FSCA
Financial Sector
Conduct Authority

CONSULTATION REPORT

FSCA CONDUCT STANDARD 3 OF 2025

REQUIREMENTS FOR MANAGERS OF COLLECTIVE INVESTMENT SCHEMES

FINANCIAL SECTOR REGULATION ACT, 2017
COLLECTIVE INVESTMENT SCHEMES CONTROL ACT, 200

Consolidated comments and responses to public comments

November 2024

Consultation Report: **Conduct Standard - Requirements for CIS Managers**

1. Purpose

1.1 Section 104 (1) of the Financial Sector Regulation Act, 2017 (Act No.9 of 2017) (the FSR Act) states that with each regulatory instrument, the maker must publish a consultation report which must include:
(a) a general account of the issues raised in the submissions made during the consultation; and
(b) a response to the issues raised in the submissions.

1.2 The purpose of this document is to set out, as required in terms of Section 104(1) of the Financial Sector Regulation Act, 2017 (FSR Act), a report on the consultation process undertaken in respect of the Conduct Standard – Requirements for Managers of Collective Investment Schemes.

2. Summary

2.1 This consultation report must be read with the Statement supporting the Conduct Standard – Requirements for Managers of Collective Investment Schemes.

2.2 On 23 November 2023, the Financial Sector Conduct Authority (FSCA or Authority) published the following documents in terms of section 101 of the FSR Act, with comments due on 16 February 2024):

- Draft Conduct Standard – Requirements for Collective Investment Scheme Managers (draft Conduct Standard);
- Statement supporting the draft Conduct Standard; and
- Comments Template for the draft Conduct Standard.

2.3 A total of 115 comments were received from five (5) different commentators on the draft Conduct Standard as published for public comment, plus 10 other comments (comments on impact and general comments).

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

2.5 To the extent that the FSCA agreed with commentary received, amendments were made to the Conduct Standard accommodating such comments.

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

A general account of the issues raised in the submission made during the consultation are set out in the table below:

#	Issues	Summary of comment	FSCA responses
1.	Definitions and interpretation	Clarity and amendments effected on definitions. New definitions were also proposed by the various commentors.	Clarification was provided on definitions already defined, material, and where appropriate amendments on existing definition were affected and new definitions inserted.
2.	Permanent control	Commentators expressed views on the risk management function, specifically	We agree to allow outsourcing of control functions and heads of control

	functions and group arrangements	the proposal that there must be a permanent risk management function and that such function may not be outsourced. It is contended that in the context of group of companies, it is common practice that risk management is at group level, therefore outsourced as it were. Therefore, commentators ask whether group arrangements will meet the requirements for "permanent" function. The same concerns were also expressed in respect of other control functions. Commentators also questioned whether it is responsible to make the risk and compliance functions responsible for ensuring the implementation of the risk management and compliance frameworks.	functions, but only if it is appropriate in the light of the nature, size, scale and complexity of the manager. We have also added a specific footnote talking to group arrangements, i.e. that the group context will form part of considering the "nature and operating model" of the manager. This essentially means that a manager can consider the extent to which it would be appropriate to leverage off group structures when establishing a control function or appointing a head of the control function. However, since control functions can now be outsourced, we have also included a provision stating that the FSCA must be notified if a control function is outsourced as this is important information the FSCA needs for purposes of its supervisory risk-based approach. Note that this proposed approach is also closer to aligned to other frameworks, e.g. the Prudential Authority's Prudential Standards (e.g. GOI 3). It was also made clear that if outsourced, the manager remains responsible for the control function/head of control function. Further, we agree that it is not appropriate to place the obligation to ensure the implementation of the risk management and compliance frameworks on the risk and compliance functions. The responsibilities of these functions have therefore been revised.
3.	Heads of Control Functions and Notification requirement	Commentators expressed views on the proposed Heads of Control Functions and whether the intention is to establish multiple functions comprising of (or separately) and Internal Audit and the subsequent impact these will have on business from a compliance cost perspective. There is a contention that the manner in which this provision is stated, implies that the same person cannot be appointed as the "head" for all areas, whereas in some entities this function can be exercised by one	See response directly above. In addition, Chapter 2 of the Standard makes provision for proportional application of these governance arrangements and control functions. These control functions are an important line of defense in a manager's business. Where appropriate the requisite functions may be performed by a single person i.e. not appoint a "head" for each function- the Standard does not disallow this. However, it is important

		person e.g. at group level etc. The Notification requirement "**prior**" to appointment and termination is also a contention. A proposal is that "notification" be 30 days after appointment/termination due to timing issues. One commentator also challenged the fact that the Head of the Compliance Function must be approved, citing that approval should not be required lacking clear criteria for approval.	to underscore that where the requisite function may be performed by same person, there must be a clear segregation of duties, and the position must not result in the person reviewing their own work (function). For the avoidance of doubt, the "functions" must each be separate. The Authority acknowledges that the 30-day prior notification for appointments requirement may be cumbersome and agreed to change this to within 30 days after appointment. However. In respect of termination we submit that the requirement is appropriate, as the person terminating his/her role will typically have to work a notice period and the provision also makes an accommodation for exceptional circumstances. In respect of approval of the Head of the Compliance function, this requirement was retained as the Standard does prescribe competency requirements for such Head, and this is the criteria against which an application will be assessed.
4.	Internal audit function	Commentators expressed view on the Internal Audit function as to whether can it be outsourced, or such is prohibited (considering the differences between Group entities and smaller ones). Commentators further provided suggestions in terms of how these can be practically dealt with from a Group of Companies perspective and requested FSCA confirmation on same. Furthermore, as Internal Audit function is proposed not to be "permanent" unlike risk management, concern is whether it can be implied that Internal Audit can be outsourced. Also, whether CIS managers can leverage off group arrangements in respect of internal audit function.	See response under item 2 above. In our view this risk is mitigated by the fact that the Standard allows for proportional application and outsourcing of the function. In addition, if this remains a problem in the case of very small managers, the manager has the option of applying for exemption from this requirement and the FSCA will assess such application in the context of the nature, size, scale, complexity etc of the manager.
5.	Churning	Commentators expressed a view on the practical difficulty for the manager to identify and prevent churning and thus contends that application of the relevant provision will be a significant challenge if not altogether impossible. Furthermore, commentators could not find comparable requirements in other foreign jurisdictions and thus requests further engagement on this issue.	Firstly, the Authority acknowledges the practical difficulties in respect of the prevention of churning. As provided for in the Standard, a manager must act in good faith and treat investors fairly and conduct its business transparently. In this light, it is anticipated that a manager will take steps to mitigate churning activities by

			its distributors. There are steps that a manager can take to mitigate churning and where possible if red flags are raised, then take appropriate steps. Secondly, as early as 2011 National Treasury identified churning and conflicts of interest to the detriment of consumers, as a major issue in the policy paper, *A safer financial sector to serve South Africa better.* Accordingly, the Authority is duty bound to ensure that measures are in place in respect of churning and to address such instances. The Authority accepts that manager cannot control intermediaries not contracted to it. However, for those intermediaries contracted to the manager, it is expected for the manager to take appropriate measures to identify when churning occurs and take measures. For example, if a manager can see clients are constantly and frequently being moved to specific portfolios, questions must be asked of that intermediary. To mitigate the concerns raised, the Standard has been revised to make it clear that this requirement only applies in respect of FSPs and representatives contracted to the manager.
6.	Proposed prospectus	Commentators expressed support for the proposed prospectus but cautioned against it duplicating detailed portfolio that will lead to excessive duplication of information already required to be contained in MDDs. Commentators also requested for certain information not to be included in the prospectus due to the limited 60 proposed pages. Commentators suggested that it will be more appropriate to include requirements for a prospectus in the envisaged Conduct Standard on Advertising, Marketing, and Information Disclosure for Collective Investment Schemes.	The Authority acknowledges this concern. To mitigate some of the concerns, the Authority has removed some of the requirements in relation to a prospectus and inserted an enabling provision to determine separately the prospectus requirements. In addition, please note that there is a link between a prospectus and an MDD. A prospectus by design must be detailed and contain static information whereas an MDD provides high-level and portfolio specific information. Duplication can be minimized for instance by having an MDD as an annexure to the Prospectus. The draft Standard is an interim measure to address the FSAP findings. The Prospectus will be provided for in a very specific detailed manner in a future standard which will be a subject of the normal public

		It was also questioned whether this requirement will be applied to all classes of a portfolio – where disclosure is required on portfolio level, must disclosures be duplicated for each class as well. It was also stated that it is not clear if the prospectus must be submitted for approval and whether the prospectus must be approved after each change similar to the process currently for Section 65 approved portfolios. This may introduce an additional cost to the manager should the authority set a fee for approval of additional changes. Lastly, a concern was raised regarding the need for disclosures of past liquidity risk management tools should be explained. It is also not understood why disclosures of liquidity risk management tools previously implemented must be explained. This is not aligned with UCITS.	consultation process, however, it was necessary to provide for its immediate implementation in view of the FSAP requirements. These disclosures have become necessary for various reasons of past misinformation and non-compliance by managers as well as international oversight bodies' guidance on risk disclosure. A prospectus is single document with attachments for portfolios. It forms part of the documents to be approved as a once-off cost. The usual and general liquidity measures are described in the main prospectus and additional detailed for the portfolio, in the portfolio document. These are necessary liquidity risk tools.
7.	Custody	It was questioned why the Conduct Standard is duplicating requirements applicable to managers in the context of trustees and custodians as is already set out in Conduct Standard 2 of 2020 (CIS). In addition, the use of the term "fiduciary" was questioned. Concerns were also raised regarding the obligation on the manager to conduct a due diligence on the sub-custodian, as the relationship with the sub-custodian sits with the trustee/custodian, not with the manager.	Requirements pertaining to managers in the context of trustees and custodians have been removed as we agree that Conduct Standard 2 of 2020 (CIS) is sufficient. The reference to "fiduciary" has been removed. The obligations were rephrased and now states that the manager must ensure that the trustee/custodian conducts a due diligence on the sub-custodian, and must share that due diligence with the manager to enable it to assess the appropriateness of the appointment.
8.	Notification occasioned by liquidity constraints	It was submitted that this notification must be used with caution as it may cause a run on a portfolio. Only material liquidity constraints should require notification.	The Authority acknowledges the issue that may result because of this requirement. However, this is required in the interest and protection of investors.

SCHEDULE

#	Commentators	Acronym
1.	Association of Savings and Investment South Africa	**ASISA**
2.	Financial Intermediaries Association of Southern Africa	**FIA**
3.	First Rand Limited	**FRL**
4.	RealFin Collective Investment Schemes (RF) Pty Ltd	**RCIS**
5.	The South African Institute of Financial Markets	**SAIFM**

#	Commentator	Section	Issue/Comment/Recommendation	FSCA Response/s
DEFINITIONS AND APPLICATIONS				
1.	SAIFM	Definition of "Authority"	The term "Authority" appears in Chapter 2 section 8 (5) – (8), Chapter 4 section 13 (2) and 13 (2) (a) and Chapter 9 section 20, but it has not been defined in Chapter 1. The term seems to warrant definition, particularly as the standard is referred to as a "prudential standard" in the instructions.	The preamble to section states that any term defined in CISCA has that meaning in the Conduct Standard. CISCA defines "Authority", hence the reason why it is not defined in the Conduct Standard. The word "Prudential Standard" was a typographical error and has been corrected to "Conduct Standard".
2.	FIA	**"EPM"** means Efficient Portfolio Management, which refers to managing a collective investment scheme or portfolio in a way that is designed and aimed to give effect to the following principles: (a) Assets included in a portfolio are economically (suggested deletion of the highlighted portion) appropriate, in that they are realized in a cost-effective way; (b) reduction of risk; (c) reduction of costs; (d) generation of additional capital or income for the portfolio with a risk level which is consistent with the risk profile of the portfolio and any risk diversification requirements provided for in the Act; and (e) achieves the investment objectives of the portfolio;	(a)Delete the word economically and insert: Assets included in a portfolio are appropriate in terms of the investment mandate that governs the portfolio and can be realised in a cost-effective way; (b) reduces or maintains the risk profile of the portfolio. A portfolio may have the mandate to take more risk (e) achieving the investment objectives of the portfolio	See comment below at item 3 in response to ASISA comments on the same issue. The authority must ensure consistency in the wording. See revised Standard. Comment noted. "Aimed to" is already in the introductory line. See correction and revised wording in the revised Standard
3.	ASISA	Definition of EPM	ASISA members suggest that the definition of EPM should be slightly rephrased to ensure closer alignment with the UCITS definition:	When drafting the definition of EPM, the Authority sought to align the EPM definition directly with UCITS.

			"The reference in Article 21(2) of Directive 85/611/EEC to techniques and instruments which relate to transferable securities and which are used for the purpose of efficient portfolio management shall be understood as a reference to techniques and instruments which fulfil the following criteria: (a) they are economically appropriate in that they are realised in a cost-effective way; (b) they are entered into for one or more of the following specific aims: (i) reduction of risk; (ii) reduction of cost; (iii) generation of additional capital or income for the UCITS with a level of risk which is consistent with the risk profile of the UCITS and the risk diversification rules laid down in Article 22 of Directive 85/611/EEC; (c) their risks are adequately captured by the risk management process of the UCITS." *Proposed wording:* **"EPM"** means Efficient Portfolio Management, which refers to managing a collective investment scheme or portfolio in a way that is designed and aimed to give effect to the following principles: (a) Assets included in a portfolio are economically appropriate, in that they are realized in a cost-effective way; (b) <u>Assets are entered into for one or more of the following specific aims:</u> <u>(i)</u> reduction or maintenance of risk; (c)<u>(ii)</u> reduction of costs; (d)<u>(iii)</u> generation of additional capital or income for the portfolio with a risk level which is consistent with the risk profile of the portfolio and any risk diversification requirements provided for in the Act; and (e)<u>(c)</u> achieves the investment objectives of the portfolio;	Authority considered the FCA UK definition as well as the problems previously experienced with the EPM paragraph in BN90 and adjusted it for local purposes. Your proposal has been considered and slight revisions have been made. In our view the definition is substantially aligned with your proposed UCITS definition. Comments noted. See revised Standard.
4.	FIA	**"governing body"** has the meaning assigned to the term in section 1(1) of the Financial Sector Regulation Act;	Governing body means the Board of Directors of the manager.	Yes, governing body would include the board of directors in a company context. However, it is unclear whether you are proposing changes.

5.	FIA	**"key person"** has the meaning defined in section 1(1) of the Financial Sector Regulation Act;	Add key person to section 1 "key person" is used multiple times in the draft Conduct Standard and should be included in the definitions consistent with the other definitions with reference to the Financial Sector Regulation Act	Agreed, we have revised the Standard accordingly.
6.	ASISA	Proposed definition of "key person"	It will be useful if a definition of "key person" is included in the Conduct Standard. It is referenced in the definition of senior management (with reference to Financial Sector Regulation Act) and in paragraphs 4(4)(b), 4(4)(c) and 9(1)(a). *Proposed wording:* **"key person"** has the meaning defined in section 1(1) of the Financial Sector Regulation Act;	Agreed, we have revised the Standard accordingly.
7.	ASISA	Proposed definition of "staff member"	Paragraph 9(1)(a) refers to "staff". For consistency, it is suggested that the reference should be replaced with a reference to "staff member" and that its meaning should be as defined in the Financial Sector Regulation Act, i.e.: **"staff member"**, of a person, means:- (a) an employee, as defined in section 213 of the Labour Relations Act, 1995 (Act No. 66 of 1995); (b) a natural person who is seconded to the person; (c) a natural person who is engaged by the person on contract as an independent contractor to provide goods or services to the person or to perform functions or duties on behalf of the person under terms specified in the contract, but not in terms of an outsourcing arrangement; *Proposed wording:* **"staff member"** has the meaning defined in section 1(1) of the Financial Sector Regulation Act;	Agreed, we have revised the Standard accordingly.
8.	ASISA	Proposed definition of derivative instrument	Paragraph 15(7)(c) refers to "derivatives", but the term is not defined. The term for derivatives in Board Notice 90 is financial instruments (this term has a broader meaning in terms of the Financial Sector Regulation Act). Board Notice 52 defines "derivative instruments" or "derivatives" with reference to the definition in the Financial Markets Act. For	Note that the term derivative instrument is no longer used in the Standard.

			the sake of consistency and clarity, it is suggested that derivative instrument should be defined with reference to the Financial Markets Act: "derivative instrument" means any- (a) financial instrument; or (b) contract, that creates rights and obligations and whose value depends on or is derived from the value of one or more underlying asset, rate or index, on a measure of economic value or on a default event; In its review of Board Notice 90, the FSCA should replace the reference to "financial instrument" with a reference to "derivative instrument". *Proposed wording:* **"derivative instrument"** has the meaning defined in section 1(1) of the Financial Markets Act;	.
9.	FRL	Section 1, definition of a Distributor	We seek clarity on whether reference to 'distributor' refers to "financial services providers" as defined in the Financial Advisory and Intermediary Services Act 37 of 2002 and "investment services providers" as defined in the JSE Equities Rules.	Text changed to "financial services provider.
10.	FRL	Section 1, definition of a Fiduciary	We note that "Fiduciary" is defined in the Conduct of Financial Institutions Bill, however we recommend that a definition be provided since these CIS Standards serve as an interim measure to address the FSAP recommendations pending the implementation of COFI.	Comments noted. The definition of "fiduciary" is contemplated in the suggested COFI Bill, hence the reason why it was inserted. However, we acknowledge that it might be premature to start using this terminology and we have therefore removed this reference.

I	FRL	Section 1, Sub-custodian	We recommend that a definition for "sub-custodian" be provided. Our recommendation is as follows: "sub-custodian" means a delegated person, that, in terms of a sub-delegation is appointed by a custodian to perform the functions	Agree to insert a definition. However, we disagree with the proposed definition because section 68(6) already describes what a sub-custodian is. The definition we inserted therefore cross-references to section 68(6).
BUSINESS PRINCIPLES, GOVERNANCE AND CONTROL FUNCTIONS				
12.	FIA	**Proportional application** The governance arrangements and any function or framework referred to in this Chapter may be applied proportionate to the nature, size, scale and complexity of the manager, taking into account its business and operating model, scope of activities, investor profile and associated level of risk exposure.	Minimum standards should be determined by the Regulator to level the playing field. Further, more clarity around the determination of proportionate should be provided so as to avoid judgement being applied that may not meet the standards of industry or the Regulator.	We note this comment. However, given the FSCA's adopted move away from prescribing rules in its regulatory instruments as informed and influenced by international standards and best practice, amongst others, we are of the view that each entity (manager), within its risk appetite, will determine and adopt governance frameworks proportionate to its own circumstances including nature, size, scale and complexity. The Authority will have, through its supervisory tools, monitor the practical implementation of this requirement and, if deemed necessary, further guidance can be issued to support more consistent application.
13.	SAIFM	Proportional application	It looks like the Standard has given the industry the responsibility of determining proportionality regarding the nature, size, scale and complexity of the manager. It would be helpful if the Conduct Standard could provide general guidance, especially regarding size and scale.	Refer to Item 12 above. Where appropriate, guidance will be issued.
14.	FIA	4.(1) **Business principles and governance** A manager must at all times – (a) act in good faith and treat investors fairly;	This requirement has been over-simplified in comparison to the definition in CISCA. Propose to include, 'with skill, care and diligence and in the interest of investors and the collective investment scheme industry'.	Disagree. Note that the clause you propose is already reflected in section 2(1) of the Act and should therefore not be repeated. In addition, be reminded that paragraph 7(1) and (2)

		(b) conduct its business transparently and with integrity.		of BN910 of 2010 also contained some general principles, which we didn't repeat (as law should not be duplicated). The intention with this provision was to simply supplement the existing requirements reflected in section 2(1) of the Act and paragraph 7(1) and (2) of BN910 of 2010.
15.	FIA	4.(2) The governing body of a manager is accountable for — (a) compliance with the requirements of the Act and relevant Conduct Standards; (b) approval of the governance arrangements referred to in subparagraph (3); and (c) overseeing the establishment, implementation, ongoing review of, and continued compliance with, the governance arrangements referred to in subparagraph (3).	Propose that the governing body be defined as the Board of Directors (BoD) of the manager	Disagree with comment. Governing body is the all-encompassing term used in the FSRA. In a company context it will mean the BoD.

16.	FIA	4.(3) A manager must establish, document, implement, monitor and continually review the effectiveness of governance arrangements that are reasonably necessary to ensure compliance with the requirements in the Act and relevant Conduct Standards.	Propose that the minimum requirements be set by the Authority and the manager can then expand according to its size, activities, investor profile, risk exposure etc. The words reasonably necessary creates room for different interpretation and judgement. The manager must review the effectiveness of governance arrangements it has implemented.	The intention is to allow for proportional application. If consistent application becomes an issue, the FSCA will consider issuing guidance to ensure more consistent application. The word "reasonably" has been removed. Effectiveness of governance arrangements. Is already dealt with in clause 4(3).
17.	FIA	4.(4) The governance arrangements referred to in subparagraph (3) must — (a) promote the sound and prudent management of the collective investment scheme; (b) promote accountability of key persons and address roles, responsibilities and duties of the governing body and key persons; (c) ensure that key persons possess the necessary skills, knowledge and expertise, and have appropriate resources, to fulfil their functions, and perform those functions in a manner consistent with the Act and relevant Conduct Standards;		

		(d) provide for mechanisms to identify and, where appropriate, remove practices that, or persons whose, conduct materially increases the risk of the financial institution (suggested deletion of highlighted portion) not complying with the Act or relevant Conduct Standards; (e) provide for management processes and responsibilities and the establishment and implementation and management (suggested deletion of highlighted portion) of control functions within the financial institution (suggested deletion of highlighted portion) manager; and (f) demonstrate how the manager will comply (suggested deletion of highlighted portion) <u>complies</u> (suggested insertion) with the Act and relevant Conduct Standards.	The standard is specific to the manager. Replace financial institution with manager (e) the control functions are to be independent and cannot be managed by the manager	Agree. See the revised Standard. It is unclear what exactly you mean, and why you say this. Proposal therefore not accepted.
18.	FIA	5.(1) **Risk management** A manager must document, establish and implement an appropriate, efficient and effective risk management framework– (a) which consists of a risk management strategy, policies, and related procedures, and tools for identifying, assessing, monitoring, reporting, and mitigating risks, including conduct risk specifically, that may affect its ability to meet its obligations and responsibilities towards investors, scheme and portfolios;	Define Conduct Risk - 1. For the manager and 2. For the portfolio as required under the prospectus chapter.	Disagree. We are of the view that conduct risk and how such is defined differs from entity to entity. Furthermore, as per the basic principles of statutory interpretation where a word and or phrase is not defined within a piece of legislation then will bear its ordinary grammatical meaning.

		(b) that provides for the matters referred to in Parts VII and VIII of the "Determination of Fit and Proper Requirements and Conditions for Managers of Collective Investment Schemes", published under Board Notice 910 of 2010 in *Government Gazette* No. 33571 of 21 September 2010.		
19.	ASISA	5(3)	The proportionality principle should be applicable to all of the requirements contained in the Conduct Standard, not only to the governance arrangements and any function or framework in Chapter 2. It is suggested that paragraph 3 should be moved to paragraph 2 in Chapter 1 and rephrased to have general application. *Proposed wording:* The governance arrangements and any function or framework referred to in this Chapter (suggested deletion of this highlighted portion). This Conduct Standard may be applied proportionate to the nature, size, scale and complexity of the manager, taking into account its business and operating model, scope of activities, investor profile and associated level of risk exposure.	Agreed. See revisions made, noting that we have included a qualification to avoid potential abuse and/or uncertainty.
20.	ASISA	5(4)	It is understood that paragraph 5(4) requires that a CIS manager to have a permanent risk management function and that such function may not be outsourced. In the context of a group of companies, it is common practice for a permanent risk management function to be established at group level and assigning persons to companies or functions within the group of companies to perform a risk management function for a subsidiary or company within that group aligned with the group risk management framework. The FSCA is respectfully requested to confirm that these group arrangements will meet the requirement of a permanent risk management function.	The word permanent has been deleted. We agree to allow outsourcing of control functions and heads of control functions, but only if it is appropriate in the light of the nature, size, scale and complexity of the manager. We have also added a specific footnote talking to group arrangements, i.e. that the group context will form part of considering the "nature and operating model" of the manager. This essentially means that a manager can consider the extent to which it would be appropriate to leverage off group structures when establishing a control

				function or appointing a head of the control function. However, since control functions can now be outsourced, we have also included a provision stating that the FSCA must be notified if a control function is outsourced as this is important information the FSCA needs for purposes of its supervisory risk-based approach. Note that this proposed approach is also closer to aligned to other frameworks, e.g. the Prudential Authority's Prudential Standards (e.g. GOI 3). It was also made clear that if outsourced, the manager remains responsible for the control function/head of control function.
21.	ASISA	5(5)	Paragraph 5(4) requires a manager to establish and maintain a risk management function. It then follows that paragraph 5(5) should require a CIS manager to be accountable to ensure effective implementation and ongoing operation of a risk management function. The risk management function itself can only be responsible for such implementation and ongoing operation. It is suggested that paragraph 5(5) should be rephrased accordingly. *Proposed wording:* A manager's risk management function (suggested deletion of this highlighted portion) A manager must ensure the effective implementation and ongoing operation of the manager's risk management framework.	Agree in principle. It does, however, raise the question of how to describe the risk management function's responsibilities (if it is not being responsible for implementation, which we agree with). In this regard we submit that the risk management function plays a supporting role to the governing body and senior management, and we tried to capture this in the revised wording.
22.	ASISA	5(6)	It is assumed that paragraph 5(6) intends to place a general obligation on a CIS manager to manage liquidity risks of portfolios in extreme or unfavourable economic or financial positions (as per the 2018 IOSCO Recommendations for	

			Liquidity Risk Management for Collective Investment Schemes). Section 24(1)(c) of Board Notice 52 requires a manager's risk management policy to provide for stress and scenarios analyses depending on, among others, the liquidity profile of the portfolio. More specific requirements for specific types of portfolios such as money market portfolios are set in Board Notice 90 (conditions and limits for investments). In the context of the proposed Conduct Standard which contains general requirements, the reference to stress and scenario tests may cause confusion. If the assumption that paragraph 5(6) is intended to deal with liquidity risk management of portfolios, is correct, it is suggested that the paragraph should be rephrased for the sake of clarity. *Proposed wording:* As part of its risk management framework, a manager must undertake stress and scenario tests (suggested deletion of this highlighted portion) implement appropriate liquidity risk management measures on a periodic basis to assess the fund's each portfolio's ability to respond to extreme or unfavourable economic or financial positions.	Disagree. Historic failures have proven the necessity of stress and scenario testing. The work done by FSB and IOSCO has further proven that it is necessary and imposing these requirements will ensure alignment with international standards. Note that the current holistic review of BN90 will also propose to include this requirement across all funds. To address any further concerns, the Standard has been revised to provide for, "As part of its risk management framework a manager must implement appropriate liquidity risk management measures on a periodic basis to assess each portfolio's ability to respond to extreme or unfavourable economic or financial positions, such as undertaking stress and scenario tests on a periodic basis."
23.	FIA	5(4) A manager must establish and maintain a permanent and effective risk management function as part of	Question to the Authority: Can the risk management, compliance, and internal audit functions be outsourced to another entity or where there are established functions within	See response above at item 20.

		its overall governance and risk management framework.	the same group, or will it be a requirement that the manager establishes these functions solely for the manager?	
24.	FIA	5(5) A manager's risk management function must ensure effective implementation and ongoing operation of the manager's risk management framework	Include: The risk management function must have a clear reporting line to the BoD.	A head of the risk management function must be appointed (clause 8(1)) and the reporting obligations of that Head is already dealt with in clause 8(4).
25.	FIA	5(5) As part of its risk management framework a manager must undertake stress and scenario tests on a periodic basis to assess the fund's (suggested deletion of highlighted portion) portfolio's ability to respond to extreme or unfavourable economic or financial positions.	…periodic basis, but at a minimum quarterly, … We recommend that intervals should be defined instead of periodically/regularly etc. The word "fund" should be replaced with the word "portfolio" to align the wording to the concept defined in the Act. The word "fund" is not defined in the FSRA nor CISCA. Is the intention to stress test each portfolio or rather the manager's ability? If portfolio level, then insert the word "each" before portfolio. Take note of terminology fund vs portfolio – must be portfolio. Currently, BN90 requires money market funds to be stress tested. Stress testing on all portfolios will require system development and place more burden on the manager.	We are reluctant to determine a specific period for testing, the frequency of testing will have to be determined based on what is appropriate in the context of the specific Manager. Agree Agree Agree See response at item 22.

26.	ASISA	6(2)	1. Paragraph 6(2) requires a permanent compliance function. Some smaller CIS managers may currently outsource compliance risk management while retaining accountability for the compliance risk management. Is the intention to prohibit such outsourcing? 2. In the context of a group of companies, it is common practice for a permanent compliance function to be established at group level and assigning persons to companies or functions within the group of companies to perform a compliance function for a subsidiary or company within that group. The FSCA is respectfully requested to confirm that these group arrangements will meet the requirement of a permanent compliance function.	See response to item of Item 20 above- the same principle applies in respect of the Compliance Function.
27.	FIA	6(2) A manager must establish and maintain a permanent and effective compliance function as part of its overall governance and compliance risk management framework	Question to the Authority: Can the risk management, compliance, and internal audit functions can be outsourced to another entity or where there are established functions within the same group, or will it be a requirement that the manager establishes these functions solely for the manager?	See response above at Item 20.
28.	FIA	6(3) A manager's compliance function must ensure (suggested deletion of highlighted portion) oversee the effective implementation of the manager's compliance risk management framework and ensure that the manager meets its compliance obligations and responsibilities.	The BoD have the responsibility to ensure compliance, while the compliance function must oversee compliance. Insert that Compliance must have a direct reporting line to the BoD	We agree that the Compliance Function should not be accountable for ensuring compliance. Merely stating that the function must oversee compliance might also not be entirely accurate. We submit that the compliance function plays a supporting role to the governing body and senior management, and we tried to capture this in the revised wording.
29.	ASISA	6(3)	Paragraph 6(2) requires a manager to establish and maintain a compliance function. It then follows that paragraph 6(3) should require a CIS manager to be accountable to ensure effective implementation of such framework to ensure compliance obligations and responsibilities are met. The compliance function itself can only be responsible for such implementation. It is suggested that paragraph 6(3) should be rephrased accordingly.	Agree. See response directly above.

			Proposed wording: A manager's compliance function (suggested deletion of highlighted portion) A manager must ensure the effective implementation of the manager's compliance risk management framework and (suggested deletion of highlighted portion) to ensure that the manager meets its compliance obligations and responsibilities.	
30.	FIA	7(1) **Internal audit** A manager must establish and maintain an internal audit function which is separate and independent from the day-to-day functions and activities of the manager.	Will it suffice if there is an internal audit function within the group of companies the manager is part of? The requirement to have a dedicated separate internal audit function will have a significant cost impact on the manager.	See response at item 22.
31.	ASISA	7(1)	1. Paragraph 7(1) does not refer to the establishment of a permanent internal audit function. It is therefore assumed that an internal audit function may be outsourced. The FSCA confirmation of this assumption will be appreciated. 2. In the context of a group of companies, it is common practice for an internal audit function to be established at group level and assigning persons to companies or functions within the group of companies to perform an internal audit function on that subsidiary or group company. This meets the requirement of separation and independence from the from the day-to-day functions and activities of the CIS manager. The FSCA is respectfully requested to confirm that these group arrangements will meet the requirements of paragraph 7(1). 3. It is suggested that the reference to "activities" should be replaced with a reference to "operational activities" for the sake of clarity. On a strict interpretation, where a CIS manager has an in-house internal audit function, a general reference to activities could include an internal audit function which would mean that an internal audit function may not be seen as independent.	See response at item 22. Agree, see the revised Standard.
32.	ASISA	7(2)	1. An internal audit function would not make recommendations where they are not necessary, and as such, it is suggested that paragraph 7(2)(b) should be rephrased.	Agree, see the revised Standard.

			Proposed wording: where applicable, (suggested insertion of highlighted portion) issue recommendations based on the results of work carried out in accordance with item (a)". 2. An internal audit report may include non-binding recommendations for process improvement. In such case, the implementation of recommendations is at the discretion of senior management or the governing body. To provide for these circumstances, it is suggested that paragraph 7(2)(c) should be rephrased. *Proposed wording:* where applicable, (suggested insertion of highlighted portion) verify compliance with the recommendations referred to in item (b).	Agree, see the revised Standard.
33.	FRL	Section 7, Internal Auditor	CIS Managers that form part of a group (Bank/Insurers etc.) may not have internal auditors appointed directly by the entity. We propose that CIS managers be permitted to leverage off group resources, including internal audit, if the same or similar governance requirements as required by the Conduct Standard will be satisfied	See response at item 22 above.
34.	RCIS	7(1)	A full-time internal audit function may not be warranted for smaller managers and it imposes additional costs to the business. We suggest a manager should be able to consider the nature, size, scale and complexity of its business and as an alternative engage an external auditor on an annual basis to provide a similar report to an ISAE3402 (normally undertaken in respect of administrators).	See response at item 22 above. Outsourcing is therefore an option in the case of a smaller manager, provide that it can be justified by applying the principle of proportionality. In addition, if this remains a problem in the case of very small managers, the manager has the option of applying for exemption from this requirement and the FSCA will assess such application in the context of the nature, size, scale, complexity etc of the manager.
35.	RCIS	7(8)	Same as 7(1) above.	See response to your comment on clause 7(1) above.

36.	FIA	8(1) **Heads of control functions** A manager must appoint a head of a control function	Most managers have a dedicated Compliance and Risk function. The requirement to have an internal audit function as well will have a significant cost impact on the manager.	See responses above at item 34.
37.	ASISA	8(1)	1. In particular business contexts, and in the case of group companies, a single person could be the head of more than one control function, for example of risk management and compliance. The head of an internal audit function typically does not share responsibilities because it would audit the risk and compliance functions. If the proportionality principle is applied, it should be acceptable for one person to be responsible for the risk and compliance functions. Paragraph 8(1) refers to "respectively" which creates the impression that each control function should have a separate head. It is suggested that the reference to "respectively" should be deleted. 2. In the context of a group of companies, it is common practice for the head of a control function to be appointed at group level to oversee the control function in respect of relevant subsidiaries or companies with the group. The FSCA is respectfully requested to confirm that these group arrangements will meet the requirements of paragraph 8(1).	1. The word "respectively" is necessary to make it clear that each function must have a head appointed. However, it nowhere states that it cannot be the same person. 2. See responses at item 22 and 34 above.
38.	FIA	8(4) A head of a control function must report to senior management, the governing body and any relevant committees on a frequent basis on matters relevant to the control function, including on deficiencies or shortcomings and whether appropriate remedial measures have been taken to rectify the deficiency or shortcoming.	…frequent basis, but at a minimum quarterly, … 3. We recommend that intervals should be stated instead of periodically/regularly etc.	Agree, see revised Standard where the wording *"but at a minimum quarterly"*, have been added.
39.	ASISA	8(5)	If the FSCA intends to approve the appointment of compliance officers, the criteria for such approval should be known. It is unreasonable to expect a CIS manager to recruit or appoint a compliance officer without knowing whether such person will meet the criteria for approval. Section 106(1)(c) of the Financial Sector Regulation Act provides that	The standard does not require approval of compliance officers, it requires the approval of the head of the compliance function. The criteria against which the application for the

			the FSCA may make conduct standards for or in respect of key persons (which includes the head of a control function). It is submitted that the FSCA should make a conduct standard for fit and proper requirements for compliance officers of CIS managers, similar to the current fit and proper requirements for compliance officers in terms of FAIS, before a requirement for the approval of a head of a compliance function can become effective.	head of the compliance function will be assessed is set out in clause 8(2). We will not, at this stage, prescribe detailed requirements because, as ASISA is aware, the FSCA is currently in the process of formulating cross-cutting Fit and Proper, Risk Management and Compliance Management frameworks that will apply to all financial institutions. As such, we cannot prescribe detail in this Standard as it will create a risk of misalignment with the aforementioned frameworks that are under development.
40.	ASISA	8(6)	What is the purpose of notifying the FSCA of the appointment of a head of a risk management function or the head of an internal audit function prior to such appointment if the FSCA will not be approving the appointment of the heads of these control functions? At best, a CIS manager should only be required notify the FSCA of such appointment within 30 days after such appointment has taken place. A notification prior to an appointment is also impractical as it would mean that an appointment should be delayed until 30 days have passed. Paragraph 8(6) should therefore be rephrased. *Proposed wording* A manager must notify the Authority of the intended (suggested deletion of the highlighted portion) appointment of a head of a risk management function or internal audit function within (suggested insertion of highlighted portion) 30 days before (suggested deletion of highlighted portion) after (suggested insertion of highlighted portion) such appointment takes place.	The intention with prior notice is to afford the FSCA an opportunity to object/intervene if a concern with the appointment is identified before the person is appointed. Notwithstanding, we agreed to change the wording as proposed (i.e. 30 days after appointment), but you must realise that this means we might object/intervene if a concern is identified after the Head has already been appointed, and this could cause practical challenges for the Manager.
41.	FRL	8(7) A manager must notify the Authority of the intended termination of the head of a control function 30 days before the termination takes place, or if such	We suggest a reasonable period to notify the authority of the termination of the head of a control function. Suggested rewording is as follows:	Disagree, finding out after the fact will result in the FSCA being reactive, should there be an issue. We assume that a termination will typically be accompanied by a notice period,

		prior notification is not reasonably or practicably possible, a manager must notify the Authority of the intended termination as soon as reasonably possible together with reasons why such notification could not be provided 30 days before the termination.	"(7) A manager must notify the Authority of the termination of the head of a control function within 30 days of the termination, or if such prior notification is not reasonably or practicably possible, a manager must notify the Authority of the termination as soon as reasonably possible together with reasons why such notification could not be provided 30 days before the termination."	which will at the very least be 1 month (likely longer). 30 days after the fact also factoring in a notice period), as proposed, is untenably long and unnecessary. If there is an exception where e.g. no notice period is applicable and the termination takes place quicker than is normal, the manager can rely on the exception provided for.
42.	ASISA	8(7)	Generally, a notice period is 30 days. It is impractical to require a notification of an intended termination on the same day of the notice of a resignation. It is assumed that the FSCA requires a notification to determine whether the termination of the head of a control function raises a concern about a CIS Manager's compliance with its obligations. A notification to the FSCA within 10 business days after the termination should be sufficient to meet the FSCA's needs. Paragraph 8(7) should be rephrased. *Proposed wording:* A manager must notify the Authority of the intended (suggested deletion of this highlighted portion) termination of the head of a control function 30 days before (suggested deletion of this highlighted portion) <u>within 10 business days of</u> (suggested insertion) the termination takes place, or if such prior notification is not reasonably or practicably possible, a manager must notify the Authority of the intended termination as soon as reasonably possible (suggested deletion of this highlighted portion) together with reasons why such notification could not be provided 30 days before (suggested deletion of this highlighted portion) <u>for</u> (suggested insertion) the termination.	See response directly above. It is unclear why the notification of intended termination and the notice to the FSCA cannot occur in close proximity (i.e. unclear why this should pose a practical challenge).
43.	ASISA	8(8)	Please refer to the comment on paragraph 8(5) above. Section 106(1)(c) of the Financial Sector Regulation Act provides that the FSCA may make conduct standards for or in respect of key persons (which includes the head of a control function). It is submitted that the FSCA should make a conduct standard for fit and proper requirements for compliance officers of CIS managers before a requirement	See responses to your comment on clause 8(5).

			for the approval of a head of a compliance function referred to in paragraph 8(5) can become effective. An application form for the approval of a compliance officer should then be determined in terms of that conduct standard. Therefore, paragraph 8(8) can only provide for the form, manner and content of a notification referred to paragraph 8(6) and 8(7). *Proposed wording:* The Authority may determine the form, manner and content of a request for approval (suggested deletion of this highlighted portion) or notification referred to in subparagraphs (5) to (suggested deletion of this highlighted portion) (6) and (7).	
			CONFLICTS OF INTEREST	
44.	ASISA	9(1)	1. Please refer to the suggestion in paragraph 1 above to replace the reference to "staff" with a reference to "staff member" and that its meaning should be as defined in the Financial Sector Regulation Act. 2. In paragraph 9(1)(b), it is assumed, considering the context of the conduct standard applying to CIS managers, that the reference to related party intended to refer to a party related to the CIS manager and not a party related to the significant owner. It is not possible for a CIS manager to identify conflicts between a significant owner and the parties related to the significant owner. *Proposed wording:* A manager must take all appropriate steps to identify actual or potential conflicts of interest between – (a) the manager, key persons and staff members; (b) a significant owner and related party of the manager; or (c) any person with whom the manager has a business arrangement; and the interests of investors.	Agree. The Standard revised accordingly. Agree. Drafting proposal accepted.
45.	FIA	9(3) Criteria for identification of conflicts of interest for purposes of		

		subparagraph (2) must, amongst other things, consider whether an interest may result in any of the following situations: (a) The manager or any person referred to in subparagraph (1)(a) or (b) is likely to make a financial gain, or avoid a financial loss, at the expense of an investor, a collective investment scheme or a portfolio; (b) the manager or any person referred to in subparagraph (1)(a) or (b) has an interest in the outcome of a service or an activity provided to a investor, a collective investment scheme or a portfolio, or another client or of a transaction carried out on behalf of the scheme or portfolio or another investor, which is distinct from the investor, scheme or portfolio interest in the outcome; (c) the manager or any person referred to in subparagraph (1)(a) or (b) has a financial or other incentive to favour the interest of another investor or group of investors over the interests of the scheme or portfolio, or investors of the scheme or portfolio; (d) the manager or any person referred to in subparagraph (1)(a) or (b) receives or will receive from a person other than the scheme or portfolio an inducement in relation to portfolio management activities provided to the scheme or portfolio, in the form of monies, goods or services, other than the standard commission or fee for that service;	(b) to an investor (grammar)	Agree. We have revised the standard accordingly.

		(e) a specific interest (including a financial or other incentive) has the potential of affecting the objectivity of the manager or any person referred to in subparagraph (1)(a) or (b) when performing due diligence in the selection of CIS investments; (f) specific interest (including a financial or other incentive) has the potential of affecting the objectivity of the manager or any person referred to in subparagraph (1)(b) or (c) when performing trading and execution functions, and timely allocation of transactions and transaction records. (e) a specific interest (including a financial or other incentive) has the potential of affecting the objectivity of the manager or any person referred to in subparagraph (1)(a) or (b) when performing due diligence in the selection of CIS investments;	Replace with: Underlying assets of a portfolio	Agree. We have revised the standard accordingly.
46.	ASISA	10(3)	Paragraph 10(3) appears to be a duplication of paragraph 2(7) of Conduct Standard 2 of 2020, Requirements for Delegation of Administration Functions by a Manager of a CIS: "A manager must, when delegating any function, avoid, and where this is not possible, mitigate, any conflicts between the interests of the manager, the interests of investors and the interests of the delegated person." If paragraph 10(3) is intended to have a different meaning or intention, it will be appreciated if clarification could be provided. References to "mandate" and "core function" causes confusion and it is uncertain why the trustee is referenced because investment management will never be	Agree. Paragraph deleted.

			delegated to a trustee. It is suggested that paragraph 10(3) should be deleted because it duplicates Conduct Standard 2 of 2020.	
47.	FIA	10(3) Where a manager delegates the investment management of a portfolio responsibility, or a part thereof, to a third party in terms of section 4(5) of the Act, the mandate regarding the core function of investment management must not be given to the trustee or to any other person whose interests may conflict with those of the manager or the investors.	The requirement is already provided for in Conduct Standard 2 of 2020, Requirements for Delegation of Administration Functions by a Manager of a CIS: 2(7) "A manager must, when delegating any function, avoid, and where this is not possible, mitigate, any conflicts between the interests of the manager, the interests of investors and the interests of the delegated person." Not sure why trustee is referenced here.	Agree. Subclause deleted.
48.	ASISA	11(1)(a)	Please refer to the comment on paragraph 3 above. If the principle of proportionality is applied to the Conduct Standard as a whole, paragraph 11(1)(a) should be deleted.	Agreed.
49.	ASISA	11(3)	Please refer to the suggestion in paragraph 1 above to replace the reference to "staff" with a reference to "staff member" and that its meaning should be as defined in the Financial Sector Regulation Act. For the sake of consistency, the reference to "employees" should be replaced with a reference to "staff members". Following the consistency and considering the definition of staff member, the reference to "contractors" should be replaced with a reference to "independent contractors". *Proposed wording:* A manager must ensure that its employees (suggested deletion of this highlighted portion) staff members and, where appropriate, independent (suggested insertion) contractors are aware of the contents of its conflicts of interest management policy and provide for appropriate training and educational material in this regard.	Agreed and Standard has been accordingly revised.
PORTFOLIO DEVELOPMENT				
50.	FIA	12(2)(a) A portfolio development framework referred to in subparagraph (1) – (a) may be proportionate to the nature, size, scale and complexity	(c)(ii)- (iv) with various role-players in the market, inter alia LISPs, platforms, DFMs, it is impossible for a manager to ensure the portfolio recommended / selected by an investor will meet the needs of a specific investor. The manager's responsibility should cease at providing marketing and	The requirement is not that the portfolio must meet the needs of a specific investor (i.e. the actual person that invests). The requirement is that the portfolio must meet the

		of the manager, taking into account its business and operating model, scope of activities, investor profile and associated level of risk exposure; (b) take into account conduct risks related to the portfolio and ensure that these risks are mitigated; (c) must result in portfolios that - (i) are appropriate for the business model of the manager; (ii) are marketed and distributed to investors in the intended target market through appropriate distribution channels; (iii) meet the needs of the investor whom they target; and (iv) support the achievement of fair outcomes for investors.	educational material that complies with regulation, in particular BN92. The distribution channels are governed by FAIS legislation that includes the advice process.	needs of the investors whom they target (c)(iii)). In other words, the CIS manager will identify a target market, and the portfolio must meet the needs of that target market. We therefore do not view (c)(iii) as problematic. We understand, to some extent, your concern in the context of (c)(ii). The intention is to place some responsibility on the manager with regards to the marketing of their product. E.g. if the manager is aware that a distributor is marketing their portfolio to the incorrect target market (i.e. a target market which is inappropriate for the portfolio), the manager should not just ignore that fact. However, we do understand that it is difficult for a manager to always exercise oversight. As such, we have qualified ((c)ii) a bit and it now states the following: (a) must result in portfolios that - (ii) <u>to the extent that it is within the control of the manager</u>, are marketed and distributed to investors in the intended target market through appropriate distribution channels; It is unclear why you also cite (c)(iv) as being problematic.
51.	FIA	12(3) The governing body of a manager must approve and oversee the implementation and effectiveness of a manager's portfolio development framework referred to in subparagraph (1).	Propose approved by the BoD and implementation and effectiveness overseen by senior management/appropriate committee (investment/product/portfolio)	Disagree. It is the responsibility of the governing body to oversee implementation. Senior management will implement.

52.	ASISA	12(2)(a)	Please refer to the comment on paragraph 3 above. If the principle of proportionality is applied to the Conduct Standard as a whole, paragraph 12(2)(a) should be deleted.	Agreed.
53.	FIA	12(5) A manager must in respect of their (suggested deletion of highlighted portion) its business dealings with any person to whom a portfolio development function has been outsourced or delegated, ensure that the written agreements between the parties – (a) clarify their respective roles and responsibilities in relation to product (suggested deletion of highlighted portion) portfolio development; and (b) require that the person to whom a product (suggested deletion of highlighted portion) portfolio development function has been outsourced or delegated, complies with the requirements of this Chapter.	Reference to a portfolio development function. It is not clear if the intention is to establish a function? The Chapter only refers to the framework. It does not make sense that the portfolio development framework be regarded as a function that can then be outsourced. When the investment management function is outsourced (delegated function), the portfolio development framework can then be part of the agreement. Proposed that the framework remains with the manager and the investment manager must comply with the manager's framework. This will enable the manager to monitor adherence as well as have a framework that is consistently applied where there is more than one delegated investment manager. & (b) Should be portfolio not product.	The manager must establish a portfolio development framework i.e. policies, procedures, and processes in respect of portfolio development. What is contemplated in paragraph 12(5) are instances where the underlying responsibilities, activities or functions of portfolio development is outsourced. To avoid any confusion the reference to "function" has been removed and it now refers to "responsibilities or activities". Agree. Amendments made.
54.	FIA	12(6) A manager must regularly review its portfolio development framework referred to in this paragraph to ensure it remains appropriate, and document any changes thereto.	…regularly, but at a minimum quarterly, … We recommend that intervals should be stated instead of periodically/regularly etc.	We are reluctant to determine a specific period for review in this instance- the frequency will have to be determined based on what is appropriate in the context of the specific Manager.
55.	FIA	13 (1) **Principles related to portfolio design, development and distribution** In developing portfolios, a manager must — (a) establish criteria for the identification of types, kinds or categories of investors that a portfolio is targeting;		

		(b) make use of adequate information about the needs and objectives of identified types, kinds, or categories of investors; (c) define its portfolio distribution strategy; (d) undertake a thorough assessment, by competent persons with the necessary skills (suggested deletion of highlighted portion) persons defined in 13(3), of the main characteristics of a new portfolio, the distribution methods intended to be used in relation to the portfolio, and the disclosure documents related thereto, to ensure that the portfolio, distribution methods, and disclosure documents – (i) are consistent with the financial (suggested deletion of highlighted portion) manager's strategic objectives, business model and risk management approach and applicable legislation; (ii) target the types, kinds, or categories of investors for whose needs the portfolio product (suggested deletion of highlighted portion) is likely to be appropriate and suitable, while mitigating the risk of the portfolio being used by types, kinds, or categories of investors for whom it is likely to be inappropriate; and (iii) take into account the fair treatment of investors; (e) ensure that the design of the portfolio is based on realistic assumptions, where relevant, and	(d) Duplication of 13(3) Proposed wording – by a person defined under paragraph 13(3) (i) Financial manager? Should be manager. (ii) mitigating the risk that an investor invests in a portfolio that is inappropriate will be done by disclosure, MDDs and the proposed prospectus. This standard should not place a requirement on the manager to monitor the advice provided by the intermediary as this is regulated by FAIS, or where an investor invests on own accord, to monitor the suitability of a portfolio so selected for investment.	Agree, the Standard has accordingly been revised. Agree The standard does not place an obligation on the manager to monitor the appropriateness of advice provided.

		will not result in terms, conditions and portfolio features that are overly complex taking in consideration the types, kinds, or categories of investors that the product (suggested deletion of highlighted portion) portfolio is targeted at; (f) in respect of a portfolio that is subject to an arrangement where a third party markets or distributes the portfolio under the manager's brand, undertake due diligence assessments in respect of the governance, resources and operational capability of the persons with whom the manager has such an arrangement, and ensure compliance with this paragraph; and		
56.	FIA	13(2) The Authority may, for purposes of subparagraph (1)(a), determine criteria that a manager must apply in identifying types, kinds or categories of investors as referred to in that subparagraph.	Criteria will be welcomed to ensure consistency and level playing field.	Comment noted.
57.	FIA	13(3) Any person involved in the design or development of a portfolio must have the necessary experience, knowledge, and skills to understand – (a) the expected functioning of the portfolio product (suggested deletion of highlighted portion); and (b) the needs, objectives, and characteristics of the kinds or categories of the investors it is intended for.		Agree, see revised Standard.
58.	FIA	13(4) A manager must - (a) provide all information, disclosures and reports (other than investment statements) that it is	(a) This may be problematic for a Fund of Funds. There are often NDAs with most offshore managers to not disclose full holdings of their portfolios. If an investor/distributor then requests full holdings data for underlying managers,	The purpose of this comment is not clearly understood. It aims to ensure that the manager discloses to FSP's

		required to provide to the investors to all relevant distributors that interact with its investors, to enable such distributor to also provide such information, disclosure or report to investors; and (b) apply a methodology to identify instances where distributors frequently switch investors between portfolios or in and out of portfolios (churning) and take action against such distributors to prevent further churning.	this cannot be provided or will this section override the NDA? (b) What constitutes frequently? Please define period What if an investor on its own accord churns his own investments? The manager is limited in its ability to identify churning between portfolios of different managers, or churning on a platform.	whatever it must normally disclose to investors. The FSCA is not going to define a period. Frequently has a clear meaning in the context of churning investments and everyone must prevent the practice. A manager's systems must be able to flag instances where investors are moved around products of the manager. Further to mitigate any further concerns especially where the manager does not have control over distributors, the Standard has been revised to provide a manager must act against, *"distributors or representatives that are contracted to and are under control of the manager to distribute its portfolios".*
59.	ASISA	13(2)	It appears as if the FSCA intends to provide itself with the authority to identify types, kinds, and categories of customers ahead of the Conduct of Financial Institutions Bill doing so. The FSCA is respectfully requested to confirm that the determination of criteria to be applied in identifying types, kinds or categories of investors will be subject to public consultation.	We confirm that it is very likely that we will consult on any criteria we wish to determine before we publish the final criteria.
60.	ASISA	13(4)	Paragraph 13(4)(b) requires a CIS manager to identify churning and take appropriate action to prevent such churning. The application thereof will be a significant challenge, if not practically impossible. A CIS manager does not have access to the transaction records of a distributor such as a LISP to be able to identify that investors are frequently switched between portfolios. Currently, CIS managers can take action against direct investors where transaction records are easily accessible and such CIS manager can monitor and assess if switching is too frequent	To start off, we wish to point you to the following recommendation contained in the 2022 South Africa Financial Sector Assessment Program *"Technical note for collective investment schemes and derivatives market providers monitoring".* (emphasis added) "Continue to develop a legislative and regulatory framework with detailed

			in the context of a particular investor. While a CIS manager can theoretically contractually agree with a LISP to provide transaction records to a CIS manager, a LISP cannot do so without the investor's consent as is required in terms of section 3(3) of the General Code of Conduct for Authorised Financial Services Providers in terms of FAIS. If a LISP is to provide transaction records to a CIS manager, such LISP will have to obtain consent from all its investors; a significant if not impossible practical challenge. Churning is understood to mean excessive trading on an investor's account for the purpose of generating additional income for the distributor. In the context of certain portfolios (for example a portfolio with a momentum trading strategy to capitalise on market volatility), frequent switching could take place with no additional cost to an investor which frequency will not necessarily be churning. No comparable requirement in foreign jurisdictions to monitor churning could be found. ASISA respectfully requests further engagement with the FSCA in this regard to consider alternative measures to achieve the regulatory objective. The current proposed requirement is not feasible.	rules on CIS managers' best execution obligations, transactions allocation and transactions' record, related party transaction and churning.". We acknowledge the practical difficulties in respect of the prevention of churning, but maintain that this is something that cannot be ignored. Because we are aware of practical challenges, we specifically drafted the provision in such a way that it says the manager must develop a methodology to identify churning, instead of explicitly saying that a manager must identify all churning. We understand that it will not be possible to identify all churning, but the Manager should at least think about how it can play some part in curbing churning, e.g. what mechanisms it can put in place to at least to some extent identify some level of churning. We do not believe that the way in which the requirement is positioned is overly burdensome. In addition, please see the extra limitations that have been included in the Standard.
61.	SAIFM	13(4) 13(4)(b) – Distribution	The Conduct Standard states that the manager must "take action" against distributors, should such actions as churning be identified. This needs significantly greater clarification. Should this action be that the manager must report to the Authority, further guidelines should be given to enable the Authority to act and to clarify the expectations. If the manager is to "take action" beyond reporting to the Authority, the expected action must also be clarified. Further, the manager would need to be legally empowered to take such action, as they currently have no legal standing to intervene	Note the changes to this provision which now stipulates that this now only applies to financial services providers or representatives that are contracted to the manager to distribute its portfolios. This implies that the manager must have a contractual relationship with the person to trigger the responsibility of monitoring churning. The actions a

			in the business of a separate juristic entity or even to prevent the distributor from selling the product. The manager is also only able to assess if there has been a significant number of transactions. They are unable to assess whether this has been done to the detriment or benefit of the investor without having sight of the needs analysis of every investor served by that distributor. As these needs analysis may also include numerous other products, there are significant proprietary and personal information access concerns, beyond the unmanageable administrative burden. Without clear evidence, a manager cannot and should not take action against a distributor. Gaining evidence and taking action are, thus, legally and administratively complex and SAIFM asks the Authority to be very specific in their requirements in this regard. Roles, responsibilities, processes and powers need to be significantly defined and legislated to enable the application of this clause.	manager can take to avoid churning can theoretically be very wide, and we therefore decided not to limit the potentially actions that can be taken. Examples of actions the manager can take include terminating contractual agreements (or threatening to terminate such agreements), reporting to the FSCA, etc.
62.	SAIFM	14(1) – Portfolio approval, monitoring, review and reporting	The Conduct Standard states "A manager must, in relation to the creation of a new portfolio or an existing portfolio or where material amendments have been made to an existing portfolio...". The second "or" (as highlighted) does not seem to be correct, as this should apply to new portfolios or changes to portfolios, as existing portfolios would already have gone through this process when new.	Agree. The Standard has been revised accordingly.
63.	FIA	14 (1) **Portfolio approval, monitoring, review and reporting** A manager must, in relation to the creation of a new portfolio or an existing portfolio or (suggested deletion of highlighted portion) where material amendments have been made to an existing portfolio, ensure that an appropriate senior manager or product (suggested deletion of highlighted portion) the relevant approval committee - (a) in writing approves the new portfolio or material amendments to the existing portfolio; and	Wording: delete "an existing portfolio" Delete product and insert the relevant approval committee.	Agree Agree

		(b) confirms that the portfolio, distribution		
64.	FIA	14(2) The approval referred to in subparagraph (2) (1) must occur before a manager – (a) submits a request for approval to the Authority, as may be provided for in law, in relation to the creation of a new portfolio or amendments to an existing portfolio; and (b) starts to market or distribute the new portfolio or existing portfolio to which material amendments have been made.	Sub paragraph (1)	Agree, see the revised Standard.
65.	FIA	14(3) A manager must on an ongoing basis monitor and regularly review and analyse a portfolio (including portfolio performance), related distribution methods and disclosure documents after the launch of a portfolio, taking into account any event that could materially affect the potential risk to targeted investors, in order to assess whether the portfolio and its related distribution strategy and disclosure documents remain appropriate and consistent with the needs of targeted investors and continue to perform as intended and deliver fair outcomes for investors.	Ongoing/ regularly - propose to state a minimum frequency.	We are reluctant to determine a specific period for review in this instance- the frequency will have to be determined based on what is appropriate in the context of the specific Manager.
66.	FIA	14(5) A manager must have measures in place to ensure regular and *ad hoc* reporting to senior management, the governing body, and any relevant committee of the governing body on identified risks, trends in relation to portfolio	Define a minimum for regularly e.g. quarterly and ad hoc when required.	See comments directly above.

		performance, and actions taken in response thereto.		
PROSPECTUS				
67.	ASISA	15(1)	While a prospectus is generally a founding document in foreign jurisdictions, it is understood that a prospectus is an additional disclosure document providing a holistic view (with information of a more static nature) of a scheme and its portfolios and that it will not replace a deed and supplemental deeds. The FSCA will not require the approval of a prospectus but will monitor compliance with the requirements for a prospectus through its supervision. It would be more appropriate to include requirements for a prospectus in the envisaged Conduct Standard on Advertising, Marketing, and Information Disclosure for Collective Investment Schemes, but it is assumed that the FSCA decided to use a different Conduct Standard due to the that Conduct Standard being delayed. ASISA members generally support the introduction of requirements for a prospectus even if it will duplicate matters dealt with in the deed and supplemental deeds but caution against including detailed portfolio information that will lead to excessive duplication of information already required to be contained in MDDs. It will be a practical challenge to keep the information for a large number of portfolios up to date. One ASISA member indicated that while they support the introduction of a prospectus requirement in principle, they are concerned with the approach proposed by the FSCA. They believe that a more comprehensive reform considering the interplay between the deed, supplemental deeds and the prospectus is required. To match international best practice and avoid duplication of effort by streamlining the regulatory approval process, they believe that the status of the deed should be altered to a permanent document of establishment, similar to a memorandum of incorporation for a company, with the current supplemental deed approval process to be replaced by a prospectus updating process.	Commented noted. This Standard is an interim measure to address the FSAP findings. The Prospectus will be provided for in a very specific detailed manner in a future standard, however, it was necessary to provide for its immediate implementation in view of the FSAP requirements. Further, to mitigate some of the concerns, the Authority has removed some of the requirements in relation to a prospectus and inserted an enabling provision to determine separately the more detailed prospectus requirements. In addition, the provision has been revised to provide that, “a prospectus may not be used as a replacement for the Minimum Disclosure Document and should thus normally contain information of a more static nature for the scheme itself; however, existing documentation on the portfolios may be used as portfolio information in the prospectus, which will not be the static information…” Further, the balance of the prospectus requirements has been removed from the Standard and an enabling provision to determine separately the prospectus requirements, have been included in the Standard. The Authority will, in future, consult all the relevant

				stakeholders soon as the afore-mentioned separate determination is about to be issued on the detailed requirements of the prospectus/Deed (most of which the information will be incorporated in the revised Deed).
68.	FIA	15(1) **Requirements for Prospectuses** A manager must have a prospectus for all its approved collective investment schemes and portfolios.	Support the implementation of a prospectus at scheme level including static information. Please clarify whether Section 15 will be applied to all classes of a portfolio – where disclosure is required on portfolio level, must disclosure be duplicated for each class as well? It is not clear if the prospectus must be submitted for approval and whether the prospectus must be approved after each change similar to the process currently for Section 65 approved portfolios. This may introduce an additional cost to the manager should the authority set a fee for approval of additional changes.	The prospectus is one document with attachments for portfolios. It forms part of the documents to be approved at a once-off cost. The latter is envisaged for the future regulatory framework after the coming into effect of the CoFI Bill/Act which will also enables the revision and or re-do of the Deed (incorporating information and or content of the prospectus).
69.	ASISA	15(5)(a)	It is understood that only the section dealing with matters of the collective investment scheme is limited to 60 pages. Portfolios may be included in a separate section, either together or each portfolio on its own and this section or sections will not be limited to sixty pages. It will be appreciated if the FSCA could confirm this understanding.	This is correct. However, please see our comments above at item 67.
70.	ASISA	15(5)(e)	1. Subparagraphs (e)(i) and (e)(ii) refers to information relevant to a portfolio (names and registered offices of the investment manager). It should not be included in the part of the prospectus limited to 60 pages. The reference to "the additional advisor providing advice on the investments to be made by a portfolio " is confusing. There may be an interpretation that this refers to an investor's advisor, the details of which will be unknown to a manager. It should be deleted or rephrased to clarify its meaning. It is suggested that the aforementioned should be deleted from paragraph 15(5)(e) and included in paragraph 15(7). 2. For the sake of clarity, it is suggested that subparagraph (e)(vi) be amended to refer to <u>external</u> auditor.	Disagree. In many instances the investment advisor is offshore based whilst the asset manager is in South Africa. These must be distinguished and disclosed. It clearly states, "investments to be made by a portfolio". Agree

			3. In respect of subparagraphs (e)(vii) and (e)(viii), it is understood that the external risk manager and external compliance officer should only be included where applicable, in other words if a CIS manager has outsourced the risk management and compliance functions. It is further understood that a function performed at group level in the context of a group of companies will not be regarded as "external". Paragraph 5(4) requires the establishment of a permanent risk management function. It is uncertain whether this function can be outsourced. Confirmation in respect of the aforementioned will be appreciated. 4. In respect of subparagraph (e)(ix), it is understood that legal advisory services performed at group level in the context of a group of companies will not be regarded as an entity other than a manager. Confirmation in this regard will be appreciated.	See responses above that relates to this same issue. Agree. However, please see our comments above at item 67.
71.	ASISA	15(5)(g)	Subparagraph (g)(iii) refers to information relevant to a portfolio (history and background of the investment manager). It should not be included in the part of the prospectus limited to 60 pages. It is suggested that it is deleted from paragraph 15(5)(g) and included in paragraph 15(7).	Agreed and the paragraph in the Standard moved and revised accordingly. Also please see our comments above at item 67.
72.	FRL	Section 15 (5) (e) (v) – Bank	Clarification is required on whether the manager is required to disclose the name of the bank that facilitates the CIS manager's payments or the name of the bank that acts as the trustee or custodian of the manager.	See our comments above at item 67.
73.	ASISA	15(6)(b)	It is not understood why disclosures of past liquidity risk management tools should be explained. It is also not understood why disclosures of liquidity risk management tools previously implemented must be explained. This is not aligned with UCITS. What is important to an investor is that liquidity risk management tools are available and may be used. It is suggested that subparagraph (6)(b) should be rephrased.	See the revised Standard. Also please see our comments above at item 67.

			Proposed wording: (b) the liquidity risk (suggested insertion of highlighted portion) management tools and policies which should disclose and (suggested deletion of highlighted portion) clearly explain the past and envisioned (suggested deletion of highlighted portion) liquidity risk management tools and policies that the manager has at its disposal and has previously implemented (suggested deletion of highlighted portion) that may be used (suggested insertion);	
74.	ASISA	15(6)(c)	As EPM may be relevant to specific portfolios only, it is assumed that disclosures pertaining to EPM in the main body of the prospectus (limited to 60 pages) should be a general disclosure. Confirmation in this regard will be appreciated.	Agree. However, any detailed or special EPM techniques must then be disclosed in the portfolio attachment. Also please see our comments above at item 67.
75.	ASISA	15(6)(d)	1. Information on fees, charges and expense ratios is specific to portfolios. The highest fee available to the general public (without intermediation) and the expense ratio is included in the Minimum Disclosure Document (MDD) of each portfolio. It should not be duplicated in the prospectus. It is current practice in a prospectus to include general information on the types of fees and charges/expenses that are relevant to a portfolio and that these will be disclosed in the prospectus (Supplement Prospectus) for the specific portfolio. It is suggested that the requirement to disclose fees and charges should be included in paragraph 15(7). The expense ratio is not a static number and should not be included in a prospectus as it is a duplication of the requirement to disclose it in the MDD. The reference to “tiered fee structures” is confusing. It is assumed that it meant to refer to different pricing for different classes and/or different levels of pricing for different amounts of assets under management. This is relevant to specific portfolios and should be included in paragraph 15(7). Paragraph 15(6)(d) should be rephrased accordingly.	Agree. Also please see our comments above at item 67. Disagree, policy on exit fees and any tiered fee structure must be

			Proposed wording: A prospectus referred to in subparagraph (1) must include disclosures pertaining to (d) the types of (suggested insertion) fees, and (suggested insertion) charges and expense ratios and, where applicable, all fees directly or indirectly borne by the investors, including but not limited to the manager's policy regarding exit fees and tiered fee structures (suggested deletion of highlighted portion);	disclosed. Also please see our comments above at item 67.
76.	ASISA	15(6)(g)	The phrasing of subparagraph (g) causes confusion in that it may be interpreted to mean that a register of investors (details of investors) must be disclosed. It is suggested that the subparagraph be rephrased for the sake of clarity to require disclosures pertaining to the existence of a register of investors containing the specified information. *Proposed wording* (g) the existence of (suggested insertion) the register of investors, which must contain at least the following:	Agree. Also please see our comments above at item 67.
77.	ASISA	15(6)(j)	Where a CIS manager has an ESG policy, will it be sufficient to indicate that it is available on request or where it can be found on a website? Such a policy could be voluminous. Where an ESG policy is applied by an investment manager, it is assumed that a CIS manager has no obligation to make a disclosure in this regard.	See our comments above at item 67.
78.	ASISA	15(7)(c)	1. Please refer to the suggestion on paragraph 1 above to define "derivative instrument". 2. It is understood that the intention is to require a general disclosure in the portfolio prospectus that derivative instruments may be included in a portfolio, the types of derivatives that may be used and an indication of whether the derivatives are complex in nature. A disclosure in a portfolio prospectus can only be general because it may not be known upfront if certain types of derivatives will in fact be included in a portfolio. This general portfolio disclosure will be in addition to the disclosure of EPM in the prospectus relevant to the scheme. Confirmation of the mentioned understanding will be appreciated.	1 - 4: Note that the term is no longer used in the Standard. Also please see our comments above at item 67.

			3. There references in subparagraph (c) to "level of complexity of the manner and use of derivatives" and "derivatives are to be used to drive the investment strategy" may cause confusion. A portfolio may also not necessarily invest in complex derivatives. 4. Securities is only defined in Board Notice 90. Assets is defined in CISCA. It is suggested that the subparagraph should be rephrased (considering comment 2 above on the intended objective). Proposed wording: investment policy of portfolio, which must include the investment strategy of the portfolio, the universe of securities and (suggested deletion of highlighted portion) assets to be invested in, a full (suggested deletion of highlighted portion) description of derivatives (suggested deletion of highlighted portion) the types of derivative instruments (suggested insertion) that will (suggested deletion of highlighted portion) may be used as well as the level of complexity of the manner and use of derivatives and whether derivatives are to be used to drive the investment strategy (suggested deletion of highlighted portion) and, if applicable, that derivative instruments may be complex in nature (suggested insertion);	
79.	ASISA	15(7)(f)	Please refer to the comments on paragraphs 15(5)(e)(i), 15(5)(e)(ii) and 15(5)(g)(iii). Information relevant to a portfolio should be included in the portfolio prospectus and not in the prospectus relevant to the scheme. It is accordingly suggested that subparagraph (7)(f) should incorporate the requirements of the aforementioned paragraphs except for the requirement to identify the "additional advisor providing advice on the investments to be made by a portfolio" unless this is clarified not to refer to an investor's advisor. This paragraph should also require an indication of whether the investment manager is a delegated person. *Proposed wording:* name of the investment manager of the portfolio, registered office of the investment manager, a brief history and	Please see our comments above at item 67.

			background of the investment manager and an indication of whether the manager has delegated the responsibility of discretionary investment management of the portfolio to such investment manager in accordance with applicable legislation (suggested insertion).	
80.	ASISA	15(7)(g)	The reference to "portfolios launched" may create the impression that a list of all portfolios that have ever existed including those that have closed should be included. This could not have been the intention. It is suggested that subparagraph (7)(g) should be rephrased for the sake of clarity. *Proposed wording* a table of all portfolios launched (suggested deletion of this highlighted portion) under the administration of the manager (suggested insertion)with the full names of each portfolio.	Please see our comments above at item 67.
81.	ASISA	New proposed 15(7)(?)	Please refer to the comment on paragraph 15(6)(d) above. Information on fees and charges is specific to portfolios and should be included in the portfolio prospectus. Total expense ratios should not be included in a prospectus. The reference to "tiered fee structures" should be clarified. *Proposed wording:* (?) the fees and charges relevant to the portfolio, including but not limited to the manager's policy regarding exit or redemption fees and fee structures relevant to specific classes or amounts of assets under management (suggested insertion);	Please see our comments above at item 67.
82.	RCIS	15(6)(d)	Clarify if fees and charges are in respect of the most expensive fee class.	Please see our comments above at item 67. However, we wish to note that the prospectus is not an MDD etc. The proposal was that the fee structures must be disclosed. However, obviously if the manager charges a reduced fee to e.g. a pension fund, it does not need to disclose this.

83.	FIA	15(5) A prospectus referred to in subparagraph (1) must include – (a) sections dealing with matters of – (i) the collective investment scheme, which is limited to sixty pages at A4 page size limitation; and (ii) each collective investment scheme portfolio, which may be separately published from the other portfolios; (b) a date on the cover page noting the issue date of the - (i) current prospectus; and (ii) previous prospectus published; (c) all key characteristics of the collective investment scheme; (d) the powers and restrictions pertaining to the collective investment scheme and its portfolios; (e) a directory of the names and registered offices of the following persons and institutions, where applicable: (i) Investment manager(s), indicating delegated investment manager of co-named portfolios; (ii) the additional advisor providing advice on the investments to be made by a portfolio ; (iii) trustee or custodian, as contemplated in section 68 of the Act; (iv) administrator or administrators, which are delegated persons that perform portfolio	It is not clear whether the prospectus is for the scheme and for each individual portfolio or will this constitute a single document limited to 60 pages? Proposed that the Authority provide a template to ensure consistency and remove the page limit, to cater for managers with a large number of portfolios on its scheme. (i) Investment manager, indicating delegated investment manager of co-named portfolios. Manager(s), as there could be more than one investment manager	The prospectus is a main body with more general information and the detailed information for portfolios form attachments. Also please see our comments above at item 67.

		accounting, valuation of assets, pricing of participatory interests or administration of the register of investors; (v) bank; (vi) auditor; (vii) external risk manager or an entity other than a manager that provides risk management services; (viii) external compliance officer; and (ix) an entity other than a manager that provides legal advisory services; (f) the names of the directors of the manager; (g) a brief description of the manager including a - (i) brief resume of each director; (ii) brief history and background of the manager; (iii) brief history and background of the investment manager(s); and (iv) brief history and background of the trustee or/ custodian;	(vii) and (viii) Please clarify: This disclosure will only be required if the manager has delegated Risk and Compliance to an external party.	
84.	FIA	15(6) A prospectus referred to in subparagraph (1) must include disclosures pertaining to – (a) the risk analysis which should include all risks appropriate and applicable to the manager and its portfolios; (b) the liquidity management tools and policies which should disclose and clearly explain the past and envisioned liquidity risk	(a) Please clarify: is the requirement of liquidity management on portfolio level? As portfolios may require different liquidity management techniques/methodology. What if no "tools" are being used?	Please see our comments above at item 67. Notwithstanding, we wish to still give our view based on what we intended in the version that was published. The usual and general liquidity measures are described in the main prospectus and additional detailed for the portfolio, in the portfolio document. Also.

		management tools and policies that the manager has at its disposal and has previously implemented; (c) EPM, including disclosure regarding whether or not the manager makes use of EPM techniques and if EPM techniques are being implemented, an explanation regarding its policy informing EPM implementation which must be in line with local regulations and international best practices; (d) the fees and charges and expense ratios (suggested deletion of highlighted portion) and, where applicable, all fees directly or indirectly borne by the investors, including but not limited to the manager's policy regarding exit fees and tiered fee structures; (e) valuation policy as contemplated in the Conduct Standard on Net Asset Valuation Calculation and Pricing for Collective Investment Scheme portfolios, 2020 methodology and an indication that the Net Asset Valuation of portfolios are calculated in accordance with the Conduct Standard on Net Asset Valuation Calculation and Pricing for Collective Investment Scheme portfolios, 2020; (f) how participatory interests are bought and sold by the investor; (g) the register of investors, which must contain at least the following:	(b) Please clarify which local regulations must be complied with regards to EPM? (c) Propose to only disclose AMF per portfolio, as TER changes on a quarterly basis. (d) Confirm if reference to the policy is sufficient. (e) Confirm if reference to the policy is sufficient.	Those that the Authority may determine and in this Standard. Agree to remove expense ratios as this is periodic disclosure in an MDD. A description of the policy applied is required. This is a prospectus, not a marketing document.

		(i) A brief explanation of the function of the register; (ii) how records are to be kept; (iii) how the investors may view its own record in the register; and (iv) how amendments are to be treated; (h) the manager's conflict of interest policy and, in plain language, an explanation of the principles contained therein; (i) the manager's complaints resolution framework and policies; (j) the manager's Environmental, Social and Governance policy, where available; and (k) if applicable, the name of the depository as defined in "Determination on the Requirements for Hedge Funds", published under Board Notice 52 of 2015 in Government Gazette No. 38540 on 6 March 2015.		
85.	FIA	15(7) A prospectus referred to in subparagraph (1) must include at least the following information relating to portfolios of the manager: (a) Full name of the portfolio; (b) investment objective of portfolio; (c) investment policy of portfolio, which must include the investment strategy of the portfolio, the universe of securities and assets to be invested in, a full description of derivatives that will be used as well as the level of complexity of the manner and use of derivatives (suggested deletion of	(c) Propose wording to replace, a full description of derivatives that will be used as well as the level of complexity of the manner and use of derivatives (suggested deletion of highlighted portion): a general description of how financial instruments (derivatives) will be used. The use of derivatives are dynamic and often short-term. To state the complexity will add no value to the investor. What is viewed as complex?	Please see our comments above at item 67. A general description in main body of the prospectus is in order but the full description as it is applied to a portfolio must be in the portfolio document. Also please see our comments above at item 67.

		highlighted portion) and whether derivatives are to be used to drive the investment strategy; (d) portfolio distribution policy; (e) industry category classification per portfolio, where applicable; (f) name of the investment manager of the portfolio; and (g) a table of all portfolios launched with the full names of each portfolio.	Our current supplemental deeds refer to financial instruments. Propose that terminology be standardised. (d) Clarify distribution policy. Does this refer to the portfolio e.g. monthly distributions? (e) Does this refer to the ASISA classification? All portfolios must use the same classification to enable an investor to make meaningful comparisons between portfolios. (g) Please clarify if this includes all classes or only classes available to the public for investment. If all classes are required, propose to add who may invest in the different classes.	
CUSTODY				
86.	FIA	16(1) **Trustees and custodians** A manager must satisfy itself, by performing a proper due diligence, that a trustee, fiduciary or custodian appointed by the manager, or a sub-custodian which is to be appointed by the trustee or custodian in relation to a scheme or portfolio, is competent to perform the duties prescribed in the Act.		Noted.
87.	ASISA	16(1)	This requirement to perform a due diligence on a trustee, fiduciary or custodian or a sub-custodian is not understood. Section 68(2) of CISCA requires that a person may not become or act as a trustee or custodian unless that person is registered as such by the FSCA under section 69 of CISCA. A fiduciary is a person or organisation that acts on behalf of the CIS manager, in other words a delegated person subject to FSCA Conduct Standard 2 of 2020 - Requirements for delegation of administration functions by a manager of a collective investment scheme. 1. Is the intention to require further ongoing due diligence that a trustee or custodian is competent to perform the duties in terms of section 70 of CISCA? FSCA Conduct Standard 2 of 2020 already requires regular review of any delegation arrangement. A	Please see revised provision, which is now only focussed on the sub-custodian. Please note the wording "is competent to perform the duties as prescribed by the Act." The manager needs to ensure that sub-custodians entities can perform their prescribed duties as it may relate to the specific needs of the manager, the scheme and the portfolios. This is an FSAP requirement. The Authority has noted that the sub-custodian is often a correspondent bank etc. in the Group of the manager which the manager insists on being

			requirement to perform ongoing due diligence on a fiduciary would be duplication. 2. In respect of due diligence on the appointment of a sub-custodian or an ongoing due diligence on a sub-custodian, it is submitted that this accountability and responsibility rests with the trustee or custodian appointing the sub-custodian, not with the CIS manager. A CIS manager generally has no influence in the appointment of a sub-custodian. At best, a CIS manager could request a trustee or custodian to report to the CIS manager on a due diligence performed on a sub-custodian to satisfy itself that the sub-custodian is competent but the responsibility for performing a due diligence on the sub-custodian rests with the trustee or custodian.	used – accordingly item 2 is not always entirely correct. Notwithstanding, we considered the comments and have made some revisions in approach, especially considering the comments that the trustee/custodian is responsible for the sub-custodian. The requirement is now as follows: i. The manager must require the trustee or custodian to conduct a due diligence on the sub-custodian before appointing the latter. ii. The trustee or custodian must then provide the manager with the due diligence and confirm that it is satisfied that the sub-custodian will be able to perform its duties as required. iii. The manager must then assess the due diligence to satisfy itself that the sub-custodian will be able to perform the required duties. Note that this refers to the appointment of a sub-custodian, an ongoing due diligence is not explicitly required. Ongoing monitoring is provided for in the subsequent clause (see next comment and our response).
88.	ASISA	16(2)	Please refer to the comment on paragraph 16(1) above. A CIS manager cannot ensure that a sub-custodian complies with the requirements of the Act and any relevant conduct standards. A CIS manager generally does not appoint a sub-custodian and therefore does not contract directly with a sub-custodian. The responsibility to ensure compliance should rest with the trustee or custodian appointing the sub-	Agree. Change made.

			custodian. At best a CIS manager can take appropriate steps (require confirmation from a trustee or custodian) to satisfy itself that a sub-custodian complies with the requirements of the Act and any relevant conduct standards. *Proposed wording:* A manager must ensure (suggested deletion of highlighted portion) take appropriate steps to satisfy itself (suggested insertion) that a sub-custodian appointed by the trustee or custodian in relation to a scheme or portfolio complies with the requirements of the Act and any relevant Conduct Standards.	
89.	FIA	16(2)	A manager must ensure that a sub-custodian appointed by the trustee or custodian in relation to a scheme or portfolio complies with the requirements of the Act and any relevant Conduct Standards.	Unclear what you are recommending.
NOTIFICATIONS IN RESPECT OF MATERIAL EVENTS				
90.	FIA	17(1)**Notification to investors where a material event occurs** If any event reflected in column two of the Table contained in Annexure A to this Conduct Standard occurs, or is to occur, a manager must notify investors in writing of the event in accordance with the notification period reflected in column three of the Table and adhere to the conditions reflected in column four of the Table.	See comments below under Annexure A.	Noted.
91.	ASISA	17(1)	1. It is suggested that a reference to "investors" should be replaced with a reference to "affected investors". A notification should not be required when an investor is not affected. 2. Whilst it is understood that a notification in writing can be delivered through electronic means, the FSCA is respectfully requested to indicate whether a notice on a website will be a sufficient notification to investors. 3. It would be more appropriate to include notification requirements in the envisaged Conduct Standard on	1. Agree, see revised Standard. 2. The manager must take an active step to get the message to investors. If they put it on a website, then the affected investors must still actually be directed to the message on the website – how would the investors know otherwise? 3. Correct.

			Advertising, Marketing, and Information Disclosure for Collective Investment Schemes, but it is assumed that the FSCA decided to use a different Conduct Standard due to the that Conduct Standard being delayed.	
MISCELLANEOUS				
92.	FIA	18(1) **Trade execution requirements** A manager must have arrangements in place that enables it to take all reasonable steps to obtain the best possible outcome for investors, its scheme and portfolios when executing trades for the portfolios of its scheme.	The manager does not trade. Only sections 18(4) and (5) will be required for this Standard, and comments below under 18(2) and 18(3) will be the controls the manager is to put in place to oversee the trading.	In terms of the definition of "Administration" the manager buys and sells assets. See revised Standard.
93.	FIA	18(2) A manager must ensure (suggested deletion of highlighted portion) take reasonable steps to ensure that all trades for its portfolios are done on a best execution basis	Trades are executed by the Investment Manager. Include wording: take reasonable steps	Agree, see revised Standard.
94	ASISA	18(2)	A CIS manager generally does not execute trades for its portfolios. Trades are executed by an investment manager (delegated person). A CIS manager can therefore not <u>ensure</u> that trades are done on a best execution basis, but it can contractually agree with an investment manager that trades are done on a best execution basis. A CIS manager should therefore only be required to take reasonable steps to satisfy itself that the trades for its portfolios are done on a best execution basis. *Proposed wording:* A manager must ensure (suggested deletion of highlighted portion) <u>take reasonable steps to satisfy itself</u> (suggested insertion) that all trades for its portfolios are done on a best execution basis.	Agree, see revised Standard.
95.	FIA	18.(3) Criteria to be applied by a manager to ensure best trade execution as referred to in	The manager relies on the Investment Manager to comply with (a) – (g). The Investment Manager is governed by FAIS as an FSP and the stock broker by market regulations. It seems impractical for the manager to monitor. How will	Disagree, the manager is the client and must own the instructions to the investment manager and broker and evaluate their performance. However,

		subparagraph (2) must include the following execution factors: (a) Price; (b) costs; (c) speed; (d) likelihood of execution and settlement; (e) size of the order (f) the nature of the order; and/or (g) any other consideration relevant to the execution of a trade or transaction.	evidence be provided e. g. different quotes from stock brokers etc. and how often? Propose to delete (a) – (g) and propose that the requirements be included in the delegation agreement.	see revised Standard which refers to the manager having to "take reasonable steps to satisfy itself ……"
96.	ASISA	18(3)	Please refer to the comment on paragraph 18(2) above. A CIS manager can only take reasonable steps to satisfy itself that an investment manager executes trades on a best execution basis. The application of criteria can therefore only apply in this context. It is suggested that paragraph 18(3) should be rephrased accordingly. *Proposed wording:* Criteria to be applied by a manager to ensure (suggested deletion of highlighted portion) in taking reasonable steps to satisfy itself of (suggested insertion) best trade execution as referred to in subparagraph (2) must include the following execution factors:	Agree, see revised Standard.
97.	ASISA	18(4)	1. The reference to "third party entity" is confusing. Considering the definition of "trade execution" (an activity where a person acquires, buys, sells, deals, trades, invests in or disinvests from, or replaces or varies one or more financial products, financial instruments or foreign currency), it could refer to an investment manager (term defined in the Conduct Standard) or a stockbroker (a member of an exchange, not defined in the Conduct Standard or CISCA). The reference to "competitive and market related trade costs, service levels and timely trading" creates the impression that the reference to "third	The proposal is partially acceptable; however, the costs is of main concern to the issue and this must be specified. Accordingly, see revised Standard where the provision has been amended to read: *A manager may only use an investment manager or authorised user that is a company within the same group of companies as the manager to execute trades if that*

			party entity" was meant to be a reference to a stockbroker executing trades, not an investment manager giving instructions to a stockbroker to execute trades (pursuant to the investment management agreement between the CIS manager and the investment manager). If paragraph 18(5) is considered (reference to delegating the trade execution function), the reference could only be to an investment manager as such investment manager would be a delegated person. 2. It is understood that the objective of the requirement is to place an obligation on a CIS manager to evaluate an appointed investment manager that is a company within the same group of companies as the CIS manager, to ensure that it provides a competitive and market related function and service, as that would lead to the best outcome for investors. There is a concern that this may practically be difficult to demonstrate. It is suggested that paragraph 18(4) should be rephrased. *Proposed wording:* A manager may only use a third-party entity (suggested deletion of highlighted portion) an investment manager that is a company (suggested insertion)within the same group of companies as the manager to execute trades if it (suggested deletion of highlighted portion) that investment manager(suggested insertion) consistently provides a (suggested insertion) competitive and market related trade costs, service levels and timely trading (suggested deletion of highlighted portion) function and service (suggested insertion) to the manager.	*investment manager or authorised user provides competitive and market related pricing, service levels and timely trading to the manager*
98.	FIA	18(5) Where a manager has delegated the trade execution function in terms of section 4(5) of the Act to another person, the manager must implement	Delete "s"	Agreed and standard revised accordingly.

		appropriate internal controls mechanisms to ensure such person complies with the requirements set out in subparagraphs (1) to (4).		
99.	FRL	Section 8, Paragraph 19 (1) trustee or fiduciary custodian	We suggest rewording as follows: "trustee, fiduciary and/or custodian".	Reference to fiduciary deleted. Paragraph now refers to trustee and/or custodian.
100.	FIA	19 (1) **Related party transactions** A manager may not invest the funds of a portfolio in the manager's own securities or those of any of its related companies unless the security (suggested deletion of highlighted portion) securities are the constituents of the portfolio's approved investment policy or reference benchmark, and under the oversight of the trustee or fiduciary custodian.	Deleted "security"	See revised Standard.
101.	ASISA	19(1)	The rationale for including a portfolio investment restriction in this Conduct Standard is not understood. Firstly, a portfolio may only invest in assets as per the approved supplemental deed for the portfolio which includes the investment objective, investment policy and universe of investments that may be included. Secondly, paragraph 3(1)(a)(iii) of Board Notice 90 already limits investments in a concern within the same group as the manager. Thirdly, all assets in a portfolio are under the oversight of the trustee or custodian as is required by section 70 of CISCA. Paragraph 19(1) duplicates existing regulatory requirements and should be deleted.	This requirement clearly aims to restrict investment in related parties as a specific concern. Without the requirement, it is difficult to act against manager that target maximum investment in own related securities. 3(1)(a)(ii) does not address the issue of related party transactions overstepping the boundaries.
102.	ASISA	19(2)	Section 95(1)(b) of CISCA already prohibits a manager from lending or advancing any money. A CIS manager is therefore not able to lend monies of the scheme at all. Paragraph 19(2) duplicates an existing regulatory requirement and should be deleted.	Agree. Clause deleted.
103.	ASISA	19(3)	The rationale for including a portfolio investment restriction in this Conduct Standard is not understood. Firstly, a portfolio	Board Notice 90 only applies to a collective scheme in securities, and

			may only invest in assets as per the approved supplemental deed for the portfolio which includes the universe of investments that may be included. Secondly, a portfolio may only invest in securities as defined in Board Notice 90 and Board Notice 52. Real estate is not defined in the Conduct Standard. If it is interpreted widely on a look-through basis, shares in listed and unlisted property companies (or even participatory interests in a collective investment scheme in property) which may be included in a portfolio's investment universe will be prohibited. This could not have been the intention. It is therefore suggested that paragraph 19(3) should be deleted.	not e.g. a collective investment scheme in property. The focus of this provision was more on the latter. To ensure clarity, the provision now stipulates same. It is unclear why the look-through principle will be applicable- the provision clearly talks about investing in real estate, not in shares. Real estate must be taken to have its normal grammatical meaning and does not require definition. See revised Standard where we have deleted "assets" after "real estate" and then the requirement has its intended meaning, namely that a portfolio (relevant to the aforementioned collective investment schemes) may not buy fixed property owned by related companies.
OTHER - ANNEXURE A – NOTIFICATIONS IN RESPECT OF MATERIAL EVENTS				
104.	ASISA	Item (i)	This is a duplication of provisions in the deed and the condition is a duplication of a requirement to include the option in the ballot letter as required in section 99 of CISCA. If it is a deemed ballot, why should the CIS manager go back to investors and inform them? Will it not be sufficient to add to the ballot letter that the CIS manager would inform investors if the ballot failed? This will save costs. The FSCA is respectfully requested to confirm that the reference to "no additional cost" means that a manager may not impose an entry/exit fee.	The provision is intended to entrench the deed provision in regulation. Second paragraph, it specifically refers to a change or amendment. The manager may not exercise a ballot and then implement a cost for switching out of a fund. Surely this should be quite comprehensible.
105.	ASISA	Item (ii)	This is a duplication of provisions in the deed.	The provision is intended to entrench the deed provision in regulation.
106.	FIA	Item (ii)	Part of ballot procedure covered by Section 98 and 99 of CISCA. Conditions: option is in the ballot letter.	See response directly above.

107.	ASISA	Item (v)	It is a practical challenge to notify investors prior to a change in shareholder or director due to confidentiality provisions and pre-emptive rights and obligations in shareholding agreements. It is suggested that a change in shareholder or director of a manager should be communicated to investors within 14 days from becoming effective. Some ASISA members hold the view that the notification of a change in director or shareholder of the manager is costly and impractical, and it should be sufficient to update the prospectus and other documentation that reflects the directors and shareholders. They do not believe that a separate notification will add any value to investors. The notification of a change of a manager is relevant where a portfolio is moved from one manager to another. In this case, a notification 30 business days before the change takes effect, is acceptable. This should be a separate item and not included in the same item as a change in shareholder or director.	This refers to a change of a director or shareholder of the manager, not the manager itself. A manger does know 30 days before such change and is able to advise investors. Unclear why you are suggesting that this should be a separate item, especially if the 30 business day notification period is appropriate in the context of both a change in manager and change in shareholder.
108.	FIA	Item (v)	Part of ballot procedure covered by Section 98 and 99 of CISCA. Conditions: option is in the ballot letter.	Unclear what you are proposing.
109.	ASISA	Item (vi)	In respect of a change in trustee or custodian, it is respectfully requested that the period of 14 days be changed to 30 days for practical reasons, especially considering the FSCA already having approved such changes prior to them taking effect. In respect of a notification of a delegation arrangement, it is submitted that a specific notification should not be required. The information should be updated in the prospectus and the MDD. A CIS manager in any event remains accountable for delegated functions.	Agree. Agree. Specific notification in respect of delegations has per has been removed and should be updated as part of the changes to the prospectus and MDD.
110.	ASISA	Item (vii)	It is impractical and costly to notify investors of a change in investment managers. This information is included in an MDD, and the prospectus can be updated. A separate notification should not be necessary. A notification of the appointment of a sub-investment manager should not be required at all.	The FSCA does not agree. The appointed investment manager is central to many investors' decisions to invest or withdraw. A short email to all investors should suffice. Sub-investment managers are quite

				relevant for instance in the case of a multi-management model.
111.	ASISA	Item (x)	This notification must be used with caution as it may cause a run on a portfolio. Only material liquidity constraints should require notification. It is suggested that investors only be notified if, in the discretion of the CIS manager, the suspension or liquidity constraints related to an instrument is material and likely to materially compromise the operational liquidity of the entire portfolio to an extent that may result in a suspension of dealing of the portfolio.	Noted, however required in the interest and protection of investors.
112.	ASISA	Item (xi)	It is submitted that a notification of an exemption should only be required if the nature of the exemption could materially affect investors. Notifications are costly and should only be required where there is a material impact on an investor. It is also respectfully requested that the period extended to 10 business days because general exemptions are often published a few days after they have been granted or the exemption is communicated by the FSCA days after it has been granted.	Partially agree. Not "materially affect" but possibly "affect in any manner". Change the wording
113.	ASISA	Item (xii)	Paragraph 12(9) of FSCA Conduct Standard 1 of 2020 - Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolios requires a manager to notify investors (if applicable) when a manager has determined that an error is material. Item (xii) should be aligned in that affected investors can only be notified of a material pricing error within 5 days of a manager determining that an error is material, not within 5 days of the error occurring.	Partially agree. We understand that it might not be possible to report the error within 5 days of the error occurring, especially if the error is identified late. However, we do not agree to change the wording to within 5 days of a manager identifying the error as material, because this opens up the door for abuse. We therefore changed the wording to reflect as "within 5 days of identifying such error". Wit cannot take up a significant amount of time to identify whether the error is material. Five days after the error was identified should therefore be enough time to assess materiality and report it to investors.

114.	ASISA	Item (xiii)	It should be borne in mind that a CIS manager will communicate to a LISP in respect of a suspension or repurchases. In this case 1 day is insufficient to allow a LISP to then notify investors.	Noted.
115.	ASISA	Item (xvi)	It is suggested that the reference to "event" should be replaced with a reference to "matter" to avoid a situation where adverse market events/turmoil (for example caused by political events such as Nene-gate) could affect the valuation of the scheme.	Suggest we change wording to "*material event or matter directly affecting the portfolio that will adversely affect its valuation"*

SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE CONDUCT STANDARD

No.	Question	Responses	FSCA Response
1.	Will the Conduct Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs.	**ASISA** - ASISA members generally expect that the Conduct Standard will impose additional compliance costs as it introduces new requirements and will require additional compliance monitoring. These costs could vary between insignificant to significant depending on a particular business. It is generally not possible to quantify or assess the expected costs from an ASISA member perspective as business models and business contexts vary. One ASISA member indicated that they expect an additional cost of approximately R1 million per annum. One other ASISA member indicated that while the requirements of the new Conduct Standard will clearly lead to more work, they believe that the cost impact on a larger firm such as theirs will not be excessive as there are already substantial governance / structures etc. in place, and they will be able to absorb the new requirements within existing headcount / processes. Over time, they do however expect that compliance resource	Noted. Please refer to the statement of impact.

		allocation will inevitably increase given the increase in regulations and change management.	
		FIA - Yes, additional resources will be required particularly if the requirement will be to set up a separate Internal Audit function within the manager. Additional resources will further be required from a risk and compliance perspective to adhere to the additional governance requirements, policy development and monitoring.	Noted.
		FRL- No	Noted.
		RCIS – No comment	Noted.
		SAIFM - SAIFM does believe that there may be an administrative burden, and significant costs incurred, in complying with the Conduct Standard, but believes that most are, or should already, be in place. The clarity provides valuable guidance and certainty, especially if the proportionality expectations are further defined and required actions clarified and empowered.	Noted.
2.	How do you anticipate the Conduct Standard affecting the operational cost of the business, if at all?	When compliance costs increase, operational costs increase. ASISA members therefore generally expect operational costs to increase. Please refer to the response on question 1 above. The additional investor notification requirements could translate into a significant increase in operational costs, and these must be weighed against the benefit of such notifications. A minority of members do not expect a material increase in operational costs.	Noted.
		FIA - The requirements pertaining to portfolio development. The implementation and monitoring of the EPM. IT development will be required. Training and monitoring of the distributors will require additional resources.	Noted.

		FRL - The CIS manager will incur operational cost to draft the prospectuses across its scheme and portfolios.	Noted.
		RCIS -No comment	Noted.
		SAIFM – No comment	Noted.
3.	Will the Conduct Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Conduct Standard that will lead to such a termination.	It is not expected that the Conduct Standard will result in termination of existing arrangements.	Noted.
		FIA - Concern relating to Fund of Funds portfolios, where underlying holdings of the underlying portfolios are required to be provided, currently governed by NDA.	Noted. See our response to a similar comment you made above.
		FRL - No	Noted.
		RCIS – No comment	Noted.
		SAIFM – No comment	Noted.
4.	If the answer to question 3 is yes, how many arrangements will be impacted and what is the expected cost implication thereof?	ASISA – Not applicable.	Noted.
		FIA – No comment	Noted.
		FRL – Not applicable	Noted.
		RCIS – No comment	Noted.
		SAIFM – No comment	Noted.
5.	Are any other transitional arrangements necessary to implement the Conduct Standard? If yes, what transitional arrangements do you propose and for which section of the Conduct Standard? (Please provide a justification for your response and details on timeframes to comply with the relevant section)	In general, a CIS manager should be allowed sufficient time to review its current policies, processes, and procedures, determine where changes are needed or where new policies, processes, and procedures are required, and update or amend or implement such policies, processes, and procedures. Then staff members may need to be recruited and relevant staff members of a CIS manager must be trained on the new requirements. The resources, time and effort in this regard should not be underestimated. There will be significant work for a CIS manager and related parties to implement this Conduct Standard, such as appointments of heads of functions, drafting prospectuses for multiple funds, documenting multiple frameworks, amending existing agreements and relevant system development. This cuts across every section of a	Agree with providing for a 12-month transitional period.

		manager, and in many cases where managers outsource their investment management, to those investment managers too. ASISA members believe a 12-month period from the date of publication of the Conduct Standard is the minimum period within which they will be able to reach compliance with the requirements of the Conduct Standard.	
		FIA – We propose a minimum of a 12-month implementation period for the effective implementation of the Standard. This will allow for the appointment of resources, system development as well as the implementation and approval for fund prospectuses.	Noted.
		FRL – Yes, we propose that CIS managers be provided with a minimum transitional period of 12 months after the conduct standard has been implemented to comply with the Conduct Standard particularly based on new requirements like the drafting of prospectuses for the scheme and each underlying portfolio. This requirement may require CIS Managers to appoint additional resources.	Noted.
		RCIS – No comment	Noted.
		SAIFM – No comment	Noted.

SECTION D - GENERAL COMMENTS

No.	Commentator	Comment		Responses
1.	FIA	Do you find the format of the draft Conduct Standard user friendly and simple to understand? If no, please provide suggestions for improvement.	The format of the Conduct Standard is user friendly and simple to understand. The concerns with the content / provisions of the Conduct Standard are addressed in the comments against the specific paragraphs in section B of this submission.	Noted.
2.	FIA	Drafting, grammar, spelling, numbering, and incorrect references	1. Paragraph 4(4) - There are two paragraphs numbered (c). 2. Paragraph 4(4)(f) – Improve drafting: "demonstrate how the manager will	Comments noted. Please see the revised Standard where drafting, grammar, spelling and references have been addressed.

			comply compliance with the Act and relevant Conduct Standards." 3. Paragraph 5(1)(a) – Singular should be plural: "towards investors, schemes and portfolios". 4. Paragraph 5(1)(a) – "scheme" should be replaced with "the collective investment scheme", a term defined in CISCA. 5. Paragraph 5(1)(b) – Board Notice 910 should be replaced with General Notice 910. 6. Paragraph 5(6) – "fund" should be replaced with "portfolio", a term defined in CISCA. 7. Paragraph 6(4) - A manager's compliance function must, on an ongoing basis, monitor and evaluate the adequacy and effectiveness of the measures, policies and procedures put in place in accordance with subparagraph (1), and determine the actions to be taken to address any deficiencies. 8. Paragraph 9(3)(b), (c) and (d) - "scheme" should be replaced with "collective investment scheme", a term defined in CISCA. 9. Paragraph 9(3)(b) – "a investor" should be replaced with "an investor".	

			10. Paragraph 9(3)(e) – "CIS investments" should be replaced with "assets", a term defined in CISCA. 11. Paragraph 9(3)(f) – "transaction records" should be replaced with "transaction <u>costs</u>". 12. Paragraph 12(2)(b) - Missing word: <u>must</u> take into account conduct risks …… 13. Paragraph 12(5) - A manager must in respect of their <u>its</u> business dealings …. 14. Paragraph 12(5)(a) and (b) – references to "product development" should be replaced with references to "<u>portfolio</u> development". 15. Paragraph 13(1)(d) – Insert comma after "skills": undertake a thorough assessment, by competent persons with the necessary skills<u>,</u> of the main characteristics of a new portfolio…… 16. Paragraph 13(1)(d)(i) – delete "financial": "are consistent with the financial manager's strategic objectives….. 17. Paragraph 13(1)(d)(ii) – delete reference to "product": portfolio product. 18. Paragraph 13(1)(e) - delete reference to "product": portfolio product.	

			19. Paragraph 13(3)(a) - delete reference to “product”: portfolio product. 20. Paragraph 14(1) – Improve drafting: A manager must, in relation to the creation of a new portfolio or an existing portfolio or where the manager intends to make material amendments have been made to an existing portfolio, ensure that and appropriate senior manager or a product approval committee an appropriate committee for the approval of portfolios - (a) in writing approves the new portfolio or material amendments to the existing portfolio; and (b) confirms that the portfolio, distribution methods and disclosure documents meet the requirements set out in paragraph 13(1)(d). 21. Paragraph 14(2) – Incorrect reference and improve drafting: The approval referred to in subparagraph (2) (1) must occur before a manager – (a) submits a request for approval to the Authority, as may be provided for in law, in relation to the creation of a new portfolio or material amendments to an existing portfolio; and (b) starts to market or distribute the new portfolio or materially amended existing portfolio to which material	

			amendments have been made. 22. Paragraph 15(5(a)(ii) – Delete "collective investment scheme" as "portfolio" is a term defined in CISCA. 23. Paragraph 15(6)(g)(iii) – Improve drafting: how the investors may view its <u>their</u> own record in the register. 24. Paragraph 15(7)(d) - portfolio <u>income</u> distribution policy; 25. Paragraph 16(1) and (2) - "scheme" should be replaced with "collective investment scheme", a term defined in CISCA. 26. Paragraph 17(2) – Typographical error: "…if such an event is deemed material, a manager should inform investors of such event in a timeous manner." 27. Paragraph 18(1) - "scheme" should be replaced with "collective investment scheme", a term defined in CISCA. 28. Paragraph 18(5) – Typographical error: "internal controls mechanisms" should be replaced with "internal control mechanisms". 29. Paragraph 19(2) - "scheme" should be replaced with "collective investment scheme", a term defined in CISCA. 30. Annexure A, Item (ii) – Punctuation and grammar: Event: A change in	

			fees charged by the manager in respect of the portfolio.; whether by an increase or a change in method or any factor that is used in the calculation method which could lead to an increase or introduction of an additional charge. Notification period: 3 months before the change takes effective effect.	
3.	SAIFM	Do you find the format of the draft Conduct Standard user friendly and simple to understand? If no, please provide suggestions for improvement.	Yes	Noted.
4.	SAIFM	Qualification requirements	SAIFM notes that there are currently only general qualifications, and no specific qualifications or courses that would directly address the knowledge and competence needs of a manager. SAIFM would be able to assist in this matter but would need to engage the Authority to determine how best to provide this support.	Noted. More detailed qualification requirements (and other competency requirements) will be addressed through the cross-cutting Fit and Proper framework currently under development.
5.	FIA	CIS definition	As a general comment, and although not specifically relevant to this submission, we would like to note the following concern: **"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; **"members of the public"** includes— (*a*) members of any section of the public, whether selected as clients, members,	Noted. We will take your comment under consideration (although not as part of this Standard's process).

			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; From the above, it follows that: 1. A portfolio requires two or more investors AND 2. Those investors may not be a "restricted circle of individuals". There appears to be a practice where although theoretically open to the public, CIS portfolios are simply set up for individuals (often high net worth individuals), as the portfolio is not otherwise marketed or sold. This is in breach of the Act and creates risk for the investor who may end up in a situation where his/her investment is deemed by SARS not to be a CIS portfolio and therefore fully taxable. We hereby request that that consideration be given to strengthen the definition and rules in this regard.	