

**NOTICE REGARDING THE PUBLICATION OF DRAFT PRUDENTIAL
STANDARD [.] OF 2022 (RF) – REGULATION 28 QUARTERLY REPORTING
REQUIREMENTS FOR PENSION FUNDS**

FINANCIAL SECTOR REGULATION ACT, 2017

PENSION FUNDS ACT, 1956

The Financial Sector Conduct Authority (Authority) invites, in accordance with section 100(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), submissions on the draft Prudential Standard [.] of 2022 (RF) – Regulation 28 Quarterly Reporting Requirements for Pension Funds, to be made in terms of regulation 28(8)(a) of the Regulations under the Pension Funds Act, 1956 (Act No. 24 of 1956), published in Government Notice R98 of *Government Gazette* No. 126 on 26 January 1962, as amended from time to time, read with section 105 and 292(2)(b), (3) and (4) of the FSR Act, as set out in the Schedule.

The draft Prudential Standard, together with a statement supporting the draft Prudential Standard, is available on the Authority's website at <https://www.fsca.co.za>.

Submissions on the draft Prudential Standard must, using the submission template available on the Authority's website, be submitted in writing on or before **7 December 2022** to the Authority at FSCA.RFDStandards@fsca.co.za.



**UNATHI KAMLANA
COMMISSIONER
FINANCIAL SECTOR CONDUCT AUTHORITY**

Date of publication: 4 November 2022

SCHEDULE

PRUDENTIAL STANDARD [-] OF 2022 (RF)

1. Definitions

In this schedule “**the Act**” means the Pension Funds Act, 1956 (Act No. 24 of 1956) and any word or expression to which a meaning has been assigned in the Act shall bear the meaning so assigned to it, and–

“**first quarter**” means 1 January to 31 March of every year;

“**second quarter**” means 1 April to 30 June of every year;

“**third quarter**” means 1 July to 30 September of every year;

“**fourth quarter**” means 1 October to 31 December of every year;

“**quarterly report**” means the report contained in Annexure A to this Schedule;

“**quarters**” refers to the first quarter, second quarter, third quarter and fourth quarter; and

“**Regulation 28**” refers to regulation 28 of the Regulations in terms of Section 36 of the Act, published in Government Notice R98 of *Government Gazette* No. 126 on 26 January 1962, as amended from time to time.

2. Submission of quarterly reports

- (1) All funds must report on compliance and non-compliance with Regulation 28 by submitting a quarterly report to the Authority in accordance with the time periods stipulated in paragraph 3(2).
- (2) Where funds exceed the limits for reasons other than regulation 28(3)(j) and have not been granted exemption in terms of regulation 28(9), they must complete the non-compliance section of the quarterly report in respect of the fund, an issuer or entity, and in respect of each member, as applicable.
- (3) In the following instances, funds are not required to submit a quarterly report:
 - (a) Where a liquidator has been appointed and such appointment has been approved by the Authority in terms of section 28(2) of the Act;
 - (b) where a fund has been exempted from liquidation in terms of section 28(17) of the Act and all the conditions of the exemption has been complied with; or
 - (c) where a full transfer was approved by the Authority in terms of section 14 of the Act and all the provisions of section 14 have been complied with in giving effect to the Authority’s approval.

3. Frequency and manner of reporting

- (1) A fund must complete all fields of the quarterly report and must submit the quarterly report to the Authority, in accordance with the following time periods:

- (a) For the first quarter ending 31 March 2023 on or before 30 September 2023;¹ and
 - (b) for all subsequent quarters within 90 days after quarter-end.
- (2) The Authority may determine the manner of submission of the quarterly reports by notice on its website.

4. Short title, commencement and repeals

- (1) This Prudential Standard is called Regulation 28 Quarterly Reporting Requirements for Pension Funds, 2023, and comes into effect on the date of publication.
- (2) The following notices are hereby repealed:
 - (a) Regulation 28 Prescribed Report Format under Regulation 28 of the Act, as published under Financial Services Board Notice No. 2 of 10 June 2011;
 - (b) Prescribed Reporting Format prescribed under Regulation 28 of the Act as published under Financial Services Board Notice No. 3 of 19 December 2011;
 - (c) Quarterly Non-compliance Reporting prescribed under Regulation 28 of the Act as published under Financial Services Board Notice No. 3 of 31 May 2012 –; and
 - (d) Quarterly Audit Annual Report Format prescribed under Regulation 28 of the Act as published under Financial Services Board Notice No. 6 of 2 October 2012 – Regulation 28 Quarterly Non-compliance Report.

¹ This report should be submitted simultaneously with quarterly report for the second quarter ending 30 June 2023.

ANNEXURE 1

PART 1: AT FUND LEVEL AND MEMBER LEVEL

ASSETS HELD IN COMPLIANCE WITH REGULATION 28

As at quarter ...

TABLE 1: List issuers/entities which exceeds 5% of total assets²

	Fair value	R
A	Total investments as per Schedule IA	
B	Less: Reg 28(9) exempted investments	
C	Less: Investments not disclosed /data not available for disclosure [Refer Schedule IAN]	
D	TOTAL ASSETS for REGULATION 28 DISCLOSURE	

² 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 required in terms of this Annexure.

FUND LEVEL						FUND LEVEL			MEMBER LEVEL		
						Number of issuers/entities non-compliant during the period	Number of issuers/entities non-compliant during the period		Number of issuers/entities non-compliant during the period	Number of issuers/entities non-compliant during the period	
							Inside the Republic %	Foreign %		Inside the Republic %	Foreign %
		R		%							
1	CASH			100%							
1.1	Notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments			100%							
(a)	Notes and coins, any balance or deposit in an account held with a South African bank -per issuer/entity			25%							
(b)	A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument -per issuer/entity			25%							
(c)	Any positive net balance in a margin account with an exchange -per issuer/entity			25%							
(d)	Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets -per issuer/entity			25%							
1.2	Balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments										
(a)	Any balance or deposit held with a foreign bank -per issuer/entity			5%							

- per instrument

5%

2.2 Foreign

SARB
maximum
limits

(a) Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic

SARB
maximum
limits

(b) Debt instruments issued or guaranteed by the government of a foreign country

SARB
maximum
limits

-per issuer/entity

10%

(c) Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-

SARB
maximum
limits

(c)(i) Listed on an exchange with an issue market capitalisation of R20 billion or more, or an amount or conditions as prescribed -per issuer

SARB
maximum
limits

-per issue

25%

(c)(ii) Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed

SARB
maximum
limits

-per issuer

15%

(c)(iii) Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed

SARB
maximum
limits

-per issuer

10%

(c)(iv) Not listed on an exchange

25%

- per issuer

5%

(d) Debt instruments issued or guaranteed by an entity that has equity listed on an exchange

SARB
maximum
limits

(d)(i) Listed on an exchange

SARB
maximum
limits

5.2	Foreign	10%							
(a)	Gold and other commodities on an exchange, including exchange traded commodities	10%							
(a)(i)	Gold	10%							
(a)(ii)	Other commodities	5%							
	-each commodity	5%							
6	INVESTMENTS IN THE BUSINESS OF A PARTICIPATING EMPLOYER INSIDE THE REPUBLIC IN TERMS OF:-								
(a)	Section 19(4) of the Pension Funds Act	5%							
(b)	To the extent it has been allowed by an exemption in terms of section 19(4A) of the Pension Funds Act	10%							
7	HOUSING LOANS GRANTED TO MEMBERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 19(5)	65%							
8	HEDGE FUNDS	10%							
8.1	Inside the Republic	10%							
(a)	Hedge fund	10%							

9.2	Foreign	15%							
9.2(a)	Funds of private equity funds	10%							
9.2(b)	Private equity funds	5%							
10	ANY OTHER ASSETS NOT REFERRED TO IN THIS SCHEDULE	2.5%							
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%							
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%							
TOTAL ASSETS (Schedule IA – Total investments)									

*Note that paragraph 11(a) and 11(b) should be excluded in adding categories of assets that make up total assets on the above Table 1

**INVESTMENT SUMMARY (REGULATION 28) – AT
FUND LEVEL**

	Local	Percentage of Fair value	Foreign (Excluding Africa)	Percentage of Fair value	Africa	Percentage of Fair value	Total
	R	%	R	%	R	%	R
1 Balances or deposits, money market instruments issued by a bank including Islamic liquidity management financial instruments							
2 Debt instruments including Islamic debt instruments							
3 Equities							
4 Immovable property							
5 Commodities							
6 Investment in the business of a participating employer							
7 Housing loans granted to members - section 19(5)							
8 Hedge Funds, and any other assets not referred to in this schedule							
9 Private equity funds							
10 Any other assets not referred to in this schedule							
11 Infrastructure							
12 Fair value of assets to be excluded in terms of sub-regulations 3(c) and (8)(b) of Regulation 28							
13 Investments not disclosed/data not available for disclosure							
TOTAL (equal to the fair value of assets)							

Note: Maximum Foreign limits and disclosure in terms of South African Reserve Bank requirements

BREACHES IN TERMS OF SUB REGULATION 3 OF REGULATION 28 AT FUND LEVEL

As at quarter

	Total (Inside & Foreign)	Percentage of Fair value	Regulation 28 limits
	R	%	
Asset Limits in terms of sub regulation 3(f)			
Other debt instruments not listed		--	
Equities not listed		--	
Immovable properties not listed		--	
Hedge funds and		--	
Private Equity funds		--	
Other assets		--	
TOTAL			45
Asset Limits in terms of sub regulation 3(g)			
Equities not listed		--	
Private Equity funds		--	
TOTAL			15
Asset Limits in terms of sub-regulation 3(h)			
Cash and deposits with a South African Bank		--	

Debt instruments guaranteed by a South African Bank	--	
TOTAL		25

Cash and deposits with a South African Bank

Debt instruments guaranteed by a South African Bank	
TOTAL	

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)

List Entities exceeding 25% Counter-party exposure

- 1.
- 2.
- 3.

TOTAL	
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NOTES:

1. Credit balance in current accounts must be included in item 1.
2. If the investments exceed the limit per institution/company/individual and no exemption has been obtained, the details below must be completed for each institution/company/individual in each category of assts.

Investments in institution/company/individual	Item	% of Fair Value	Fair Value (R)
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.....			
.....			
.....			
.....			
.....			

3. EXEMPTIONS GRANTED BY THE AUTHORITY

Item	Max %	Date of letter	Expiry Date
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PART 2: AT FUND LEVEL ONLY AS AT QUARTER

REPORTING IN RESPECT OF INFRASTRUCTURE ASSETS

TABLE 2: List issuers/entities which exceeds 5% of total assets

Asset class	Percentage (Infrastructure) (%)	Rand value (infrastructure) (R)	TOTAL
1. Cash			
2. Debt instruments including Islamic debt instruments: 2.1 Debt instruments issued by, and loans to, the government of the Republic and any debt or loan guaranteed by the Republic 2.2 Other debt instruments: 2.2.1 Listed debt instruments 2.2.2 Unlisted debt instruments			
3. Equities: 3.1 Listed equities 3.2 Unlisted equities			
4. Immovable property (direct & indirect)			
5. Commodities			
6. Investment in the business of the participating employer			
7. Housing loans	n/a	n/a	n/a

8. Hedge funds			
9. Private equity			
10. All other assets not referred to in this Table			
11. Infrastructure exposure in the rest of Africa			
Total Investment in respect of direct infrastructure, excluding debt instruments issued by, and any loans to, the government of the Republic and any debt or loans guaranteed by the Republic	%	R	

PART 3 AT FUND LEVEL ONLY AS AT QUARTER

REPORTING IN RESPECT OF ENVIROMENTAL SOCIAL AND GOVERNANCE (ESG)

TABLE 3

Question	Yes	No
Does the fund have an IPS that includes ESG integration?		
Does the fund's IPS include details on how the fund intends to monitor, evaluate, and make strategic decisions about the ongoing ESG sustainability of the assets which it owns and which it is intending to acquire?		
Does the fund's IPS include an Active Ownership policy?		
Does the fund have a specific policy that supports green/climate investment?		
Is the fund exposed to coal mining, coal logistics and/or coal fired power plants		
Does the fund have investment in green, social, or sustainability themed bonds?		

Would the fund be willing to commit to reduced exposure to coal?		
Would the fund be willing to commit to increasing allocation to green and climate-focused investments?		
Would the fund be willing to commit to increasing allocation to investment with positive social impact?		
Did the fund align with Sustainable Development Goals (SDGs) in some way?		
Would you say your fund's annual reports currently address the elements contained in the Authority's Guidance Notice relating to sustainability of investments and assets in the context of a retirement fund's IPS?		

Questions	USREG	INFRA	PE	WM	SOGEG	PT	CS/ SWM	EV	GB/ GH	GR	SB	SuB
Which of the Top 3 categories of green/climate assets are cited by the fund?												
Which of the following green asset allocation apply to the fund?												
What is the amount of the fund's exposure to coal (Includes indirect exposure)?												

What is the amount of the fund's exposure to green, social or sustainability themed bonds?												
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Abbreviations		
Utility scale renewable energy generation (USREG)	Waste management (WM)	Green bond (GR)
Infrastructure (INFRA)	Small/off-grid embedded renewable energy generation (SOGEG)	Social bonds (SB)
Private Equity (PE)	Public transportation (PT)	Sustainability bond (SuB)
	Climate-smart / sustainable water management (CS/ SWM)	
	Electric vehicles (EV)	
	Green buildings / green housing (GB/ GH)	

Fund name:.....

Quarter ending on:

DECLARATION BY THE BOARD OF THE FUND

1. The Board of the fund hereby confirms that the information contained in PART 1,2 and 3 is, to the best of our knowledge accurate and complete.
2. The Board of the fund also confirms that the fund did/did not exceed the aggregate foreign exposure as determined by the South African Reserve Bank(SARB).
3. Any other relevant information:

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.....

CHAIRPERSON(Signature)

PRINT NAME

DATE

Note: Where the completion, submission and declaration in respect of this report has been delegated to the principal officer, board member, administrator or any other person/entity, such delegation must be duly authorized and it should be noted that the Board of the fund remains ultimately responsible for the accuracy and completeness of this submission.

I, ...(print name), have been duly authorised by the Board of the fund and hereby confirms that the information contained in Part 1,2 and 3 is, to the best of our knowledge accurate and complete.

.....

PERSON RESPONSIBLE (signature)

.....

PRINT NAME

.....

DATE

DESIGNATION: