

September 9, 2016

CIRCULAR NO. 1 OF 2016-PFR 2

TO ALL: PENSION AND PROVIDENT FUNDS
ASSET MANAGERS
ASSET CONSULTANTS
FUND ADMINISTRATORS
BOTSWANA PENSIONS SOCIETY

**REVISED PENSION PRUDENTIAL INVESTMENT RULE ("PFR 2")
IMPLEMENTATION OF THE PFR 2**

1. INTRODUCTION

The Non-Bank Financial Institutions Regulatory Authority issued a Circular No. 2 of 2015 in which the industry was informed to comply with the requirements of the revised Pension Prudential Investment Rule ("PFR 2"). The effective date of PFR2 was November 1, 2015 with the proviso that Retirement Funds in consultation with their professional advisors and asset managers had a transitional period of six (6) months to review their portfolios and ensure compliance with the quantitative limits set out in terms of section 7 of PFR 2. The date of full compliance with the quantitative limits and other requirements set out in PFR 2 was no later than April 30, 2016.

2. FURTHER REPRESENTATIONS FROM THE INDUSTRY

Whilst the NBFIRA applauds the efforts of the generality of Retirement Funds in complying with the provisions of PFR 2, the Regulatory Authority has received representations from the industry, in connection with further refinements to PFR 2. A particular concern is the lack of a specific provision within the quantitative limits for an offshore cash limit. The Regulatory Authority, in consultation with the industry Working Committee made up of representatives from Fund Administrators, Asset Managers and Trustees of various Pension Funds is closely examining this matter and as well as other matters raised by the industry and will be communicating its final determination in due course.

Whilst this process is ongoing, NBFIRA expects full compliance with PFR 2 as it stands and is encouraged with the spirit within which the industry has earnestly sought to implement the spirit of diversification, risk management and sound fund governance which form the basis of PFR 2.

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These key tenets of sound Fund governance are more extensively covered in the new Retirement Funds Act, 2014 and the Regulatory Authority expects that Retirement Funds have already started taking appropriate steps in complying with the full provisions of the Retirement Funds Act once it becomes operational.

For those Retirement Funds that have had particular and justifiable challenges in complying in full to the provisions of PFR 2, within the six (6) months transition period, the Regulatory Authority expects that such Retirement Funds have taken the necessary steps to bring these challenges to the attention of the Regulatory Authority supported by full and justifiable reasons for non – compliance together with an application for an extension period within which full compliance will be achieved.

The industry is thus advised that the Regulatory Authority is examining the representations from the industry through the Working Committee and that any further refinements to PFR 2 will be officially communicated in due course. In the meantime, the Regulatory Authority expects full compliance with PFR 2 as it stands.

Yours faithfully,



Abisha Ndoro

DIRECTOR – RETIREMENT FUNDS AND INVESTMENT INSTITUTIONS

