

FINANCIAL SERVICES BOARD

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INFORMATION CIRCULAR NO. 25

TO MANAGERS AND TRUSTEES OF COLLECTIVE INVESTMENT SCHEMES

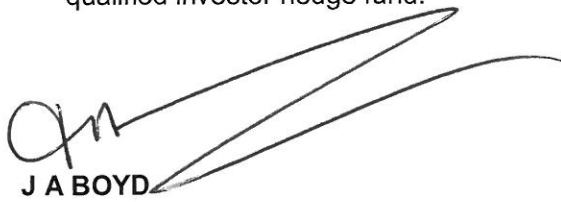
CLARIFICATION: INVESTMENT BY A COLLECTIVE INVESTMENT SCHEME IN SECURITIES INTO A COLLECTIVE INVESTMENT SCHEME IN HEDGE FUNDS

1. In February 2015, the Minister of Finance, by virtue of the authority given by section 63 of the Collective Investment Schemes Control Act, Act No 45 of 2002, ("the Act") declared that with effect from 1 April 2015, the business of a hedge fund would be a declared collective investment scheme. Consequently hedge funds now fall to be regulated by the Registrar of Collective Investment Schemes ("the Registrar").
2. It has come to the Registrar's attention that there is misunderstanding regarding the ability of a collective investment scheme in securities to invest in a collective investment scheme in hedge funds.
3. In terms of sections 40, 46 and 85 of the Act it is the Registrar's discretion to determine what to allow in a portfolio of a collective investment scheme in securities. Consequently Board Notice 90 of 2014 ("BN 90") stipulates the types of securities, classes of securities and assets which may be included in a portfolio of a CIS in securities. BN 90 further defines the types of securities that may be included in a portfolio of a collective investment scheme in securities. Despite being declared as a CIS, a participatory interest in a portfolio of a hedge fund collective investment scheme is currently not included in the definition of securities under BN 90 for inclusion in a collective investment scheme in securities.

Board Members: AM Sithole (Chairperson) H Wilton (Deputy Chairperson) Z Bassa JV Mogadime
Prof PJ Sutherland FE Groepe D Turpin HMH Ratshefola D Msomi I Momoniat O Makhubela (Alternate)
Executive Officer: DP Tshidi

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ISO 9001

4. In view of what is provided under BN 90, managers are thus advised that a portfolio of a CIS in securities may not invest in a hedge fund collective investment scheme, be it a retail or qualified investor hedge fund.

A handwritten signature in black ink, consisting of a stylized 'J' followed by 'A' and 'BOYD' in a cursive script.

J A BOYD

REGISTRAR OF COLLECTIVE INVESTMENT SCHEMES