instruments per entity/issuer (local and or foreign) (excluding debt instruments issued by, and loans to, the government of the Republic and any debt or loan guaranteed by the Republic) 25%</p> | <p>See response to comment in item 74 above as well as the amendments made to Table 1 of the draft Determination The Authority agrees. See amendments made to Table 1 of the draft Determination (once the Determination is published).</p> |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity | Section                                                         | Issue/Comment/Recommendation                                                                                                                                                                                                                                                         | FSCA Response                                                                                                                                                                                     |
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| 76.  | WTW    | Category 11(b)                                                  | Presumably the fund should report the issuer/entity to which it has the single largest exposure (on a look-through basis), aggregating across all asset types.<br><br>Note also that 11(a) and 11(b) should be numbered 10(a) and (b).                                               | See response above revised tables in draft Determination (once the Determination is published).                                                                                                   |
| 77.  | Verso  | Investment summary At Fund level Item 12                        | Is this still applicable? (assets excluded in terms of sub-regulations 3 (c) and 8(b) of Regulation 28                                                                                                                                                                               | Yes, it is still applicable (for example grandfathered policies).                                                                                                                                 |
| 78.  | ASISA  | TOTAL ASSETS (Schedule IA – Total investments                   | It is proposed that this TOTAL be moved underneath item 10 – before item 11.<br><br>It is further proposed to change the wording from “TOTAL ASSETS (Schedule IA – Total investments)” to “TOTAL ASSETS for REGULATION 28 DISCLOSURE – to reflect the same wording as “D” on page 4. | See response to comment in item 74 above as well as the amendments made to Table 1 of the draft Determination (once the Determination is published)..                                             |
| 79.  | GIR    | Total assets                                                    | Total value sum should be before section 11 – as the amount in section 11 do not form part of the overall value                                                                                                                                                                      | See response to comment in item 74 above as well as the amendments made to Table 1 of the draft Determination (once the Determination is published).                                              |
| 80.  | WTW    | “Total assets” row in table                                     | This should really balance to D in the table appearing under Table 1 earlier, not to the Schedule IA total (also noting of course that Schedule IA will not be completed on a quarterly basis)                                                                                       | Noted. See amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                           |
| 81.  | ASISA  | Investment summary                                              | Please refer comment 9 above about splitting “Africa” out from “Foreign”. (refer to Item 42)                                                                                                                                                                                         | See amended determination (once the Determination is published) and note that various tables have been deleted.<br>No distinction is made in the gazette between Africa and other foreign assets. |
| 82.  | GIR    | Investment summary                                              | Total value sum should be before category 11                                                                                                                                                                                                                                         | See amended determination (once the Determination is published) and note that various tables have been deleted.                                                                                   |
| 83.  | WTW    | Table headed “Investment Summary (Regulation 28) at Fund level” | Is it still necessary for funds to split foreign investments between “Africa” and “Foreign (excluding Africa)” in this table? The distinction between African and foreign non-African investments has been removed from the SARB limits.                                             | See amended determination (once the Determination is published).and note that various tables have been deleted.                                                                                   |
| 84.  | WTW    | Table headed “Investment Summary                                | Item 8 should simply be labelled Hedge Funds. Other assets are covered by item 10.                                                                                                                                                                                                   | See amended determination (once the Determination is published) and note that various tables have been deleted.                                                                                   |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |          |                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                 |
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| Item                                                  | Entity   | Section                                                                   | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                    | FSCA Response                                                                                                   |
|                                                       |          | (Regulation 28) at Fund level” – Item 8                                   |                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                 |
| 85.                                                   | ASISA    | Investment Summary items 11 - 13                                          | Please confirm that items 11 to 13 are excluded from the “TOTAL” as these assets are already counted in items 1 to 10?<br><br>If so, it is proposed to move the “TOTAL” to underneath item 10 - before item 11.                                                                                                                                                                                                 | See amended determination (once the Determination is published) and note that various tables have been deleted. |
| 86.                                                   | ASISA    | Investment Summary item 12                                                | Item 12 refers to – “Fair value of assets to be excluded in terms of sub-regulations 3© and (8)(b) of Regulation 28”. The reference to sub-regulation (8)(b) appears to be incorrect. The sub-regulation will deal with the reporting of infrastructure assets and will no longer deal with assets or categories of assets that may be excluded.                                                                | See amended determination (once the Determination is published) and note that various tables have been deleted. |
| 87.                                                   | Momentum | INVESTMENT SUMMARY (REGULATION 28) – AT FUND LEVEL                        | The bespoke African Allowance limit has fallen away from an exchange control perspective. Accordingly, we are not sure whether this is merely an oversight to specify reporting on African assets or whether the FSCA intentionally wish to still collect this information for statistical purposes. If it is no longer required, we propose that this report is amended to remove the African asset component. | See amended determination (once the Determination is published) and note that various tables have been deleted. |
| 88.                                                   | WTW      | Table headed “Investment Summary (Regulation 28) at Fund level” – Item 12 | The reference to Regulation 28(8)(b) should be deleted, as this has been amended and no longer applies here.                                                                                                                                                                                                                                                                                                    | See amended determination (once the Determination is published) and note that various tables have been deleted. |
| 89.                                                   | ASISA    | Table headed “Breaches in terms of Sub-regulation 3...”                   | It is suggested that the top part be removed as it is a duplication of the same data requested under Notes:                                                                                                                                                                                                                                                                                                     | See amended determination (once the Determination is published) and note that various tables have been deleted. |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item                                             | Entity | Section                                                                                                | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FSCA Response                                                                                                                                                                                                                                                                    |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
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|                                                  |        |                                                                                                        | <div><p>Overall limit for all instruments per entity/issuer (local and or foreign)<br/>(excluding debt instruments issued by, and loans to, the government of<br/>the Republic and any debt or loan guaranteed by the Republic)</p><p>List Entities exceeding 25% Counter-party exposure</p><p>1.<br/>2.<br/>3.</p><p><b>TOTAL</b> _____</p><p><b>NOTES:</b></p><p>Credit balance in current accounts must be included in item 1.<br/>If the investments exceed the limit per institution/company/individual and no exemption has<br/>been obtained, the details below must be completed for each institution/company/individual<br/>in each category of assets.</p><table><thead><tr><th>Investments in<br/>institution/company/individual</th><th>Item</th><th>% of<br/>Fair<br/>Value</th><th>Fair Value<br/>( R )</th></tr></thead><tbody><tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr><tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr><tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr><tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr><tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr></tbody></table></div> | Investments in<br>institution/company/individual                                                                                                                                                                                                                                 | Item | % of<br>Fair<br>Value | Fair Value<br>( R ) | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |  |
| Investments in<br>institution/company/individual | Item   | % of<br>Fair<br>Value                                                                                  | Fair Value<br>( R )                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                  |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| .....                                            | .....  | .....                                                                                                  | .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                  |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
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| .....                                            | .....  | .....                                                                                                  | .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                  |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| .....                                            | .....  | .....                                                                                                  | .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                  |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| 90.                                              | ASISA  | Table headed “Breaches in terms of Sub-regulation 3...”                                                | Where there is no non-compliance - must it reflect Zero or may it be left blank?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | If there is no breaches or non-compliance the online submission will “grey-out” the sections and only the asset allocations at fund level needs to be completed. See amended determination (once the Determination is published) and note that various tables have been deleted. |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| 91.                                              | ASISA  | Table headed “Breaches in terms of Sub-regulation 3...” – Asset limits in terms of sub-regulation 3(g) | Asset Limits in terms of sub-regulation 3(g) shown as a total of 15% is incorrect and should be 20% as per Regulation 28.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Noted. See amended determination (once the Determination is published) and note that various tables have been deleted.                                                                                                                                                           |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| 92.                                              | WTW    | Table headed “Breaches in terms of Sub-regulation 3...” – asset limits in terms of sub-regulation 3(g) | The limit in terms of 3(g) has been increased from 15% to 20%.<br><br>“Asset limits in terms of sub-regulation 3(h)” – there seems to be some repetition here.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | See amended determination (once the Determination is published) and note that various tables have been deleted.                                                                                                                                                                  |      |                       |                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity   | Section                                                                                                             | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FSCA Response                       |
|------|----------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 93.  | ASISA    | Table headed "Breaches in terms of Sub-regulation 3..." – asset limits in terms of sub-regulation 3(h)              | <p>Sub regulation 3(h) has been amended as follows:</p> <p><i>"The aggregate exposure by a fund per issuer or entity, in respect of all asset categories specified in Table 1, irrespective of the limits referred to in Column 1 of Table 1, must not exceed 25 per cent of the aggregate fair value of the total assets of the fund, excluding any debt instruments issued by, and loans to, the government of the Republic and any debt or loan guaranteed by the Republic."</i></p> <p>The effect of this amendment is that the limit no longer only applies in respect of South African Banks but to all asset categories. The proposed quarterly report still requires specific reporting in respect of a South African Bank. Can it be confirmed if this is merely an oversight or whether the FSCA intentionally wish to still collect the information relating to a South African Bank in isolation?</p> <p>It is noted that there is a separate requirement to provide a listing of all the entities that exceed the 25% counterparty exposure limit.</p> <p>Should the FSCA require specific reporting in respect of a South African Bank, the question is whether the report must reflect information per South African Bank or just an aggregate for South African Banks? If the report must be per South African Bank, we propose that the proposed quarterly report should be amended to reflect this intention and requirement. In addition, should exposures to South African Banks be repeated in the list of all the entities that exceed the 25% counterparty exposure limit?</p> |                                     |
| 94.  | Momentum | BREACHES IN TERMS OF SUB REGULATION 3 OF REGULATION 28 AT FUND LEVEL - Asset Limits in terms of sub-regulation 3(h) | <p>Sub regulation 3(h) have been amended as follows:</p> <p><i>"The aggregate exposure by a fund per issuer or entity, in respect of all asset categories specified in Table 1, irrespective of the limits referred to in Column 1 of Table 1, must not exceed 25 per cent of the aggregate fair value of the total assets of the fund, excluding any debt instruments issued by, and loans to, the government of the Republic and any debt or loan guaranteed by the Republic."</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Please see response directly above. |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item                    | Entity | Section                                                                       | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | FSCA Response                                                                                                                                            |
|-------------------------|--------|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
|                         |        |                                                                               | <p>The effect of this amendment was that the limit no longer only applies in respect of South African Banks but to all asset categories.</p> <p>The proposed quarterly report still requires specific reporting in respect of a South African Bank. We are not sure whether this is merely an oversight or whether the FSCA intentionally wish to still collect the information relating to a South African Bank in isolation.</p> <p>We note that there is a separate requirement to provide a listing of all the entities that exceed the 25% counterparty exposure limit.</p> <p>Should the FSCA require specific reporting in respect of a South African Bank, the question is whether the report must reflect information per South African Bank or just an aggregate for South African Banks? If the report must be per South African Bank, we propose that the proposed quarterly report should be amended to reflect this intention and requirement. In addition, should exposures to South African Banks be repeated in the list of all the entities that exceed the 25% counterparty exposure limit?</p> |                                                                                                                                                          |
| 95.                     | WTW    | Table headed "Breaches in terms of Sub-regulation 3..." – Note 2 to the table | this seems to require a further breach disclosure (at fund level) in addition to the disclosure in the main table earlier – why?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | See amended determination (once the Determination is published) and note that various tables have been deleted.                                          |
| <b>PART 2 - TABLE 2</b> |        |                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                          |
| 96.                     | ASISA  | Table 2                                                                       | <p>The requirement in the heading to list issuers/entities which exceed 5% of total assets, contradicts the wording of Regulation 28 which requires a listing of the Top 20 holdings in respect of infrastructure to be included.</p> <p>The FSCA is further requested to confirm the understanding of ASISA members that only the Top 20 infrastructure holdings are listed across all categories of assets, and against the respective category for each of those holdings.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the Determination and will be used for annual reporting purposes. |
| 97.                     | ASISA  | Table 2                                                                       | Clarity is required whether the infrastructure assets to be reported in this table should be infrastructure assets, <u>including</u> , OR <u>excluding</u> those "issued by, and any loans to, the government of                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | See response to comment in item 96 above.                                                                                                                |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                           |
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| Item                                                  | Entity   | Section        | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | FSCA Response                             |
|                                                       |          |                | <p><i>the Republic, and any debt or loans guaranteed by the Republic</i>". Item 2.1 indicates that debt instruments include those "<i>issued by, and any loans to, the government of the Republic, and any debt or loans guaranteed by the Republic</i>" but in the Total, those are excluded.</p> <p>Irrespective of the intention of what infrastructure assets should be reported on, it is suggested that the proposed quarterly report makes the intended requirements clear to avoid any misunderstandings.</p>                                                                                                                                                                                                                                                               |                                           |
| 98.                                                   | ASISA    | Table 2        | <p>It is noted that the fourth column in Table 2 of the Draft Standard Regulation 28 Quarterly Reporting Requirements does not align with the fourth column in the Table 2 of Regulation 28.</p> <p>Clarity is required whether the TOTAL required in the fourth column in Table 2 refers to the aggregate total of the particular category of assets. If so, it is proposed that the quarterly report makes it clear what information is required to avoid any misunderstandings</p>                                                                                                                                                                                                                                                                                               | See response to comment in item 96 above. |
| 99.                                                   | ASISA    | Table 2        | <p>a) Is Table 2 required on a look through basis or is the requirement for "direct" infrastructure – clarity of the expected reporting requirement for this table should be provided in the heading of the table.</p> <p>b) In respect of look through required in relation to identification of Infrastructure assets: does this mean that for the Schedule IB, it is not required to look through a hedge or private equity fund, but for Infrastructure holdings report, look through would be required for a hedge or private equity fund only to identify any infrastructure investment that meets the minimum issuer exposure requirement (5%)?</p> <p>c) Does the <i>de minimus</i> rule apply for hedge or private equity funds that have an exposure of less than 5%?</p> | See response to comment in item 96 above. |
| 100.                                                  | Sentinel | Part 2         | Is this only SA infrastructure? Item 11 refers to rest of Africa. Does items 1-10 include offshore infrastructure investments ex Africa                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | See response to comment in item 96 above. |
| 101.                                                  | Verso    | Part 2 Table 2 | The total makes reference to <b>direct</b> infrastructure. Is this table only applicable if a fund has invested directly in infrastructure? This will in most cases, for the funds under administration, not be                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | See response to comment in item 96 above. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |          |                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                           |
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| Item                                                  | Entity   | Section                                                                            | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FSCA Response                             |
|                                                       |          |                                                                                    | applicable as they don't invest directly in segregated investments or investments outside of insurance policies and/or collective investment schemes. Or is this total to agree to 11(a) and 11. of Fund level summary under Table 1? (In which case indirect investments will be listed here).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                           |
| 102.                                                  | WTW      | Infrastructure Assets                                                              | <p>We assume that funds should list total infrastructure investments per category, <u>and</u> any issuers/entities to which the fund has more than 5% exposure.</p> <p>We comment that the definition of "infrastructure" in the amended Regulation 28 is possibly too broad – the regulator needs to clarify whether (for example) MTN or Telkom shares meet the definition <i>"any asset that has or operates with a primary objective of developing, constructing and/or maintaining physical assets and technology structures and systems for the provision of utilities, services or facilities for the economy, businesses, or the public"</i> (surely the answer is Yes?) – otherwise there will be inconsistencies in the way funds report under this table.</p>                                                                                                                                                                                                                                                                                                                                                   | See response to comment in item 96 above. |
| 103.                                                  | Momentum | AT FUND LEVEL ONLY AS AT QUARTER ... REPORTING IN RESPECT OF INFRASTRUCTURE ASSETS | <p>The requirement is to only list issuers/entities which exceeds 5% of total assets. We require clarity as to whether the same arrangement that applies in terms of Part 1, Table 1, will apply here as well. In other words: Is it the intention that only infrastructure issuers/entities which exceeds 5% of total assets must be reported or should a separate line item aggregating all infrastructure investments that fall below this threshold be included as well?</p> <p>In addition, it is not clear whether the infrastructure assets to be reported in this table should be limited to only "private" infrastructure assets or all infrastructure assets including those issued by, and any loans to, the government of the Republic, and any debt or loans guaranteed by the Republic. The total at the bottom of the table seems to suggest that only "private" infrastructure assets should be reported here. We require clarity in this regard as well.</p> <p>Irrespective of the intention of what infrastructure assets should be reported on, we suggest that the proposed quarterly report make</p> | See response to comment in item 96 above. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                          |
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| Item                                                  | Entity | Section                                                                                       | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | FSCA Response                                                                                                                                            |
|                                                       |        |                                                                                               | <p>the intended requirements clear in order to avoid any misunderstandings.</p> <p>The fourth column in the table require a total to be provided. We require clarity as to whether this total refer to the aggregate total of the particular category of assets. If so, we propose that the proposed quarterly report make it clear what information are required in order to avoid any misunderstandings.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                          |
| 104.                                                  | GIR    | Item 2.1                                                                                      | Should be excluded as 2.1 does not form part of overall value. Our interpretation is that the Table 2 is a breakdown of the values in Table 1, section 11 with a limit of 45%. Therefore including 2.1 will increase the total value in Table 2 and will not correspond to Section 11.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | See response to comment in item 96 above.                                                                                                                |
| 105.                                                  | GIR    | Item 2.11                                                                                     | Should be excluded as local, foreign and Africa values will be included in asset sections. To split out “Africa” only would be labour and time consuming.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | See response to comment in item 96 above.                                                                                                                |
| PART 3 - TABLE 3                                      |        |                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                          |
| 106.                                                  | ASISA  | <b>PART 3</b><br>Reporting in respect of Environmental Social and Governance (ESG)<br>Table 3 | <p>ESG considerations are complex and important, but it is proposed that the entire Table 3 is withdrawn from the quarterly reporting requirements and for the FSCA to follow a separate consultation process regarding any possible ESG reporting. This is motivated by the following:</p> <p>a) Members’ interpretation and view are that this reporting requirement stems from the Investment Policy Statement of an occupational (pension / provident) retirement fund and is aimed at funds that have their own bespoke investment portfolio(s). This reporting requirement will be very challenging for retail retirement funds in the member’s choice environment where the choice of the member’s underlying investments is at the member’s discretion within the confines of the list of underlying investments (usually CIS portfolios) made available to the member to choose from.</p> <p>Should it be the expectation that this reporting requirement be applicable to the retail retirement fund member’s choice environment, meeting the deadline for the first reports by 30</p> | Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the Determination and will be used for annual reporting purposes. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |               |
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| Item                                                  | Entity | Section | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FSCA Response |
|                                                       |        |         | <p>September 2023, will be challenging as the amendments to Regulation 28 have placed a substantial additional burden on retirement funds and their service providers, both in terms of compliance and reporting while unresolved issues remain.</p> <p>b) The FSCA is treating this draft Standard as an urgent regulatory instrument which is based on the fact that the amendments to Regulation 28 come into effect on 3 January 2023. However, these amendments do not deal with ESG issues and as such there are no grounds or urgency for the inclusion of ESG provisions in the draft Standard. It further does not fit into “exception reporting”.</p> <p>c) The Prudential Standard is made in terms of Regulation 28(8)(a) which stipulate that the Regulator:<br/> <i>“may prescribe the format, content and any other particulars in respect of the disclosure of compliance with this regulation.”</i></p> <p>The question arises as to what extent this provision empowers the FSCA to prescribe requirements relating to the disclosure of ESG information.</p> <p>d) There are two references to ESG in the Regulation which are set out below:</p> <p><b>Preamble</b><br/> <i>“A fund has a fiduciary duty to act in the best interest of its members whose benefits depend on the responsible management of fund assets. This duty supports the adoption of a responsible investment approach to deploying capital into markets that will earn adequate risk adjusted returns suitable for the fund's specific member profile, liquidity needs and liabilities. Prudent investing should give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund's assets, including factors of an environmental, social and governance character. This concept applies across all assets and</i></p> |               |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |               |
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| Item                                                  | Entity | Section | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | FSCA Response |
|                                                       |        |         | <p><i>categories of assets and should promote the interests of a fund in a stable and transparent environment.”</i></p> <p><b>Regulation 28(2)(c):</b></p> <p><i>“(c) A fund and its board must at all times apply the following principles: -</i></p> <p><i>... (ix) before making an investment in and while invested in an asset consider any factor which may materially affect the sustainable long-term performance of the asset including, but not limited to, those of an environmental, social and governance character.”</i></p> <p>These provisions require a fund to consider ESG factors when investing. The question arises whether this allows to prescribe such detailed disclosure/reporting requirements relating to ESG - which go well beyond demonstrating that a fund gives appropriate consideration to ESG factors, under Regulation 28(8)(a).</p> <p>e) There is no evidence that compliance with section 98 or 99 of the FSR Act with regard to these ESG requirements “is likely to lead to prejudice to financial customers or harm to the financial system or defeat the object of the proposed regulatory instrument”. These reporting requirements should therefore be dealt with in a separate process that follows the normal procedures set out in these sections.</p> <p>f) Regulation 28(2)(c)(ix) requires: “A fund and its board must at all times apply the following principles: “(ix) before making an investment in and while invested in an asset consider any factor which may materially affect the sustainable long-term performance of the asset including, but not limited to, those of an environmental, social and governance character.”</p> |               |

## SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

| Item | Entity | Section | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | FSCA Response |
|------|--------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
|      |        |         | <p>Provided the board has considered all these material factors, there are no prescribed minimum or maximum limits on ESG investments. It is suggested that all the qualitative and quantitative reporting on ESG investments rather be limited to disclosures in the annual financial statements.</p> <p>The content in the proposed ESG tables requires clarification – the following list of questions/comments are not complete, but serve as an indication of the work required before any development can start:</p> <p>a) It is challenging to apply suitable classification criterion for ESG assets in the absence of suitable guidance to allow a uniform approach for the industry. This include the interpretation of several terms associated with infrastructure and ESG investments - for example determining whether investments should be classified as:</p> <ul style="list-style-type: none"> <li>• “green assets”,</li> <li>• “exposed to coal”,</li> <li>• coal mining,</li> <li>• coal logistics,</li> <li>• coal-fired power plants.</li> </ul> <p>b) Refer the question "<i>Did the fund align with Sustainable Development Goals (SDGs) in some way?</i>" - where is "Sustainable Development Goals" defined?</p> <p>c) What is an Active Ownership policy?</p> <p>d) An investment in USREG as opposed to SOGEG – will there always be certainty?</p> <p>e) Are exposures limited to direct exposure?</p> <p>f) Are there any materiality thresholds?</p> <p>g) It is difficult to give yes or no answers to some questions and answers will generally only change occasionally.</p> |               |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                              |
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| Item                                                  | Entity | Section           | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FSCA Response                |
|                                                       |        |                   | <p>h) It is difficult isolating top 3 categories of ESG assets and classifying those as suggested.</p> <p>i) This information is not always readily available and could be time consuming to extract from the source.</p> <p>j) ESG investment is strategic and would not really change on a quarterly basis.</p> <p>k) What is the value of speculative questions like the following:</p> <ul style="list-style-type: none"> <li>• <i>“Would the fund be willing to commit to increasing allocation to green and climate focused investments?”</i></li> <li>• <i>“Would the fund be willing to commit to increasing allocation to investment with positive social impact?”</i></li> </ul> <p>What is appropriate for a fund to commit to, depends on what is in the best interests of its members. If a fund already has sufficient green or positive social impact investments, increasing its allocation to these may not be in the best interests of members.</p> |                              |
| 107.                                                  | GIR    | Part 3. ESG Table | Although we agree with the requirement for ESG disclosures, we believe the requirement to disclose at the granular level may be difficult and lead to multiple interpretations. We suggest using data sectors that would be available from vendors. Items such as Electric Vehicles (EV) is difficult to classify as there are only a handful of exclusive EV manufacturers, while most other manufacturers have EV vehicles, so not sure how this would need to be disclosed in the report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | See response directly above. |
| 108.                                                  | IFRA   | Part 3            | The governance return is supported in principle. However, further engagement is required to ensure that there is adequate consultation on the Environmental, Social and Governance (ESG) and green financing and related frameworks to be utilised. Alignment with other initiatives that support and promote ESG principles and other forms of responsible investing should be considered. An example of this is the recently revised Code for Responsible Investing in South Africa (CRISA 2) which is supported by many South African retirement funds. In addition to                                                                                                                                                                                                                                                                                                                                                                                             | See response directly above. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |          |                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                              |
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| Item                                                  | Entity   | Section                                                                                                | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | FSCA Response                |
|                                                       |          |                                                                                                        | <p>this there are many larger retirement funds in South Africa that also signatories of the United Nations supported Principles for Responsible Investing (UNPRI). The proposal is that this return be delayed until such time as broader consensus on the most appropriate reporting is reached to allow retirement funds to be adequately prepared, resourced and capacitated.</p> <p>References to specific investment themes or instruments should also be reconsidered based on the engagements on the principles and frameworks. This to allow for more broader recognition of investment instruments that may potentially align with the ESG and other frameworks.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                              |
| 109.                                                  | Momentum | At Fund Level Only as at Quarter ... Reporting in respect of Environmental Social and Governance (ESG) | <p>Our interpretation and view are that this reporting requirement stems from the Investment Policy Statement of an occupational (pension / provident) retirement fund and is aimed at funds that have their own bespoke investment portfolio(s). This reporting requirement will be very challenging for retail retirement funds in the member's choice environment where the choice of the member's underlying investments is at the member's discretion within the confines of the list of underlying investments (usually CIS portfolios) made available to the member to choose from.</p> <p>1<sup>st</sup> table: There is a question mark missing in second last question on the bottom of page 22.</p> <p>2<sup>nd</sup> table: As alluded to above, in the retail retirement fund member's choice environment, this reporting requirement would be very challenging and not practical at this time. This type of reporting will require significant development once the current challenge of finding suitable data sources for the relevant information that will enable the identification and classification of assets that will meet each of the ESG asset categories as listed in the proposed quarterly report.</p> <p>As is the case with infrastructure assets, it remains a challenge to apply suitable classification criterion for ESG assets in the absence of suitable guidance to allow for a uniform approach for</p> | See response directly above. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |        |                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                              |
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| Item                                                  | Entity | Section                     | Issue/Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FSCA Response                |
|                                                       |        |                             | <p>the industry. For example, how does one determine the difference between a Social Bond and a Sustainability Bond and what must be done in a situation where an asset may qualify to be classified as both a Social Bond and a Sustainability Bond? In addition, how should potential double counting be dealt with where some of these classifications may overlap?</p> <p>Should it be the expectation that this reporting requirement will be applicable to the retail retirement fund member's choice environment, meeting the deadline for the first reports to be submitted to the FSCA by 30 September 2023, will be challenging for the reasons provided above. We propose that under these circumstances this reporting requirement should be on a best effort basis until such time that the data challenges can be suitably addressed as well as some form of guidance become available that could give direction as to a universal approach to the classification and reporting of ESG and Infrastructure assets.</p>                     |                              |
| 110.                                                  | WTW    | Reporting in respect of ESG | <p>Requiring only Yes/No answers to the questions posed is too restrictive. We suggest that there should be a "Maybe" option, with space for funds to comment. And we see no benefit in asking funds to answer these questions on a quarterly basis (once per year should surely be sufficient).</p> <p>The table with 12 separate columns for various investment categories makes no sense in relation to the questions posed – e.g. one question is "What is the amount of the fund's exposure to coal?" How and where are funds supposed to answer this, given the 12 labelled boxes? The table and the questions need to be re-worked.</p> <p>The regulator will need to give guidance as to what is meant by "indirect exposure to coal". (E.g., since the national Government is providing ESKOM with funding at this point, investing in RSA Government bonds could be regarded as "indirect exposure to coal".) In fact, overall, we would question whether there is any benefit from asking funds to provide information on anything other</p> | See response directly above. |

| SECTION B – COMMENTS ON THE DRAFT PRUDENTIAL STANDARD |          |                                                                                           |                                                                                                                      |                              |
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| Item                                                  | Entity   | Section                                                                                   | Issue/Comment/Recommendation                                                                                         | FSCA Response                |
|                                                       |          |                                                                                           | than <u>direct</u> exposure to “coal” and to any of the “green” assets listed – guidance should be provided on this. |                              |
| 111.                                                  | Sentinel | Question: What is the amount of the fund’s exposure to coal (includes indirect exposure)? | How would a listed coal mining be classified, i.e. Exxaro? Not sure it should be classified as infrastructure?       | See response directly above. |
| 112.                                                  | Verso    | Second table of questions- first and second question                                      | How is this to be answered – do we just mark with an “X”?                                                            | See response directly above. |
| 113.                                                  | Verso    | Second table of questions- third question                                                 | How is this to be answered – must it be a rand value or a percentage, and under what column should it be shown?      | See response directly above. |
| 114.                                                  | Verso    | Second table of questions- fourth question                                                | How is this to be answered – must it be a rand value or a percentage.                                                | See response directly above. |

| SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD |                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| Entity                                                                              | Question                                                                                                                                      | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                            | FSCA Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| ASISA                                                                               | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | <p>Yes, the expectation is that it will impose additional cost. However, the cost could only be quantified once all of the requirements are clarified, development is completed, and reporting is implemented. Reporting on infrastructure investments, possibly on ESG investments and a higher-level of detail, will all contribute to the expected increase in cost.</p> <p>The increase in cost will however be different for each member.</p> | <p>Noted. However, see revised approach as reflected in the draft Prudential Standard and explanation in the Statement of Need. We are of the view that the removal of the requirement for all funds to to report on assets held in compliance with Regulation 28 will alleviate any potential cost concerns.</p> <p>Also note that Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the Determination and will be used for annual reporting purposes.</p> |
| GIR                                                                                 | Will the Prudential Standard impose additional compliance costs on the                                                                        | Yes, compliance costs will increase due to the additional data requirements to classify instruments for infrastructure and ESG. The costs will be shared by all clients, which will make this more affordable                                                                                                                                                                                                                                      | See response directly above.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity   | Question                                                                                                                                      | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | FSCA Response                |
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|          | business? If yes, please provide details including the expected costs.                                                                        | for outsourced clients. Estimated cost increase of 25%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                              |
| IFRA     | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | Yes, the reason for this is that retirement funds are in the planning phase at present based on the reporting requirement contained in this draft Standard. Further, until such time as there is certainty on all the reporting requirements it is difficult for retirement funds to engage with all relevant parties to negotiate the final costs for the additional reporting. The reporting on ESG and green finance based investments also introduces an additional reporting requirement still needs to be assessed to adequately understand the potential impact on costs.                                                                                                                                                                                                                                                                              | See response directly above. |
| Macsteel | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | Yes.<br><br>We were not allowed adequate time to obtain firm details of the expected additional costs. These costs can only be ascertained once some of the requirements as per the draft reporting standards have been clarified.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | See response directly above. |
| Momentum | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | Yes, At this time it is not possible to provide exact costs but as a rough estimate, we estimate that the additional cost to the business may be around 0.1% of assets which may unfortunately ultimately lead to a reduction to a member's eventual retirement benefit by a few % points over time.<br><br>The costs of sourcing ESG information on assets from MSCI (which is not a 100% coverage) would amount to a total cost of approximately USD 146 500.00 per year.<br><br>There are also the opportunity costs associated with placing potential cost saving projects on hold in favour of the urgent developments required to ensure compliance to this prudential standard.<br><br>In addition to the above, there may also be cost associated with other processes which may need to be aligned, i.e., factsheets, quarterly client reports, etc. | See response directly above. |
| OUTvest  | Will the Prudential Standard impose additional compliance costs on the                                                                        | Yes. We are of the opinion that these requirements, could require additional time, resources and effort in respect of compliance due to additional engagements with the different asset managers, which in turn                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | See response directly above. |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity        | Question                                                                                                                                      | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | FSCA Response                             |
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|               | business? If yes, please provide details including the expected costs.                                                                        | increases the cost of compliance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                           |
| PetroSA       | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | Yes, this would have to be determined, depending on the requirements and the required frequency of reporting as per the final Prudential Standard, but it will certainly mean that a fund administrator and asset manager would have to do more work and would therefore charge more fees to perform this additional compliance function.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | See response directly above.              |
| PPS           | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | Yes, these costs are at present difficult to quantify as it impacts multiple entities within our business operations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | See response directly above.              |
| Standard Bank | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | We believe so but cannot elaborate given that we have not been able to obtain this feedback from service providers.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Noted.                                    |
| Verso         | Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs. | Yes, previously these details were required 1 x per annum at year-end of the fund, and in many cases, the fund's investments were all invested in insurance policies and/or collective investment schemes, this being exempt from further disclosure in Schedule IB, and this level of detail was not required. This will now be required 4x per annum, at a detailed level across all funds (bearing in mind, that this was not a requirement for certain funds as mentioned above), resulting in a lot of additional time being spent. This cannot realistically be expect to be be carried under the existing functions in terms of the current Service Level Agreements, resulting in additional costs to be carried by the retirement funds (additional resourcing may be required) and ultimately this will affect the costs paid by the fund members. | See first response above under Section C. |
| WTW           | Will the Prudential Standard impose additional compliance costs on the business? If yes, please                                               | We interpret the question as, "Will the Prudential Standard impose additional compliance costs on <u>retirement funds</u> ?"<br><br>The answer is undoubtedly Yes, it will.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | See response directly above.              |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity | Question                                                                                                 | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FSCA Response                |
|--------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
|        | provide details including the expected costs.                                                            | <p>There may be some funds whose investment administrators are already collecting on quarterly (or even monthly) basis most of the look-through data required to compile Schedule IB-type reporting. Some additional data will be needed to complete the new Infrastructure table and the ESG / “green” disclosures. In such cases, the additional costs for the quarterly reporting required by this standard MAY be relatively small – some of the investment administrators may have made their own submissions on this.</p> <p>There will however be numerous funds that do not collect all this data on a quarterly basis. They will need to contract with some competent party – fund administrator/accountant, investment administrator, or investment consultant – to do so and to compile the quarterly returns. In such cases we estimate that funds will end up carrying an additional recurring cost of between R 200 000 and R 500 000 per year, depending on the complexity of their investment arrangements, and possibly also some once-off costs to set up the processes required to do this.</p> |                              |
| ASISA  | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | <p>There will be an increase in operational costs related to data collection, data classification and the production of reports. However, the cost could only be quantified once all the requirements are clarified, and the detail required is implemented.</p> <p>If it is required to still report quarterly, even if there is NO non-compliance, it will also add to the operational cost.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | See response directly above. |
| GIR    | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | The changes will require further development of the systems (at no cost to clients) but we will have to increase staff resources to process data and check reports.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | See response directly above. |
| IFRA   | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | Yes, the reason for this is that retirement funds are in the planning phase at present based on the reporting requirement contained in this draft Standard. Further, until such time as there is certainty on all the reporting requirements it is difficult for retirement funds to engage with all relevant parties to negotiate the final costs for the additional reporting. The reporting on ESG and green finance based investments also introduces an additional reporting requirement still needs to be assessed to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | See response directly above. |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity        | Question                                                                                                 | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                        | FSCA Response                                                  |
|---------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
|               |                                                                                                          | adequately understand the potential impact on costs.                                                                                                                                                                                                                                                                                                                                                                                           |                                                                |
| Macsteel      | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | The operational cost of the Funds will increase. It is expected that there will be increased costs related to data collection, data classification and production of reports.                                                                                                                                                                                                                                                                  | See response directly above.                                   |
| Momentum      | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | We believe that the prudential standard will cause a permanent increase in operational cost in the long term.                                                                                                                                                                                                                                                                                                                                  | See response directly above.                                   |
| OUTvest       | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | It will increase the operational cost of the business as a result of the increased reporting requirements, compliance review, management scrutiny and systems development involved                                                                                                                                                                                                                                                             | See response directly above.                                   |
| PetroSA       | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | Not in a positive way.                                                                                                                                                                                                                                                                                                                                                                                                                         | Noted. However, more context and insight would be appreciated. |
| PPS           | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | Development and implementation costs to ensure systems are appropriately updated.                                                                                                                                                                                                                                                                                                                                                              | See first response above under Section C.                      |
| Standard Bank | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | We believe this may have a negative impact on costs, however, cannot give details given that we have not been able to obtain this feedback from service providers.                                                                                                                                                                                                                                                                             | Noted.                                                         |
| Verso         | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all? | Yes, previously these details were required 1 x per annum at year-end of the fund, and in many cases, the fund's investments were all invested in insurance policies and/or collective investment schemes, this being exempt from further disclosure in Schedule IB, and this level of detail was not required. This will now be required 4x per annum, at a detailed level across all funds (bearing in mind, that this was not a requirement | See first response above under Section C.                      |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity | Question                                                                                                                                                                             | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FSCA Response                                                                     |
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|        |                                                                                                                                                                                      | for certain funds as mentioned above), resulting in a lot of additional time being spent. This cannot realistically be expected to be carried under the existing functions in terms of the current Service Level Agreements, resulting in additional costs to be carried by the retirement funds (additional resourcing may be required) and ultimately this will affect the costs paid by the fund members.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                   |
| WTW    | How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all?                                                                             | <p>We interpret the question as, “Will the Prudential Standard impose additional compliance costs on <u>retirement funds</u>?”</p> <p>The answer is undoubtedly Yes, it will.</p> <p>There may be some funds whose investment administrators are already collecting on quarterly (or even monthly) basis most of the look-through data required to compile Schedule IB-type reporting. Some additional data will be needed to complete the new Infrastructure table and the ESG / “green” disclosures. In such cases, the additional costs for the quarterly reporting required by this standard MAY be relatively small – some of the investment administrators may have made their own submissions on this.</p> <p>There will however be numerous funds that do not collect all this data on a quarterly basis. They will need to contract with some competent party – fund administrator/accountant, investment administrator, or investment consultant – to do so and to compile the quarterly returns. In such cases we estimate that funds will end up carrying an additional recurring cost of between R 200 000 and R 500 000 per year, depending on the complexity of their investment arrangements, and possibly also some once-off costs to set up the processes required to do this.</p> | See response directly above.                                                      |
| ASISA  | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that | <p>There is a concern regarding guaranteed portfolios that policies might/could be terminated if “look through” is required.</p> <p>Refer comment under “ANY OTHER GENERAL COMMENTS”</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Further context is required before we can respond to this in a meaningful manner. |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity   | Question                                                                                                                                                                                                              | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | FSCA Response                                                                                                                       |
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|          | will lead to such a termination.                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                     |
| GIR      | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that will lead to such a termination. | No. It should increase the number of clients that are looking for an independent, outsourced regulatory reporting service provider and would be an opportunity for GIR.                                                                                                                                                                                                                                                                                                   | Noted.                                                                                                                              |
| IFRA     | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that will lead to such a termination. | It may where an investment manager or product provider is unable to provide the reporting required (however it is acknowledged that exemptions could be obtained in terms of regulation 28(9) for a period to allow for the required reporting to be developed). It is for this reason that we would request that the criteria for exemptions under regulation 28(9) be published with this Standard to allow retirement funds to assess the potential impact adequately. | Please note that no criteria for exemption will be published in this regard. Each application will be considered on its own merits. |
| Macsteel | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that will lead to such a termination. | Uncertain.                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Noted.                                                                                                                              |
| OUTvest  | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and                                                                                                           | We are unable to provide feedback on this question as this cannot be determined at this point in time.                                                                                                                                                                                                                                                                                                                                                                    | Noted.                                                                                                                              |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity        | Question                                                                                                                                                                                                              | Comment                                                                                                                                                                                              | FSCA Response |
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|               | make reference to specific aspects of the draft Prudential Standard that will lead to such a termination.                                                                                                             |                                                                                                                                                                                                      |               |
| Standard Bank | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that will lead to such a termination. | Uncertain.                                                                                                                                                                                           | Noted.        |
| Verso         | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that will lead to such a termination. | Not that we are aware of.                                                                                                                                                                            | Noted.        |
| WTW           | Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that will lead to such a termination. | <p>We interpret the question as, “Will the Prudential Standard result in the termination of <b>retirement funds</b>?”</p> <p>We don't know (but this may accelerate the move to umbrella funds).</p> | Noted.        |
|               |                                                                                                                                                                                                                       |                                                                                                                                                                                                      |               |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity        | Question                                                                                                                      | Comment                                                                                                                                                  | FSCA Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| ASISA         | If the answer to question 3 is yes, how many arrangements will be impacted and what is the expected cost implication thereof? | This is unknown – the view of members is that a general exemption should be granted to insurers who underwrite guaranteed (partially or fully) policies. | Noted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| IFRA          | If the answer to question 3 is yes, how many arrangements will be impacted and what is the expected cost implication thereof? | The cost estimate can only be adequately assessed once the basis for exemption in terms of regulation 28(9) is available.                                | Noted, although we do not necessarily entirely agree. As mentioned above, exemptions will be considered on a case by case basis and we will not be issuing exemption criteria. Further, the envisaged cost implications of the Standard should not be based on the possibility of exemptions. The potential cost implications should be assessed in the context of the reporting requirements set out in the Standard and related Determination, which provides further context. |
| Macsteel      | If the answer to question 3 is yes, how many arrangements will be impacted and what is the expected cost implication thereof? | Uncertain.                                                                                                                                               | Noted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| OUTvest       | If the answer to question 3 is yes, how many arrangements will be impacted and what is the expected cost implication thereof? | We are unable to provide feedback on this question as this cannot be determined at this point in time.                                                   | Noted, although we do not necessarily agree. Please see responses above regarding the estimation of costs.                                                                                                                                                                                                                                                                                                                                                                       |
| Standard Bank | If the answer to question 3 is yes, how many arrangements will be impacted and what is the expected cost implication thereof? | Unsure.                                                                                                                                                  | Noted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| WTW           | If the answer to question 3 is yes, how many arrangements will be                                                             | We don't know (but this may accelerate the move to umbrella funds).                                                                                      | Noted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity | Question                                                                                                                                                                                                                                                                                                         | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | FSCA Response                                                                                                                                                                           |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|        | impacted and what is the expected cost implication thereof?                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                         |
| AFS    | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard? (Please provide a justification for your response and details on timeframes to comply with the relevant section) | <p>The draft Prudential Standard proposes that a fund must complete all fields of the quarterly report and must submit the quarterly report to the Authority, for the first quarter ending 31 March 2023 on or before 30 September 2023.</p> <p>Whilst it is acknowledged that it is imperative that the quarterly reports take into account the Regulation 28 amendments which come into effect on 3 January 2023 and that the urgent publication of the new quarterly reports will promote legal certainty by ensuring that pension funds know exactly which information is required and in what format the information must be submitted to the Authority, it is submitted that funds be given sufficient time (which would entail the updating of management information systems and reporting processes in accordance with the requirements set out in the new quarterly reports) to transition from the current reporting to the new reporting as envisaged by the draft Prudential Standard.</p> <p>To give effect to this, the Authority is requested to consider a proposal that requires funds to provide reports for first three quarters in 2023 to the Authority on or before 31 December 2023, whilst continuing to submit quarterly reports in the current format. Through this approach, the Authority will continue to obtain information whilst affording funds adequate time to arrange themselves internally to provide information in accordance with the new quarterly reporting as envisaged in the draft Prudential Standard.</p> | See revised approach in draft Prudential Standard and explanation in the Statement of Need. This should address the concern raised.                                                     |
| ASISA  | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard? (Please provide a                                                                                                | There are significant challenges in implementing the requirements in respect of the definition of infrastructure (divergence of potential interpretation of the definition of infrastructure), the holding of hedge funds within offshore pooled vehicles, and the full look through requirement on CIS and pooled funds which require substantial new reporting. Whilst efforts are being made to set up reporting detail as required, certain elements require clarity and are making the 3 January 2023 compliance deadline difficult to achieve. It would be preferable to wave the 30 March 2023 reporting requirement or to follow a phased                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | See response directly above.<br>Tables 2 and 3, relating to reporting on infrastructure and ESG has been removed from the Determination and will be used for annual reporting purposes. |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity   | Question                                                                                                                                                                                                                                                                                                         | Comment                                                                                                                                                                                                                                  | FSCA Response                                                                                                                                                                                |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|          | justification for your response and details on timeframes to comply with the relevant section)                                                                                                                                                                                                                   | <p>approach as proposed under “<b>3. FREQUENCY AND MANNER OF REPORTING</b>”.</p> <p>The projected development timeline required, is about 6 months from the publication of the final Regulation 28 Quarterly Reporting Requirements.</p> |                                                                                                                                                                                              |
| GIR      | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard? (Please provide a justification for your response and details on timeframes to comply with the relevant section) | We need to source, test and price ESG data for reporting. The extended timeline for reporting is sufficient to prepare for the new reporting requirements.                                                                               | See response directly above.                                                                                                                                                                 |
| IFRA     | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard? (Please provide a justification for your response and details on timeframes to comply with the relevant section) | <p>Please refer Section B points 5 and 9.</p> <p>See items 11 and 108.</p>                                                                                                                                                               | Please see response to those comments above.                                                                                                                                                 |
| Macsteel | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements                                                                                                                                                                                   | We propose that the reporting envisaged by the Prudential Standard be required on an annual rather than a quarterly basis.                                                                                                               | Disagree. However, quarterly reporting on assets held in compliance with Regulation 28 has been removed from this Prudential Standard and will be consulted on in a new Prudential Standard. |

## SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity   | Question                                                                                                                                                                                                                                                                                                            | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | FSCA Response                                                                                                                                                                                               |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|          | do you propose and for which section of the Prudential Standard?<br>(Please provide a justification for your response and details on timeframes to comply with the relevant section)                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                             |
| Momentum | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard?<br>(Please provide a justification for your response and details on timeframes to comply with the relevant section) | <p>Yes, more time and clarity specifically on guidance for the classification and reporting of infrastructure and ESG investments.</p> <p>In addition, there may be some administrators about to, or already in the process to, engage in re-platforming exercises. Consideration should be given to allow for some form of interim relief for these administrators to avoid the doubling of costs to first update their legacy system and then to also update the future platform simultaneously.</p> <p>It is quite challenging to determine a reasonable transitional time due to so many variable factors that will influence the time necessary to ensure full compliance. In our view, it may take quite some time for difficulties with regard to the classification of Infrastructure as well as ESG assets to be adequately addressed and developed. For this reason, we believe that a transitional period of at least 24 months may be required to allow for full compliance.</p> | Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the Determination. Also, see approach reflected in the Prudential Standard and explanation in the Statement of Need. |
| OUTvest  | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard?<br>(Please provide a justification for your response and details on timeframes to comply with the relevant section) | <p>We foresee that numerous transitional arrangements will be required that can only be confirmed once the requirement is being implemented. In our case we would rely on our asset management partners to improve their reporting requirements to be able to provide us with the information needed. We will need to increase scrutiny, train up internal resources, improve compliance oversight, time at the board meeting to discuss the report. Whilst the systems development will be minor in this scenario, should the fund change the investment arrangements the system development to collate the reporting will be increased dramatically.</p>                                                                                                                                                                                                                                                                                                                                   | See revised approach reflected in the Prudential Standard and explanation in the Statement of Need.                                                                                                         |

### SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

| Entity        | Question                                                                                                                                                                                                                                                                                                         | Comment                                                                                                                                                             | FSCA Response                       |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Standard Bank | Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard? (Please provide a justification for your response and details on timeframes to comply with the relevant section) | Uncertain as we would require this feedback from our service providers and asset managers and have not been able to obtain any feedback within the short timeframe. | Noted. See response directly above. |

### SECTION D - GENERAL COMMENTS

| Entity                                   | Question                                                                                                                                           | Response                                                                                                                                                                                                                                                                                        | FSCA Response                                                                                                                                                                                                                                                                                    |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>FORMAT OF THE PRUDENTIAL STANDARD</b> |                                                                                                                                                    |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                  |
| ASISA                                    | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | No, the format is not user friendly and the flow of the tables confusing. There further is uncertainty about many of the new requirements, as indicated in the comments, and which require clarity.<br><br>Please consider the suggestions made in the comments regarding the different Tables. | Please see amendments made to Table 1 in the draft Determination See amended determination (once the Determination is published). Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the draft Determination and will be used for annual reporting purposes. |
| GIR                                      | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | Yes, the format allows for complete disclosure at fund and member level which is easy to interpret and understand, although we do need clarification on some of the requirements as detailed above.                                                                                             | Noted.                                                                                                                                                                                                                                                                                           |

## SECTION D - GENERAL COMMENTS

| Entity   | Question                                                                                                                                           | Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | FSCA Response                                                                                                                                                                                                                                                          |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRA     | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | Table 3 – please refer to comments under Section B point 9. It is proposed that the reporting should be based on the outcomes of the engagements.<br><br>See item 108.                                                                                                                                                                                                                                                                                                                                                                                                     | Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the draft Determination. In addition, if there are no breaches, only holdings need to be reported.                                                                              |
| Macsteel | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | No, it is not simple to understand.<br>There is also lack of clarity around what is defined as infrastructure assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Please see amendments made to Table 1 of the draft Determination. Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the draft Determination and will be used for annual reporting purposes.                                       |
| Momentum | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | No, very confusing. The draft annual reporting standard is a slightly friendlier version.<br><br>Better guidance is needed to understand exactly what information is required and in what format. Examples may go a long way to address any potential issues of clarity and misunderstanding.<br><br>In addition, it is critical to have suitable guidance for the classification and reporting of Infrastructure as well as ESG assets in order to allow for a uniform approach for the industry and to avoid material conflicting views and treatment of the same asset. | Please see amendments made to Table 1 of the draft Determination (once the Determination is published). Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the draft Determination and will be used for annual reporting purposes. |
| OUTvest  | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | No, unfortunately the proposed format seems to be incomplete e.g. There is no section on the template for the reporting on foreign equities.                                                                                                                                                                                                                                                                                                                                                                                                                               | Please see amendments made to Table 1 of the draft Determination (once the Determination is published).                                                                                                                                                                |
| PPS      | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | Yes, complies with Regulation 28 of the Pension Funds Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Noted.                                                                                                                                                                                                                                                                 |
| Sentinel | Do you find the format of the draft Prudential Standard user                                                                                       | Clarification on definition of infrastructure required<br>Does infrastructure include offshore ex Africa                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Please see amendments made to Table 1 of the Determination. Tables 2 and 3, relating to reporting                                                                                                                                                                      |

### SECTION D - GENERAL COMMENTS

| Entity | Question                                                                                                                                           | Response                                                                                                                             | FSCA Response                                                                                                                           |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
|        | friendly and simple to understand? If no, please provide suggestions for improvement.                                                              | Show how total calculated, i.e., Item 1 – 10 in table 1                                                                              | on infrastructure and ESG, has been removed from the Determination and will be used for annual reporting purposes.                      |
| Verso  | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | Yes, other than the items in the Annexure listed under comments.                                                                     | Noted.                                                                                                                                  |
| WTW    | Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement. | <b>No we do not</b> – our comments earlier should make this clear (and should provide suggestions for corrections and improvements). | Please see amendments made to Table 1 of the Determination (once the Determination is published) as well as responses to your comments. |

### SECTION D – GENERAL COMMENTS

| No                                | Issue                                    | Comment/Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FSCA Response                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ANY OTHER GENERAL COMMENTS</b> |                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                            |
| 1.                                | Method of submission                     | Need to enhance method of submission.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Noted.                                                                                                                                                                                                                                                                                                                                                     |
| 2.                                | ESG Reporting not part of Regulation 28. | <p>In paragraph 4 of the “Statement supporting draft prudential standard – Regulation 28 Quarterly Reporting Requirements for Pension Funds” it is stated:</p> <ul style="list-style-type: none"> <li>the impact is mainly as a result of the changes to Regulation 28, and not as a direct result of this Prudential Standard,</li> <li>the Authority does not expect a major financial impact on funds because of this Prudential Standard, and</li> <li>the quarterly report will allow funds to detect non-compliance with Regulation 28 earlier and take proactive remedial action.</li> </ul> | <p>Tables 2 and 3, relating to reporting on infrastructure and ESG, has been removed from the Determination.</p> <p>The FSCA remains of the view that quarterly reporting of assets held in compliance with Regulation 28 is necessary, but please see revised approach reflected in the Prudential Standard and explanation in the Statement of Need.</p> |

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|    |                                                                                                                                           | <p>We respectfully disagree with these statements. ESG reporting does not form part of Regulation 28 requirements and will require additional bespoke development to comply with the reporting requirement. Due to uncertainty with regard to the classification and reporting of Infrastructure as well as ESG assets development will be more challenging and potentially more expensive. In practice, compliance monitoring on the requirements of Regulation 28 is done on a continuous basis throughout a quarter. Accordingly, we do not agree that the proposed quarterly report will assist in the detection of potential non-compliance with Regulation 28 on a more proactive basis.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3. | Time frame within which to obtain meaningful feedback from our service providers in order to provide accurate impact assessment feedback. | <p>Despite the Fund's endeavours to get impact feedback from investment managers and investment administrators they have not been able to do so within the constrained feedback window. Consequently we deem it irresponsible to the Fund and to our members to support this change within the timeframes allowed to comment and we therefore seek indulgence to a more conventional commentary period to understand impact and implications.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Noted. See revised approach reflected in the Prudential Standard and explanation in the Statement of Need.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 4. | Long-term (life) policy that provides guarantee or partially guarantee policy benefits                                                    | <p>a) Regulation 28(8)(b)(iii) has been repealed. This means that a retirement fund may no longer place reliance on the certificate issued by the head of actuarial control function (previously the statutory actuary) which certifies that guarantee or partial guarantee is consistent with the guidance issued by the FSCA (FSB), in directive 157.A.i. D157.A.i is still in effect and has not been withdrawn - as per Joint communication 1 of 2018 - status of instruments issued under LTIA and STIA post 1 July 2018.</p> <p>b) In the Statement Supporting the Draft Prudential Standard - Requirements related to Regulatory Reporting and Audited Financial Statements for Pension Funds, the below statement is made in respect of the look-through reporting exclusions in respect to of Regulation 28(8)(b)(iii). We would like to find out if the Prudential Authority (PA) has been consulted on this and if there is support from the PA on this:</p> <p><i>“STATEMENT SUPPORTING THE DRAFT PRUDENTIAL STANDARD FOR PENSION FUNDS</i><br/> <i>The look-through reporting exclusions for guaranteed policies, contemplated in Regulation 28(8)(b)(iii), are also reconsidered (read with LTIA Ai 157). The withdrawal of the various applicable exemptions will ensure equal protection before the law of members in all funds, irrespective of fund size”</i></p> | <p>a) This is correct. The certificate was required in order to qualify for the exclusion. The exclusions no longer apply. The intention is to withdraw Directive 157.A.i (LT)- please refer to the Statement of Need, Impact and Intended Operation.</p> <p>b) Please note that the look-through reporting exclusions, previously contained in Regulation 28(8)(b), was repealed through the amendments to Regulation 28, not through this draft Standard. It should be noted that the Prudential Authority was consulted on the draft Standard.</p> <p>c) See response under (b) above .</p> <p>d) Noted.</p> <p>e) As explained above, the look-through reporting exclusions, previously contained in Regulation 28(8)(b), was repealed through the amendments to Regulation 28, not through this draft Standard.</p> |

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|  |  | <p>c) It is clear that the FSCA requires full look through for guaranteed and partially guaranteed insurance policies held by a retirement fund or fund member, and by virtue of this requires the assets backing the guarantee and partially insurance to conform to the Regulation 28 asset classes limits.</p> <p>d) The Insurance Act provides for the following classes of life insurance business which are impacted by this:</p> <ul style="list-style-type: none"> <li>- <i>“6.a. Individual Investment - guaranteed (fully or partially) - this a type of fund member policy, as defined in the LTI Act Regulations.</i></li> <li>- <i>7.a. Fund Investment - guaranteed (fully or partially)”</i></li> </ul> <p>e) Look through to the underlying asset classes for a guaranteed policy, as now defined in the Insurance Act, is not possible as it is a formula/calculation which determines the insurance obligations, either stated in Rand term or stated in or ascertainable from the insurance policy's terms. The concept of look-through to the underlying assets does not exist for guaranteed portfolios, as the value of the policy is not derived from the performance of underlying assets and is derived in terms the formula/calculation which determines the insurance obligations. The guarantee provides a level of protection against market fluctuations.</p> <p>f) Regulation 28 is in place to ensure members' assets are invested prudently. For guaranteed insurance policies the PA oversees that the insurer is capitalised well enough to deliver on the guarantees and therefore the member is prudently invested. The assets backing these policies are held on the insurer's balance sheet. These types of policies are adequately dealt with from a financial soundness perspective in terms of the Insurance Act framework and there should not be a requirement for an insurer to apply the Regulation 28 asset spreading requirements on these types of policies.</p> <p>g) There is a strong view that the FSCA should grant an industry wide exemption, in terms of Regulation 28(9) read with section 281 of the Financial Sector Regulation Act, for fully guaranteed and partial guaranteed policies issued to retirement funds, including fund member policies issued in respect of Retirement Annuity and</p> | <p>This should have been raised at the consultation on the amendments to Regulation 28, at which stage it would have been addressed. This is unfortunately not within the control of the FSCA as the Minister of Finance is responsible for the Regulations.</p> <p>f) See response under (g) above.</p> <p>g) Noted. The FSCA will consider this.</p> <p>h) Regulation 28(9) stipulates that the FSCA may “on written application <u>by a fund</u> or in general, exempt a fund, or categories, types or kinds of funds, from all or any of the provisions of this regulation”. Therefore, if there will not be a general exemption the fund will have to submit a written application- This will be an online submission via the FSCA's website (<a href="http://www.fsca.co.za">www.fsca.co.za</a>). At this stage the FSCA will not determine a specific template.</p> <p>.</p> <p>i) Noted. This will be taken into account during the discussions regarding a possible general exemption.</p> <p>j) Please see amendment to the draft Standard. The notice will be withdrawn as the provisions from which exemption is granted have been repealed.</p> |
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|    |             | <p>Preservation funds, in that retirement funds may continue to place reliance on the certificate issued by the insurers head of actuarial control function that the guarantee or partially guaranteed policy constitutes such policy in terms of the Insurance Act.</p> <p>h) Should a general exemption not be granted, please advise:</p> <ul style="list-style-type: none"> <li>- If the FSCA has a template or format that should be used in applying for this type of exemption in terms of Regulation 28(9) read with section 281 of the Financial Sector Regulation Act.</li> <li>- If it will be acceptable to submit a single application for exemption for all funds which the insurer also administers in terms of section 13B of the Pension Funds Act. The understanding is that all these funds in aggregate could be considered "types or kinds of funds" which could be exempted.</li> </ul> <p>i) The conditions set out in directive 157.A.i may need to continue should the FSCA be willing to grant an exemption to the asset distribution requirements set out in Regulation 28, however, the format and conditions will need to be updated to align with the terminology in the Insurance Act, such as reference to the head of the actuarial control function and the Schedule 2 definitions for 'fully guaranteed' and 'partial guaranteed', as well as removing the reference to the sections of Regulation 28 which are being repealed.</p> <p>j) Regarding Notice 2 of 2014 which provides for the Reg 28(8)(b)(ii)(aa) exemption on audit confirmations, this Notice is not being withdrawn, and currently the requirement is for the head of the actuarial control function to provide confirmation that the conditions in D157.A.i have been met. Is the intention that this may still continue until such time that it is withdrawn, notwithstanding the repeal of section 28(8)(b)(ii)?</p> |                                                                                                                                                                                      |
| 5. | Derivatives | Please consider appropriate disclosure of derivatives within asset categories. These can be accommodated through additional sub categories for "CONTRA" accounts in cash and sub categories for currency, bond and equity derivatives.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Noted. This will be considered as part of the draft Prudential Standard relating to Requirements related to Regulatory Reporting and Audited Financial Statements for Pension Funds. |
| 6. | Accruals    | Allow for sub category under cash for accruals such as interest, management fees, performance fees etc. as these should not be classified under cash                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Please see response to item 5 directly above.                                                                                                                                        |

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| 7.  | Foreign bank accounts                        | Allow for local banks that have foreign currency accounts eg. NEDBANK USD – with 25% limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Please see response directly above.                                                                                                                                                                                                                                                                                                                                                       |
| 8.  | Confirm hierarchy of Issuer/entity reporting | Banks and their Group issue bonds and money market instruments. Please confirm if the issuer/entity level should be classified at the group level to confirm compliance with the 25% overall limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Please see response directly above.                                                                                                                                                                                                                                                                                                                                                       |
| 9.  | Reporting formats                            | <p>Please consider specifying that funds should prepare 2 versions of the reports:</p> <ol style="list-style-type: none"> <li>1. Full disclosure of all issuers/entities for audit purposes</li> <li>2. Summary disclosure with Top20 issuers/entities for submission to FSCA and inclusion in the Annual Financial Statements. The issuers/entities outside the Top20 should be grouped as “Other Instruments”</li> </ol>                                                                                                                                                                                                                                                                                                                                                                    | According to the proposal pension funds will in effect be submitting two reports, i.e. in respect of the quarterly Regulation 28 reporting in terms of this draft Standard, and in respect of reporting on Regulation 28 required in the annual financial statements. However, please see revised approach reflected in the Prudential Standard and explanation in the Statement of Need. |
| 10. | Single instrument classification             | Please consider requesting that the instrument classifications are consistent across all managers and issuers/entities. This will allow for meaningful compliance checking against limits. Where there are differences in Issuer/entity names – these must be revised to be in line with the funds preferred Issuer/Entity name.                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Noted, the Authority will consider the best way to address this.                                                                                                                                                                                                                                                                                                                          |
| 11. | Infrastructure Classification                | Please consider requesting that Funds apply their own interpretation of Infrastructure as the data from asset managers may not be consistent. Funds should determine their own classification to be applied to the instruments in their Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>Please see amendment to the reporting format in the draft determination (once the Determination is published).</p> <p>Table 2 relating to reporting on infrastructure has been removed.</p>                                                                                                                                                                                            |
| 12. | Consolidated Reporting                       | <p>Please consider allowing retirement funds to only use investment holdings from asset managers and not the asset managers prepared reports. As there may be differences between asset manager classifications and interpretations, the fund will have more difficulty in trying to consolidate asset manager reports and do proper compliance checking.</p> <p>The retirement funds should then apply its own classifications and generate its own reports.</p> <p>Retirement fund auditors should also be aware that reliance on asset managers reports may also cause differences and incorrect application of the regulatory requirements. Preference should be given to consolidation at instrument holdings level, where the fund applies Issuer/entity names and classifications.</p> | Noted, this will be considered.                                                                                                                                                                                                                                                                                                                                                           |
| 13. | Umbrella Funds                               | Please consider inclusion of individual investment options reporting for Umbrella funds as many participating employers have their own investment options and member level reporting is required to complete                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | It should be noted that member level and fund level breach reporting has not changed from the current reporting requirements. Auditors may look at                                                                                                                                                                                                                                        |

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|     |                                         | <p>the non-compliance reports. At minimum, the investment level reporting at member level, should be performed annually to reconcile with the overall non-compliance reports.</p> <p>Investment level reports may not be required to be included in the Annual Financial Statements, but should be available for the audit process.</p> <p>This reporting requirement may also assist in reducing the number of investment options created within Umbrella funds.</p>                                                                                                                                                                                                                                                                                                                                                                                            | <p>quarterly reports to assist with audit evidence, etcetera.</p>                                                                                                                                                                                                     |
| 14. | Conduct of Business Returns (CBRs)      | <p>We kindly request more insight from the Authority on how the proposed reporting will fit into the CBRs planned for 2024.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>It is too early to confirm what the final Omin CBR will entail but there will be various considerations taken into account e.g. alignment with existing reporting at a given point in time.</p>                                                                    |
| 15. | Exemptions in terms of regulation 28(9) | <p>The removal of the general exemptions granted to investment based on their legal structure under the current regulation 28 has resulted in some instances that certain investments cannot to be classified adequately.</p> <p>Our members have brought to our attention that there are investment instruments where a look through to the underlying assets is impossible due to the legal structure. An example of such an instrument is an policy where there is some form of guarantee which is provided by the issuer and as such there is no underlying asset type but a contractual obligation.</p> <p>It is for this reason that we request the criteria for exemptions to be granted under regulation 28(9) be issued with the revised reporting requirements. And where possible a general exemption be granted to certain types of investments.</p> | <p>A fund may apply, in writing, for an exemption in terms of regulation 28(9). No criteria will be published in this regard, as each submitted application is considered on its own merits. We will, however, consider whether a general exemption is necessary.</p> |