



## **Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002)**

The Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) has been amended by Financial Services Laws General Amendment Act, 2013. Government Gazette 37351 dated 18 February 2014.

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# Table of Contents

<b>Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002)</b>	<b>10</b>
Introduction .....	10
<b>Part I : Collective Investment Schemes .....</b>	<b>10</b>
1. Definitions .....	10
2. Principles for administration of collective investment scheme .....	14
3. Disclosure of information .....	14
4. Duties of manager .....	14
5. Requirement for administration of collective investment schemes .....	15
6. Prohibition of misleading names and acts .....	15
7. Registrar and deputy registrar of collective investment schemes .....	16
8. Collective Investment Schemes Advisory Committee [REPEALED] .....	16
9. Appointment of members of advisory committee and termination of appointment [REPEALED] .....	16
10. Functions of advisory committee [REPEALED] .....	16
11. Meetings of advisory committee [REPEALED] .....	16
12. Subcommittees of advisory committee [REPEALED] .....	17
13. Remuneration and expenses of members of advisory committee [REPEALED] .....	17
<b>Part II : Functions of Registrar .....</b>	<b>17</b>
14. Inspections and on-site visits .....	17
15. Powers of registrar after investigation .....	17
15A. Powers of registrar in respect of... ..	19
15B. Directives .....	19
16. Cancellation or suspension of registration of manager .....	20
17. Registrar may object to certain documents .....	21
18. Power of registrar to impose fines .....	21
19. Power of registrar to request audit .....	22
20. Attendance of meetings of association and furnishing of certain documents to registrar .....	22
21. Declaration of certain practices as irregular (REPEALED) .....	22
22. Exemptions .....	22
23. Annual report by registrar .....	22
24. Board of Appeal .....	23
<b>Part III : Association of Collective Investment Schemes .....</b>	<b>23</b>
25. Application for association licence .....	23
26. Issue or renewal of association licence .....	23
27. Refusal of renewal of association licence .....	24
28. Cancellation or suspension of association licence .....	24
29. Restriction on use of name or description implying connection with association .....	25
30. Delegation of functions of executive committee .....	25
31. Suspension of administration of collective investment scheme .....	25
32. Rules of association .....	26
33. Power of court to declare member disqualified .....	26
34. Voluntary dissolution of association .....	27
35. Winding-up of association by court .....	27
36. Business rescue of association .....	28
37. Appointment of liquidator .....	28
38. Report by association to registrar .....	28
<b>Part IV : Collective Investment Schemes in Securities .....</b>	<b>28</b>
39. Definition .....	28
40. Determination of securities or classes of securities .....	28
41. Restrictions on administration of collective investment scheme in securities .....	28

42. Procedure for registration of manager of collective investment scheme in securities .....	29
43. Change of name of manager, portfolio or collective investment scheme in securities .....	30
44. Determination of market price of securities .....	30
45. Foreign securities in which collective investment scheme in securities may invest .....	30
46. Limitation on investment in portfolio .....	31
<b>Part V : Collective Investment Schemes in Property .....</b>	<b>31</b>
47. Definitions .....	31
48. Restrictions on administration of collective investment scheme in property .....	32
49. Foreign country in which collective investment scheme in property may invest .....	32
50. Listing of participatory interests by exchange .....	32
51. Certain provisions of Part IV to apply in respect of manager of collective investment s .....	33
<b>Part VI : Collective Investment Schemes in Participation Bonds .....</b>	<b>33</b>
52. Definitions .....	33
53. Restrictions on administration of collective investment scheme in participation bonds .....	34
54. Restrictions on business of collective investment scheme in participation bonds .....	34
55. Capacity of manager .....	35
56. Registration of participation bonds in name of nominee company .....	35
57. Rights of participant .....	35
58. Minimum investment period .....	35
59. Participatory interests rank in preference concurrently .....	36
60. Restrictions on rights of nominee company .....	36
61. Collateral security in respect of participation bonds .....	36
<b>Part VII : Declared Collective Investment Schemes .....</b>	<b>37</b>
62. Definition .....	37
63. Declaration of specific type of business as collective investment scheme for purposes o .....	37
64. Certain provisions to apply in respect of declared collective investment scheme .....	37
<b>Part VIII : Foreign Collective Investment Schemes .....</b>	<b>37</b>
65. Restrictions on foreign collective investment scheme to carry on business in Republic .....	37
66. Reciprocity .....	38
67. Withdrawal of approval of foreign collective investment scheme .....	39
<b>Part IX : Trustee or Custodian .....</b>	<b>39</b>
68. Appointment and termination of appointment of trustee or custodian .....	39
69. Qualifications and registration of trustee or custodian .....	40
70. Duties of trustee or custodian .....	41
71. Status of assets .....	42
72. Liability of trustee or custodian in respect of loss of assets .....	42
<b>Part X : Auditor .....</b>	<b>43</b>
73. Appointment and approval of auditor .....	43
74. Accounting records and audit .....	43
75. Duty of auditor to disclose irregularity or undesirable practice .....	44
<b>Part XI : Conversion of Collective Investment Scheme .....</b>	<b>44</b>
76. Definitions .....	44
77. Conversion of collective investment scheme .....	45
78. Application for registrar's approval .....	45
79. Consideration of application .....	46
80. Resolution by investors .....	46
81. Registration of Memorandum of Incorporation... ..	46
82. Certificate of registration of conversion and notice in Gazette .....	47
83. Effects of conversion .....	47
84. Issue of participatory interests to persons who were investors in former collective inv .....	48
<b>Part XII : General .....</b>	<b>48</b>
85. Restrictions on assets which may be included in or lent by portfolio of collective inve .....	48
86. Business capacity of manager .....	49
87. Definition .....	49
88. Capital requirement which manager must maintain .....	49
89. Obligation of manager to maintain capital requirement and failure to comply .....	49

90. Financial statements and other information to be furnished by manager .....	50
91. Exercise of voting power by manager .....	50
92. Unauthorised gain derived from acquisition of assets .....	50
93. Permissible deductions from portfolio .....	51
94. Calculation of price and limitation of amount of rounding-off accrual .....	51
95. Sale of participatory interests only on payment of full purchase price and restriction .....	52
96. Power of manager to borrow money to bridge insufficient liquidity in a portfolio .....	52
97. Matters which must be provided for in deed and exemption from and suspension of provisi .....	52
98. Void provision of deed and amendment of deed .....	53
99. Amalgamation of business of collective investment schemes or portfolios .....	53
100. Contents of price list, advertisement, brochure and similar document .....	55
101. Principal office and public officer in Republic .....	56
102. Winding-up of portfolio of collective investment scheme .....	56
103. Manner of dealing with trust property on winding-up of portfolio .....	57
104. Separation of assets of portfolio handed to or received by manager, trustee or custodi .....	57
105. Separation of funds of investors and other persons .....	58
106. False or misleading statements .....	58
107. Fraudulently inducing person to purchase or deal in participatory interests .....	59
108. Evidence .....	59
109. Liability for loss .....	59
110. Certain written matter to bear names of certain persons .....	60
111. Application of Companies Act in relation to manager .....	60
111A. Business rescue of manager .....	61
112. Delegation of functions .....	62
113. Exemption from Act 57 of 1988 .....	62
114. Regulations by Minister and notices by registrar .....	62
115. Offences .....	63
116. Penalties .....	64
117. Repeal or amendment of laws and savings .....	64
118. Short title .....	64
<b>Schedule 1</b> .....	<b>65</b>
Matters which must be provided for in Deed of Collective Investment Scheme in Securities .....	65
<b>Schedule 2</b> .....	<b>66</b>
Matters which must be provided for in Deed of Collective Investment Scheme in Property .....	66
<b>Schedule 3</b> .....	<b>66</b>
Laws repealed or amended by this Act .....	66
<b>Schedule 4</b> .....	<b>68</b>
Matters to be provided for in Rules of Association .....	68

## Government Notices

74

<b>Notice No. 569 of 2003</b> .....	<b>74</b>
Introduction .....	74
1. Definitions .....	74
2. Statements and information .....	74
3. List of assets .....	75
4. Reporting to investors .....	75
5. Lodging of copies of certain documents with registrar .....	76
6. Fees and penalties .....	76
7. Manner of payment of fees and penalties .....	78
8. Interest in respect of unpaid fees and penalties .....	78
9. Application for association licence .....	78
10. Form of association licence .....	78
11. Application for registration as manager .....	79
12. Form of registration certificate of manager .....	79
13. Application for approval of additional portfolio .....	79
14. Application of due diligence guidelines .....	79
15. Resolution authorising conversion .....	80

<b>16. Commencement .....</b>	<b>81</b>
<b>Annexure A .....</b>	<b>81</b>
Application form for issue or renewal of an association licence.....	81
<b>Annexure B .....</b>	<b>82</b>
Association Licence .....	82
<b>Annexure C .....</b>	<b>82</b>
Application form for registration as Manager.....	82
<b>Annexure D .....</b>	<b>84</b>
Certificate of Registration of Manager.....	84
<b>Annexure E .....</b>	<b>84</b>
Approval of Additional Portfolio .....	84
<b>Notice No. 576 of 2003 .....</b>	<b>85</b>
Exemption of Collective Investment Scheme .....	85
<b>Notice No. 377 of 2009 .....</b>	<b>85</b>
Suspension of Provision of Deed in Terms of The Collective Investment Schemes Control Act, .....	85
1. Definitions .....	86
2. Motivation .....	86
3. Suspension of Provisions .....	86
4. Determination of matters to be complied with .....	87
<b>Notice No. 396 of 2009 .....</b>	<b>87</b>
Fees Payable in Terms of the Collective Investment Schemes Control Act, 2002 .....	87
1. Definitions .....	87
2. Fees .....	88
3. Payment of fees .....	91
4. Interest payable in respect of overdue fees .....	92
5. Short title .....	92
<b>Notice No. 574 of 2009 .....</b>	<b>92</b>
Suspension of Provision of Deed in Terms of the Collective Investment Schemes Control Act, .....	92
1. Definitions .....	92
2. Motivation .....	93
3. Suspension of Provisions .....	93
4. Determination of matters to be complied with .....	93
<b>Notice No. 166 of 2010 .....</b>	<b>93</b>
Amendment of Exemption of Collective Investment Scheme .....	93
<b>Notice No 910 of 2010 .....</b>	<b>94</b>
Determination of Fit and Proper Requirements and Conditions for Managers of Collective Inve .....	94
1. Definitions .....	94
2. Introduction .....	95
3. Requirements for Appointment of Board of Directors of Managers .....	95
4. Fit and Proper Requirements for Directors .....	96
5. Operational Requirements For Manager .....	97
6. Financial Soundness of Manager .....	97
7. Management and Supervision by Manager .....	97
8. Risk Management by the Manager .....	98
9. Complaint Resolution by Manager .....	98
10. Compliance Report for Managers .....	100
Annexure A .....	100
Annexure A .....	100
<b>Notice No. 911 of 2010 .....</b>	<b>100</b>
Determination of Fit and Proper Requirements and Conditions .....	100
Annexure C .....	101
<b>Notice No. 402 of 2011 .....</b>	<b>104</b>
Fees payable in terms of the Collective Investment Schemes Control Act, 2002 .....	104
1. Definitions .....	105
2. Fees .....	105
3. Payment of fees .....	109

4. Interest payable in respect of overdue fees .....	109
5. Short title .....	109
<b>Notice No. 408 of 2011 .....</b>	<b>109</b>
Exemption of Manager of Collective Investment Scheme .....	109
<b>Notice No. 778 of 2011 .....</b>	<b>110</b>
Determination of the Limits and Conditions for Third Party Named .....	110
Preamble .....	111
<b>Part I : Application and Definitions .....</b>	<b>111</b>
1. Application of Notice .....	111
2. Definitions .....	111
<b>Part II : Incubator Portfolios .....</b>	<b>112</b>
3. Application .....	112
4. Naming .....	112
5. Duration .....	112
6. Agreements .....	113
7. Disclosure .....	114
8. Portfolios under Administration.....	114
<b>Part III : Co-Named Portfolios .....</b>	<b>114</b>
9. Application .....	114
10. Naming .....	114
11. Agreements .....	115
<b>Part IV : General Provisions .....</b>	<b>115</b>
12. Minimum Size of Portfolios.....	115
13. Duplicate Portfolio.....	116
14. Transitional Arrangements.....	116
15. Short Title .....	116

## Keyword Index

117







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45 of 2002)**

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# Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002)

## Introduction

Notice No. 1583  
13 December 2002

*(English text signed by the President.)  
(Assented to 9 December 2002.)*

It is hereby notified that the President has assented to the following Act, which is hereby published for general information:—

**To regulate and control the establishment and administration of collective investment schemes; to amend or repeal certain laws; and to provide for incidental matters.**

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

## Part I : Collective Investment Schemes

### 1. Definitions

In this Act, unless the context indicates otherwise—

"administration"

means any function performed in connection with a collective investment scheme including—

- a) the management or control of a collective investment scheme;
- b) the receipt, payment or investment of money or other assets, including income accruals, in respect of a collective investment scheme;
- c) the sale, repurchase, issue or cancellation of a participatory interest in a collective investment scheme and the giving of advice or disclosure of information on any of those matters to investors or potential investors; and
- d) the buying and selling of assets or the handing over thereof to a trustee or custodian for safe custody:

"advisory committee"

**[Definition deleted by section 208(a) of Act No. 45 of 2013];**

"assets"

means the investments comprising or constituting a portfolio of a collective investment scheme and includes any income accruals derived or resulting from the investments in the portfolio which are held for or are due to the investors in that portfolio;

"association"

means an association licensed in terms of section 26;

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**"auditor"**

means a person registered under the Public Accountants' and Auditors' Act, 1991 (Act No. 80 of 1991), and appointed by a manager in terms of section 73;

**"authorised agent"**

means a person authorised by a manager to solicit investments in a portfolio from members of the public or to perform a function contemplated in the definition of "administration", and includes any person to whom a function has been delegated in terms of section 4(5);

**[Definition amended by section 208(b) of Act No. 45 of 2013]**

**"Board"**

means the Financial Services Board established by section 2 of the Financial Services Board Act, 1990 (Act No. 97 of 1990);

**"close corporation"**

means a close corporation incorporated in accordance with the Close Corporations Act, 1984 (Act No. 69 of 1984);

**"collective investment scheme"**

means a scheme, in whatever form, including an open-ended investment company, in pursuance of which members of the public are invited or permitted to invest money or other assets in a portfolio, and in terms of which—

- a) two or more investors contribute money or other assets to and hold a participatory interest in a portfolio of the scheme through shares, units or any other form of participatory interest; and
- b) the investors share the risk and the benefit of investment in proportion to their participatory interest in a portfolio of a scheme or on any other basis determined in the deed,

but not a collective investment scheme authorised by any other Act;

**"Companies Act"**

means the Companies Act, 2008 (Act No. 71 of 2008)

**[Definition inserted by section 208(c) of Act No. 45 of 2013]**

**"company"**

means a company as defined in the Companies Act;

**[Definition amended by section 208(d) of Act No. 45 of 2013]**

**"court"**

means any division of the High Court of South Africa having jurisdiction;

**"custodian"**

means a custodian appointed in terms of section 68;

**"deed"**

means the agreement between a manager and a trustee or custodian, or the document of incorporation whereby a collective investment scheme is established and in terms of which it is administered, and includes—

- (i) the deed of a management company which immediately prior to the

commencement of this Act was a management company in terms of any law repealed by this Act; and

- (ii) a supplemental deed entered into in terms of a deed.

***[Definition amended by section 208(e) of Act No. 45 of 2013]***

**"exchange"**

means an exchange licensed under the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), the Financial Markets Control Act 1989 (Act No. 55 of 1989), or an exchange outside the Republic referred to in section 45;

**"exchange securities"**

means securities which are listed and authorised to be dealt in on an exchange, and the prices of which are quoted in a list issued for publication by such exchange;

**"income accruals"**

means any dividends or interest or any other income for distribution received by the trustee, custodian or manager on behalf of investors in a portfolio in the course of any income distribution period or carried forward from any previous income distribution period or due to such investors in respect of dividends or interest or any other income declarations made but not yet distributed;

**"investor"**

means the holder of a participatory interest in a portfolio in the Republic;

**"manager"**

means a person who is authorised in terms of this Act to administer a collective investment scheme;

**"members of the public"**

includes-

- a) members of any section of the public, whether selected as clients, members, shareholders, employees or ex-employees of the person issuing an invitation to acquire a participatory interest in a portfolio; and
- b) a financial institution regulated by any law,

but excludes persons confined to a restricted circle of individuals with a common interest who receive the invitation in circumstances which can properly be regarded as a domestic or private business venture between those persons and the person issuing the invitation;

**"Minister"**

means the Minister of Finance;

**"official web site"**

means a web site as defined in section 1 of the Electronic Communications and Transactions Act, 2002 (Act No. 25 of 2002), set up by the Board;

***[Definition inserted by section 208(f) of Act No. 45 of 2013]***

**"open-ended investment company"**

means a company with an authorised share capital, which is structured in such a manner that it provides for the issuing of different classes of shares to investors, each class of share representing a separate portfolio with a distinct investment policy;

**"participatory interest"**

means any interest, undivided share or share whether called a participatory interest, unit or by any other name, and whether the value of such interest, unit, undivided share or share remains constant or varies from time to time, which may be acquired by an investor in a portfolio;

**"portfolio"**

means a group of assets including any amount of cash in which members of the public are invited or permitted by a manager to acquire, pursuant to a collective investment scheme, a participatory interest or a participatory interest of a specific class which as a result of its specific characteristics differs from another class of participatory interests;

**"prescribed"**

means prescribed by regulation;

**"publish"**

means any direct or indirect communication transmitted by any medium, or any representation or reference written, inscribed, recorded, encoded upon or embedded within any medium, by means of which a person, other than the registrar, seeks to bring any information to the attention of any other person, or all or part of the public;

***[Definition inserted by section 208(g) of Act No. 45 of 2013]***

**"registrar"**

means the person referred to in section 7;

***[Definition amended by section 208(h) of Act No. 45 of 2013]***

**"regulation"**

means a regulation made under this Act;

**"rule"**

means a rule referred to in section 32;

**"sell" or "repurchase"**

includes exchange;

**"solicit"**

means any act to promote investment by members of the public in a collective investment scheme;

**"this Act"**

includes a regulation, notice, rule and any other measure having the force of law made under this Act;

**"trustee"**

means the trustee appointed in terms of section 68.

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## 2. Principles for administration of collective investment scheme

- 1) A manager must administer a collective investment scheme honestly and fairly, with skill, care and diligence and in the interest of investors and the collective investment scheme industry.
- 2) The assets of an investor must be properly protected by application of the principle of segregation and identification.

## 3. Disclosure of information

Before entering into a transaction with an investor-

- a) information about the investment objectives of the collective investment scheme, the calculation of the nett asset value and dealing prices, charges, risk factors and distribution of income accruals must be disclosed to the investor; and
- b) information that is necessary to enable the investor to make an informed decision must be given to the investor timeously and in a comprehensible manner.

## 4. Duties of manager

- 1) The manager must avoid conflict between the interests of the manager and the interests of an investor.
  - 2) The manager must disclose the interests of its directors and management to the investors.
  - 3) A manager must maintain adequate financial resources to meet its commitments and to manage the risks to which its collective investment scheme is exposed.
  - 4) A manager must—
    - a) organise and control the collective investment scheme in a responsible manner;
    - b) keep proper records;
    - c) employ adequately trained staff and ensure that they are properly supervised;
    - d) have well-defined compliance procedures;
    - e) maintain an open and cooperative relationship with the office of the registrar and must promptly inform that office about anything that might reasonably be expected to be disclosed to such office; and
    - f) promote investor education, either directly or through initiatives undertaken by an association.
  - (5)
    - (a) A manager may, with the approval of the registrar and in writing, delegate any function listed in the definition of 'administration' to any person (in this section referred to as the 'delegated person').
    - (b) Anything done or omitted to be done by the delegated person in the performance of
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a function so delegated, must be regarded as having been done or omitted by the manager.

- (c) The registrar has, in respect of a delegated person, all the powers and duties conferred or imposed upon the registrar in respect of a manager.
- (d) If a manager delegated any function listed in the definition of 'administration' to any person without the prior approval of the registrar before the commencement of section 209 of the Financial Services Laws General Amendment Act, 2013, that delegation must be regarded as having been made in terms of paragraph (a) for a period of six months, reckoned from the date of such commencement, during which period the manager must apply for approval, and after the expiration of that six-month period, the deemed period will expire.

***[Subsection 5 inserted by section 209 of Act No. 45 of 2013]***

## **5. Requirement for administration of collective investment schemes**

- 1) No person may perform any act or enter into any agreement or transaction for the purpose of administering a collective investment scheme unless such person—
  - a) is registered as a manager by the registrar or is an authorised agent; or
  - b) is exempted from the provisions of this Act by the registrar by notice on the official web site.

***[Paragraph (b) amended by section 210 of Act No. 45 of 2013]***

- 2) The provisions of this Act do not apply to the rendering of securities services by any "authorised user", "clearing member", "licensed central securities depository", "licensed clearing house", "licensed exchange" or "participant" as defined in section 1 of the Financial Markets Act, 2012 to the extent that the rendering of those services are specifically supervised under that Act;"

***[Section 5(1) and 5(2) amended by Section 111 of the Financial Markets Act, 2012]***

## **6. Prohibition of misleading names and acts**

- 1) Subject to subsection (2), no person may, except if registered as a manager under this Act, or with the specific permission of the registrar pending the lodging and disposal of an application by such person for registration as a manager under this Act, or pending the change of the name of his or her business, include in or have as part of the name of his or her business or in any description of his or her business any reference to a collective investment scheme, open-ended investment company, participatory interest, portfolio, unit, unit trust or mutual fund or any derivative thereof, and no person who is not registered as a manager or trustee or custodian under this Act or is not an authorised agent may perform any act calculated to lead the public to believe that any business carried on by such person consists of or is connected with the administration of a collective investment scheme.
  - 2) The registrar may on application by a person who is required to change his or her name by virtue of subsection (1) allow such person to effect such change on the conditions and
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within the period, not exceeding 6 months, determined by the registrar.

- 3) A person who contravenes subsection (1) is guilty of an offence.

## **7. Registrar and deputy registrar of collective investment schemes**

- (1) The executive officer referred to in section 1 of the Financial Services Board Act, 1990 (Act No. 97 of 1990), is the registrar of collective investment schemes and has the powers and duties provided for by or under this Act or any other law.
- (2) The deputy executive officer referred to in section 1 of the Financial Services Board Act, 1990 (Act No. 97 of 1990), is the deputy registrar of collective investment schemes.
- (3) The deputy registrar of collective investment schemes exercises the functions of the registrar of collective investment schemes to the extent that such functions have been delegated to the deputy registrar under section 20 of the Financial Services Board Act, 1990 (Act No. 97 of 1990).

*[Section 7 amended by section 211 of Act No. 45 of 2013]*

## **8. Collective Investment Schemes Advisory Committee [REPEALED]**

*[Section 8 repealed by section 212 of Act No. 45 of 2013]*

## **9. Appointment of members of advisory committee and termination of appointment [REPEALED]**

*[Section 9 repealed by section 212 of Act No. 45 of 2013]*

## **10. Functions of advisory committee [REPEALED]**

*[Section 10 repealed by section 212 of Act No. 45 of 2013]*

## **11. Meetings of advisory committee [REPEALED]**

*[Section 11 repealed by section 212 of Act No. 45 of 2013]*

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**12. Subcommittees of advisory committee [REPEALED]**

*[Section 12 repealed by section 212 of Act No. 45 of 2013]*

**13. Remuneration and expenses of members of advisory committee [REPEALED]**

*[Section 13 repealed by section 212 of Act No. 45 of 2013]*

**Part II : Functions of Registrar****14. Inspections and on-site visits**

- 1) The registrar may—
  - a) conduct an on-site visit under Chapter 1A of the Financial Institutions (Protection of Funds) Act, 2001 (Act No. 28 of 2001); or
  - b) instruct an inspector to conduct an inspection under the Inspection of Financial Institutions Act, 1998 (Act No. 80 of 1998).
- 2) After an on-site visit or inspection has been carried out in terms of subsection (1), the registrar may direct the person concerned to take any steps, to refrain from performing or continuing to perform any act or to terminate or remedy any contravention of or failure to comply with any provision of this Act: Provided that the registrar may not make an order contemplated in section 6D(2)(b) of the Financial Institutions (Protection of Funds) Act, 2001 (Act No. 28 of 2001).

*[Section 14 substituted by section 213 of Act No. 45 of 2013]*

**15. Powers of registrar after investigation**

- 1) If the registrar, after an on-site visit or inspection under section 14, considers on reasonable grounds that the interests of the investors of a collective investment scheme or of members of the public so require, the registrar may—
    - a) apply to the court under the Companies Act for the winding-up of a manager or of a collective investment scheme;  
*[Paragraph (a) amended by section 214(b) of Act No. 45 of 2013]*
    - b) *[Paragraph (b) deleted by section 214(c) of Act No. 45 of 2013];*
    - c) apply to the court under section 5 of the Financial Institutions (Protection of Funds) Act, 2001 (Act No. 28 of 2001), for the appointment of a curator for the business of the manager or for the business of a portfolio;
    - d) require a manager to appoint, in accordance with the registrar's directions, in place of the serving trustee or custodian, a competent person nominated by the registrar;
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- e) require a manager to take steps, in accordance with the registrar's directions and the provisions of section 102, for the winding-up of a portfolio of its collective investment scheme, and for the realisation of the assets and the distribution of the net proceeds thereof, together with any income accruals or other moneys available for distribution among the investors in proportion to their respective participatory interests;
  - f) direct a manager or a trustee or custodian to take any steps, or to refrain from performing or continuing to perform any act, in order to terminate or remedy any irregularity or undesirable practice or state of affairs disclosed by an investigation or inspection; Provided that the registrar may not make an order contemplated in section 6D(2)(b) of the Financial Institutions (Protection of Funds) Act, 2001 (Act No. 28 of 2001).
  - g) direct a manager to withdraw from the administration of a collective investment scheme, whereupon the trustee or custodian must in accordance with the registrar's directions but subject to this Act arrange for another manager to take over the administration of the collective investment scheme;  
**[Paragraph (g) amended by section 214(d) of Act No. 45 of 2013]**
  - h) if a person administers a collective investment scheme in contravention of this Act, apply to the court to have the collective investment scheme wound up, in which case the court may make any order it considers appropriate for the winding-up of the collective investment scheme.
  - i) instruct a manager to wind up a portfolio or amalgamate a portfolio with another portfolio;  
**[Paragraph (i) inserted by section 214(d) of Act No. 45 of 2013]**
  - j) if a manager fails to comply with a written request, direction or directive by the registrar under this Act, do or cause to be done all that a manager was required to do in terms of the request, direction or directive of the registrar.  
**[Paragraph (j) inserted by section 214(d) of Act No. 45 of 2013]**  
**[Subsection 1 amended by section 214(a) of Act No. 45 of 2013]**
- 2) The registrar may oppose any application in terms of the Companies Act for—
- a) the winding-up of a manager; or
  - b) **[Paragraph (b) deleted by section 214(f) of Act No. 45 of 2013]**
  - c) the winding-up of a portfolio of a collective investment scheme in terms of section 102.  
**[Subsection 2 amended by section 214(e) of Act No. 45 of 2013]**
- 3) Any person who intends to make an application contemplated in subsection (2) must give timeous notice of such application to the registrar.
- 4) A person who refuses or fails to comply with a request or direction referred to in paragraphs (d), (e), (f) or (g) of subsection (1) is guilty of an offence and on conviction liable to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment.  
**[Subsection 4 amended by section 214(g) of Act No. 45 of 2013]**
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**15A. Powers of registrar in respect of...**

- (1) If the registrar is satisfied that a manager, trustee or custodian is failing, or is likely to fail within a reasonable period, to comply with an applicable financial soundness requirement under this Act, the registrar may by notice direct the manager, trustee or custodian to furnish the registrar, within a specified period, with—
  - (a) specified information relating to the nature and cause of the failure; and
  - (b) proposals as to the course of action that the manager, trustee or custodian must adopt to ensure compliance with the financial soundness requirement under this Act.
- (2) When the registrar has received the information and proposals referred to in subsection (1), the registrar may, without derogating from the registrar's powers under any other provision of this Act—
  - (a) by notice authorise the manager, trustee or custodian concerned to adopt a course of action which the registrar is satisfied will reasonably ensure that the manager, trustee or custodian complies with the financial soundness requirements under this Act;
  - (b) at that time or at any time thereafter, by notice authorise the adjustment of that course of action to the extent that the registrar deems appropriate in the circumstances; or
  - (c) if deemed reasonably necessary in the interests of investors, at that time or at any time thereafter, and notwithstanding any steps already taken by the registrar in accordance with paragraph (a) or (b) or any other provision of this Act, act in accordance with section 15.
- (3) For the purposes of this section, 'financial soundness requirement' means any requirement or limitation referred to in sections 85 to 89, inclusive, sections 91 to 96, inclusive, and section 105 and includes any other financial requirements imposed under this Act.

***[Section 15A inserted by section 215 of Act No. 45 of 2013]***

**15B. Directives**

- (1) The registrar may, in order to ensure compliance with or to prevent a contravention of this Act, issue a directive to any person to whom the provisions of this Act apply.
  - (2) A directive issued in terms of subsection (1) may—
    - (a) apply generally; or
    - (b) be limited in its application to a particular person or to a category of persons.
  - (3) A directive issued in terms of subsection (1) takes effect on the date determined by the registrar in the directive.
  - (4) In the event of a departure from section 3(2) or 4(1), (2) or (3) of the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000), the directive must include a
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statement to that effect and the reasons for such departure.

- (5) The registrar must, where a directive is issued to ensure the protection of the public in general, publish the directive on the official web site and any other media that the registrar deems appropriate, in order to ensure that the public may easily and reliably access the directive.

***[Section 15B inserted by section 215 of Act No. 45 of 2013]***

## **16. Cancellation or suspension of registration of manager**

- 1) The registrar may, subject to subsection (2), cancel the registration of a manager under this Act if—
    - a) he or she is satisfied that the manager has contravened or failed to comply with any provision of this Act, or any direction or requirement given or imposed under this Act, and that such contravention or failure has resulted or may result in serious prejudice to the interests of the public or of investors;
    - b) he or she is satisfied, upon completion of an investigation or inspection in terms of section 14, that the manner in which a manager carries on the business of a collective investment scheme is satisfactory or undesirable or not calculated to serve the best interests of its investors;
    - c) it is apparent that the registration of the manager was obtained through misrepresentation; or
    - d) a manager is wound up, either voluntarily or by the court, or may, on any ground referred to in paragraph (a), (b) or (c) suspend the registration of a manager for a period not exceeding 12 months at a time subject to such conditions as the registrar may determine.
  - 2) The registrar may not cancel or suspend the registration of a manager on any ground contemplated in subsection (1)(a), (b) or (c) unless he or she has—
    - a) notified the manager of his or her intention and of the grounds upon which he or she proposes to do so;
    - b) allowed the manager to make representations to him or her in connection with the proposed cancellation or suspension; and
    - c) afforded the manager a reasonable opportunity to rectify or eliminate the defect, irregularity or undesirable practice.
  - 3) An application for re-registration as a manager by a company whose registration has been cancelled under this section must be dealt with as if it were its first application for registration.
  - 4) If the registration of a manager is cancelled in terms of subsection (1)(a),(b) or (c), the provisions of this Act with regard to the continuance or the winding-up of the portfolio of a collective investment scheme or the winding-up of the manager apply: Provided that the registrar may in any such case direct the former manager to defray in whole or in part the expenses incurred in continuing the administration of the collective investment scheme, or in realising any of its assets, and also any remuneration to which a trustee or custodian may be entitled.
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- 5) If the registration of a manager has been suspended under subsection (1), the manager may not, during the period of suspension, issue any fresh participatory interests, but must, in respect of participatory interests issued, continue the administration of the collective investment scheme and deal with such interests in all respects as it would have been bound to do had its registration not been suspended.

## **17. Registrar may object to certain documents**

The registrar may object to the terms of any price list, advertisement, brochure or similar document relating to a collective investment scheme published or proposed to be published by a manager or any of its authorised agents if the registrar considers the terms are calculated to mislead or are, for any other good and sufficient reason, objectionable or undesirable, and the registrar may direct the manager to discontinue or refrain from publishing or distributing any such document, or to amend its terms.

## **18. Power of registrar to impose fines**

- 1) The registrar may impose a fine in the case of any failure by a manager or third party to submit to the registrar or any other person designated by the registrar, within a period specified in terms of this Act any statement, report, return or other document or information required in terms of this Act to be submitted, not exceeding R1 000 or such other amount prescribed by the registrar for every day during which the failure continues.
- 2) The registrar must, before imposing a fine, by written notice to the manager or third party-
  - a) inform the manager or third party of the registrar's intention to impose a fine;
  - b) specify the particulars of the alleged failure;
  - c) set out the reasons for the intended imposition of a fine;
  - d) specify the amount of the fine intended to be imposed; and
  - e) call upon the manager or third party to show cause within a period specified by the registrar why the fine should not be imposed.
- 3) If the registrar, after consideration of representations made by the manager or third party, decides to impose a fine, the registrar must by written notice inform the manager or third party that, not later than 30 days after the date of the notice, the manager or third party must-
  - a) pay the fine; or
  - b) appeal in terms of section 24 against the imposition of the fine to the board of appeal.
- 4) If a manager or third party fails to pay the fine or fails to appeal within the period referred to in subsection (3), the registrar may file with the clerk or registrar of any competent court a statement certified by the registrar as correct, stating the amount of the fine imposed on the manager or third party, and such statement thereupon has all the effects of a civil judgment lawfully given in that court in favour of the Board for a liquid debt in the amount specified in the statement.

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## **19. Power of registrar to request audit**

- 1) The registrar may direct a manager to have all books of accounts and financial statements audited and to submit the results of such an audit to the registrar within the time specified by the registrar.
- 2) Any person who, in respect of an audit contemplated in subsection (1), gives information, an explanation or access to records which he or she knows to be false or misleading is guilty of an offence.

## **20. Attendance of meetings of association and furnishing of certain documents to registrar**

- 1) The registrar or a person nominated by him or her may attend any meeting of an association or the executive committee of an association or a subcommittee of that committee, and take part in all the non-voting proceedings at such meeting.
- 2) An executive officer of an association must on request furnish the registrar with all notices, minutes and documents which are furnished to the members of the association and the members of the executive committee or a subcommittee of that committee.

## **21. Declaration of certain practices as irregular (REPEALED)**

*[Section 21 repealed by section 216 of Act No. 45 of 2013]*

## **22. Exemptions**

When it is in the public interest, the registrar may exempt-

- a) a manager; or
- b) any category of persons,

from any provision of this Act on such conditions and to such extent as he or she may determine.

## **23. Annual report by registrar**

- 1) The registrar must submit to the Minister an annual report concerning-
    - a) his or her activities in relation to this Act;
    - b) the activities of all managers and associations; and
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- c) all matters relating to the administration of collective investment schemes and analogous schemes.
- 2) A report contemplated in subsection (1) must be tabled in Parliament within 14 days of publication thereof, if Parliament is then in session or, if Parliament is not then in session, within 14 days of the commencement of its next ensuing session.

## **24. Board of Appeal**

A person aggrieved by a decision of the registrar under a power conferred or a duty imposed upon him or her by or under this Act, may appeal to the board of appeal referred to in section 26 of the Financial Services Board Act, 1990 (Act No. 97 of 1990), on the terms and conditions determined in that Act.

## **Part III : Association of Collective Investment Schemes**

### **25. Application for association licence**

- 1) An association of persons carrying on the business of a collective investment scheme may apply to the registrar for an association licence.
- 2) An application for the issue or renewal of an association licence must be made on the form determined by the registrar and be accompanied by the documents and the fee determined by the registrar: Provided that if a licence is issued after 30 June of a particular year one half of the annual fee is payable.
- 3) A licence expires on 31 December of each year.

### **26. Issue or renewal of association licence**

The registrar may on such conditions as he or she may determine issue or renew an association licence if the registrar is satisfied that-

- a) the association is reasonably representative of the interests of the industry;
  - b) the association has sufficient financial resources for performing its functions;
  - c) the proposed rules of the association comply with the requirements of this Act;
  - d) the interests of the public will be served by the issue or renewal of the licence; and
  - e) the members of the association carry on the business of a collective investment scheme independently and in competition with one another.
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## 27. Refusal of renewal of association licence

- 1) The registrar may refuse to renew a licence if he or she is satisfied that during the previous year-
  - a) the rules of the association were not properly enforced;
  - b) the association did not comply with any of the requirements referred to in section 26(a), (b), (d) or (e);
  - c) the association did not comply with any direction, request, condition or requirement of the registrar in terms of this Act;
  - d) the association failed to give effect to a decision of the board of appeal referred to in section 24; or
  - e) the association did not comply with any other provision of this Act.
- 2) A refusal under subsection (1) is of no force unless the registrar has by notice in writing given the association concerned his or her reasons for the intended refusal and an opportunity to show cause within a period specified in the notice why renewal should not be refused.

## 28. Cancellation or suspension of association licence

- 1) The registrar may cancel or suspend the licence of an association on such conditions as he or she may determine if he or she is satisfied-
    - a) that the association has failed-
      - i) to comply with the requirements referred to in sections 26(a), (b), (c) or (e) and 27(1)(a);
      - ii) to comply with any direction, request, condition or requirement of the registrar in terms of this Act; or
      - iii) to comply with any other provision of this Act,and that such failure has resulted or could result in prejudice of a material extent to the interests of the public or investors;
    - b) after an investigation or inspection in terms of section 14, that the manner in which the functions of an association are performed is unsatisfactory or not calculated to serve the best interests of the public or investors;
    - c) that the association has ceased to perform its functions;
    - d) that the association failed to start performing its functions within a reasonable period after its licensing; or
    - e) that the licence was obtained through misrepresentation.
  - 2) Cancellation or suspension of a licence under subsection (1) is of no force unless the registrar has by notice in writing given the association concerned his or her reasons for the intended cancellation or suspension and an opportunity to show cause within a period specified in the notice why its licence should not be cancelled or suspended.
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## **29. Restriction on use of name or description implying connection with association**

A person may not use a name or description signifying or implying some connection between a company, close corporation, body, firm, business, undertaking and an association which has been licensed in terms of section 26 unless such person is a member of that association.

## **30. Delegation of functions of executive committee**

An executive committee of an association may, subject to such conditions as it may determine, delegate or assign any power or duty conferred upon or imposed upon it under this Act to a subcommittee or a person designated by it but is not divested or relieved of a power or duty so delegated or assigned.

## **31. Suspension of administration of collective investment scheme**

- 1) Subject to the other provisions of this section and despite any arrangement whereby a collective investment scheme may be administered by another member of an association-
    - a) an executive committee may in accordance with the rules stop or suspend the administration of a collective investment scheme or part thereof by a member of an association;
    - b) an executive officer of an association may, for a period not exceeding 30 days, suspend the administration of a collective investment scheme or part thereof by a member of an association with the approval of 75 per cent of the members of an executive committee if it is desirable or for the purposes of compliance with and enforcement of the rules and the other requirements of an association, without prior notice to any person and without hearing any person.
  - 2) Stoppage or suspension referred to in subsection (1)(a) may not be effected by the executive committee where the member concerned has not had the opportunity to make representations to the executive committee in support of the continued performance of an activity.
  - 3) In the case of-
    - a) a stoppage or suspension of a particular activity by an executive committee in terms of subsection (1)(a); or
    - b) a suspension of a particular activity by an executive officer in terms of subsection (1)(b),the executive committee or executive officer, as the case may be, may permit other members of the association to continue the activity in question for the sole purpose of fulfilling any obligations entered into before the stoppage or suspension.
  - 4)
    - a) Whenever the registrar considers it desirable in the public interest he or she may, after consultation-
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- i) with the executive committee of an association, exercise any power referred to in subsection (1)(a);
    - ii) with the executive officer of an association, exercise any power referred to in subsection (1)(b); or
    - iii) with the executive committees of two associations, in a case contemplated in subparagraph (i), transfer the performance of a particular activity from one association to another; or
    - iv) with the executive officers of two associations, in a case contemplated in subparagraph (ii), transfer the performance of a particular activity from one association to another.
  - b) Subsections (2) and (3) apply to the exercise of the powers referred to in paragraph (a), and in such application a reference therein to an executive committee or an executive officer, as the case may be, is construed as a reference to the registrar.

### **32. Rules of association**

The rules of an association must provide for the matters specified in Schedule 4.

### **33. Power of court to declare member disqualified**

- 1) If a court-
    - a) convicts a member of an association of an offence in terms of this Act or of an offence of which any dishonest act or omission is an element; or
    - b) finds, in proceedings to which a member of an association is a party or in which his or her conduct is called in question, that he or she has been guilty of reckless or dishonest conduct,the court may declare the member concerned to be disqualified, for an indefinite period or for a period specified by the court, from carrying on the business of a member of an association.
  - 2) The court may, on good cause shown, vary or revoke a declaration made under subsection (1).
  - 3) The registrar of the court or the clerk of the court which has made a declaration under subsection (1) or varied or revoked a declaration under subsection (2) must as soon as possible notify the registrar and the association concerned thereof.
  - 4) A declaration made under subsection (1) in respect of a member does not affect any right of an executive committee to take disciplinary action against the member in terms of the rules.
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### 34. Voluntary dissolution of association

- 1) An association may be dissolved voluntarily in the circumstances and in the manner specified for that purpose in its rules.
- 2) Subject to subsection (1), the provisions of the Companies Act relating to the voluntary winding-up of companies apply with the necessary changes to the voluntary dissolution of an association.  
***[Subsection 2 amended by section 217(a) of Act No. 45 of 2013]***
- 3) The liquidator of an association must—
  - a) until the association is dissolved, send to the registrar the accounting records determined by the registrar; and
  - b) forward to the registrar a copy of every notice or account which, in terms of the Companies Act, he or she is required to furnish to the Master of the High Court.  
***[Subparagraph amended by section 217(b) of Act No. 45 of 2013]***
- 4) When the affairs of an association have been completely wound up, the Master of the High Court must send a certificate to that effect to the registrar, who must cancel the association's licence, and thereupon the association is dissolved.

### 35. Winding-up of association by court

- 1) An order for the winding-up of an association may be granted by the court on the application of—
    - a) the association or the executive committee of an association;
    - b) one or more of its creditors;
    - c) one or more of its members;
    - d) jointly, any of or all the parties mentioned in paragraphs (a), (b) and (c);
    - e) the business rescue practitioner of the association; or  
***[Paragraph (e) substituted by section 218(a) of Act No. 45 of 2013]***
    - f) the registrar.
  - 2)
    - a) Subject to the provisions of subsection (1), the provisions of the Companies Act relating to the winding-up of companies by the court apply with the necessary changes to an association.
    - b) In the application of the provisions of that Act the reference to the Commission in section 81 of the Companies Act must be construed as being a reference also to the registrar.  
***[Subsection 2 amended by section 218(b) of Act No. 45 of 2013]***
  - 3) An order for the winding-up of an association by the court may only be made if the court is satisfied that a business rescue of the association is undesirable.  
***[Subsection 3 amended by section 218(b) of Act No. 45 of 2013]***
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### **36. Business rescue of association**

Section 111A applies with the changes required by the context to the business rescue of an association.

*[Section 36 substituted by section 219 of Act No. 45 of 2013]*

### **37. Appointment of liquidator**

Despite the provisions of the Companies Act a liquidator in respect of an association must be appointed by the Master of the High Court in consultation with the registrar.

*[Section 37 amended by section 220 of Act No. 45 of 2013]*

### **38. Report by association to registrar**

An association must within two months after the end of every calendar year submit a report to the registrar concerning the activities of its members and of its own activities in relation to this Act and, within three months after the end of the financial year, submit to the registrar audited financial statements which fairly present the financial affairs of the association.

## **Part IV : Collective Investment Schemes in Securities**

### **39. Definition**

In this Part, unless the context indicates otherwise, "collective investment scheme in securities" means a scheme the portfolio of which consists, subject to this Act, mainly of securities.

### **40. Determination of securities or classes of securities**

The registrar may determine securities or classes of securities that may be included in a portfolio of a collective investment scheme in securities.

### **41. Restrictions on administration of collective investment scheme in securities**

- 1) No person other than a company which has been registered as a manager under section 42
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and its authorised agent may administer any collective investment scheme in securities.

- 2) Only a company which-
  - a) is a company under the Companies Act; and  
***[Paragraph (a) amended by section 221(a) of Act No. 45 of 2013]***
  - b) has capital and reserves as determined in terms of section 88 available for employment in its collective investment scheme,
  - c) may be or may remain registered as a manager under section 42.
- 3) A person who contravenes subsection (1) is guilty of an offence and liable on conviction to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment.  
***[Subsection 3 amended by section 221(b) of Act No. 45 of 2013]***

#### **42. Procedure for registration of manager of collective investment scheme in securities**

- 1) A company which desires to be registered as a manager of a collective investment scheme in securities must lodge with the registrar an application for registration in the manner and form determined by the registrar, disclose the particulars determined by the registrar and pay the application fee determined by the registrar.
  - 2) The registrar may call upon any applicant which has applied for registration under subsection (1) to furnish him or her with any further information which is relevant to the application.
  - 3) If the registrar is satisfied that the-
    - a) deed which the applicant proposes to prepare for the purposes of the collective investment scheme in securities does not contain anything inconsistent with this Act; and
    - b) proposed directors, management, trustee or custodian and auditors are qualified as required by or under this Act,he or she must, subject to subsection (4) and on such conditions as he or she may determine, register the applicant as a manager and issue to it a certificate of registration in the form determined by the registrar.
  - 4) The registrar may not register any company as a manager under this section unless he or she is satisfied that-
    - a) such company complies with subsection (3);
    - b) such company is fit to assume the duties and responsibilities of a manager; and
    - c) the registration of such company as a manager will be in the public interest.
  - (5) The registrar may, after the registration of a company as a manager, on application by the manager or on the registrar's own initiative, withdraw or amend any condition or restriction in respect of the registration if the registrar is satisfied that any such withdrawal or amendment is justified and will not prejudice the interests of investors.  
***[Subsection 5 inserted by section 222 of Act No. 45 of 2013]***
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**43. Change of name of manager, portfolio or collective investment scheme in securities**

- 1) A manager may not without the prior approval in writing of the registrar-
  - a) change the name under which it is registered under this Act or change its shareholding or directors;
  - b) use or refer to itself by a name other than the name under which it is so registered or a literal translation thereof;
  - c) use or refer to itself by an abbreviation or a derivative of such name; or
  - d) change the name of its collective investment scheme in securities or any portfolio administered by it as approved by the registrar.
- 2) The registrar may by notice require a manager to terminate the appointment of a director or officer of that manager, if the director or officer is not fit and proper to hold the office in question.
- 3) When the registrar intends to act as contemplated in subsection (2), the registrar must give notice to the manager, and, unless it is impracticable to do so, the director or officer concerned. of the registrar's intention and the reasons therefor, and the director or officer must thereupon cease to perform the functions of the office in question pending the final outcome of any appeal under section 24.

**44. Determination of market price of securities**

- 1) A security must be valued at its fair market price.
- 2) When a manager is unable to determine a market price for a security, whether listed on an exchange or not, for the purposes of a collective investment scheme in securities, a fair market price for such security must, at the request of such manager, be determined by a stockbroker who is a member of a licensed exchange.
- 3) If such manager does not agree with the price determined by the stockbroker, it must refer the matter to the committee of the exchange concerned, which thereupon must determine the fair market price for such security.

**45. Foreign securities in which collective investment scheme in securities may invest**

A manager may, subject to the provisions of this Act and any other law, invest assets of a portfolio of a collective investment scheme in foreign equity or non-equity securities if such foreign-

- a)
    - i) non-equity securities are from issuers located in a country which has a foreign currency sovereign rating, and the issuer has a long-term issuer credit rating on the international scale, by a rating agency, which ratings and rating agency must be determined by the registrar: Provided that if the country or the issuer has
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- ii) been rated by more than one agency the lower of the ratings applies; and
- ii) non-equity securities are securities to which the manager has applied the due diligence guidelines for issuers determined by the registrar;
- b)
  - i) equity securities are traded on an exchange which has been granted full membership by the World Federation of Exchanges; or
  - ii) equity securities are securities listed on an exchange to which the manager has applied the due diligence guidelines determined by the registrar.

#### 46. Limitation on investment in portfolio

- 1) The registrar may determine the manner in which and the limits and conditions subject to which securities or classes of securities may be included in a portfolio of a collective investment scheme in securities.

***[Subsection 1 amended by section 223 of Act No. 45 of 2013]***

- 2) The registrar may determine different manners, limits and conditions for different securities or classes of securities or different portfolios of a collective investment scheme in securities.

***[Subsection 2 amended by section 223 of Act No. 45 of 2013]***

### Part V : Collective Investment Schemes in Property

#### 47. Definitions

- 1) In this Part unless the context indicates otherwise—

**"collective investment scheme in property"**

includes a scheme the portfolio of which consists of property shares, immovable property, assets determined under subsection (2) or any investment permitted under section 49;

**"fixed property company"**

means a company all the issued shares of which are included in a portfolio, and the principal business of which consists in the acquisition and holding of—

- a) urban immovable property or any undivided share or interest therein or leasehold in respect thereof; and
- b) such other immovable property or any undivided share or interest therein or leasehold in respect thereof as the registrar may have approved;

**"property shares"**

means shares in and of—

- a) a fixed property company; or
- b) a holding company which has no subsidiaries other than fixed property companies which are wholly owned subsidiaries as referred to in section 3(1)(b) of the Companies Act; and

***[Paragraph (b) amended by section 224 of Act No. 45 of 2013]***

**"urban immovable property"**

means any piece of land registered as an erf, lot or stand in a deeds registry, including the office of the Rand Townships Registrar, which erf, lot or stand is situated in a township as defined in section 1 of the Advertising on Roads and Ribbon Development Act, 1940 (Act No. 21 of 1940), and, for the purposes of section 49, any piece of land registered as an erf, lot or stand in a foreign deeds registry.

- 2) The registrar may for the purposes of this Part determine assets, other than those referred to in the definition of "collective investment scheme in property", which may be included in a portfolio of a collective investment scheme in property.

**48. Restrictions on administration of collective investment scheme in property**

- 1) No person other than a company which has been registered as a manager of a collective investment scheme in property under this Part or its authorised agent may administer a collective investment scheme in property.
- 2) Only a company which—
  - a) is registered as a company under the Companies Act; and  
***[Paragraph (a) amended by section 225(a) of Act No. 45 of 2013]***
  - b) has capital and reserves as determined in terms of section 88 available for employment in its collective investment scheme,  
may be or may remain registered as a manager under this Part.
- 3) A person who contravenes subsection (1) is guilty of an offence and liable on conviction to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment.  
***[Subsection 3 amended by section 225(b) of Act No. 45 of 2013]***

**49. Foreign country in which collective investment scheme in property may invest**

A manager may, subject to this Act or any other law, invest assets of a portfolio of a collective investment scheme in property in immovable property in a foreign country and property shares or participatory interests in a collective investment scheme in property in a foreign country if such foreign country has a foreign currency sovereign rating by a rating agency, which rating and rating agency must be determined by the registrar: Provided that if the country has been rated by more than one agency the lower of the ratings applies.

**50. Listing of participatory interests by exchange**

- 1) A manager of a collective investment scheme in property must apply for permission for such participatory interests to be dealt in on a licensed exchange.



- 2) Part D of Chapter 2 of the Companies Act applies to the repurchase of a participatory interest by a collective investment scheme in property and for the purposes of this subsection, "shares" as referred to in that Part includes participatory interests in a collective investment scheme in property.

***[Subsection 2 amended by section 226 of Act No. 45 of 2013]***

## **51. Certain provisions of Part IV to apply in respect of manager of collective investment s**

Sections 42, 43 and 46 apply, in so far as they can be applied with the necessary changes, in respect of a manager of a collective investment scheme in property.

## **Part VI : Collective Investment Schemes in Participation Bonds**

### **52. Definitions**

- 1) In this Part, unless the context indicates otherwise-

**"collective investment scheme in participation bonds"** means a scheme of which the portfolio, subject to the provisions of this Act, consists mainly of assets in the form of participation bonds, and in pursuance of which members of the public are invited or permitted to acquire a participatory interest in all the participation bonds included in the scheme:

**"nominee company"** means a nominee company which has been approved by the registrar and which-

- a) has as its principal object to act as nominee for or representative of any person in the holding of any property in trust for such person;
- b) is precluded by its memorandum of association from incurring any liabilities except for those persons on whose behalf it holds property to the extent of their respective rights to and interests in such property;
- c) has entered into an irrevocable agreement with the manager in terms of which such manager has undertaken to pay all the expenses of and incidental to its formation, operations, management and liquidation, and has appointed directors responsible for the management and control of the nominee company of whom more than 50 per cent are independent from the manager or its holding company or subsidiary of such holding company or fellow subsidiary of such manager;

**"participant"** means a person who holds a participatory interest in all the Participation bonds included in a collective investment scheme in participation bonds:

**"participation bond"** means a mortgage bond over immovable property-

- a) which is described as a participation bond and is registered as such in the name of a nominee company and is included in a collective investment scheme in participation bonds; and
- b) which is a first mortgage bond or which ranks equally with another first participation

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bond and has the same mortgagor;

**"principal debt"** means the cash amount in money actually received by or on behalf of the mortgagor in terms of the money-lending transaction secured by a participation bond; and

**"rules"** means the rules referred to in subsection (2).

- 2) The registrar may, for the purposes of this Part, make rules which are consistent with this Act for the administration of a collective investment scheme in participation bonds.
- 3) Such rules do not have the force of law until published by notice in the *Gazette*.

### **53. Restrictions on administration of collective investment scheme in participation bonds**

- 1) No person other than a public or private company which has been registered as a manager of a collective investment scheme in participation bonds under this Part or its authorised agent may administer any collective investment scheme in participation bonds.
- 2) Only a company which has capital and reserves as determined in terms of section 88 available for employment in its collective investment scheme may be or remain registered as a manager under this Part.
- 3) A person who contravenes subsection (1) is guilty of an offence and liable on conviction to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment.

**[Subsection 3 amended by section 228 of Act No. 45 of 2013]**

### **54. Restrictions on business of collective investment scheme in participation bonds**

- 1) From the date of the coming into operation of this Part, a manager of a participation bond scheme which has been exempted by the registrar of unit trust companies in terms of section 37(2)(a) of the Unit Trusts Control Act, 1981 (Act No. 54 of 1981), may not register any further participation bond in terms of the Participation Bonds Act, 1981 (Act No. 55 of 1981).
  - 2)
    - a) A manager of a participation bond scheme which has been exempted by the registrar of unit trust companies in terms of section 37(2)(a) of the Unit Trusts Control Act, 1981 (Act No. 54 of 1981), and a nominee company approved by that registrar in terms of that section, is regarded as from the date of the commencement of this Part to be registered as a manager or approved as a nominee company, as the case may be, under this Part.
    - b) The registrar must issue to a manager referred to in paragraph (a) a certificate of registration in terms of this Act.
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- 3) Within 90 days after the commencement of this Part, the manager must exchange participations in a participation bond registered in terms of the Participation Bonds Act, 1981, for a participatory interest of equal value in a collective investment scheme in participation bonds in terms of this Part.
- 4) Sections 42 and 43 apply, to the extent to which they can be applied, in respect of a manager of a collective investment scheme in participation bonds.

## **55. Capacity of manager**

- 1) The manager of a collective investment scheme in participation bonds may in respect of any business conducted by such manager act as a principal or as an agent.
- 2) When acting as a principal in respect of a transaction which is subject to the provisions of any other law the manager is entitled to charge such finance charges as may be charged in terms of the said law in connection with a money-lending transaction.

## **56. Registration of participation bonds in name of nominee company**

- 1) Despite any contrary law, a participation bond clearly described as such must be registered as such in a deeds registry in the name of a nominee company as nominee for or representative of the participants.
- 2) The names of the participants need not be listed in a participation bond.

## **57. Rights of participant**

The debt secured by a participation bond is, to the extent of the participatory interest granted to any participant, a debt owing by the mortgagor to such participant and not to the nominee company, and the rights conferred by the registration of any such bond are regarded, despite the registration of the bond in the name of the nominee company, to be held by the participants.

## **58. Minimum investment period**

An agreement in terms of which a manager accepts money for investment in a collective investment scheme in participation bonds must provide that such money is invested in such scheme for a period of not less than five years.

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## **59. Participatory interests rank in preference concurrently**

All participatory interests granted in any participation bond, whenever granted, shall rank in preference concurrently with one another as from the date of registration of the bond.

## **60. Restrictions on rights of nominee company**

A nominee company may not transfer, cede or in any way encumber any of its rights under a participation bond without the written consent of the registrar.

## **61. Collateral security in respect of participation bonds**

- 1) Any collateral security, including a surety mortgage bond, collateral mortgage bond, notarial bond, suretyship, guarantee, cession, pledge or lien accepted by a manager in addition to a participation bond in order to secure-
    - a) the debt secured by a participation bond;
    - b) the due performance by a mortgagor of his or her obligations under a participation bond;
    - c) the due performance by a surety of his or her obligations under a contract of suretyship relating to such debt or to the obligations of the mortgagor,must be registered in the name of the nominee company as nominee for or representative of the participants, and any contract relating to such security must be drawn and executed in favour of the nominee company as nominee for or representative of the participants.
  - 2) Despite any contrary law, a contract of suretyship relating to a debt secured by a participation bond and accepted by a manager subject to subsection (1), is enforceable by the nominee company in its own name against the surety on behalf of the participants.
  - 3) Sections 56(2), 57, 58 and 59 apply with the necessary changes to the extent to which they can be applied, in respect of collateral security accepted by a manager for the purposes referred to in subsection (1), and a reference to a participation bond is construed so as to include a reference to a participation bond and collateral security, and a reference to a mortgagor is construed so as to include a reference to a mortgagor and the grantor of collateral security.
  - 4) This section applies with the necessary changes to any collateral security accepted before 21 June 1978 by the manager for the purposes referred to in subsection (1) and in respect of which the contract or arrangement or other document containing the terms and conditions thereof was in force at that date.
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## Part VII : Declared Collective Investment Schemes

### 62. Definition

In this Part, unless the context indicates otherwise-

**"declared collective investment scheme"** means a collective investment scheme other than a collective investment scheme in securities, property or participation bonds, which has been declared to be a collective investment scheme under section 63.

### 63. Declaration of specific type of business as collective investment scheme for purposes o

- 1) The Minister may by notice in the *Gazette* declare a specific type of business to be a collective investment scheme to which this Act or any part or provision thereof applies.
- 2) The Minister may for the purposes of subsection (1)-
  - a) define the business activity of a declared collective investment scheme;
  - b) specify the matters that must be included in the deed of a declared collective investment scheme;
  - c) issue different notices for different types of declared collective investment schemes.

### 64. Certain provisions to apply in respect of declared collective investment scheme

Sections 41, 42, 43, 45 and 46 apply, to the extent to which they can be applied with the necessary changes, in respect of a manager of a declared collective investment scheme.

## Part VIII : Foreign Collective Investment Schemes

### 65. Restrictions on foreign collective investment scheme to carry on business in Republic

- 1) The registrar may approve an application by the manager or operator of a foreign collective investment scheme to solicit investments in such scheme from members of the public in the Republic if—
    - a) the application is in the form determined by the registrar;
    - b) a copy of the approval or registration by the relevant foreign jurisdiction authorising the foreign collective investment scheme to act as such is submitted;
    - c) the foreign collective investment scheme can comply with the conditions determined by the registrar; and
    - d) the fee determined by the registrar has been paid.
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- 2) A scheme approved in terms of subsection (1) must, for the purposes of section 15A of the Financial Services Board Act, 1990 (Act No. 97 of 1990), be regarded as a financial institution and the provisions of that section apply, with the necessary changes required by the context, to such a scheme.
- 3) A person who solicits investments in a foreign collective investment scheme which is not approved in terms of subsection (1) is guilty of an offence and liable on conviction to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years or to both such fine and such imprisonment.

***[Subsection 3 amended by section 228 of Act No. 45 of 2013]***

## 66. Reciprocity

- 1) If in terms of any-
  - a) law of a foreign country; or
  - b) regulatory or supervisory action taken by an authority or body in a foreign country, a manager connected with the Republic is suspended, disqualified or restricted from administering a collective investment scheme in that country under the same requirements as persons connected with that country are able to administer such a scheme, the Minister may by notice served on a person connected with that country who is administering or intends to administer a collective investment scheme in the Republic, suspend, disqualify or restrict the business of such person in a similar manner.
- 2) Notice may not be served in terms of subsection (1) unless-
  - a) it is in the national interest; and
  - b) the Minister has consulted the person concerned or, if expedient, a body representing the interest of the person to be affected.
- 3) A notice must-
  - a) state the grounds on which it is given;
  - b) identify the country to which the person is connected;
  - c) specify the date on which such notice comes into force; and
  - d) provide for a reasonable period to complete performance of transactions entered into before the date on which the notice in terms of this section comes into force or for the termination of contracts of a continuing nature.
- 4) A notice in terms of subsection (1) may suspend, disqualify, restrict or partially restrict the administration of a collective investment scheme by a person and may provide for-
  - a) the withdrawal of the registration or approval under this Act of a manager to administer a collective investment scheme in the Republic;
  - b) the disqualification of a person from being registered or approved as a manager under this Act; or
  - c) the restriction or partial restriction of a manager registered or approved under this Act in respect of the administration of a collective investment scheme.
- 5) A partially restrictive notice may prohibit a manager from-

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- a) entering into transactions of a specified kind or entering into them in specified circumstances or to a specified extent;
  - b) soliciting investments of a specified kind or otherwise than from a specified person; or
  - c) administering a collective investment scheme in a specified manner or otherwise than in a specified manner.
- 6) For the purposes of this section a person or manager is connected with a foreign country or the Republic, as the case may be, if-
- a) in the case of an individual, he or she is a national of or resident in that country or the Republic and administers a collective investment scheme from a principal place of business in that country or the Republic;
  - b) in the case of a body corporate, it is incorporated or has a principal place of business in that country or the Republic or is controlled by a person or persons connected with that country or the Republic;
  - c) in the case of a partnership, it has a principal place of business in that country or the Republic or any partner is connected with that country or the Republic; or
  - d) in the case of an unincorporated association which is not a partnership, it is formed under the law of that country or the Republic, has a principal place of business in that country or the Republic or is controlled by a person connected with that country or the Republic.

## **67. Withdrawal of approval of foreign collective investment scheme**

The registrar may at any time withdraw an approval under section 65 if-

- a) it is desirable or in the interest of investors or potential investors to do so;
- b) the manager has submitted inaccurate or misleading information in its application; or
- c) any of the conditions referred to in section 65(1)(c) are no longer met.

## **Part IX : Trustee or Custodian**

### **68. Appointment and termination of appointment of trustee or custodian**

- 1) A manager must appoint either a trustee or a custodian for its collective investment scheme depending on the structure of the collective investment scheme.
  - 2) A person may not become or act as a trustee or custodian unless that person is registered as such under section 69.
  - 3) When the appointment of a trustee or custodian is terminated, otherwise than as contemplated in section 69(3), that trustee or custodian must as soon as possible submit a report to the registrar stating-
    - a) whether any irregularity or undesirable practice is contemplated, has taken place or is taking place in the conduct of the affairs of the collective investment scheme which has caused or is likely to cause financial loss to investors in a portfolio of the collective investment scheme;
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- b) particulars of any such irregularity or undesirable practice; and
  - c) the reason, if known, for the termination of the appointment.
- 4) A trustee or custodian intending to retire from an appointment in terms of this section, must give to the manager and to the registrar not less than six months' notice of such intention, and during the said period of six months the manager concerned must take steps to appoint as trustee or custodian some other person competent to act as such in terms of section 69.
- 5) If a manager fails to take the steps mentioned in subsection (4) within the said period of six months, the registrar may, after consultation with the manager, direct the manager to appoint as trustee or custodian a competent person nominated by the registrar.
- 6)
- a) When it is impracticable for a trustee or custodian to perform any or all its duties under section 70, the trustee or custodian may appoint a representative which is independent from the manager and any of its agents, to perform such duties.
  - b) A trustee or custodian of a collective investment scheme who has appointed a representative under paragraph (a), is not divested of the functions referred to in that paragraph.

## 69. Qualifications and registration of trustee or custodian

- 1) The following types of company or institution may become or act as a trustee or as a custodian, namely-
- a) a public company under the Companies Act;  
***[Paragraph (a) amended by section 229(a) of Act No. 45 of 2013]***
  - b) a company or institution incorporated under a special Act, excluding a close corporation referred to in the Close Corporations Act, 1984 (Act No. 69 of 1984);
  - c) an institution or branch of a foreign institution which is entitled to carry on the business of a bank under the Banks Act, 1990 (Act No. 94 of 1990); or
  - d) an institution which is registered as an insurer under the Long-term Insurance Act, 1998 (Act No. 52 of 1998).
- 2) A company or institution referred to in subsection (1) may not become or act as a trustee or custodian unless it-
- a) maintains capital and reserves together amounting to not less than 10 million rand; and
  - b) has been registered by the registrar as a trustee or custodian.
- 3)
- a) The registrar may not register any company or institution as a trustee or custodian under this section unless he or she is satisfied that-
    - i) the company or institution is not, in relation to the manager, either a holding company or a subsidiary within the meaning of those terms as defined in the Companies Act; and  
***[Subparagraph (i) amended by section 229(b) of Act No. 45 of 2013]***
    - ii) the general financial and commercial standing and independence of the
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company or institution is such that it is fit for performing the functions of a trustee or custodian and that the company or institution is by reason of the nature of its business sufficiently experienced and equipped to perform such functions.

- b) The registrar may revoke or suspend any such registration already granted if at any time thereafter he or she ceases to be satisfied that the requirements contained in paragraph (a) are met by the trustee or custodian.
- 4) Any person who contravenes subsection (1) or (2) is guilty of an offence and liable on conviction to a fine or to imprisonment for a period not exceeding one year or to both a fine and such imprisonment.
- 5) The registrar must, before revoking or suspending a registration in terms of subsection (3)(b), notify the trustee or custodian concerned of the grounds upon which such action is contemplated against it, and must give it a reasonable opportunity of showing cause why the proposed action should not be taken.
- 6) The trustee or custodian has the right to present its case verbally to the registrar and in doing so to be represented by any other person.

## 70. Duties of trustee or custodian

- 1) A trustee or custodian must-
  - a) ensure that the basis on which the sale, issue, repurchase or cancellation, as the case may be, of participatory interests effected by or on behalf of a collective investment scheme is carried out is in accordance with this Act and the deed;
  - b) ensure that the selling or repurchase price of participatory interests is calculated in accordance with this Act and the deed;
  - c) carry out the instructions of the manager unless they are inconsistent with this Act or the deed;
  - d) verify that in transactions involving the assets of a collective investment scheme any consideration is remitted to it within time limits which are acceptable market practice in the context of a particular transaction;
  - e) verify that the income accruals of a portfolio are applied in accordance with this Act and the deed;
  - f) enquire into and prepare a report on the administration of the collective investment scheme by the manager during each annual accounting period, in which it must be stated whether the collective investment scheme has been administered in accordance with-
    - i) the limitations imposed on the investment and borrowing powers of the manager by this Act; and
    - ii) the provisions of this Act and the deed;
  - g) if the manager does not comply with the limitations and provisions referred to in paragraph (f)(i) or (ii), state the reason for the non-compliance and outline the steps taken by the manager to rectify the situation;
  - h) send the report referred to in paragraph (f) to the registrar and to the manager in good time to enable the manager to include a copy of the report in its annual report;
  - i) ensure that-

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- i) there is a legal separation of assets held under custody and that the legal entitlement of investors to such assets is assured;
    - ii) appropriate internal control systems are maintained and that records clearly identify the nature and value of all assets under custody, the ownership of each asset and the place where documents of title pertaining to each asset are kept.
  - 2) A trustee or custodian must report to the manager any irregularity or undesirable practice concerning the collective investment scheme of which it is aware and if steps to rectify the irregularity or practice in question are not taken to the satisfaction of the trustee or custodian, it must as soon as possible report such irregularity or undesirable practice to the registrar.  
***[Subsection 2 amended by section 230 of Act No. 45 of 2013]***
  - 3) The trustee or custodian must satisfy itself that every income statement, balance sheet or other return prepared by the manager in terms of section 90 fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the collective investment scheme administered by the manager.
  - 4) At the request of the trustee or custodian, every director or employee of the manager must submit to the trustee or custodian any book or document or information relating to the administration by the manager of its collective investment scheme which is in his or her possession or at his or her disposal, and which the trustee or custodian may consider necessary to perform its functions.
  - 5) A person may not interfere with the performance by a trustee or custodian of its functions.
  - 6) A trustee or custodian of a collective investment scheme which fails to perform any of its duties referred to in this section, is guilty of an offence.

## 71. Status of assets

For purposes of this Act any-

- a) money or other assets received from an investor: and
- b) an asset of a portfolio,

are regarded as being trust property for the purposes of the Financial Institutions (Protection of Funds) Act, 2001 (Act No. 28 of 2001), and a manager, its authorised agent, trustee or custodian must deal with such money or other assets in terms of this Act and the deed and in the best interests of investors.

## 72. Liability of trustee or custodian in respect of loss of assets

The trustee or custodian must indemnify the manager and investors against any loss or damage suffered in respect of money or other assets in the custody of the trustee or custodian and which loss or damage is caused by a willful or negligent act or omission by the trustee or custodian.

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## **Part X : Auditor**

### **73. Appointment and approval of auditor**

- 1) A manager must appoint an auditor for the purpose of auditing the whole of the business of the collective investment scheme administered by it.
- 2) No director or employee of a manager, trustee or custodian and no firm of which any such director or employee is a member may be appointed as an auditor of a collective investment scheme.
- 3) A manager must within 30 days from the date of appointment of an auditor apply to the registrar for approval of such appointment.
- 4) The registrar may withdraw a prior approval of the appointment of an auditor.
- 5) An auditor who has been removed by a manager from his or her office as auditor, must inform the registrar thereof.

### **74. Accounting records and audit**

- 1) A manager must in respect of itself and every collective investment scheme administered by it-
    - a) maintain the accounting records and prepare annual financial statements in conformity with generally accepted accounting practice;
    - b) preserve such records in a safe place for a period of at least five years as from the date of the latest entry therein; and
    - c) cause such records and annual financial statements to be audited, not later than three months after the financial year end of the manager or collective investment scheme, as the case may be, or such later date as the registrar may allow, by an auditor whose appointment has been approved by the registrar in terms of section 73.
  - 2) The auditor must-
    - a) examine the accounting records and annual financial statements;
    - b) satisfy himself or herself that the accounting records comply with the requirements of this Act; and
    - c) ensure that the financial statements are properly drawn up so as to fairly represent the financial position, and that the results of the operations of the manager and every portfolio of its collective investment scheme are in accordance with generally accepted accounting practice and in the manner required by this Act.
  - 3) When the auditor of a collective investment scheme has conducted an audit in terms of subsection (2), he or she must report to the manager that the accounting records and the annual financial statements have been examined in accordance with generally accepted auditing standards and in the manner required by this Act and state whether in his or her considered opinion they fairly present the financial position and the results of the
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operations of the manager and its collective investment scheme.

- 4) If the auditor is unable to make such a report or to make it without qualification, he or she must include in his or her report a statement explaining the facts or circumstances which prevented him or her from making his or her report or from making it without qualification.
- 5) The auditor's report under subsection (3) must, unless all the members present agree to the contrary, be read out at the annual general meeting of the manager.
- 6) An auditor who fails to perform any of the duties referred to in this section, is guilty of an offence.

## 75. Duty of auditor to disclose irregularity or undesirable practice

- 1) The auditor must-
  - a) report to the manager any irregularity or undesirable practice in the administration of the collective investment scheme which has come to his or her notice in the ordinary course of fulfilling his or her audit responsibilities or performing other functions in terms of this Act; and
  - b) submit a copy of such report to the registrar if there is reasonable cause to believe that such report is or might be of material significance to the registrar.
- 2) For purposes of this section a report is of material significance to the registrar if it deals with a matter which, because of its nature or potential financial impact, has caused or is likely to cause financial loss to the scheme or any of its investors or creditors.
- 3) An auditor who fails to perform any of the duties referred to in this section, is guilty of an offence.

## Part XI : Conversion of Collective Investment Scheme

### 76. Definitions

- 1) In this Part, unless the context indicates otherwise-

**"applicable date"**, in relation to a conversion of a collective investment scheme, means the date of the conversion;

**"collective investment scheme"** includes one or more portfolios under such scheme and may, depending on the structure of the scheme, include a manager;

**"conversion"** means a conversion of a collective investment scheme to any other format of a collective investment scheme permissible under this Act;

**"conversion scheme"** means a scheme regulating a conversion and governing the

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reciprocal rights and obligations of the parties to the conversion;

**"qualifying interest"**, in relation to a collective investment scheme which is converted, means any participatory interest in such scheme which was issued before the applicable date.

- 2) A conversion scheme must-
  - a) specify the basis, terms, conditions and cost of the conversion;
  - b) provide for the issue of participatory interests in a collective investment scheme established by the conversion;
  - c) provide for an offer, either to persons who immediately before the applicable date were investors with a qualifying interest in the collective investment scheme and to members of the public, to take up participatory interests in the collective investment scheme established by the conversion: Provided that participatory interests may be offered to members of the public to the extent to which they are not taken up by persons holding a qualifying interest in the collective investment scheme concerned immediately before the applicable date;
  - d) provide for payment of the value of the participatory interest of any investor who chooses not to take up a participatory interest in the collective investment scheme established by the conversion or who holds a qualifying interest of a lesser value than the value determined in the conversion scheme as the minimum for a qualifying interest.

## 77. Conversion of collective investment scheme

A manager may not convert a collective investment scheme-

- a) without the approval of the registrar; and
- b) unless authorised by a resolution adopted by a majority in value of investors in the manner determined by the registrar.

## 78. Application for registrar's approval

- 1) A manager must apply to the registrar for his or her approval of a conversion before a resolution on the matter is passed by investors.
  - 2) An application referred to in subsection (1) must be accompanied by the following documents in duplicate, namely-
    - a) an exposition of the reasons for the proposed conversion and of the manner in which it is proposed to effect the conversion;
    - b) a proposed conversion scheme;
    - c) the proposed deed;
    - d) a proposed resolution by investors-
      - i) authorising the conversion in accordance with the conversion scheme;
      - ii) approving the provisions of the proposed conversion scheme;
      - iii) approving the deed referred to in paragraph (c); and
      - iv) providing for such other matters in connection with the conversion as may be
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- considered necessary;
  - e) a list of the names and employment history of the persons designated to act as the first directors of the proposed manager after the conversion.
- 3) A manager must furnish the additional particulars in connection with the conversion that the registrar may require.

## **79. Consideration of application**

- 1) The registrar may not approve a conversion if-
  - a) any of the documents referred to in section 78(2) is inconsistent with this Act or contains a provision which is undesirable;
  - b) the basis or conditions on which a participatory interest in the proposed collective investment scheme is offered to investors or to investors and members of the public referred to in section 76 (2) (c) are not reasonable or fair or might have the effect that a participatory interest in the proposed scheme may be acquired contrary to this Act or any other law; or
  - c) the application does not comply with a requirement of this Act or any other law.
- 2)
  - a) For the purposes of considering the basis and conditions on which a participatory interest in any proposed collective investment scheme is offered to investors or to investors and members of the public referred to in section 76(2)(c) the registrar may, after consultation with the manager, designate a person to investigate and advise him or her on the reasonableness and fairness of the proposed basis and conditions.
  - b) The costs of an investigation in terms of paragraph (a) must be paid by the manager.
- 3) The registrar may not refuse an application without having afforded the manager a reasonable opportunity to amend the relevant document in accordance with the registrar's requirements.

## **80. Resolution by investors**

- 1) As soon as the registrar has approved a conversion, the manager must obtain a resolution passed by investors authorising the conversion.
- 2) If the investors pass a resolution authorising the conversion, the registrar must, at the request of the manager, issue a certificate to the manager confirming the registrar's approval of the conversion.

## **81. Registration of Memorandum of Incorporation...**

- 1) If a collective investment scheme is not a company incorporated in terms of the
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Companies Act, and is converted into a collective investment scheme in the format of a company, it must be incorporated as a company in terms of the Companies Act with its Memorandum of Incorporation complying with that Act: Provided that, subject to the requirements of the Companies Act and any requirement of the registrar or any other authority, the conversion must be regarded as having taken place upon the endorsement of the Memorandum of Incorporation under that Act.

- 2) The Companies and Intellectual Property Commission may not endorse the Memorandum of Incorporation of a company contemplated in this section unless the application is accompanied by a certificate issued in terms of section 82(1).
- 3) For the purposes of the endorsement of the Memorandum of Incorporation of any such company in terms of the Companies Act, the persons referred to in section 78(2)(e) must, if they accept their appointment as the first directors of the company, sign the Memorandum of Incorporation as if they were the persons contemplated in section 13(1) of the Companies Act.

***[Section 81 amended by section 231 of Act No. 45 of 2013]***

## **82. Certificate of registration of conversion and notice in Gazette**

- 1) Within 14 days after the applicable date the manager must forward four certified copies of its deed to the registrar, whereafter the registrar must issue the manager with a certificate of registration as a manager of the converted collective investment scheme upon payment of the registration fee determined by the registrar.
- 2) The registrar must give notice in the *Gazette* of any conversion and the applicable date of a conversion in terms of this Part.

## **83. Effects of conversion**

- 1) The business of a converted collective investment scheme which existed before the conversion, continues thereafter but in the converted format and from the applicable date-
  - a) the relevant provisions of this Act apply to it;
  - b) a reference in any document to the former collective investment scheme is construed, unless inconsistent with the context or otherwise clearly inappropriate, as a reference to the collective investment scheme in its new format;
  - c) if applicable, the persons who immediately before the conversion were directors of the manager must vacate their offices and the persons referred to in section 78(2)(e) become the directors of the manager of the converted collective investment scheme;
  - d) the investors holding a qualifying interest become investors in the converted collective investment scheme; and
  - e) all participatory interests issued by the former collective investment scheme and which were not repurchased or cancelled before the conversion, become participatory interests in the converted collective investment scheme.

- 2) Except in so far as this section provides otherwise, a conversion does not derogate from the obligations of the collective investment scheme or the rights of any creditor of the collective investment scheme before the conversion.

#### **84. Issue of participatory interests to persons who were investors in former collective inv**

- 1) An offer to investors holding a qualifying interest to take up a participatory interest in a collective investment scheme established by a conversion in terms of this Part must be made in writing to each individual investor, and such offer must be accompanied by a statement issued by the manager and must contain such particulars in connection with-
  - a) the offer, the conversion and the collective investment scheme's profit;
  - b) the scheme's business prospects;
  - c) the scheme's general state of affairs; and
  - d) such other affairs of the scheme as the registrar may require.
- 2) The provisions of the Companies Act, with respect to the issue of a prospectus or an offer of shares, do not apply to an offer referred to in subsection (1).  
***[Subsection 2 amended by section 232 of Act No. 45 of 2013]***
- 3) Upon a request made in writing by an investor holding a qualifying interest to a manager (except a manager of a collective investment scheme in property) to apply the proceeds of such interest for the payment of a participatory interest in a converted collective investment scheme-
  - a) such qualifying interest may be redeemed immediately despite the conditions attached thereto; and
  - b) such proceeds may be applied for the payment of such participatory interest.

### **Part XII : General**

#### **85. Restrictions on assets which may be included in or lent by portfolio of collective inve**

- 1) A manager may not sell or offer for sale any participatory interest in a portfolio of a collective investment scheme unless at the time of such offer the portfolio included assets in the manner, within the limits or on the conditions determined by the registrar.
- 2) A manager may, subject to section 95, lend or offer to lend assets included in a portfolio in the manner, within the limits or on the conditions determined in the deed.
- 3) Different manners, limits and conditions for different assets or portfolios may be determined or provided for under subsection (1) or (2).



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## **86. Business capacity of manager**

- 1) A manager may conduct business other than administration subject to the prior approval of the registrar.
- 2) The registrar may on such conditions as he or she may determine approve the application of a manager to conduct other business, if the investors in the collective investment scheme administered by the manager are not likely to be prejudiced.

## **87. Definition**

For the purpose of sections 88 and 89, "liquid form" means any asset which is capable of being liquidated within seven days.

## **88. Capital requirement which manager must maintain**

- 1) A manager must on an ongoing basis maintain in liquid form the capital for the matters and risks determined by the registrar.
- 2) The registrar may exempt the managers of a particular category of collective investment schemes from any or all the requirements referred to in subsection (1) and determine capital requirements for such managers.
- 3) The registrar may exempt a manager from compliance with the requirements of this section for such period, not exceeding six months, and on such conditions as he or she may lay down.
- 4) A manager who ceases to comply with subsection (1), and who has not been exempted under subsection (3), must within 30 days notify the registrar in writing to that effect.

## **89. Obligation of manager to maintain capital requirement and failure to comply**

- 1) A manager may not be registered or allowed to continue as a manager, unless at the time of registration and at all times thereafter the manager has nett assets in liquid form which exceed the minimum capital requirement determined under section 88.
  - 2) A manager who, immediately before the commencement of this Act, was a management company registered under any law repealed by this Act, must within 60 days after such commencement comply with the capital requirement determined under section 88.
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## 90. Financial statements and other information to be furnished by manager

- 1) A manager must—
  - a) not later than 90 days after the close of its financial year, send to the registrar a copy of the manager's duly audited financial statements and those of every portfolio of the collective investment scheme administered by the manager; and
  - b) on or before a date specified by the registrar, lodge with the registrar such further information and explanations in connection with the financial and other statements referred to as the registrar may request.
- 2) A manager must, not later than 90 days after the close of the financial year of every portfolio of the collective investment scheme administered by the manager, send to every investor in such portfolio a report relating to the portfolio containing the information determined by the registrar.
- 3) Copies of the financial statements, other statements or information referred to in subsections (1) and (2) must be kept available at every office of the manager or of its authorised agents for inspection during ordinary office hours by any investor in the collective investment scheme concerned or other person interested in investing in a participatory interest in such scheme.
- 4) A manager must, in the manner determined by the registrar, lodge with the registrar—
  - a) copies of all advertisements, brochures, pamphlets, circulars and announcements published or proposed to be published by the manager or any of its authorised agents, and of all proposed additions thereto and variations thereof, signed and certified, in the manner determined by the registrar, by or on behalf of the directors of the manager, unless the manager is exempted from such an obligation by the registrar; and
  - b) a copy of every return or notice which the manager is required to furnish to the Companies and Intellectual Property Commission under sections 70(6) and 85 of the Companies Act.

***[Paragraph (b) amended by section 233 of Act No. 45 of 2013]***

## 91. Exercise of voting power by manager

A manager or its nominee exercising the voting power conferred on it by the assets held in a portfolio, must exercise such power in the best interest of the investors.

## 92. Unauthorised gain derived from acquisition of assets

A manager, director or employee of a manager may not directly or indirectly have a personal interest in or derive any pecuniary advantage from the acquisition or sale by them of any assets of a portfolio except if such advantage accrues in the ordinary course of business to them by virtue of—

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- a) any difference between the price at which a participatory interest is acquired and the price at which it is subsequently sold; or
  - b) any underwriting of participatory interests done by a manager, director or employee.

### **93. Permissible deductions from portfolio**

- 1) The amounts which may be deducted from a portfolio are-
  - a) charges payable on the buying or selling of assets for the portfolio such as brokerage, marketable securities tax, value-added tax or stamp duties;
  - b) auditor's fees, bank charges, trustee and custodian fees and other levies or taxes;
  - c) share creation fees payable to the Registrar of Companies for the creation of authorised capital or, in the case of a collective investment scheme in property, the costs incurred in the creation and issue of participatory interests;
  - d) the agreed and disclosed service charges of the manager; and
  - e) any costs incurred as a result of a collective investment scheme in property being listed on an exchange.
- 2) Amounts other than those referred to in subsection (1) may not be deducted by a manager from a portfolio unless determined by the registrar.

### **94. Calculation of price and limitation of amount of rounding-off accrual**

- 1)
    - a) Subject to paragraph (b), a manager may not sell any participatory interest at a price which exceeds or is less than the net asset value of that participatory interest.
    - b) Where participatory interests in a new portfolio are offered to the public for the first time, the manager may make an initial offer-
      - i) on a specified date;
      - ii) for a specified period;
      - iii) of a specific number of participatory interests at a fixed price based on the price of the participatory interests on a previous date not more than 28 days prior to the closing date of the offer.
  - 2) In making payment to the investors in a portfolio of a distribution of income accruals on the participatory interests belonging to them, a manager may round off to the nearest one cent, any amount so paid in respect of such number of participatory interests as represents the minimum number which, in terms of the portfolio's deed, must be purchased at any one time, but any amount which by, virtue of such rounding-off, is left in the portfolio, must be carried forward to the credit of investors in the next ensuing distribution.
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**95. Sale of participatory interests only on payment of full purchase price and restriction**

- 1) A manager may not-
  - a) sell or offer for sale any participatory interest except on terms requiring payment of the full selling price of the participatory interest to be made upon the acceptance by the manager or any of its duly authorised agents, of the investor's offer for the purchase of the participatory interest; or
  - b) lend or advance any money.
- 2) A manager, other than a manager of a collective investment scheme in securities, may for the account of a portfolio borrow money for the purposes and subject to the limits and conditions determined in the deed.

**96. Power of manager to borrow money to bridge insufficient liquidity in a portfolio**

In the case where insufficient liquidity exists in a portfolio or where assets cannot be realised to repurchase or cancel participatory interests, the manager of a collective investment scheme in securities may borrow the necessary funds for such repurchase or cancellation on security of the assets and for the account of the portfolio in question, from a registered financial institution at the best commercial terms available and until assets can be realised to repay such a loan: Provided that the maximum amount so borrowed may not exceed 10 per cent of the market value of such portfolio at the time of borrowing.

**97. Matters which must be provided for in deed and exemption from and suspension of provisions**

- 1) Every deed must set out the requirements for the administration of a portfolio and it must contain, amongst others and as far as they can be applied, provisions to regulate the matters detailed in Schedule 1 in respect of a collective investment scheme in securities and those detailed in Schedule 2 in respect of a collective investment scheme in property.
  - 2) The registrar may by notice in the *Gazette* exempt a particular type or category of collective investment schemes from the provisions of subsection (1) and determine the matters to be complied with or to be provided for in a deed by such type or category of collective investment schemes.
  - 3)
    - a) The registrar, if a provision of a deed is not in the best interests of investors or does not afford sufficient protection to investors, may by notice in the *Gazette* suspend a provision of any deed and—
      - i) determine the matters to be complied with; or
      - ii) determine the matters in respect of and the period within which any deed must be amended.
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- b) Where the registrar, under paragraph (a)(ii), has determined matters in respect of and the period within which a deed must be amended, and the deed is not amended to the satisfaction of the registrar or within the determined period, the registrar may amend the deed.
- c) If the registrar has amended a deed under paragraph (b), the deed must be regarded as having been amended in accordance with the requirements of this Act, despite all parties to that deed not having agreed to or signed the deed.

***[Subsection 3 amended by section 234 of Act No. 45 of 2013]***

## **98. Void provision of deed and amendment of deed**

- 1) A provision in a deed which is inconsistent with this Act is void.
- 2)
  - a) The parties to a deed may by supplemental deed amend a deed but no amendment of a deed is valid unless the consent thereto of a majority in value of investors has been obtained in the manner prescribed in the deed.
  - b) If the registrar is satisfied that any such amendment-
    - i) is required only to enable the provisions of this Act or of the deed to be given effect to more conveniently or economically;
    - ii) will benefit the investors;
    - iii) will not prejudice the interests of investors;
    - iv) does not amend the fundamental provisions or objects of the deed; and
    - v) does not release the trustee, custodian or the manager from any responsibility to the investors,he or she may direct that such consent be dispensed with.
- 3) Subject to subsection (2), a deed which immediately prior to the date of commencement of this Act was a deed in terms of any law repealed by this Act, must within 12 months from the date of commencement of this Act be amended, supplemented or replaced in order to comply fully with the requirements of this Act.

## **99. Amalgamation of business of collective investment schemes or portfolios**

- 1) The business of two or more collective investment schemes or two or more portfolios of a collective investment scheme may not be amalgamated, and the rights of the investors in a portfolio may not be ceded or transferred to or be taken over by any other portfolio or collective investment scheme, except with the prior consent of-
  - a) investors holding a majority in value of participatory interests in each collective investment scheme or portfolio (hereinafter referred to as an original scheme or portfolio) to which a proposed amalgamation, cession, transfer or take-over refers; and
  - b) the registrar, granted on such conditions as he or she in writing may determine.
- 2) A copy of the transaction (hereinafter referred to as the proposed transaction) whereby the proposed amalgamation, cession, transfer or take-over is to be effected and such

other particulars as may be necessary to enable the registrar to exercise his or her powers under this section, must be submitted to the registrar by the parties to the proposed transaction.

- 3) The registrar may grant his or her consent under subsection (1)(b) only if he or she is satisfied that-
  - a) every investor, of whose address the manager is aware, in an original scheme or portfolio has been furnished in writing, within a reasonable period before the date determined by the registrar, with particulars of the proposed transaction and of the procedure which the parties concerned intend to follow, so as to ensure that every such investor shall, on the date on which the proposed transaction becomes effective, hold in the new scheme or portfolio such participatory interests with an aggregate money value which is not less than the lower of the nett asset value or market value, as may be fair and reasonable in the circumstances, of the participatory interests which such investor, immediately before the date on which the proposed transaction becomes effective, held in an original scheme or portfolio;
  - b) the proposed transaction will not be detrimental to any investor in an original scheme or portfolio: and
  - c) investors holding a majority in value of participatory interests in an original scheme or portfolio have not notified the manager in writing on or before a date determined by the registrar and disclosed by the manager in writing to every investor, that they refused consent to the proposed transaction.
- 4) When a proposed transaction becomes effective-
  - a) the provisions of the deed of the new scheme or portfolio or of the scheme or portfolio which acquired rights by amalgamation, cession, transfer or take-over bind the investors in an original scheme or portfolio;
  - b) all the assets of an original scheme or portfolio vest in and form part of the new scheme or portfolio or, as the case may be, the scheme or portfolio which acquired such assets by amalgamation, cession, transfer or take-over;
  - c) the provisions of the deed of the new scheme or portfolio or of the scheme or portfolio which acquired rights by amalgamation, cession, transfer or take-over, apply to the assets referred to in paragraph (b) and to any income accruals or other benefits which accrue therefrom to investors; and
  - d) an investor in an original scheme or portfolio acquires participatory interests in the new scheme or portfolio or in the scheme or portfolio which acquired rights by amalgamation, cession, transfer or take-over, having the same aggregate money value as that of the participatory interests held, immediately before the date on which the proposed transaction became effective, by such investor in an original scheme or portfolio.
- 5) If a proposed transaction becomes effective, every Registrar of Deeds in whose deeds registry property or other rights are registered in the name of or in favour of an original scheme or portfolio-
  - a) on production to him or her of a certificate in which the registrar states that-
    - i) he or she in terms of subsection (1)(b) has granted consent to the proposed transaction; and
    - ii) the amalgamation, cession, transfer or take-over in question has been carried out properly; and
  - b) on production to him or her of the title deed or other deed or document in question, must, on such title deed or other deed or document and in his or her registers or other

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books, make such endorsements and entries as may be necessary as a result of the said amalgamation, cession, transfer or take-over to effect or record the transfer of the said property or other rights to the new scheme or portfolio or, as the case may be, to the scheme or portfolio acquiring rights by means of the amalgamation, cession, transfer or take-over in question.

- 6) Except in so far as this section provides otherwise, an amalgamation, cession, transfer or take-over in terms of this section does not derogate from the rights of any creditor or any obligation relating to an original scheme or portfolio.
- 7) No transfer or stamp duty or registration or other fees are payable in respect of any endorsement or entry made in terms of subsection (5), and no stamp duty or other fees are payable in respect of the issue of a substituting participatory interest or the transfer of assets as a result of any amalgamation, cession, transfer or take-over in terms of this section.

## **100. Contents of price list, advertisement, brochure and similar document**

- 1) If in any price list, advertisement, brochure or similar document published by a manager or by any of its authorised agents for the purpose of soliciting the sale of participatory interests in a collective investment scheme, the price of any participatory interest is mentioned or a particular portfolio is referred to, the under-mentioned particulars must be clearly set out therein with reference to each such participatory interest or portfolio, namely-
    - a) the charges that may be levied by the manager, the method of calculation and the quantum of those charges and the time when they may be levied; and
    - b) the basis on which the manager undertakes to repurchase participatory interests offered to it and the basis on which selling and repurchase prices will be calculated in accordance with this Act and the terms and conditions of the deed.
  - 2) Any reference in any price list, advertisement, brochure or similar document published by a manager or by any of its authorised agents, to the yield to be derived from any participatory interest offered for sale by the manager, must be confined-
    - a) in the case of any such document published after the expiry of a period of 12 months following the date of the first offer of participatory interests to the public, to particulars of the yield, calculated in the manner specified in the deed, for the last preceding period of 12 months for which a distribution has been declared, and a statement as to any facts likely to influence future yield; and
    - b) in the case of any such document published within the first-mentioned period, to information as to the probable yield calculated in a manner clearly set out in such document.
  - 3) If, in any price list, advertisement, brochure or similar document published by a manager or by any of its authorised agents, it is stated that investors in a portfolio of the collective investment scheme are entitled to participate in its profits, there must also be stated what amount was so distributed during the previous financial year, expressed as a percentage of the aggregate market value, as at the close of that year, of all assets then held on behalf of investors in that portfolio.
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- 4) There must be included in every price list, advertisement, brochure or similar document published by a manager or by any of its authorised agents in which participatory interests are commended to the public, a statement in clear and unambiguous terms, to the effect that the value of participatory interests in a portfolio is subject to fluctuation from time to time relative to the market value of the assets comprised in the portfolio: Provided that the registrar may, subject to such conditions as he or she may deem fit, exempt a manager or any such agent from the provisions of this subsection in relation to any advertisement or any particular type of advertisement which is of such a nature that it would be unreasonable to require the manager or such agent to comply with this subsection.

## **101. Principal office and public officer in Republic**

- 1) manager must maintain a principal office in the Republic, must appoint a public officer in the Republic and must notify the registrar in writing, within 30 days after the commencement of this Act, of the location and address of that office and of the name of its public officer.
- 2) Whenever a manager has changed its principal office or has appointed a new public officer, it must within 30 days from such change or appointment give notice in writing thereof to the registrar.
- 3) Process in any legal proceedings against a manager may be served at the principal office of the manager, and if such office is no longer in existence, service upon the registrar is deemed to be service upon the manager.

## **102. Winding-up of portfolio of collective investment scheme**

- 1) If at the time, whether before or after the commencement of this Act, when a portfolio was first formed under a collective investment scheme, no period was fixed for the duration of that portfolio, the manager, trustee or custodian may, on application to the registrar and subject to such terms and conditions as he or she may determine, wind up that portfolio at any time.
- 2) Despite subsection (1), any competent division of the court may, on the application of a manager, trustee or custodian, order any such portfolio to be wound up if the court is satisfied that to do so would be in the interest of investors in that portfolio.
- 3) Upon the winding-up of a portfolio in terms of this section the manager must under the control and supervision of the trustee or custodian realise all the assets of such portfolio as soon as possible having regard to the interest of investors, but the manager incurs no liability by reason of the exercise in good faith of its discretion as to the time of realisation of any assets unless the discretion is exercised in a grossly negligent manner.
- 4) The net proceeds of the realisation of such assets must be deposited in the trust account referred to in section 105 and must under the control and supervision of the trustee or



custodian be distributed by the manager or the trustee or custodian as the case may be, amongst the investors and the manager in proportion to their respective participatory or other interests in the portfolio.

- 5) Pending the realisation of the assets in such winding-up the manager, trustee or custodian must on behalf of the collective investment scheme collect all income accruals in respect of such portfolio and must deposit and distribute the amounts collected in the manner prescribed in subsection (4).
- 6) Despite the provisions of the Companies Act, 1973 (Act No. 61 of 1973), this section and sections 103 and 104 of this Act must be applied to the winding-up of a portfolio of an open-ended investment company and none of the assets of a portfolio administered by such a company may be utilised for the payment of any claim of a creditor of the company.

### **103. Manner of dealing with trust property on winding-up of portfolio**

- 1) The registrar may with the approval of the court which has issued an order under section 102, if it appears to him or her that it would be in the interest of investors to continue the collective investment scheme for a period of time, direct the manager, trustee or custodian to postpone the realisation of any assets for such period or periods, not exceeding five years at a time, as the registrar may determine and, pending such realisation, to carry on the scheme in accordance with the registrar's directions and to collect and deal with all income accruals, bonuses and other distributions in accordance with subsections (4) and (5) of section 102.
- 2) A manager, trustee or custodian acting in accordance with a direction of the registrar given in terms of subsection (1) may terminate his or her functions as manager, trustee or custodian on giving six months' notice in writing to the registrar, and the registrar may thereupon appoint some other fit and proper person to take over the functions of the manager, trustee or custodian, subject to such conditions as the registrar may stipulate.
- 3) As remuneration for any services rendered in terms of this section a manager, trustee or custodian or a person appointed by the registrar to take over the functions of a manager, trustee or custodian is entitled to a fee calculated at such rate as the registrar may determine, on all moneys received by him or her in carrying out his or her duties under this section, and the registrar may authorise the amount of such fee to be deducted, in such proportions as he or she may determine, from income accruals or any moneys realised by the sale of assets in terms of this section.

### **104. Separation of assets of portfolio handed to or received by manager, trustee or custodian**

For the purposes of a claim against a manager, trustee or custodian there must be excluded from the assets of the manager, trustee or custodian-

- a) any money or other assets handed to that manager, trustee or custodian or its

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- authorised agents by an investor for the sale or repurchase of a participatory interest; and
  - b) the assets of a portfolio.

### **105. Separation of funds of investors and other persons**

- 1) A manager must open and maintain a separate operational trust account controlled by the trustee or custodian for each or for all the portfolios administered under its collective investment scheme at a registered bank and must on the date of receipt of any payment in cash, cheque, draft or other instrument from or on behalf of an investor or on the first business day thereafter, deposit in such account either the cash, cheque, draft or other instrument by means of which such payment is made or, alternatively, deposit for same day value in such account funds equal to the amount of such payment.
- 2) Funds deposited into an operational trust account referred to in subsection (1) may only be withdrawn for the purposes of making payment-
  - a) to the investor, person or manager entitled to such payment; or
  - b) in terms of this Act, any other law and the deed: Provided that if after such withdrawal any deposited cheque, draft or other instrument against which such withdrawal was made is not subsequently honoured, the manager must immediately pay the shortfall arising from such default into the operational trust account or cancel any participatory interest issued in respect of such defaulting payment.
- 3) Any excess remaining in the operational trust account after payment of or provision for all claims of investors whose funds have, or should have been deposited in such account, is not trust property as determined in section 71.
- 4) The division of the court having jurisdiction over a manager may, on application by an association or the registrar or by any other person having a financial interest in or claim against an operational trust account, on good cause shown, prohibit such manager from operating such account in any way and may appoint a curator to control and administer such account with such duties and powers in relation thereto as the court may deem fit.

### **106. False or misleading statements**

No person may make a statement or disseminate information which he or she knows, or ought reasonably to know, is false or misleading or is likely or intended to-

- a) induce other persons to purchase or deal in a participatory interest; or
  - b) have the effect of inflating, depressing or maintaining the price of a participatory interest.
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**107. Fraudulently inducing person to purchase or deal in participatory interests**

No person may-

- a) by making or publishing any statement, promise or forecast which he or she knows is likely or intended to be misleading, false or deceptive; or
  - b) by concealing material information at his or her disposal,
- induce another person to purchase or deal in a participatory interest.

**108. Evidence**

A record purporting to have been made or kept in the ordinary course of the business of a collective investment scheme or a copy of or an extract from such record duly certified to be correct, is on its mere production by the State in any criminal proceedings admissible as evidence of the facts contained in such record, copy or extract.

**109. Liability for loss**

- 1)
    - a) A person who contravenes or fails to comply with any provision of this Act or any rule or directive of an association, or regulation, notice or directive under this Act is liable to any other person for any loss or damage suffered by that person as a result of such contravention or failure.
    - b) The defences applying to an action for damages in respect of a breach of a statutory duty are available to any defendant in an action contemplated in paragraph (a).
  - 2) A person who contravenes a provision of section 106 or 107 is liable to pay damages to any other person who, by dealing in or purchasing a participatory interest, suffers a loss as a result of the difference between the price at which the dealing takes place and the price at which it is likely to have taken place if the contravention had not occurred.
  - 3) The amount of damages for which a person is liable in terms of subsection (2) is limited to twice the profit gained or likely to be gained, or loss avoided or likely to be avoided, by him or her as a result of the relevant contravention.
  - 4) An action contemplated in subsection (1) or (2) does not lie after the expiration of a period of three years commencing-
    - a) in a case contemplated in subsection (1), on the day of the relevant contravention or failure; or
    - b) in a case contemplated in subsection (2), on the day of completion of the dealing in which the loss occurred.
  - 5) The registrar may bring an action in a competent court in the name of, and for the benefit of, an investor or a specific group of investors for recovery of damages for a loss referred to in subsection (2).
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- 6) Nothing contained in this section affects any liability which a person may incur under the common law or any other law but any damages previously awarded in terms of this section which arise from the same cause must be taken into consideration for purposes of any further claim referred to in this subsection.

## 110. Certain written matter to bear names of certain persons

No person may publish or issue to the public or circulate any written comment which may influence the value of any participatory interest unless such comment is accompanied by-

- a) the name of the person who compiled the comment, or the name of the person on the editorial staff of a newspaper or periodical whom the editor regards as having compiled the comment; or
- b) disclosure of the source from which the comment was obtained, or the information on which it was based.

## 111. Application of Companies Act in relation to manager

- 1) Except where this Act expressly provides otherwise, the application of the Companies Act to a manager is not affected by this Act.

***[Subsection 1 amended by section 235(a) of Act No. 45 of 2013]***

2)

- a) Despite section 5 of the Companies Act, section 48 of the said Act does not apply to an open-ended investment company.
- b) Despite section 5 of the Companies Act, Chapter 4 of the said Act does not apply to any offer of participatory interests to members of the public or to investors by an open-ended investment company or a foreign collective investment scheme approved in terms of section 65.

***[Subsection 2 amended by section 235(a) of Act No. 45 of 2013]***

- 3) In the application of section 82 of the Companies Act to a manager, the Master must also file promptly with the registrar a copy of the documentation referred to in subsection (1) (b) of that section.

***[Subsection 3 amended by section 235(a) of Act No. 45 of 2013]***

- 4) ***[Subsection 4 deleted by section 235(b) of Act No. 45 of 2013].***

- 5) The registrar may, in respect of any manager being wound up or being subject to business rescue proceedings, in writing direct the liquidator or the business rescue practitioner, as the case may be, to furnish him or her with a copy of any particular account, return statements or other document which the liquidator or the business rescue practitioner is required under any provision of the Companies Act to furnish to the Companies and Intellectual Property Commission or the Master, or to furnish him or her from time to time with copies of all or any of such accounts, returns, statements or documents as and when they are furnished to the said Commission or to the Master.

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***[Subsection 5 amended by section 235(c) of Act No. 45 of 2013]***

- 6) Immediately after the confirmation of the final account in the winding-up of a manager, the Master of the High Court concerned must give the registrar notice thereof.

**111A. Business rescue of manager**

- (1) Despite the provisions of the Companies Act or any other law under which a manager is incorporated, Chapter 6 of the Companies Act applies subject to this section and with the changes required by the context, in relation to the business rescue of a manager whether or not it is a company.
- (2) The registrar may make an application under section 131 of the Companies Act in respect of a manager if the registrar is satisfied, whether as contemplated in section 88 or 89 of this Act, or otherwise, that it is in interests of investors.
- (3) The resolution of a manager to begin business rescue proceedings, the appointment of a business rescue practitioner, the adoption of a business rescue plan and the exercise of a power by the business rescue practitioner under the Companies Act, are subject to the approval of the registrar.
- (4) In the application of Chapter 6 of the Companies Act—
  - (a) a reference to the Commission, shall be construed as a reference also to the registrar;
  - (b) a reference to creditors, shall be construed as a reference also to investors;
  - (c) a reference relating to the ability of a manager to pay all its debts, shall be construed as relating also to its inability to comply with sections 88 and 89 of this Act; and
  - (d) there shall, in addition to any question relating to the business of a manager, be considered also the question whether any cause of action is in the interests of investors.
- (5) If an application to a Court for an order relating to the business rescue of a manager is made by an affected person other than the registrar—
  - (a) it shall not be heard unless copies of the notice of motion and of all accompanying affidavits and other documents filed in support of the application are lodged with the registrar before the application is set down for hearing;
  - (b) the registrar may, if satisfied that the application is not in the interests of the investors of the manager concerned, join the application as a party and file affidavits and other documents in opposition to the application.
- (6) As from the date upon which a business rescue practitioner is appointed, the business rescue practitioner of a manager shall not issue any fresh participatory interests, unless the practitioner has been granted permission to do so by a court.

***[Section 111A inserted by section 236 of Act No. 45 of 2013]***

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## 112. Delegation of functions

- 1) The Minister may delegate any power conferred upon him or her by this Act to the Director-General: Finance or any other officer in the National Treasury, the Board, an association or the registrar.
- 2) An association may-
  - a) on such conditions as the association may determine, delegate to the chairperson, executive officer or any other officer or employee of the association any power conferred upon the association by or under this Act, including a power delegated to the association under this Act or;
  - b) authorise the chairperson, the executive officer or any other officer or employee of the association to perform any duty assigned to the association by or under this Act.
- 3) The registrar may-
  - a) delegate to an officer or employee of the Board or an association any power conferred upon the registrar by or under this Act, including a power delegated to the registrar under this Act; or
  - b) authorise such officer or employee to perform any duty assigned to the registrar by or under this Act.
- 4) Any delegation under subsection (1), (2)(a) or (3)(a) does not prohibit the exercise of the power in question by the Minister, association or registrar, as the case may be.

## 113. Exemption from Act 57 of 1988

The Trust Property Control Act, 1988 (Act No. 57 of 1988), does not apply in respect of a collective investment scheme administered in terms of this Act.

## 114. Regulations by Minister and notices by registrar

- 1) The Minister may make regulations as to any matter which is required or permitted by this Act to be prescribed under this Act.
  - 2) The Minister may make different regulations-
    - a) in respect of a manager which is or a manager which is not a member of an association, different types of collective investment schemes or different types of portfolios;
    - b) prescribing, generally, any matter, whether or not connected with any matter specified in subsection (1), which is necessary or expedient to prescribe to or regulate in order for the objects of this Act to be achieved, but the generality of this provision is not limited by subsection (1).
  - 3) The registrar may, for the purposes of this Act, by notice in the *Gazette* determine-
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- a) the records to be kept and furnished to the registrar by a manager;
  - b) the forms, returns, documents or information and the manner and time limits for the lodgement with or transmission to the registrar or any other person;
  - c) the manner in which and the period within which-
    - i) application for the renewal of an association licence must be made; or
    - ii) notice must be given of the issue, cancellation or suspension of an association licence;
  - d) matters in addition to those contemplated in any other provision of this Act in respect of which fees are payable, the fee payable in respect of each such matter, and, in relation to such fees as well as fees payable under any such other provision of this Act, the persons by whom the fees are payable, the manner of payment thereof and, where it is deemed necessary, the payment of interest in respect of overdue fees;
  - e) rules for the conduct of a collective investment scheme by a manager who is not a member of an association; and
  - f) the circumstances under which the manager of a collective investment scheme in securities may suspend the repurchase of participatory interests and the conditions of such suspension: Provided that any offer of participatory interests for repurchase by an investor, the aggregate amount or value of which does not exceed the amount specified by the registrar, on the day of such offer, is excluded from any suspension.
- 4) The registrar may issue different notices-
- a) in respect of a manager which is or a manager which is not a member of an association, different types of collective investment schemes or different types of portfolios;
  - b) determining, generally, any matter, whether or not connected with any matter specified in subsection (3), which is necessary or expedient to determine in order for the objects of this Act to be achieved, but the generality of this provision is not limited by subsection (3).
- 5) Any matter which the registrar may or must determine in terms of this Act must be determined by notice on the official web site, unless notice in the *Gazette* is specifically required.
- [Subsection 5 amended by section 237 of Act No. 45 of 2013]***
- 6) Fees which are by virtue of a provision of this Act payable, and interest so payable in respect of overdue fees, are a debt due to the Board and may be recovered by the registrar by action in any competent court.
- 7) A regulation may provide for penalties for a contravention thereof or failure to comply therewith.

## 115. Offences

Any person who-

- a) contravenes or fails to comply with the provisions of sections 6, 68, 92, 93, 94, 95, 96, 106, 107 or 110;
  - b) not being a manager or an authorised agent of a manager, performs an act
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- amounting to administration; or
  - c) fails to comply with any direction, requirement, notice, rule or regulation under any provision of this Act,
- is guilty of an offence.

## 116. Penalties

Subject to the provisions of the Criminal Law Amendment Act, 1997 (Act No. 105 of 1997), regarding minimum sentences for serious offences any person who is in terms of any provision of this Act, guilty of an offence in respect of which no penalty is specifically provided, is liable to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years or to both such fine and such imprisonment.

***[Section 116 amended by section 238 of Act No. 45 of 2013]***

## 117. Repeal or amendment of laws and savings

- 1) Subject to subsection (2), the laws set out in Schedule 3 are hereby repealed or amended to the extent set out in the third column thereof.
- 2) Anything done under any provision of a law repealed or amended by subsection (1), and which could be done under a provision of this Act, is regarded as having been done under the last-mentioned provision.
- 3)
  - a) A management company or a trustee which immediately before the date of commencement of this Act was registered as such under the Unit Trusts Control Act, 1981 (Act No. 54 of 1981), is regarded, from the date of such commencement, as being registered as a manager or trustee under this Act.
  - b) The registrar must issue to a manager or trustee referred to in paragraph (a) a certificate of registration in terms of this Act.

## 118. Short title

This Act is called the Collective Investment Schemes Control Act, 2002, and comes into operation on a date fixed by the President by proclamation in the *Gazette*.

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## Schedule 1

### Matters which must be provided for in Deed of Collective Investment Scheme in Securities

#### MATTERS WHICH MUST BE PROVIDED FOR IN DEED OF COLLECTIVE INVESTMENT SCHEME IN SECURITIES

##### (Section 97)

- 1) A deed must provide for the requirements applicable to the administration by a manager of a collective investment scheme in securities and must, amongst others and as far as applicable, contain provisions regarding the following matters:
    - a) The investment policy to be followed in respect of each portfolio;
    - b) the manner in which the assets of a portfolio are to be valued for purposes of calculating the selling and repurchase prices of participatory interests;
    - c) the frequency of calculation of selling and repurchase prices of participatory interests, and the point in time at which such calculations will be performed on a specific day, which point will be referred to as the valuation point;
    - d) if assets other than securities listed on an exchange may be included in any portfolio, the basis on which the market value of such assets is to be determined for the purposes of determining selling and repurchase prices;
    - e) the manner in which and a point in time at which the valuation point will be applied either to the creation, sale, repurchase or cancellation of participatory interests;
    - f) the manner in which distributions are to be calculated and settled;
    - g) the limits, terms and conditions under which scrip may be lent;
    - h) the limits, terms and conditions under which a manager may for the account of a portfolio borrow money;
    - i) the charges that may be levied and the method of calculation of those charges;
    - j) not less than three months' written notice must be given to every investor of an increase in any charge and of any change in the method of calculation which could result in an increase or the introduction of any additional charge; and
    - k) the manner in which a deed may be amended.
  - 2) In respect of the repurchase of participatory interests in a portfolio of a collective investment scheme in securities, a deed must provide for the following:
    - a) It is incumbent on a manager to repurchase any number of participatory interests offered to it;
    - b) for the purposes of sub-item (a) and subject to sub-item (d), the manager must determine a point in time by when repurchase requests must be received for the purpose of determining which valuation point will be utilised for the pricing calculation;
    - c) the time determined in terms of sub-item (b) may not be changed unless 30 days' prior written notice has been given to investors;
    - d) a manager, when it receives a request for repurchase of participatory interests under circumstances determined by the registrar under section 114(3) of the Act-
      - i) may, with the prior consent of the trustee or custodian; or
      - ii) must, without delay when the trustee or custodian so requires, suspend the basis of the repurchase of the relevant participatory interests, if the
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- manager, trustee or custodian, as the case may be, is of the opinion that the circumstances referred to warrant the suspension in the interest of investors; and
- e) the repurchase of such participatory interests must be settled in accordance with conditions determined by the registrar under section 114(3) of the Act.

## Schedule 2

### Matters which must be provided for in Deed of Collective Investment Scheme in Property

#### MATTERS WHICH MUST BE PROVIDED FOR IN DEED OF COLLECTIVE INVESTMENT SCHEME IN PROPERTY

##### (Section 97)

A deed must provide for the requirements applicable to the administration by a manager of a collective investment scheme in property and must, amongst others and as far as applicable, contain provisions regarding the following matters:

- a) The investment policy to be followed in respect of each portfolio;
- b) the frequency and basis on which the assets of a portfolio are to be valued;
- c) the manner in which participatory interests are to be created or cancelled;
- d) the manner in which distributions are to be calculated and settled;
- e) the limits, terms and conditions under which a manager may for the account of a portfolio borrow money;
- f) the charges that may be levied and the method of calculation of those charges;
- g) not less than three months' written notice must be given to every investor of an increase in any charge and of any change in the method of calculation which could result in an increase or the introduction of any additional charge; and
- h) the manner in which a deed may be amended.

## Schedule 3

### Laws repealed or amended by this Act

#### LAWS REPEALED OR AMENDED BY THIS ACT

##### (Section 117)

No. and year	Short title	Extent of repeal or amendment
Act No. 54 of 1981	Unit Trusts Control Act, 1981	Repeal of the whole
Act No. 55 of 1981	Participation Bonds Act, 1981	Repeal of the whole

Act No. 51 of 1988	Financial Institutions Amendment Act, 1988	Repeal of sections 8 to 17
Act No. 64 of 1990	Financial Institutions Amendment Act, 1990	Repeal of section 12
Act No. 97 of 1990	Financial Services Board Act, 1990	Amendment of section 1 by the substitution in the definition of "financial institution" for subparagraph (iii) of paragraph (a) of the following subparagraph: "(iii) a collective investment scheme as defined in section 1 of the Collective Investment Schemes Control Act, 2002, a manager, trustee or custodian registered in terms of that Act, and an authorised agent of such a manager;"
Act No. 54 of 1991	Financial Institutions Amendment Act, 1991	Repeal of sections 5 to 8
Act No. 83 of 1992	Financial Institutions Amendment Act, 1992	Repeal of section 30
Act No. 7 of 1993	Financial Institutions Amendment Act, 1993	Repeal of section 6
Act No. 104 of 1993	Financial Institutions Second Amendment Act, 1993	Repeal of sections 39 to 49
Act No. 53 of 1996	Unit Trusts Control Amendment Act, 1996	Repeal of the whole
Act No. 12 of 1998	Unit Trusts Control Amendment Act, 1998	Repeal of the whole

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## Schedule 4

### Matters to be provided for in Rules of Association

#### MATTERS TO BE PROVIDED FOR IN RULES OF ASSOCIATION

##### (Section 32)

- 1) Subject to the provisions of the Act and any exemption from or addition to the rules that may be granted or required by the registrar in a particular case, the rules of an association-
  - a) must provide to the satisfaction of the registrar-
    - i) for the manner in which and the conditions under which a body corporate qualifies for membership of the association;
    - ii) for the establishment of an executive committee from members of the association and the composition and functions of such a committee;
    - iii) for the manner in which and conditions under which members are to carry on their business so as to ensure compliance with the principles envisaged in section 2 of the Act;
    - iv) for the exclusion from membership if a member is controlled or administered by a person who is not of good character and high business integrity;
    - v) for the financial requirements and requirements in respect of training and experience with which a member, its directors and its employees must comply to be admitted as a member;
    - vi) for the exclusion of a body corporate from membership where a director of the body corporate, a person concerned in the management of the body corporate or a person who has substantial control of the body corporate, would be excluded from membership by virtue of the provisions of the Act;
    - vii) for disclosure of information, including the risks an investor is exposed to;
    - viii) for standards of conduct by members of an association and the investigation of complaints in respect of their activities;
    - ix) for co-operation with the registrar by the furnishing of information to him or her in respect of the business of the members of an association;
    - x) for the equitable and speedy settlement of disputes between members in respect of the carrying on of their business;
    - xi)
      - aa) for an appropriate mechanism whereby a member which has been penalised by a committee or a competent person may appeal against the decision of the committee or person; and
      - bb) that the membership of a member may not be suspended or terminated unless he or she has been informed of the reasons for such suspension or termination and has had an opportunity to make representations to the executive committee, and that a person who has so made representations to the executive committee is entitled to be supplied with a copy of a record of the meeting at which his or her representations were considered;
    - xii) for the manner in which and conditions subject to which members of an association may advertise the services rendered by them;
    - xiii)
      - aa) for the manner in which fees charged by members of an association for their services, are disclosed and notified to investors; and
      - bb) for the furnishing by members of an association to their investors of other

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- information in respect of the business conducted by the members on behalf of investors;
  - xiv) in respect of a member of an association-
    - aa) for the recording of the transactions effected by the members of an association, their investors and trustee or custodian;
    - bb) for the separation of an investor's funds and other corporeal or incorporeal things from the assets of the member;
    - cc) for prohibition of the use of funds belonging to one investor to finance the dealings of another investor;
    - dd) for prohibition of the use of an investor's funds in operating the member's own business; and
    - ee) that a member who buys any participatory interest from an investor or sells any participatory interest to an investor on his or her own account, must notify the investor concerned in advance that such participatory interest was bought or sold by the member for its own account;
  - xv) that, where relevant, a member must on request make available to an investor all information at the member's disposal for determining the current value of a participatory interest;
  - xvi)
    - aa) for the manner in which and conditions subject to which a participatory interest in a portfolio may be offered to members of the public;
    - bb) for the stoppage or suspension of the administration of a collective investment scheme or any part thereof by a member of an association or the quotation of prices in respect of such administration; and
    - cc) for the application of new or amended conditions imposed by an executive committee of an association upon the carrying on of existing business;
  - xvii) for ensuring delivery or settlement in respect of transactions effected by the members of an association either by the member's or the association's own arrangements or by means of arrangements made by the association with a financial institution or other association;
  - xviii) for the appointment of-
    - aa) an executive officer by the executive committee; and
    - bb) employees by the executive officer;
  - xix) for the dissolution of the association;
  - xx) for further measures to ensure that the business of the association in question is carried on with due regard to the interests of investors; and
  - b) may provide to the satisfaction of the registrar-
    - i) for the effective monitoring of compliance with, and enforcement of, the rules or any arrangements made by the association with a financial institution or exchange for the rendering of services or facilities in respect of the association;
    - ii) that a member must render sureties or security to the satisfaction of the executive committee, for the discharge of liabilities arising out of its activities;
    - iii)
      - aa) that a fidelity fund must be established and maintained for the discharge, up to an amount specified in the rules, of outstanding liabilities of a member arising out of its activities; and
      - bb) that every member must contribute to such fund.
- 2)
- a) The association must as soon as possible after the granting of a licence, publish its rules in the *Gazette* in English and any one other official language at the expense of
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- the association concerned and furnish the registrar with a copy thereof.
- b) No amendment, other than a suspension, of the rules is valid, unless-
    - i) the fee prescribed by the registrar has been paid;
    - ii) it has been approved by the registrar in writing;
    - iii) a date has been stipulated in the registrar's approval for the coming into operation of such amendment; or
    - iv) it is consistent with this Act.
  - c) The registrar must, after considering any objection contemplated in paragraph (f), approve or disapprove an amendment referred to in paragraph (b) within a period of 60 days after expiry of the period referred to in paragraph (f).
  - d) If the registrar does not disapprove of an amendment referred to in paragraph (b) within a period of 60 days after expiry of the period referred to in paragraph (f), the registrar is regarded as having approved it and such amendment comes into operation on the day immediately following upon the date of expiry of the aforesaid period of 60 days.
  - e) Upon receipt of an application for approval in terms of paragraph (b), the registrar must cause to be published at the expense of the association in English and any one other official language in the *Gazette* a notice setting forth the proposed amendment.
  - f) The said notice must call upon all interested persons, other than members of the association concerned, who have any objection to the proposed amendment to lodge their objection with the registrar within a period of 30 days from the date of publication of the notice in the *Gazette*.
- 3) A rule made under this section is binding on all members and on all officers or employees of members and on every person utilising the services of a member or who concludes a transaction with a member in the course of that member's business.
- 4)
- a) A rule may, in respect of each contravention or failure to comply therewith by a member or an officer or employee of a member, specify one or more of the following penalties:
    - i) A reprimand;
    - ii) censure;
    - iii) a fine not exceeding one million rand, which amount is payable to the fund referred to in item 1(b)(iii) or, if such fund does not exist, to the relevant association;
    - iv) suspension or cancellation of membership; or
    - v) a direction to a member to terminate the employment of an officer or employee.
  - b) The rule contemplated in paragraph (a) may also specify that full particulars regarding the imposition of a penalty must be published and that any member, officer or employee who contravenes or fails to comply with a rule may be ordered to pay the costs incurred in the investigation or hearing in question.
- 5) Whenever the registrar considers it desirable in the public interest, he or she may, after consultation with the executive committee of an association, amend the rules of that association by notice in the *Gazette*.
- 6)
- a) Subject to the prior approval of the registrar, an executive committee may suspend
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any of the rules of an association for a period not exceeding 90 days at a time and may during such suspension by resolution likewise approved issue a directive to regulate the matter in question until such time as an appropriate amendment of the rules can be made in terms of this item.

- b) Items 3 and 4 apply in respect of any contravention of or non-compliance with a directive.
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## **Government Notices**

**[www.acts.co.za](http://www.acts.co.za)**

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# Government Notices

## Notice No. 569 of 2003

### Introduction

Notice No. 569 of 2003

#### Financial Services Board

Under sections 25, 42, 45, 77, 90 and 114(3) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), I, Jeffrey van Rooyen, Registrar of Collective Investment Schemes, hereby determine the matters contained in the Schedule.

**J van Rooyen**  
**Registrar of Collective Investment Schemes**

### 1. Definitions

In this Schedule "**the Act**" means the Collective investments Schemes Control Act, 2002 (Act No. 45 of 2002), and any word or expression to which a meaning has been assigned in the Act, bears the meaning so assigned to it.

### 2. Statements and information

A manager must in its financial statements to be lodged in terms of section 90(1) of the Act, reflect the following information:

- a) The amount of the dividends and interest and any other income for distribution which accrued to the assets comprised in every portfolio, indicating the classes of income and the amount derived from each class, and how the income has been or is intended to be allocated.
  - b) In respect of each portfolio, the amount of the proceeds of capital gains, rights and bonus issues and any other accruals and receipts of a capital nature which have been or are to be invested in the scheme for the benefit of investors indicating the classes thereof and the amount derived from each class.
  - c) The total rand value and number of participatory interests in respect of each portfolio
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    - i) at the beginning of the year;
    - ii) sold during the year;
    - iii) repurchased during the year; and
    - iv) at the end of the year.
  - d) The manager's income derived from all sources in the operation of the collective
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investment scheme, indicating the sources and the amount derived from each source, and the net profit or loss derived from such operation: Provided that a distinction must be made between the gross profit derived from an appreciation in value of participatory interests disposed of by the manager and the gross profit derived from the buying and selling of participatory interests for the manager's own account.

- e) In respect of securities that have been lent, a list thereof, the value thereof and the composition and nature of the collateral security held in respect of such loan.

### 3. List of assets

- 1) A manager of a collective investment scheme in securities must at the end of each calendar quarter, within 30 days after the end of such quarter, furnish to the registrar, electronically or otherwise a full list of all underlying assets included in any portfolio administered by it, reflecting in respect of every portfolio, the market value of each asset included in that portfolio, and the value of each of those assets expressed-
  - a) as a percentage of the total value of assets in the portfolio concerned; and
  - b) as a percentage of the total amount of assets of that class issued by the concern in which the investment is held,and indicating which of such assets are exchange securities and which are not and if so, on which exchange such assets are listed.
- 2) If any asset is not listed on an exchange, the manager must indicate the mechanism used in the pricing of such asset.
- 3) The list referred to in sub-condition (1) shall be kept available at the registered office of the manager and at the office of every authorised agent of the manager for inspection during ordinary office hours by any investor or other person interested in the purchase of participatory interests from the manager.

### 4. Reporting to investors

In terms of section 90(2) of the Act, a manager must transmit, electronically or otherwise, to every investor, in respect of each financial year, within three months after the end of such year, at least the following information:

- a) A report by the chairman or managing director in which must be disclosed every material fact or circumstance that occurred during the year and which had an effect on the financial affairs of the portfolio and its manager and, in particular, details of any deviation from the investment policy and objective as contained in the deed.
- b) An abridged income statement and balance sheet of the portfolio.
- c) Details of any qualification made by the auditor in his report on the financial statements of the manager and the portfolio.
- d) The amount of each distribution by the portfolio and the date thereof.
- e) Performance figures of the portfolio for the current and previous years, based on repurchase price to repurchase price, compared, where relevant, to a market index.
- f) Details of all charges levied by the manager, any charge levied on the repurchase of

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- participatory interests and any change in such charges or in the method of calculation thereof.
  - g) The composition of the assets of the portfolio classified by appropriate category or industry sector.
  - h) A statement that copies of the audited annual financial statements of the manager and of the scheme managed by it, are available, free of charge, on request by an investor.
  - i) A copy of the report by the trustee or custodian referred to in section 70(1)(f).

## **5. Lodging of copies of certain documents with registrar**

- 1) Subject to any exemption granted in terms of section 90(4)(a) of the Act, a manager must not less than 14 days before the intended date of publication of any advertisement, brochure or pamphlet referred to in that section, lodge two copies thereof with the registrar.
- 2) The copies referred to in subparagraph (1) must bear or be accompanied by a covering certificate, signed by the directors of the manager, or by a director or responsible officer of the manager properly authorised thereto, on behalf of the directors.
- 3) No manager may publish any advertisement, brochure or pamphlet referred to in subparagraph (1), before the manager has been informed by the registrar that he has no objection to the terms thereof or before a direction by the registrar contemplated in section 17 of the Act has been complied with.
- 4) One copy of every return or notice referred to in section 90(4)(b) of the Act, must be lodged by the manager concerned with the registrar within 14 days after the furnishing thereof to the Registrar of Companies.

## **6. Fees and penalties**

The following fees and penalties, which excludes VAT, are payable from the date of publication of this Notice at the times and by the persons indicated hereunder in respect of the following matters:

- a) On lodging of an application under section 22 of the Act for exemption from the provisions of the Act, payable by the applicant concerned, a fee of R13 500.
  - b) For a copy of the registrar's report to be prepared in terms of section 23 of the Act, payable by the applicant concerned, a fee of R100,00.
  - c) On lodging of an application under section 25 of the Act for the issue of a licence to an association, payable by the applicant concerned, a fee of R66 000.
  - d) On lodging of an application under section 26 of the Act for the renewal of a licence to an association, payable by the association concerned, a fee of R8 800.
  - e) On lodging of an application under section 42 of the Act for registration as a manager of a collective investment scheme in securities, including one portfolio, payable by the applicant concerned, a fee of R23 100.
  - f) On lodging of an application by a manager of a collective investment scheme in
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securities for approval of a supplemental deed constituting an additional portfolio, payable by the applicant concerned, a fee of R7 500.

- g) On lodging of an application, in terms of section 43 of the Act -
    - i) for approval of a change in the minority shareholding or directors or the use of another name or an abbreviation or derivative of its registered name, payable by the manager concerned, a fee of R500; and
    - ii) for approval of a change in the controlling shareholding, payable by the manager concerned, a fee of R4 400.
  - h) On lodging of an application under section 48 of the Act, read with section 42, for registration as a manager of a collective investment scheme in property, including one portfolio, payable by the applicant concerned, a fee of R23 100.
  - i) On lodging of an application by a manager of a collective investment scheme in property for approval of a supplemental deed constituting an additional portfolio, payable by the manager concerned, a fee of R7 500.
  - j) On lodging of an application under section 53 of the Act for the registration as a manager of a collective investment scheme in participation bonds, payable by the applicant concerned, a fee of R15 000.
  - k) On lodging of an application under section 64 of the Act, read with section 42, for the registration of a manager in respect of a declared collective investment scheme, including one portfolio, payable by the applicant concerned, a fee of R23 100.
  - l) On lodging of an application under section 65(1) of the Act for approval of a foreign collective investment scheme, including one portfolio, payable by the applicant concerned, a fee of R29 160.
  - m) On lodging of an application under conditions imposed by the registrar under paragraph (c) of section 65(1) of the Act by a foreign collective investment scheme in respect of any additional fund or product in such scheme, payable by the applicant concerned, a fee of R8 350.
  - n) On lodging of an application under conditions imposed by the registrar under paragraph (c) of section 65(1) of the Act by a foreign collective investment scheme for an alteration, rescission of or addition to such scheme, other than an application for an additional fund or product, payable by the applicant concerned, a fee of R11 800.
  - o) On lodging of an application under conditions imposed by the registrar under paragraph (c) of section 65(1) of the Act by a foreign collective investment scheme for an alteration, rescission of or addition to a fund or product of such scheme, other than an application for an additional fund or product, payable by the applicant concerned, a fee of R4 600.
  - p) On lodging of an application by a foreign collective investment scheme for an amendment to a representative agreement entered into in terms of conditions imposed by the registrar under paragraph (c) of section 65(1) of the Act, payable by the applicant concerned, a fee of R3 450.
  - q) On lodging of an application under section 69(2) of the Act for registration as a trustee or custodian, payable by the applicant concerned, a fee of R15 000.
  - r) On lodging of an application under section 78 of the Act for a conversion of a collective investment scheme, payable by the applicant concerned, a fee of R15 000.
  - s) For the issue of a certificate of registration of conversion in terms of section 82 of the Act, payable by the applicant concerned, a fee of R500.
  - t) On lodging of an application, in terms of section 86 of the Act to conduct business other than administration, payable by the manager concerned, a fee of R5 000.
  - u) On lodging of an application for the approval of a ballot paper to be submitted to investors for their consent in terms of section 98(2) and section 99(1) of the Act,
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- payable by the manager concerned in respect of each portfolio, a fee of R2 100.
- v) On lodging of an application under section 98(2) of the Act by a manager for approval of an amendment of a deed or supplemental deed, including a supplemental deed in respect of an amalgamation or a take-over, other than an application for an additional portfolio, payable by the manager concerned, a fee of R4 700.
  - w) On lodging of an application for the winding-up of a portfolio under section 102 of the Act, payable by the manager concerned in respect of each portfolio, a fee of R12 600.
  - x) On lodging of an application for the approval of the sale of a collective investment scheme in property or the property shares or immovable property included in a portfolio of such a scheme, payable by the manager concerned, a fee of R13 000.
  - y) On lodging of an application for the approval of a conversion of a collective investment scheme in property to a loan stock company, payable by the manager concerned, a fee of R13 000.
  - z) On lodging of an application for the approval of the acquisition by a collective investment scheme in property of a loan stock company, payable by the manager concerned, a fee of R13 000.
  - aa) On lodging of an application for a copy of any document, per A4-sheet, or part thereof, payable by the applicant concerned, a fee of R3,50.

## **7. Manner of payment of fees and penalties**

Fees and penalties referred to in paragraph 6 are payable by means of a cheque or money transfer in favour of the Financial Services Board.

## **8. Interest in respect of unpaid fees and penalties**

Any fees and penalties which are not paid whenever they are payable in terms of paragraph 6, carry interest at a rate per annum equal to the prevailing prime overdraft rate payable by the FSB.

## **9. Application for association licence**

An application for the issue or renewal of an association licence must be made in the form determined in Annexure A.

## **10. Form of association licence**

An association licence is issued in the form determined in Annexure B.

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## 11. Application for registration as manager

An application for registration as a manager of a collective investment scheme must be in the form determined in Annexure C.

## 12. Form of registration certificate of manager

The registration certificate of a manager is issued in the form determined in Annexure D.

## 13. Application for approval of additional portfolio

An application for approval of an additional portfolio must contain the information determined in Annexure E.

## 14. Application of due diligence guidelines

Under section 45(a)(ii) and (b)(ii) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), a manager must apply the following minimum due diligence guidelines:

- a) Guidelines for the application of due diligence to an exchange on which foreign equity securities are listed:
  - i) *Liquidity and repatriation of funds*

The overall liquidity of the exchange must be taken into account and whether securities or derivatives or both can be bought and sold in a reasonable time, at best execution and in adequate amounts; and the procedures and restrictions, if any exist, on the repatriation of funds to the Republic.
  - ii) *Regulation*
    - aa) The exchange must be subject to supervision by an authority, which must be a statutory body, an agency of a national Government, state department of such Government or another body designated for that purpose by one of the said authorities.
    - bb) The following must also be taken into account:
      - A) The degree to which members of the exchange are subject to formal supervision by the exchange or another body, and in particular whether compliance by members with capital adequacy requirements are supervised .
      - B) The involvement of a central securities depository and level of immobilisation or dematerialisation of scrip.
      - C) The existence of a form of contract guarantee, e.g. a buying-in obligation by the exchange to ensure that its members' transactions are settled.
      - D) The powers of the exchange and the supervising body to intervene in

- 
- members' business in the event of misconduct and financial difficulties including the power to reject applicants for membership, terminate membership and delist a security.
  - E) The initial listing standards and ongoing supervision of securities traded on the exchange, including the publication of prospectuses and audited annual financial statements.
  - F) The everyday availability of current information about securities, derivatives, quotations, transactions, prices and spreads.
  - G) Requirements for the issue of contract notes or their equivalents.
  - H) Whether there is a requirement for trade reporting of the securities or derivatives or both to the exchange or other supervisory body.
  - I) Whether the clearing and settlement arrangements normally used for transactions on the exchange are prompt and secure.
  - J) The risk of loss in the event of insolvency of a member of the exchange.
  - K) The manner in which the exchange investigates and deals with complaints.
  - L) Whether any type of guarantee fund is maintained to protect investors in respect of liabilities arising prior to the default of a member or a fidelity insurance policy exists as a front-line protection for member firms particularly in so far as employee fidelity is concerned.
  - iii) *Regular operation*
    - aa) The exchange must have regular trading hours during which the listed equity securities may be traded.
    - bb) The following must also be taken into account :
      - A) The availability and timing of price and volume information and the manner in which it is distributed.
      - B) In respect of listed equity securities the degree to which, and the speed at which, companies listed on the exchange must release price sensitive information, and the medium through which that information is distributed.
  - iv) *Recognised exchange*

The exchange must be recognised or registered as a market or exchange or self-regulatory organisation by an authority which must be a statutory body, an agency of a national government, a state department of such government or another body designed for that purpose by one of the said authorities.
  - v) *Open to the public*
    - aa) Investments listed or admitted to dealing on the exchange must be freely available for trading by the public directly, or through members of the exchange, during normal trading hours.
    - bb) The extent to which overseas investors are permitted to hold securities listed on the exchange must be taken into account.

## 15. Resolution authorising conversion

A resolution by investors authorising a conversion of a collective investment scheme, as required by sections 77 and 80(1) of the Act, must be obtained in the following manner:

- a) Every investor may vote in respect of each participatory interest held by him or her.
-



- 
- b) An investor or his or her authorised representative may exercise his or her voting rights as aforesaid, but is not obliged to exercise all his or her votes or exercise all the votes he or she is entitled to in the same way.

## 16. Commencement

This Notice comes into operation on 3 March 2003.

## Annexure A

### Application form for issue or renewal of an association licence

#### ANNEXURE A

#### APPLICATION FORM FOR ISSUE OR RENEWAL OF AN ASSOCIATION LICENCE

##### The Registrar of Collective Investment Schemes

I, the undersigned, being chairman/chief executive officer of ....., hereby apply, in terms of section 25(2) of the Act, for the issuing of a licence to, or the renewal of the licence of, the said association, which represents collective investment schemes in

In support of the application I submit the following documents:

- a) Two copies of the proposed rules.
- b) A list of all members and a statement whether the association represents all managers of the particular industry.
- c) A statement of the activities the association seeks to self-regulate.
- d) A summary of what staff and systems are in place to supervise compliance by its members with the rules and those matters assigned or delegated to the association.
- e) The address of the head office of the association.
- f) The names of the chairperson and chief executive officer of the association.
- g) The prescribed fee of R

.....  
**Chairman/Chief Executive Officer**

Address: .....  
.....  
.....

Date: .....

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**Annexure B****Association Licence****ANNEXURE B****REPUBLIC OF SOUTH AFRICA  
FINANCIAL SERVICES BOARD****COLLECTIVE INVESTMENT SCHEMES CONTROL ACT, 2002****ASSOCIATION LICENCE**

I hereby certify that.. ..... has been granted, in terms of section 26 of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), a licence/renewal of a licence as an association in respect of collective investment schemes in ..... for the period ending.. ..... to carry on the business of an association as contemplated in section 25 of the Act at  
..... (physical address).

Dated at ..... this ..... day of .....

.....  
**Registrar of Collective Investment Schemes**

**Annexure C****Application form for registration as Manager****ANNEXURE C****APPLICATION FORM FOR REGISTRATION AS MANAGER****The Registrar of Collective Investment Schemes**

I, the undersigned, being chairperson / chief executive officer of  
..... duly empowered thereto, hereby apply for the  
registration of the said company as a manager of a collective investment scheme in  
.....

I submit with the application, the following information:

- a) A description of the company seeking registration as well as an organogram indicating the group-structure and ownership of the company;
  - b) a copy of the latest audited annual financial statements;
  - c) full particulars of the collective investment scheme the company proposes to carry
-

- on and the manner in which it proposes to carry on such scheme;
- d) an indication of the company's existing client base and an indication of the target market;
  - e) a business plan on how the marketing of the proposed scheme will be done;
  - f) the business objectives of the proposed scheme including the intended strategies to achieve these objectives and the different phases of achieving such objectives;
  - g) an indication of the portfolios applied for with this application as well as those intended for the future;
  - h) the names and addresses of the chairperson, directors and chief executive officer of the company together with their curriculum vitae and an indication whether any of the aforementioned persons has ever been convicted of an offence resulting from dishonesty, fraud or embezzlement, or whether the estate of any of the said persons was sequestrated or whether any of them was a controlling shareholder or a director of a company or close corporation at the time when it was placed under judicial management or in liquidation;
  - i) the name of the trustee/custodian for the scheme;
  - j) the name of the auditor;
  - k) the name of the investment manager and confirmation of its authorisation as such;
  - l) a description of the administration system to be used or, in the event of this being outsourced, the name of the appointee and confirmation that such system is capable of the administration of the scheme;
  - m) confirmation of membership of the relevant industry association or intention to become a member;
  - n) the name and curriculum vitae of the compliance officer (if any) or other person responsible for ensuring compliance with prudential requirements;
  - o) the names and curriculum vitae of all managerial staff responsible for the administration;
  - p) details of projected cash-flow and income of the manager for the first three years;
  - q) an indication of how the liquidity resources of the manager will be managed;
  - r) an indication of the pricing structure of the different portfolios;
  - s) detail of the address of the head office;
  - t) a copy of the memorandum and articles of association as approved by the Registrar of Companies and registered in terms of the Companies Act, 1973;
  - u) four pro-forma copies of the deed and the same number of each supplemental deed;
  - v) motivations for the establishment of the portfolios in accordance with Annexure E to the General Notice determined by the registrar;
  - w) the proposed launch date(s);
  - x) such other information as the registrar may require; and
  - y) the prescribed fee of R

.....  
**Chairperson / Chief Executive Officer**

Address: .....  
 .....  
 .....  
 .....

Date: .....

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**Annexure D****Certificate of Registration of Manager****ANNEXURE D****REPUBLIC OF SOUTH AFRICA****FINANCIAL SERVICES BOARD****COLLECTIVE INVESTMENT SCHEMES CONTROL ACT, 2002****CERTIFICATE OF REGISTRATION OF MANAGER**

I hereby certify that .....  
has been registered by me as a manager of a collective investment scheme in  
....., in terms of section 42(3), 51, 54(4) or 117(3)(b) of the  
Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002).

Dated at ..... this ..... day of .....

.....  
**Registrar of Collective Investment Schemes**

**Annexure E****Approval of Additional Portfolio****ANNEXURE E****APPROVAL OF ADDITIONAL PORTFOLIO**

The following information must accompany an application for approval of a new portfolio:

- a) Proper motivation for additional portfolio.
  - b) Objective(s) of proposed portfolio.
  - c) Key characteristics of proposed portfolio:
    - i) Investment policy;
    - ii) investment parameters;
    - iii) income distribution and the intervals thereof;
    - iv) limitation of portfolio size (if applicable); and
    - v) industry association portfolio classification.
  - d) Investor market to be targeted:
    - i) Provide details of intended market target; and
    - ii) provide details of distribution and marketing strategies.
  - e) Name of Investment Manager.
-

- 
- f) Motivation for name of portfolio.
  - g) Proposed launch date of portfolio.
  - h) Other documents to accompany application:
    - i) Pro-forma supplemental deed;
    - ii) auditor's confirmation of capital invested; and
    - iii) letter from systems-provider confirming ability of system to provide service for the additional portfolio.

## **Notice No. 576 of 2003**

### **Exemption of Collective Investment Scheme**

Notice No. 576  
28 February 2003

#### **Financial Services Board**

- 1) Under section 22(a) of the Collective Investment Schemes Control Act, 2002 (Act No.45 of 2002) ("the Act"), 1, Jeffrey van Rooyen, Registrar of Collective Investment Schemes, hereby exempt a manager administering a collective investment scheme in participation bonds under the Act, from the application of the following provisions of the Act:
  - a) The words "the calculation of the nett asset value and dealing prices" in section 3(a);
  - b) the words "of whom more than 50 per cent are independent from the manager or its holding company or subsidiary of such holding company or fellow subsidiary of such manager" in paragraph (c) of the definition of "nominee company" in section 52(1);
  - c) Part IX (sections 68 to 72);
  - d) the words "and those of every portfolio of the collective investment scheme administered by the manager" in paragraph (a) of section 90(1);
  - e) sections 90(4) and 100 if the manager is a member of The Association of Mortgage Scheme Managers in South Africa;
  - f) sections 90(2); 93; 94; 95(1)(b), 97; 98; 104 and 105.
- 2) This Notice comes into effect on 3 March 2003.

**J van Rooyen**  
**Registrar of Collective Investment Schemes**

## **Notice No. 377 of 2009**

### **Suspension of Provision of Deed in Terms of The Collective Investment Schemes Control Act,**

Notice No. 377 of 2009

**Financial Services Board**

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I, Dube P. Tshidi, Registrar of Collective Investment Schemes, under section 97(3) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), hereby suspend certain provisions of a deed of a manager of a collective investment scheme in securities and determine the matters to be complied with as set out in the Schedule.

This Notice takes effect on the date of publication thereof.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

## 1. Definitions

In this Schedule, unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the Act, shall have the meaning so assigned to it, and

"deed"

as defined in the Act includes any supplemental deed thereto; and

"the Act"

means the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002).

## 2. Motivation

The South African Reserve Bank, as from 1 January 2009, replaced CPIX as the official inflation indicator with CPI. A number of collective investment schemes in securities use CPIX as a benchmark in investment policies or for the calculation of certain charges and in the names of portfolios. As the structure of CPI is different from that of CPIX it is deemed appropriate to replace the use of CPIX with CPI in respect of collective investment schemes in securities.

## 3. Suspension of Provisions

Any provision of a deed providing for the following is hereby suspended:

- 1) The use of "CPIX" as a benchmark in an investment policy or an indicator for calculating any charge or performance fee or any combination thereof; and
- 2) any obligation that a manager must give investors at least three months' written notice of a change in any charge which may result in an increase or the introduction an additional charge to accommodate the change from CPIX to CPI.

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#### 4. Determination of matters to be complied with

- 1) The suspension of the provisions referred to under paragraph 3 is subject to the substitution of the term "CPIX" in any deed for the term "CPI excluding Owners' Equivalent Rent": Provided that in the name of a portfolio "CPI" only may be used.
- 2) All managers must take immediate steps to-
  - a) amend all deeds in accordance with paragraph 4(1); and
  - b) inform all investors of the contents of this Notice.

### Notice No. 396 of 2009

#### Fees Payable in Terms of the Collective Investment Schemes Control Act, 2002

Notice No. 396 of 2009

##### Financial Services Board

I, Dube P. Tshidi, Registrar of Collective Investment Schemes, under sections 25(2), 42(1), 65(1) (d), 82(1) and 114(3) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), hereby determine the fees set out in the Schedule.

This Notice takes effect on the date of publication thereof.

Board Notice 103 of 2005, as published in Government Gazette No. 28146 of 21 October 2005, is hereby withdrawn.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

### 1. Definitions

In this Schedule, unless the context otherwise indicates any word or expression to which a meaning has been assigned in the Act shall have the meaning so assigned to it, and

"section"

means a section of the Act;

"the Act"

means the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002).

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## 2. Fees

- 1) The fees payable by the identified persons in respect of the various sections of the Act and other matters are as follows:

	<b>Section</b>	<b>Payable by</b>	<b>Fee (Rand)</b>
22	Application for exemption from the provisions of the Act	Applicant	R14 850
23	Request for a copy of the annual report of the registrar	Requester	R110
25	Application for association licence	Applicant	R72 600
26	Application for renewal of association licence	Relevant Association	R9 700
42	Application for registration as a manager of a collective investment scheme in securities (including one portfolio)	Applicant	R25 400
42	Application by a manager of a collective investment scheme in securities for approval of a supplemental deed constituting an additional portfolio	Relevant Manager	R8 250
42	Application by a manager of a collective investment scheme in securities for approval of a supplemental deed constituting a portfolio administered on behalf of a each third party	Relevant Manager	R9 500 for the first portfolio R8 250 for each additional portfolio
42	Application by a manager of a collective investment scheme in securities to substitute a third party on whose behalf a portfolio is administered	Relevant Manager	R4 800
43	Application for approval of - a) a change in the minority shareholding; b) the appointment of a director; or c) the use of another name or an abbreviation or derivative of	Relevant Manager	R600



	its registered name		
43	Application for approval of a change in the controlling shareholding	Relevant Manager	R5 000
48 read with section 42	Application for registration as a with manager of a collective investment scheme in property (including one portfolio)	Applicant	R25 400
48	Application by a manager of a collective investment scheme in property for approval of a supplemental deed constituting an additional portfolio	Relevant Manager	R8 250
52(1)	Application by a manager for approval of a nominee company	Relevant Manager or Applicant	R4 000
53	Application for registration as a manager of a collective investment scheme in participation bonds	Applicant	R16 500
64 read with section 42	Application for registration of a manager in respect of a declared collective investment scheme (including one portfolio)	Applicant	R25 400
65(1)	Application for approval of a foreign collective investment scheme (including one portfolio)	Applicant	R32 100
65(1) (c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme in respect of any additional fund or product in such scheme	Applicant	R9 200
65(1) (c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for an alteration of or addition to such scheme, other than an application for an additional fund or product or rescission of a scheme or a fund or product of such scheme	Applicant	R13 000
65(1) (c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for an alteration of or addition to a fund or product of	Applicant	R5 100

	such scheme, other than an application for an additional fund or product or rescission of a scheme or a fund or product of such scheme		
65(1) (c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for the rescission of a scheme or fund or product of such scheme or a change of name of a scheme or fund or product of such scheme	Applicant	R2 500
65(1) (c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for an amendment to a representative agreement entered into by the scheme	Applicant	R3 800
69(2)	Application for registration as a trustee or custodian	Applicant	R16 500
78	Application for a conversion of a collective investment scheme	Relevant Manager	R16 500
82	Application for the issue of a certificate of registration of conversion	Relevant Manager	R600
86	Application to conduct business other than administration	Relevant Manager	R5 500
88	Application for exemption from the provisions of section 88	Relevant Manager	R14 850
97(2)	Application for exemption by notice in the Gazette of a particular type or category of collective investment schemes from the provisions of section 97(1)	Relevant Manager	R14 850
97(3)	Application for suspension by notice in the Gazette of a provision of any deed 98(2)(a) Application for the approval of a ballot Relevant Manager R2 500 in paper to be submitted to investors for respect of their consent each portfolio	Relevant Manager	R14 850
98(2)	Application by a manager for approval of an amendment of a deed or supplemental deed, other than an application for an additional portfolio	Relevant Manager	R5 200

99(1) (a)	Application for the approval of a ballot paper to be submitted to investors for their consent	Relevant Manager	R2 500 in respect of each portfolio
102	Application for the winding-up of a portfolio	Relevant Manager	R14 000 in respect of each portfolio
114(3) (d)	Application for the approval of the sale of- a)a) a collective investment scheme in property; or b)b) the property shares or immovable property included in a portfolio of such a scheme, where such sale requires the approval of an exchange on which the participatory interests of such portfolio are listed or the approval of investors	Relevant Manager	R14 300
114(3) (d)	Application for the approval of a conversion of a collective investment scheme in property to a loan stock company	Relevant Manager	R14 300
114(3) (d)	Application for the approval of the acquisition by a collective investment scheme in property of a loan stock company	Relevant Manager	R14 300
114(3) (d)	Request for a copy of any document, per A4-sheet, or part thereof	Requester	R4,00

- 2) The fees are payable on the date on which an application or a request is submitted to the registrar.

### 3. Payment of fees

The payment of a fee referred to in this Schedule by a person to the Financial Services Board may be in cash or by means of a cheque or a money transfer (in which case proof of the transfer must be provided).

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#### **4. Interest payable in respect of overdue fees**

The Registrar may impose interest in respect of any overdue fees at the prevailing interest rate determined by the Minister of Finance in accordance with section 80(1)(b) of the Public Finance Management Act, 1999 (Act No.1 of 1999).

#### **5. Short title**

This Notice is called the Notice on Collective Investment Schemes Fees, 2009.

### **Notice No. 574 of 2009**

#### **Suspension of Provision of Deed in Terms of the Collective Investment Schemes Control Act,**

Notice No. 574 of 2009

##### **Financial Services Board**

I, Dube P. Tshidi, Registrar of Collective Investment Schemes, under section 97(3) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), hereby suspend certain provisions of a deed of a manager of a collective investment scheme in securities and determine the matters to be complied with as set out in the Schedule.

This Notice takes effect on the date of publication thereof.

Notice 377 of 2009, as published in Government Gazette No. 32114 of 17 April 2009, is hereby withdrawn.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

#### **1. Definitions**

In this Schedule, unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the Act, shall have the meaning so assigned to it, and

"deed"

as defined in the Act includes any supplemental deed thereto;

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"the Act"

means the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002).

## 2. Motivation

The South African Reserve Bank, as from 1 January 2009, replaced CPIX as the official inflation indicator with CPI. A number of collective investment schemes in securities use CPIX as a benchmark in investment policies or for the calculation of certain charges and in the names of portfolios. As the structure of CPI is different from that of CPIX it is deemed appropriate to replace the use of CPIX with CPI in respect of collective investment schemes in securities.

## 3. Suspension of Provisions

Any provision of a deed providing for the following is hereby suspended:

- 1) The use of "CPIX" as a benchmark in an investment policy or an indicator for calculating any charge or performance fee or any combination thereof; and
- 2) any obligation that a manager must give investors at least three months' written notice of a change in any charge which may result in an increase or the introduction an additional charge to accommodate the change from CPIX to CPI.

## 4. Determination of matters to be complied with

- 1) The suspension of the provisions referred to under paragraph 3 is subject to the substitution of the term "CPIX" in any deed for the term "CPI for all urban areas": Provided that in the name of a portfolio "CPI" only may be used.
- 2) All managers must take immediate steps to -
  - a) amend all deeds in accordance with paragraph 4(1); and
  - b) inform all investors of the contents of this Notice.

## Notice No. 166 of 2010

### Amendment of Exemption of Collective Investment Scheme

Notice No. 166  
19 November 2010

Financial Services Board

Under section 22(a) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("the Act"), I, Dube P Tshidi, Registrar of Collective Investment Schemes, hereby amend the Exemption of Collective Investment Scheme in Participation Bonds from certain provisions of the Act, contained in Notice 576 of 2003, by the substitution of paragraph 1(d) of said Notice with the following subparagraph:

"(d) the words "of every portfolio" in paragraph (a) of section 90(1);"

Section 90(1)(a) now requires the manager administering a Collective Investment Scheme in Participation Bonds to submit to the Registrar a copy of the manager's duly audited financial statements and those of the collective investment scheme administered by the manager not later than 90 days after the close of its financial year.

This Notice takes effect on the date of publication thereof.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

## **Notice No 910 of 2010**

### **Determination of Fit and Proper Requirements and Conditions for Managers of Collective Inve**

Notice No. 910  
21 September 2010

#### **Financial Services Board**

Under sections 42 (read with sections 48, 51, 53, 54, 64, 77 and 114(4)(b)) of the Collective Investment Schemes Control Act, 2002, I, Dube Phineas Tshidi, Registrar of Collective Investment Schemes, hereby determine the Fit and Proper Requirements and Conditions for Managers of Collective Investment Schemes as set out in the Schedule.

This Notice is called the Determination of Fit and Proper Requirements and Conditions for Managers of Collective Investment Schemes.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

## **1. Definitions**

In this Schedule-

"the Act"

means the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and any word or expression to which a meaning has been assigned in the Act bears the meaning so assigned to it.

## 2. Introduction

- 1) Any manager authorised in terms of the Act, to administer a collective investment scheme, is required to adhere to the Fit and Proper Requirements and Conditions for Managers of Collective Investment Schemes as determined in this Notice.
- 2) Managers must complete Annexure B attached to this Notice in respect of its directors and submit it to the registrar within three months after publication of this Notice together with a written statement signed by the chairperson/managing director describing compliance/non-compliance with paragraphs 3, 4, 5, 6, 7, 8 and 9 of this Notice.
- 3) Thereafter, managers must annually submit a written statement as prescribed in paragraph 10 of this Notice to the registrar.
- 4) Where an application is made for registration as manager of a collective investment scheme as contemplated in section 42(1) (read with sections 48, 51, 53, 54, 64 and 77) of the Act, or for approval for a change in directors as contemplated in section 43(1)(a) of the Act, Annexure B must be completed by the applicant or manager with regard to its directors.
- 5) If the appointment of a director of a manager is terminated for whatever reason the terminated director and public officer must complete Annexure C and submit it to the registrar within one month after termination of such appointment.

## 3. Requirements for Appointment of Board of Directors of Managers

- 1) The registrar hereby determines the following requirements for the board of directors of managers:
  - a) A minimum of four directors must be appointed as members of the board of directors of a manager (the number of directors to be appointed must be determined in the constituting documents of the company);
  - b) the executive directors must be resident in the Republic;
  - c) the non-executive directors must constitute at least 50% of the board of directors and the majority of the non-executive directors should be independent;
  - d) the board of directors must be informed on issues for which enlightenment is sought and at least two executive directors or senior management should attend meetings of the board of directors with a duty to inform members; and
  - e) the chairperson should preferably be a non-executive and need not necessarily be resident in the Republic. The chairperson will be required to sign statutory

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documents and must be available to do so.

- 2) There must be sufficient collective investment schemes, legal and accounting experience and expertise amongst members of the board of directors. Each of the directors must be fit and proper and complete Annexure B together with the documents as required in terms of the said Annexure.
- 3) Prior written approval of the registrar must be obtained for any change in directors. An application for such change must be provided to the registrar and accompanied by reasons for such change. Managers must complete Annexure B in respect of new directors and Annexure C in respect of outgoing directors.

#### 4. Fit and Proper Requirements for Directors

Directors of a manager must satisfy the following fit and proper requirements:

- a) A director must be a person who is honest and has integrity.
- b) In determining whether a director complies with subparagraph (a), the registrar may refer to any information in possession of the registrar or brought to the registrar's attention.
- c) Without prejudice to the generality of subparagraphs (a), (b); and (d), any of the following factors constitutes *prima facie* evidence that a director does not qualify in terms of paragraph (a), namely if the director-
  - i) has within a period of five years preceding the date of application or the proposed date of appointment or approval, as the case may be, been found guilty in any criminal proceedings or liable in any civil proceedings by a court of law (whether in the Republic or elsewhere) of having acted fraudulently, dishonestly, unprofessionally, dishonourably or in breach of a fiduciary duty;
  - ii) has within a period of five years preceding the date of application or the proposed date of appointment or approval, as the case may be, been found guilty by any statutory professional body or voluntary professional body (whether in the Republic or elsewhere) recognised by the Financial Services Board, of an act of dishonesty, negligence, incompetence or mismanagement, sufficiently serious to impugn the honesty and integrity of the director;
  - iii) has within a period of five years preceding the date of application or the proposed date of appointment or approval, as the case may be, been denied membership of any body referred to in subparagraph (c)(ii) on account of an act of dishonesty, negligence, incompetence or mismanagement, sufficiently serious to impugn the honesty and integrity of the director;
  - iv) has within a period of five years preceding the date of application, or the proposed date of appointment or approval, as the case may be-
    - aa) been found guilty by any regulatory or supervisory body (whether in the Republic or elsewhere), recognised by the Financial Services Board; or
    - bb) had its authorisation to carry on business refused, suspended or withdrawn by any such body, on account of an act of dishonesty, negligence, incompetence or mismanagement sufficiently serious to impugn the honesty and integrity of the director; or



- v) has at any time prior to the date of application, appointment or approval, as the case may be, been disqualified or prohibited by any court of law (whether in the Republic or elsewhere) from taking part in the management of any company or other statutorily created, recognised or regulated body, irrespective whether such disqualification has since been lifted or not.
- d) A manager and director must in the application to the registrar, be candid and accurate and must of own accord disclose all facts or information at the disposal of, or which may be assessable to, the manager or director and which may be relevant for purposes of a decision by the registrar whether the director complies with subparagraph (a).

## **5. Operational Requirements For Manager**

- 1) A manager must have and be able to maintain the operational ability to fulfil the responsibilities imposed on it by the Act, including but not limited to the following:
  - a) A principal office;
  - b) adequate storage and filing systems for the safe-keeping of records, business communications and correspondence;
  - c) adequate access to communication facilities including at least a full-time telephone or cell phone service, internet, typing and document duplication facilities; and
  - d) the necessary policies, procedures and systems to ensure full compliance with the Financial Intelligence Centre Act, 2001, and other applicable anti-money laundering or terrorist financing legislation.
- 2) A manager that utilises any third party to render administrative or system functions on its behalf, must have in place a detailed service level agreement, specifying the agreed services, time, standards, roles and responsibilities and any penalties that might be applicable.

## **6. Financial Soundness of Manager**

- 1) A manager and its shareholder(s) must not be under liquidation or provisional liquidation.
- 2) The assets of any shareholder (direct and/or indirect) of the manager as well as that of the manager must exceed the liabilities of the shareholder or manager, as the case may be. In addition, the manager must also comply with the capital requirements as determined in sections 4(3), 88 and 89 of the Act.

## **7. Management and Supervision by Manager**

- 1) A manager must comply with standards of internal organisation and operational conduct that aim to protect the interests of investors and ensure proper management of risk.

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- 2) A manager must conduct its business in a way that protects the interests of investors and helps preserve the integrity of the collective investment schemes industry.
  - 3) A manager is responsible for ensuring appropriate internal policies and procedures for compliance with relevant legislation and appropriate internal controls and risk management systems. Senior management must understand the business, its internal control procedures and environment and its policies on the assumption of risk.
  - 4) A manager must ensure that internal control structures, procedures and controls are in place including inter alia:
    - a) Documentation relating to business processes, policies and controls, and technical requirements;
    - b) system application testing;
    - c) disaster recovery and back-up procedures on electronic data;
    - d) appropriate training for all staff regarding the requirements of relevant legislation; and
    - e) a business continuity plan.
  - 5) A manager must record all financial and system procedures to ensure that the manager is able to report in terms of applicable accounting requirements.
  - 6) A manager must ensure that the necessary controls and compliance procedures are in place to manage and monitor the relevant system(s) in use.
  - 7) A manager must have general administration processing, accounting transactions and risk control measurements in place to ensure accurate, complete and timeous processing of data, information reporting and the assurance of data integrity.

## 8. Risk Management by the Manager

- 1) The manager must execute periodic evaluation of risk management processes to ensure compliance with all relevant legislation. This must be conducted by an independent party, e.g. auditors or independent risk management consultants, so as not to compromise the evaluation.
- 2) A manager must at all times have and effectively employ resources, procedures and appropriate technological systems that can reasonably be expected to eliminate the risk that investors may suffer financial loss through theft, fraud, other dishonest acts, poor administration, negligence, professional misconduct or culpable omissions, and to protect the interests of investors in general.

## 9. Complaint Resolution by Manager

- 1) For the purposes of this Part -

**'complaint'** means a complaint submitted by an investor to a manager for purposes of

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resolution the manager;

**'internal complaint resolution system procedures'**, in relation to a manager and an investor, means the system and procedures established and maintained by the manager in accordance with this paragraph for the resolution of complaints by investors; and

**'resolution' or 'internal resolution'** in relation to a complaint and a manager means the process of resolving a complaint through and in accordance with the internal complaint resolution system.

- 2) A manager must-
    - a) request that any investor who has a complaint against the manager must lodge such complaint in writing;
    - b) maintain record of complaints for a period of five years;
    - c) handle complaints from investors in a timely and fair manner;
    - d) take steps to investigate and respond promptly to complaints; and
    - e) where a complaint is not resolved to the investor's satisfaction, advise the investor of any further steps which may be available to the investor in terms of any other law.
  - 3) A manager must maintain an internal complaint resolution system procedures based on the following:
    - a) Maintenance of a comprehensive complaints policy outlining the manager's commitment to, and system and procedures for, internal resolution of complaints;
    - b) transparency and visibility: ensuring that investors have full knowledge of the procedures for resolution of complaints;
    - c) accessibility of facilities: ensuring the existence of easy access to such procedures at any office or branch of the manager open to investors, or through ancillary postal, fax, telephone or electronic helpdesk support; and
    - d) fairness: ensuring that a resolution process be effected which is fair to both investors and the manager and its staff.
  - 4) The internal complaint resolution system procedures of the manager must be designed to ensure the existence and maintenance of at least the following for purposes of effective and fair resolution of complaints:
    - a) availability of adequate manpower and other resources;
    - b) adequate training of all relevant staff, including imparting and ensuring full knowledge with regard to resolution of complaints;
    - c) delegation of responsibilities and mandates to facilitate complaints resolution of a routine nature;
    - d) provision for the escalation of non-routine serious complaints and the handling thereof by staff with adequate expertise; and
    - e) internal follow-up procedures to ensure avoidance of occurrences giving rise to complaints, or to improve services and complaint systems and procedures where necessary.
  - 5) The internal complaint resolution system procedures of a manager must contain arrangements which must-
    - a)
      - i) reduce the details of the internal complaint resolution system procedures of the manager, including all subsequent updating or upgrading thereof, to writing; and
      - ii) provide that access to the procedures is at all times available to investors at any
-

- 
- relevant office or branch of the manager, or by electronic medium, and that such availability is appropriately made known by public press or electronic announcements or separate business communications to existing investors.
- b) stipulate that complaints must, if possible, be submitted in writing and must contain all relevant information, and that copies of all relevant documentation must be attached thereto;
  - c) provide that the receipt of complaints is promptly acknowledged in writing to the investor, with communication particulars of contact staff to be involved in the resolution of the complaint, are properly internally recorded by the relevant staff;
  - d) make provision that after the receipt and recording of a particular complaint, the complaint will as soon as practically possible be forwarded to the relevant staff appointed to consider its resolution, and that -
    - i) the complaint receives proper consideration; and
    - ii) appropriate management controls are available to exercise effective control and supervision of the consideration process.
- 6) In any case where a complaint is resolved in favour of an investor, the manager must ensure that a full and appropriate level of redress is offered to the investor without any delay.

## **10. Compliance Report for Managers**

A manager must, together with its audited financial statements submitted to the registrar in accordance with section 90(1)(a) of the Act, submit a written statement signed by the chairperson/managing director of the manager describing compliance/non-compliance with paragraphs 3, 4, 5, 6, 7, 8 and 9 of this Notice to the registrar.

### **Annexure A**

#### **Annexure A**

The questionnaires and forms in Annexures A, B and C can be found in Government Gazette No. 33571, dated 21 September 2010.

## **Notice No. 911 of 2010**

### **Determination of Fit and Proper Requirements and Conditions**

Notice No. 911  
21 September 2010

#### **Financial Services Board**

Under sections 42 (read with sections 48, 51, 53, 54, 64, 77, and 114(3(b)) of the Collective

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Investment Schemes Control Act, 2002, I, Dube Phineas Tshidi, Registrar of Collective Investment Schemes, hereby determine the application form for registration as a manager in this Notice. Annexure C contained in Notice 569 of 2003 is hereby replaced.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

## **Annexure C**

### **APPLICATION FORM FOR REGISTRATION AS MANAGER**

The Registrar of Collective Investment Schemes

I, the undersigned, being chairperson / managing director of .....  
....., duly empowered thereto, hereby apply for the registration of the  
said company as a manager of a collective investment scheme in  
.....

I submit with the application, the following information:

- 1) General information to be submitted
    - a) A description of the company seeking registration as well as an organogram indicating the group structure and ownership of the company and a description of the main business of all the proposed shareholders (direct and indirect) of the proposed manager. The group structure must indicate which companies are operating or non-operating companies (i.e holding company);
    - b) a current tax clearance certificate in respect of all of the proposed shareholders (direct and indirect) of the proposed manager;
    - c) full particulars of the collective investment scheme the company proposes to carry on and the manner in which it proposes to carry on such scheme;
    - d) an indication of the company's existing and proposed client base and an indication of the target market;
    - e) a business plan on how the marketing of the proposed scheme will be done;
    - f) the business objectives of the proposed scheme including the intended strategies to achieve these objectives and the different phases of achieving such objectives;
    - g) an indication of the portfolio(s) applied for with this application as well as those intended for the future;
    - h) the names and physical addresses of the chairperson, directors and managing director of the company together with their curriculum vitae (directors must also complete and submit Annexure B contained in the Determination of Fit and Proper Requirements and Conditions for Managers of Collective Investment Schemes, Notice 910;
    - i) the name of the proposed trustee for the scheme. The proposed trustee must complete and submit form CIS 2 which is obtainable from the FSB;
-

- j) the name of the proposed auditor. The proposed auditor must complete and submit form CIS 3 which is obtainable from the FSB;
- k) the name of the Financial Services Provider that will perform the asset management of the portfolio(s) and confirmation of its authorisation as such;
- l) confirmation of the proposed manager's intention to become a member of the relevant industry association;
- m) the names and curriculum vitae of all managerial staff responsible for the administration with specific reference to experience related to his/her responsibilities;
- n) an indication of the pricing structure of each portfolio;
- o) a copy of the memorandum and articles of association;
- p) a pro-forma copy of the deed and of each supplemental deed;
- q) motivations for the establishment of the portfolio(s) in accordance with Annexure E to General Notice 569 of 2003 determined by the registrar;
- r) the proposed launch date(s);
- s) such other information as the registrar may require; and
- t) the prescribed fee.

2) Operational requirements of the proposed manager

The following information must be provided:

- a) The physical and postal address of the proposed manager;
- b) Confirmation that the proposed manager has adequate access to communication facilities, including at least, a full-time telephone or cell phone service, typing and document duplication facilities;
- c) Confirmation that the proposed manager has adequate storage and filing systems for the safekeeping of records, business communications and correspondence;
- d) A full description of the administration systems (accounting system, investor record keeping and asset management systems and any other) to be used and confirmation from an independent auditor that such systems are capable of the administration of the scheme.

In the event of any part of administration as defined in the Act, being outsourced, kindly confirm:

- i) Which functions will be outsourced;
- ii) To whom will these functions be outsourced;
- iii) Provide details of the process in place to ensure that the entity selected for any outsourced function is suitable and confirmation that the systems it uses are capable of performing the required functions; and
- iv) Confirm that written service level agreements are in place that complies with paragraph 5(2) of the Schedule as contained in Notice 910.
- e) Provide this Office with an audit certificate confirming the following:
  - i) that written internal rules are in place as required by the Financial Intelligence Centre Act, 2001 (FIC Act) or any other anti-money laundering legislation;
  - ii) that processes are in place to ensure compliance with your identification, verification, record-keeping and reporting obligations under the FIC Act;
  - iii) that anti-money laundering control policies, procedures and systems are in place;
  - iv) that processes to incorporate any additional requirements as may be required under the FIC Act or any other anti-money laundering legislation are in place; and
  - v) that a process is in place to train staff in relation to anti-money laundering legislation.

3) Financial Soundness of the proposed manager and its shareholders (direct and indirect)

The following information must be provided:

- a) The latest audited annual financial statements in respect of the shareholders (direct and indirect) for the last 3 years;
- b) A pro-forma capital adequacy return completed by the proposed manager with projected figures for its business operations;
- c) Details of a feasibility study indicating projected cash-flow, income and expenditure of the manager for the first three years of the proposed manager; and
- d) An indication of how the liquidity resources of the proposed manager will be managed.

4) Management and supervision by the proposed manager

Provide details on:

- a) The proposed manager's standards on its internal organization and operational conduct that aim to protect the interests of investors and ensure proper management of risk.
- b) How compliance will be monitored with these standards?
- c) How business will be conducted in the interests of investors the integrity of the collective investment schemes industry?
- d) How appropriate internal policies and procedures for compliance with relevant legislation and appropriate internal controls and risk management system will be ensured?
- e) Whether the proposed manager has internal control structures, procedures and controls in place including the following:
  - Segregation of duties and roles and responsibilities where such segregation is appropriate from an operational risk mitigation perspective;
  - application of logical access security;
  - access rights and data security on electronic data, where applicable;
  - physical security of the manager's assets and records, where applicable;
  - documentation relating to business processes, policies and controls, and technical requirements;
  - system application testing, where applicable;
  - disaster recovery and back-up procedures on electronic data, where applicable;
  - training for all staff regarding the requirements of the Act; and
  - a business continuity plan.
- f) Whether the proposed manager has the necessary system controls and compliance measures in place to manage and monitor the relevant systems in use? Provide details.
- g) Whether the proposed manager is able to record all financial and system procedures to ensure that it is able to report in terms of applicable accounting requirements.
- h) Whether the proposed manager have general administration processing, accounting transactions and risk control measurements in place to ensure accurate, complete and timeous processing of data, information reporting and the assurance of data integrity.
- i) The name of the compliance officer responsible for ensuring compliance with prudential requirements and also provide:
  - i) a detailed curriculum vitae of the compliance officer's qualification, experience, employment history and references which specifically relates to compliance. The curriculum vitae must include sufficient detail to satisfy the registrar that the compliance officer has the necessary skills and experience with regard to collective investment schemes;
  - ii) in a separate Annexure indicate:
    - how the compliance officer gained sufficient and appropriate knowledge of

- the Act;
  - details of how the compliance officer will ensure that he/she will function independently and objectively from the manager;
  - details of the operational ability of the compliance officer (e.g. does the compliance officer has adequate resources available to ensure proper compliance monitoring of the collective investment scheme's business); and
  - details on the compliance officer's monitoring plan.
- 5) Risk management by the proposed manager
- a) Does the proposed manager have a documented risk management plan?
  - b) How often will periodic evaluation of risk management be executed to ensure compliance with all relevant legislation and provide detail on the how it will be done?
  - c) Explain who will be responsible for the execution of such periodic evaluation?
  - d) Does the proposed manager have appropriate resources, procedures and technological systems that can reasonably be expected to eliminate the possible risk that investors may incur through theft, fraud, other dishonest acts, poor administration, negligence, professional misconduct or culpable omissions and to protect the interests of investors?
  - e) In a separate annexure provide details as to how the risk management plan is monitored.
- 6) Complaint resolution by the proposed manager

Does the proposed manager have a complaints policy and resolution system in place that complies with paragraph 9 of the Schedule as contained in Notice 910?

.....  
**Chairperson / Managing Director**

Address: .....  
.....  
.....

Date: .....

## **Notice No. 402 of 2011**

### **Fees payable in terms of the Collective Investment Schemes Control Act, 2002**

Notice No. 402  
6 May 2011

#### **Financial Services Board**

I, Dube P. Tshidi, Registrar of Collective Investment Schemes, under sections 25(2), 42(1), 65(1) (d), 82(1) and 114(3)(d) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), hereby determine the fees set out in the Schedule.



This Notice takes effect on the date of publication thereof.

Notice 396 of 2009, as published in Government Gazette No. 32157 of 30 April 2009, is hereby withdrawn.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

## 1. Definitions

In this Schedule, unless the context otherwise indicates any word or expression to which a meaning has been assigned in the Act shall have the meaning so assigned to it, and

"section"

means a section of the Act; and

"the Act"

means the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002).

## 2. Fees

- 1) The fees payable by the identified persons in respect of the various sections of the Act and other matters are as follows:

Item	Section	Payable by	Fee (Rand)
22	Application for exemption from the provisions of the Act	Applicant	R16 000
23	Request for a copy of the annual report of the registrar	Requester	R115
25	Application for association licence	Applicant	R78 400
26	Application for renewal of association licence	Relevant association	R10 450
42	Application for registration as a manager of a collective investment scheme in securities (including one portfolio)	Applicant	R27 450
42	Application by a manager of a collective investment scheme in securities for approval of a supplemental deed constituting an	Relevant manager	R8 900

	additional portfolio		
42	Application by a manager of a collective investment scheme in securities for approval of a supplemental deed constituting a portfolio administered on behalf of a third party	Relevant manager	R10 250 for the first portfolio R8 900 for each additional portfolio
42	Application by a manager of collective investment scheme in securities to substitute a third party on whose behalf a portfolio is administered	Relevant manager	R5 200
43	Application for approval of – a) a change in the minority shareholding; b) the appointment of a director; or c) the use of another name or an abbreviation or derivative of its registered name	Relevant manager	R650
43	Application for approval of a change in the controlling shareholding	Relevant manager	R5 400
48 read with section 42	Application for registration as a manager of a collective investment scheme in property (including one portfolio)	Applicant	R27 450
48	Application by a manager of a collective investment scheme in property for approval of a supplemental deed constituting an additional portfolio	Relevant manager	R8 900
52(1)	Application by a manager for approval of a nominee company	Relevant manager or Applicant	R4 300
53	Application for registration as a manager of a collective investment scheme in participation bonds	Applicant	R17 800
64 read with section 42	Application for the registration of a manager in respect of a declared collective investment scheme (including one portfolio)	Applicant	R27 450
65(1)	Application for approval of a foreign collective investment scheme (including one portfolio)	Applicant	R34 700
65(1)(c)	Application under conditions	Applicant	R9 900

	imposed by the registrar, by a foreign collective investment scheme in respect of any additional fund or product in such scheme		
65(1)(c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for an alteration of or addition to such scheme, other than an application for an additional fund or product or rescission of a scheme or a fund or product of such scheme	Applicant	R14 000
65(1)(c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for an alteration of or addition to a fund or product of such scheme, other than an application for an additional fund or product or rescission of a scheme or a fund or product of such scheme	Applicant	R5 500
65(1)(c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for the rescission of a scheme or fund or product of such scheme or a change of name of a scheme or fund or product of such scheme	Applicant	R2 700
65(1)(c)	Application under conditions imposed by the registrar, by a foreign collective investment scheme for an amendment to a representative agreement entered into by the scheme	Applicant	R4 100
69(2)	Application for registration as a trustee or custodian	Applicant	R17 800
78	Application for a conversion of a collective investment scheme	Relevant Manager	R17 800
82	Application for the issue of a certificate of registration of conversion	Relevant Manager	R650
86	Application to conduct business other than administration	Relevant Manager	R5 950
88	Application for exemption from the	Relevant Manager	R16 000

	provisions of section 88		
97(2)	Application for exemption by notice in the <i>Gazette</i> of a particular type or category of collective investment schemes from the provisions of section 97(1)	Relevant Manager	R16 000
97(3)	Application for suspension by notice in the <i>Gazette</i> of a provision of any deed	Relevant Manager	R16 000
98(2)(a)	Application for the approval of a ballot paper to be submitted to investors for their consent	Relevant Manager	R2 700 in respect of each portfolio
98(2)	Application by a manager for approval of an amendment of a deed or supplemental deed, other than an application for an additional portfolio	Relevant Manager	R5 600
99(1)(a)	Application for the approval of a ballot paper to be submitted to investors for their consent	Relevant Manager	R2 700
102	Application for the winding-up of a portfolio	Relevant Manager	R15 100
114(3)(d)	Application for the approval of the sale of- a) a collective investment scheme in property; or b) the property shares or immovable property included in a portfolio of such a scheme, where such sale requires the approval of an exchange on which the participatory interests of such portfolio are listed or the approval of investors	Relevant Manager	R15 450
114(3)(d)	Application for the approval of a conversion of a collective investment scheme in property to a loan stock company	Relevant manager	R15 450
114(3)(d)	Application for the approval of the acquisition by a collective investment scheme in property of a loan stock company	Relevant manager	R15 450
114(3)(d)	Request for a copy of any document, per A4-sheet, or part thereof	Requester	R4,30

- 2) The fees are payable on the date on which an application or a request is submitted to the

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registrar.

### 3. Payment of fees

The payment of a fee referred to in this Schedule by a person to the Financial Services Board may be by means of a cheque or a money transfer (in which case proof of the transfer must be provided).

### 4. Interest payable in respect of overdue fees

The Registrar may impose interest in respect of any overdue fees at the prevailing interest rate determined by the Minister of Finance in accordance with section 80(1)(b) of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

### 5. Short title

This Notice is called the Notice on Collective Investment Schemes Fees, 2011.

## Notice No. 408 of 2011

### Exemption of Manager of Collective Investment Scheme

Notice 408  
24 June 2011

#### Financial Services Board

I, Dube P Tshidi, Registrar of Collective Investment Schemes, under section 22(a), read with section 40 of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("the Act"), hereby exempt a manager that administers a collective investment scheme in securities under the Act in compliance with the relevant Standards of the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), from certain provisions of Notice 1503 of 2005 ("the Notice"), as set out in the Schedule.

This exemption only applies to instruments contemplated in paragraphs A(b), A(g), B12(e) and B12(j) of Notice 131 of 2010, as published in Government Gazette No. 32951 of 19 February 2010.

**D P Tshidi**

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**Registrar of Collective Investment Schemes****SCHEDULE**

A manager that administers a portfolio as contemplated in Chapters III and VII of the Notice is hereby exempted from compliance with the inclusion limits in paragraphs 13(1) and 25(b) on condition that the following limits shall apply:

Exemption from 1 July 2011 until 31 May 2013

Rating Band as per Table in Annexure B and C as applicable to Chapters III and VII	Inclusion Limit per Instrument or Issuer as a Percentage of the Market Value of Assets Comprising the Portfolio
Rating Band 1	50%

**Repeal of Notice and Commencement**

- 1) Board Notice 99 of 2010, as published in Government Gazette No.33328 of 2 July 2010, is hereby repealed.
- 2) This Notice comes into effect on 1 July 2011.

**Notice No. 778 of 2011****Determination of the Limits and Conditions for Third Party Named**

Notice No. 778  
4 November 2011

**Financial Services Board**

Under section 46(2) of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), I, Dube Phineas Tshidi, the Registrar of Collective Investment Schemes, after consultation with the Collective Investment Schemes Advisory Committee established in terms of section 8 of the Act, have determined in the Schedule the limits and conditions applicable to Third Party Named Portfolios of Collective Investment Schemes.

**D P Tshidi**  
**Registrar of Collective Investment Schemes**

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## Preamble

Prior to the enactment of the Collective Investment Schemes Control Act, 2002 a practice colloquially described as "white labelling" emerged within the collective investment schemes industry. This was the practice whereby a third party, who did not have the capacity or the intention to establish a collective investment scheme, requested a manager to establish a portfolio in the name of the third party under the manager's registered collective investment scheme.

It is considered desirable that this practice be more closely regulated in order to protect the interests of investors;

Section 46(2) of the Act empowers the Registrar to determine the manner, limits and conditions applicable to portfolios of collective investment schemes;

This Notice regulates third party named portfolios by inter alia providing for two categories of arrangements which will be allowed, namely incubator portfolios where the financial services provider intends to become a manager and co-named portfolios where the financial services provider has no intention to become a manager. The reason for the differentiation is to assist emerging entities to attain the required level of skills and experience to be authorised as managers in their own right. If the intention of the financial services provider is not to, eventually, as prescribed in this Notice, register as a manager, the collective investment scheme manager, who remains ultimately responsible for the portfolio, must connect its name to the portfolio. Transparency is therefore achieved by disclosure requirements. Portfolios sizes will be regulated to ensure viable portfolios. Finally it must be ensured that the core business of a manager remains the administration of its own portfolios rather than providing a platform for third party portfolios to which its name is not connected.

## Part 1 : Application and Definitions

### 1. Application of Notice

This Notice does not apply to authorised agents and third party arrangements other than the situation where the name of a financial services provider is utilised in the name of a portfolio.

### 2. Definitions

In this Schedule, "Act" means the Collective Investment Schemes Control Act, 2002. Any word or expression to which a meaning has been assigned in the Act has that meaning and, unless the context otherwise indicates-

"co- named portfolio"

means a portfolio bearing the name of both the manager and the financial services provider and where the financial services provider undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, 2002 in relation to the

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assets of the portfolio;

"financial services provider"

means a discretionary financial services provider as defined in section 2 of the Code of Conduct for Administrative Financial Services Providers promulgated in terms of the Financial Advisory and Intermediary Services Act, 2002, and who is acting as an authorised agent of the manager;

"incubator portfolio"

means a portfolio bearing the name of a financial services provider who intends to apply to the Registrar to be approved as a manager within three years after the Registrar has approved the portfolio, and where the financial services provider undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, 2002, in relation to the assets of the portfolio;

"registered name of portfolio"

means the name under which the portfolio was approved by the Registrar in terms of section 42, read with section 98 of the Act;

"third party named portfolio"

means an incubator portfolio or co-named portfolio established in terms of an agreement.

## **Part II : Incubator Portfolios**

### **3. Application**

An application by a manager to establish an incubator portfolio must be made in accordance with the provisions of section 42 read with section 98 of the Act, and be accompanied by-

- a) A business plan including the following:-
  - i) the projected size of the portfolio over a five-year period;
  - ii) an indication of where assets will be sourced;
  - iii) a description of any possible area of conflict of interest, and the actions to be taken in circumstances of a conflict of interest;
  - iv) a description of the marketing and distribution strategies; and
  - v) a description of systems and resources to be used, and
- b) An agreement contemplated in paragraph 6 of this Notice.

### **4. Naming**

An incubator portfolio must bear the name of the financial services provider with whom the manager has entered into an agreement as contemplated in paragraph 6 of this Notice.

### **5. Duration**

- 1) The Registrar approves the name of an incubator portfolio for a period of three years.
-



- 2) During the three year period, referred to in sub-paragraph 1, and not more than six months after expiry of the three year period, the financial services provider must lodge an application for registration as a manager of a collective investment scheme in securities as contemplated in section 42 of the Act.
- 3) If an application contemplated in sub-paragraph (2) is not lodged within the period prescribed in sub-paragraph (2), the manager must apply to the Registrar to-
  - a) wind up the portfolio in accordance with section 102 of the Act; or
  - b) amalgamate the portfolio with one of its portfolios in accordance with section 99 of the Act; or
  - c) rename the portfolio in accordance with section 43(1) of the Act to reflect the registered name of the manager.
- 4) The manager may apply for an extension of the three year period on good cause shown, provided that the total duration of the portfolio name may not exceed five years from the date of initial approval of that name. The application for extension must be lodged with the Registrar before expiry of the three year period referred to in subparagraph (1).

## 6. Agreements

- 1) A manager must enter into an agreement with the financial services provider, which agreement must:-
  - a) stipulate the three year period for which the agreement will subsist;
  - b) identify and address all possible areas of conflict of interest between the parties;
  - c) indicate the functions of the respective parties in relation to the portfolio, including all sub-contracting arrangements;
  - d) outline how the manager will capitalise the portfolio should it not reach the minimum size as contemplated in paragraph 12;
  - e) stipulate that the manager shall commit to the incubator portfolio as if it were one of its own portfolios, in accordance with all relevant legislation;
  - f) indicate that on termination of the agreement the portfolio remains the responsibility of the manager who shall continue to meet its commitment to investors and that it will rename, amalgamate or wind-up the portfolio in accordance with the Act;
  - g) stipulate the extent to which the financial services provider will be entitled to participate in the manager's foreign allowance as contemplated in Exchange Control Regulations;
  - h) stipulate that the manager's identity and role in the portfolio must be disclosed to investors;
  - i) stipulate that the financial services provider may not enter into a similar agreement with another manager;
  - j) stipulate that the manager remains responsible for compliance with the Act and that the compliance function of the manager may not be outsourced or delegated to another party;
  - k) stipulate that the portfolio may only be marketed under its registered name;
  - l) stipulate that the financial services provider must render financial services of a discretionary nature in relation to the assets of the portfolio.
- 2) Subject to the provisions of sections 42, read with section 98(2) of the Act and paragraph 3

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of this Notice, the manager must submit the agreement to the Registrar.

- 3) A manager may not amend the agreement without prior written notice to the Registrar.
- 4) Should the parties terminate the agreement, prior to the expiration of the three year period the manager must, within ten working days of the date of termination, inform the Registrar, in writing, that the agreement has been terminated and immediately take the steps stipulated in paragraph 5(3) of this Notice.

## **7. Disclosure**

The manager must ensure that the financial services provider has procedures in place to adequately disclose, in all communications to investors, the following:-

- a) the identity of the manager, including its contact information; and
- b) its role and responsibility as manager of the portfolio.

## **8. Portfolios under Administration**

A manager may not have more than 30% of its number of portfolios comprised of incubator portfolios, nor may a manager have more than 30% of its total assets under management in incubator portfolios.

## **Part III : Co-Named Portfolios**

### **9. Application**

An application by a manager to establish a co-named portfolio must be made in accordance with the provisions of section 42, read with section 98 of the Act, and be accompanied by:

- a) a business plan including the following:-
  - i) the projected size of the portfolio over a five-year period;
  - ii) an indication of where assets will be sourced;
  - iii) a description of any possible area of conflict of interest and the actions to be taken in circumstances of a conflict of interest ;
  - iv) a description of the marketing and distribution strategies; and
  - v) a description of systems and resources to be used; and
- b) An agreement, as contemplated in paragraph 11.

### **10. Naming**

A co-named portfolio must bear the name of both the financial services provider and the manager.

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## 11. Agreements

- 1) A manager must enter into an agreement with the financial services provider, which agreement must:-
  - a) identify and address all possible areas of conflict of interest between the parties;
  - b) indicate the functions of the respective parties in relation to the portfolio including all sub-contracting arrangements;
  - c) outline how the manager will capitalise the portfolio should it not reach the minimum size as contemplated in paragraph 12;
  - d) stipulate that the manager shall commit to the portfolio as if it were one of its own portfolios, in accordance with all relevant legislation;
  - e) indicate that on termination of the agreement the portfolio remains the responsibility of the manager who shall continue to meet its commitment to investors and to rename, amalgamate or wind-up the portfolio;
  - f) stipulate the extent to which the financial services provider will be entitled to participate in the manager's foreign allowance as contemplated in Exchange Control Regulations;
  - g) stipulate that the manager's identity and role in the portfolio will be disclosed to the investor;
  - h) stipulate that the financial services provider may not enter into a similar agreement with another manager;
  - i) stipulate that the manager remains responsible for compliance with the Act and that the compliance function of the manager shall not be outsourced or delegated to another party;
  - j) stipulate that the portfolio may only be marketed under its registered name; and
  - k) stipulate that the financial services provider must render financial services of a discretionary nature in relation to the assets of the portfolio.
- 2) Subject to the provisions of section 42, read with section 98, of the Act and paragraph 9 of this Notice, the manager must submit the agreement to the Registrar.
- 3) A manager may not amend the agreement without prior written notice to the Registrar.
- 4) Should the parties terminate the agreement, the manager must, within ten working days of the date of termination, inform the Registrar, in writing, that the agreement has been terminated and the manager must apply to the Registrar to:
  - a) wind up the portfolio in accordance with section 102 of the Act; or
  - b) amalgamate the portfolio with one of its portfolios in accordance with section 99 of the Act; or
  - c) rename the portfolio in accordance with section 43(1) of the Act to reflect only the registered name of the manager.

## Part IV : General Provisions

### 12. Minimum Size of Portfolios

- 1) The assets under management of a third party named portfolio, may not be less than R50 million after a period of three years from date of approval of the name of the
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portfolio.

- 2) If the assets under management of the third party named portfolio have not reached R50 million on expiry of the three year period referred to at sub-paragraph 1, the manager must apply to the Registrar to:-
  - a) wind up the portfolio in accordance with section 102 of the Act; or
  - b) amalgamate the portfolio with one of its portfolios in accordance with section 99 of the Act.

### **13. Duplicate Portfolio**

A manager may not appoint a financial services provider to provide financial services in respect of one of the manager's own portfolios if that financial services provider is providing financial services in respect of an incubator or co-named portfolio of a similar nature within the manager's collective investment scheme.

### **14. Transitional Arrangements**

- 1) This Notice applies to all applications, whether submitted to the Registrar or not.
- 2) A manager of a third party named portfolio previously known as a white label portfolio, approved by the Registrar before the commencement of this Notice, must submit an application to the Registrar in accordance with the provisions of this Notice to approve such portfolio as either an Incubator portfolio or a co-named portfolio.
- 3) The manager of a portfolio, referred in sub-paragraph (2), that has been in existence for more than five years may not apply for such portfolio to be approved as an incubator portfolio. If the financial services provider whose name is linked to the portfolio does not apply to be registered as a manager, the manager of the portfolio must either apply to co-name the portfolio or apply for such portfolio to be wound up or amalgamated in accordance with the provisions of the Act.
- 4) Applications referred to in sub-paragraphs (2) and (3) must be submitted to the Registrar within twelve months of commencement of this Notice.

### **15. Short Title**

This Notice is called the Determination of the Limits and Conditions for Third Party Named Portfolios of Collective Investment Schemes.

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## Keyword Index

### - A -

Accounting records 43  
 acquisition of assets 50  
 Act 37  
 acts 15  
 additional portfolio 79  
 administration 14, 15, 28, 32  
 advertisement 55  
 advisory committee 16, 17  
 Agreements 113, 115  
 Amalgamation of business 53  
 amendment 64  
 amendment of deed 53  
 Amendment of Exemption 93  
 Annexure A 81  
 Annexure B 82  
 Annexure C 82, 101  
 Annexure D 84  
 Annexure E 84  
 Annual report 22  
 Application 23, 45, 78, 79, 112, 114  
 Application for approval 79  
 Application of Companies Act 60  
 Application of Notice 111  
 Appointment 16, 28, 39, 43  
 Appointment of 95  
 approval 43  
 articles of association 46  
 assets 42  
 association 22, 25, 27, 28  
 association licence 23, 24, 78  
 Association of 23  
 Attendance of meetings 22  
 audit 22, 43  
 auditor 43

### - B -

Board of Appeal 23  
 Board of Directors of Managers 95  
 borrow 52  
 borrowing 52  
 bridge 52  
 brochure 55  
 Business capacity 49  
 Business rescue 28, 61  
 Business rescue of manager 61

### - C -

Cancellation 20, 24  
 Capacity of manager 35  
 capital requirement 49  
 certain provisions 93  
 Certain Provisions of Notice 1503 of 2005 109  
 Certificate 47  
 cession 53  
 Change of name 30  
 change of shareholding 30  
 classes of securities 28  
 Collateral security 36  
 Collective Investment Scheme 14, 25, 28, 29, 30, 32, 34, 37, 44, 45, 48, 56, 85, 93  
 collective investment scheme in property 33  
 Collective Investment Scheme in Securities from 109  
 collective investment schemes 10, 15, 16, 23, 28, 31, 33, 53  
 Collective Investment Schemes Control 10  
 Collective Investment Schemes Control Act 85  
 Commencement 81  
 Compliance Report 100  
 complied with 93  
 Consideration of application 46  
 Contents of price list 55  
 conversion 45, 47  
 Conversion of 44  
 copies 76  
 court 27  
 custodian 39, 40, 41, 42, 57

### - D -

deal 59  
 Declaration 22, 37  
 declared collective investment scheme 37  
 Declared Collective Investment Schemes 37  
 deed 52  
 Definition 28, 37, 49  
 Definitions 10, 31, 33, 44, 74, 86, 87, 92, 94, 105, 111  
 Delegation 25  
 Delegation of functions 62  
 deputy registrar 16  
 description 25  
 Determination 30, 87, 93  
 Determination of securities 28  
 Directives 19  
 directors 30  
 Disclosure 114  
 Disclosure of information 14  
 documents 21, 22, 76

- 
- due diligence guidelines 79
  - Duplicate Portfolio 116
  - Duration 112
  - Duties of manager 14
  - Duties of trustee 41
  - Duty of auditor 44
  - E -**
  - Effects 47
  - Evidence 59
  - exchange 32
  - executive committee 25
  - Exemption 52, 62, 85
  - Exemption of Manager of 109
  - Exemptions 22
  - expenses 17
  - F -**
  - failure to comply 49
  - Fees 76, 88, 105
  - fees and penalties 78
  - Fees payable 104
  - Financial Soundness 97
  - financial soundness requirement 19
  - Financial statements 50
  - Fit and Proper 96
  - foreign collective investment scheme 37
  - Foreign Collective Investment Schemes 37
  - Foreign country 32
  - Foreign securities 30
  - Form of association licence 78
  - former collective investment scheme 48
  - Fraudulently 59
  - functions 16, 25
  - Functions of Registrar 17
  - G -**
  - Gazette 47
  - General 48
  - I -**
  - in Participation Bonds 33
  - in Property 31
  - in respect of 19
  - information 74
  - information to be furnished 50
  - Inspections 17
  - Inspections and on-site visits 17
  - insufficient liquidity 52
  - Interest 78
  - Interest payable 92, 109
  - Introduction 95
  - invest 30, 32
  - investigation 17
  - investment in portfolio 31
  - investors 48, 58
  - irregular 22
  - irregularity 44
  - Issue 23, 48
  - L -**
  - laws and savings 64
  - lending 52
  - Liability 42
  - Liability for loss 59
  - Limitation 31
  - liquidator 28
  - List of assets 75
  - Listing 32
  - Lodging 76
  - loss of assets 42
  - M -**
  - Management 97
  - Manager 20, 29, 30, 33, 49, 50, 52, 57, 60, 61, 79, 97, 98
  - Managers 100
  - Manner of payment 78
  - market price 30
  - matters 93
  - matters to be complied with 87
  - Meetings 16
  - member disqualified 26
  - members 17
  - members of advisory committee 16
  - memorandum 46
  - Minimum investment period 35
  - misleading names 15
  - money 52
  - Motivation 86, 93
  - N -**
  - names 60
  - Naming 114
  - nominee company 35, 36
  - notice 47
  - Notice No. 569 of 2003 74
  - notices by registrar 62
  - O -**
  - Obligation 49
  - Offences 63
  - on-site visits 17
  - Operational 97
-

overdue fees 92, 109

## **- P -**

Part I 10

Part II 17

Part III 23

Part IV 28

Part IX 39

Part VII 37

Part VIII 37

Part X 43

Part XI 44

Part XII 48

participant 35

Participation Bonds 34, 35, 36, 85, 93

participatory interests 32, 36, 48, 52, 59

payment 52

Payment of fees 91, 109

penalties 21, 64, 76, 78

Permissible deductions 51

portfolio 30, 48, 51, 52, 56, 57

portfolios 53

Portfolios under Administration 114

Power 52

Power of court 26

Powers of registrar 17, 19

Preamble 111

Principal office 56

Principles 14

Procedure 29

Prohibition 15

property 32

provision 52

provisions 33, 37

public officer 56

purchase 59

purchase price 52

## **- Q -**

Qualifications 40

## **- R -**

rank in preference 36

Reciprocity 38

Refusal of renewal 24

register of companies 46

registrar 16, 21, 22, 28, 76

registrars approval 45

Registration 20, 29, 35, 40, 46

registration as manager 79

registration certificate 79

registration of conversion 47

Regulations by Minister 62

removal of appointees 30

Remuneration 17

renewal 23

Repeal 64

Report 28

Reporting to investors 75

Republic 37, 56

Requirement 15

requirements 21

Requirements for 95

Requirements for Directors 96

Requirements For Manager 97

Resolution authorising conversion 80

Resolution by investors 46

restriction 25, 52

Restrictions 28, 32, 36, 37

Restrictions on administration 34

Restrictions on assets 48

Restrictions on business 34

rights 35, 36

rights of investors 53

Risk Management 98

Rules of association 26

## **- S -**

Sale 52

Schedule 1 65

Schedule 2 66

Schedule 3 66

Schedule 4 68

securities 28, 29, 30

Separation of assets 57

Separation of funds 58

Short Title 64, 92, 109, 116

specific type of business 37

Statements 74

Status 42

Subcommittees 17

Supervision by Manager 97

suspension 20, 24, 52

Suspension of administration 25

Suspension of Provision of Deed 85, 92

Suspension of Provisions 86, 93

## **- T -**

take-over 53

termination of appointment 16, 39

transfer 53

Transitional Arrangements 116

trust property 57  
trustee 39, 40, 42, 57  
Trustee or Custodian 39

**- U -**

Unauthorised gain 50  
undesirable 22  
undesirable practice 44  
unpaid fees 78  
use of name 25

**- V -**

Void provision 53  
Voluntary dissolution 27  
voting power 50

**- W -**

winding-up 27, 56, 57  
written matter 60

---