

FSCA COMMUNICATION 25 OF 2020 (CIS)

Publication of final Conduct Standards on Delegation of Administration functions by CIS Managers and Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolios

19 May 2020

1. PURPOSE

The purpose of this Communication is to inform stakeholders that today the Financial Sector Conduct Authority (FSCA) published the following Conduct Standards and supporting documents in terms of section 106(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act):

1.1 Conduct standard on Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolios (NAV Standard):

- NAV Standard;
- Statement supporting the NAV Standard; and
- Consultation Report.

1.2 Conduct Standard - Requirements for delegation of administration functions by a manager of a collective investment scheme (Delegation Standard):

- Delegation Standard;
- Statement supporting the Delegation Standard; and
- Consultation Report.

2. BACKGROUND

2.1 The NAV Standard is aimed at creating an appropriate legal framework for regulating the valuation of assets and the pricing of participatory interests in collective investment scheme (CIS) portfolios, to give adequate protection to investors in light of the potential risks of unfair customer outcomes.

2.2 The Delegation Standard, in turn, is aimed at ensuring that the delegation of administration functions by a CIS manager to a third party does not impair the prudent management of the administration of a CIS and that the risks associated with a delegation arrangement are adequately assessed and managed by the manager, not only before entering into an arrangement with a delegated person, but also on an on-going basis.

- 2.3 Both Conduct Standards underwent an extensive public consultation process coupled with various industry specific engagements. The Conduct Standards were also submitted to Parliament as required in terms of section 103 of the Financial Sector Regulation Act, 2017 (FSR Act).
- 2.4 Following the requisite processes as set out in Chapter 7 of the FSR Act, the FSCA today published the final Conduct Standards and relevant supporting documents.
- 2.5 The making of these final Conduct Standards is an important step in mitigating specific risks identified in the CIS industry and more closely aligning the CIS regulatory framework to international standards.

3. AVAILABILITY OF INFORMATION AND ENQUIRIES

- 3.1 The documents referred to in paragraph 1 is available on the FSCA's website at www.fsca.co.za.
- 3.2 For more information regarding the Conduct Standards and/or this Communication please contact the Regulatory Framework Department of the Authority at Andile.Mjadu@fsca.co.za or Marius.DeJongh@fsca.co.za.