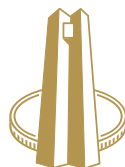


GUIDE FOR THE COMPLETION OF THE C48 RETIREMENT FUNDS FORM

September 2020



SOUTH AFRICAN RESERVE BANK





© South African Reserve Bank

All rights reserved. However, this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, provided that the source (South African Reserve Bank: *Guide for the completion of the C48 retirement funds form, September 2020*) is acknowledged. The contents of this publication are intended as general information only. The classification of institutions in specific institutional sectors is based on economic criteria and may differ from other classification systems. While every precaution is taken to ensure the accuracy of information, the South African Reserve Bank shall not be liable for any inaccuracy contained in this publication.

Enquiries relating to this publication should be addressed to:

Economic Statistics Department
South African Reserve Bank
P O Box 427
Pretoria 0001
Dineo Mosime
Dineo.Mosime@resbank.co.za
Tel. no. +27 12 313 3291

Produced by the Publishing Section
South African Reserve Bank



Contents

1. Introduction	1
2. Guidelines	1
2.1 Retirement funds.....	1
2.2 Purpose of the C48 form.....	1
2.3 Accounting conventions.....	1
2.4 Reporting date and period	1
2.5 Valuations	1
2.6 Assets in foreign currency	2
2.7 Maturity.....	2
3. Institutional units	2
3.1 Resident and non-resident	2
3.2 Classification of institutional sector counterparties.....	3
4. Institutional sectors	4
4.1 Non-financial corporations	4
4.1.1 Private sector non-financial corporations	4
4.1.2 Public sector non-financial corporations	4
4.2 Households and non-profit institutions serving households	4
4.3 Financial institutions/corporations	4
4.3.1 Banks	4
4.3.2 Non-bank financial institutions	4
4.3.3 Insurers	5
4.3.4 Property companies	5
4.3.5 Public sector financial corporations	5
4.3.6 Money market unit trusts (collective investment schemes)	5
4.3.7 Non-money market collective investment schemes	5
4.3.8 Other non-bank financial institutions.....	5
4.3.8.1 Financial auxiliaries	5
4.3.8.2 Pension and provident funds	6
4.3.8.3 Trust companies	6
4.3.8.4 Finance companies.....	6
4.3.9 Other financial institutions.....	6
4.4 General government	6
4.4.1 National government	6
4.4.2 Local government	6
4.4.3 Government	6
4.5 Companies with secondary listings on the JSE	6
5. Column descriptions (Table 1 and Table 2): Income and expenditure	7
5.1 Transactions previous quarter (Column 1): Foreign countries	7
5.2 Transactions previous quarter (Column 2): South Africa.....	7
5.3 Transactions this quarter (Column 3): Foreign countries.....	7

5.4 Transactions this quarter (Column 4): South Africa	7
6. Income and expenditure transactions.....	7
6.1 Investment income (gross)	7
6.1.1 Interest received.....	7
6.1.2 Dividends received	7
6.1.3 Rent received	8
6.1.4 Income from insurance policies	8
6.1.5 Collective investment schemes distributions	8
6.1.6 Other investment income	8
6.2 Profit (+) or loss (-) on investments and assets	8
6.2.1 Realised sales and redemptions	8
6.2.2 Adjustment to fair value	8
6.3 Contributions received	8
6.3.1 Members.....	8
6.3.2 Employers.....	8
6.4 Transfers from other funds	8
6.5 Other income.....	9
6.6 Total income	9
6.7 Benefits paid.....	9
6.7.1 Annuities and monthly pensions	9
6.7.2 Lump sum on retirement, death and disability	9
6.7.3 Pension withdrawals.....	9
6.7.4 Other benefits paid.....	9
6.8 Expenses incurred for managing investments and performance fees.....	9
6.9 Operating and administration expenditure	9
6.9.1 Administration expenses	9
6.9.2 Salaries and wages	9
6.9.3 Other operating and administration expenditure	9
6.10 Transfers to other funds	10
6.11 Premiums paid on insurance policies	10
6.12 Interest paid on borrowings.....	10
6.13 Other expenditure	10
6.14 Total expenditure.....	10
7. Column descriptions (Table 3): Funds and liabilities	10
7.1 Balance at end of previous quarter (Column 1): Foreign countries	10
7.2 Balance at end of previous quarter (Column 2): South Africa	10
7.3 Balance at end of this quarter (Column 3): Foreign countries	10
7.4 Balance at end of this quarter (Column 4): South Africa.....	10
8. Financial instruments: Funds and liabilities	11
8.1 Funds and surplus account.....	11
8.1.1 Members' funds.....	11
8.1.2 Amounts to be allocated	11
8.2 Reserves	11

8.3	Loans (including repos and security lending)	11
8.4	Provisions	11
8.5	Financial derivatives	11
8.5.1	Option contract	12
8.5.2	Forward contract	12
8.5.3	Futures contract	12
8.5.4	Swap contract	12
8.6	Accounts payable	12
8.7	Other liabilities	12
9.	Column descriptions (Tables 4 – 6): Assets	12
9.1	Balance at end of previous quarter (Column 1): Foreign countries	12
9.2	Balance at end of previous quarter (Column 2): South Africa	13
9.3	Balance at end of this quarter (Column 3): Foreign countries	13
9.4	Balance at end of this quarter (Column 4): South Africa	13
9.5	Transactions: purchases and new issues (Column 5)	13
9.6	Transactions: sales and redemptions (Column 6)	13
10.	Non-financial assets	14
10.1	Non-financial assets of reporting retirement fund	14
10.1.1	Land and buildings	14
10.1.2	Vehicles	14
10.1.3	Computer equipment	14
10.1.4	Software	14
10.1.5	Other non-financial assets	14
11.	Financial instruments: Assets	14
11.1	Investment properties	14
11.2	Listed ordinary shares including participating preference shares	14
11.3	Other equity instruments listed on the JSE	14
11.4	Unlisted ordinary shares including participating preference shares	15
11.5	Non-participating preference shares	15
11.6	Money market unit trusts (collective investment schemes)	15
11.6.1	Domestic money market unit trusts	15
11.6.2	Foreign money market unit trusts	15
11.7	Non-money market collective investment schemes	15
11.7.1	Domestic non-money market unit trusts	15
11.7.2	Foreign non-money market unit trusts	15
11.7.3	Participation bonds	16
11.7.4	Hedge funds	16
11.8	Long-term interest bearing securities	16
11.8.1	Characteristics of interest bearing securities	16
11.9	Short-term interest bearing securities	16
11.9.1	Negotiable certificates of deposit	16
11.9.2	Treasury bills	16
11.9.3	Land Bank bills	17

11.9.4	Promissory notes issued by banks	17
11.10	Other short-term interest bearing securities	17
11.10.1	Commercial paper	17
11.10.2	Debentures	17
11.11	Financial derivatives.....	17
11.11.1	Option contract.....	17
11.11.2	Forward contract	17
11.11.3	Futures contract.....	18
11.11.4	Swap contract	18
11.12	Loans (including repos and security lending).....	18
11.13	Insurance policies	18
11.13.1	Linked policies	18
11.13.2	Non-linked policies.....	18
11.13.3	Pensioner annuity policies.....	18
11.14	Cash and deposits	18
11.14.1	Transferable deposits.....	19
11.14.2	Other deposits	19
11.15	Accounts receivable	19
11.16	Other assets	19

1. Introduction

The purpose of this guide is to explain the interpretation of each line item and column in the C48 form. Guidance is provided on the classification of resident institutional sectors as well as the delineation between residents and non-residents. Guidance is also provided on general issues such as accounting conventions, maturity and the format of values.

2. Guidelines

2.1 Retirement funds

Pension funds that are established in terms of the Pension Funds Act 24 of 1956 (Pension Funds Act), provident funds, retirement annuity funds, underwritten funds, and funds established by own statutes, such as certain state-owned companies, are required to submit the C48 form to the South African Reserve Bank (SARB).

2.2 Purpose of the C48 form

The SARB is responsible, in terms of both national and international obligations, to produce high-quality statistics for economic policy. In line with this, the purpose of the C48 form is to collect statistical data of retirement funds registered in South Africa. The required data are used to compile macroeconomic statistics which are guided by international agreed-upon statistical manuals.

2.3 Accounting conventions

In general, the information required to generate statistical data for the C48 form is sourced from financial accounting data of the fund surveyed. The format of the C48 data has various similarities with that of financial reporting, but there are some specific differences of how it should be applied for statistical reporting, based on statistical guidelines and methodology.

The statistics required are based on **accrual accounting**. The income statement as well as the assets and liabilities should be reported on a **gross basis** (i.e. should not be netted). **Balances** (stocks at a certain point in time) and **transactions** (flows originating from purchases and sales as well as issues and redemptions) should be recorded at the **time of the transaction** and not at the settlement date. Transactions generating income and expenditure should also be recorded at the time of the transaction. The look-through approach **should not** be followed when completing the C48 form.

2.4 Reporting date and period

All monetary values should be reported in thousands of rand and fields that are not applicable must be empty and not zero. **Balances** (stock values) should be as at the **end of the quarter** (the last calendar day of the quarter). Income statement transactions and other **transactions** reported on all tables of the form must be the total of all transactions **for the quarter, not the cumulative amount**. The **transactions** (income and expenditure) and **balances** (line items for columns 1 to 4) should reflect information for the **previous (last) quarter** and **this (current) quarter**.

2.5 Valuations

Assets and liabilities should be **valued at market prices**, where applicable, on the date to which the form relates. If the market price is not available, **fair value estimates** should be used. **Cash and deposits** as well as **loans** should be valued at **nominal values**, including accrued interest. **Transactions** should be recorded at the prevailing prices at which the transactions (purchases/sales) were conducted (i.e. transaction value), excluding service charges, fees, commissions and taxes. Accounts receivable/payable should be valued at nominal value.

2.6 Assets in foreign currency

This refers to the 'of which in foreign currency' items and relates to **financial assets issued in foreign currency**. The foreign currency value of these financial assets should be converted to South African rand, at prevailing market exchange rates, as on the date to which the balance or transaction relates, and reported as such. For example, investments in South African government bonds issued in US dollars in international markets should be converted from US dollar to rand. The value of offshore financial instruments indexed in foreign currency should be treated as denominated in foreign currency and converted to rand.

2.7 Maturity

Interest bearing (debt) securities and loans statistics are required in **original maturity**. Original maturity should reflect the time between the issue and maturity date of an interest bearing security. The maturity of a financial instrument should be split into short term (one year or less) and long term (more than one year). For example, a bond issued for 10 years with only one year left to maturity should be recorded according to original maturity as long term. **Remaining maturity**, referred to at the two 'of which' line items under long-term interest bearing securities, is defined as the time left until an interest bearing security matures.

3. Institutional units

An institutional unit is an entity that can:

- own assets and engage in transactions;
- incur liabilities and enter into contracts on own behalf;
- make economic decisions; and
- generate a set of accounts, including assets and liabilities.

3.1 Resident and non-resident

An **institutional unit** is classified as a **resident** of South Africa when it has a predominant centre of economic interest in South Africa, that is, when it has premises within the economic territory of South Africa where it engages or intends to engage in economic activity. There is a difference between an institutional unit and a legal entity. For example, overseas branches or parent companies may be considered part of the legal entity, but should be classified as a separate institutional unit.

The classification of an **institutional unit** as a **non-resident** is based on the concept of residency. The institutional sector counterpart of a financial instrument should be classified as a non-resident if the address/residency of the issuer is outside the borders of South Africa. Even if the entity has a subsidiary in South Africa, but the non-resident entity issues the instrument in its own name, the instrument is still issued by a non-resident entity.

The **residence of the issuer** rather than the country or currency of issuance of the financial instrument determines residency, as shown in the table below.

Determining residency

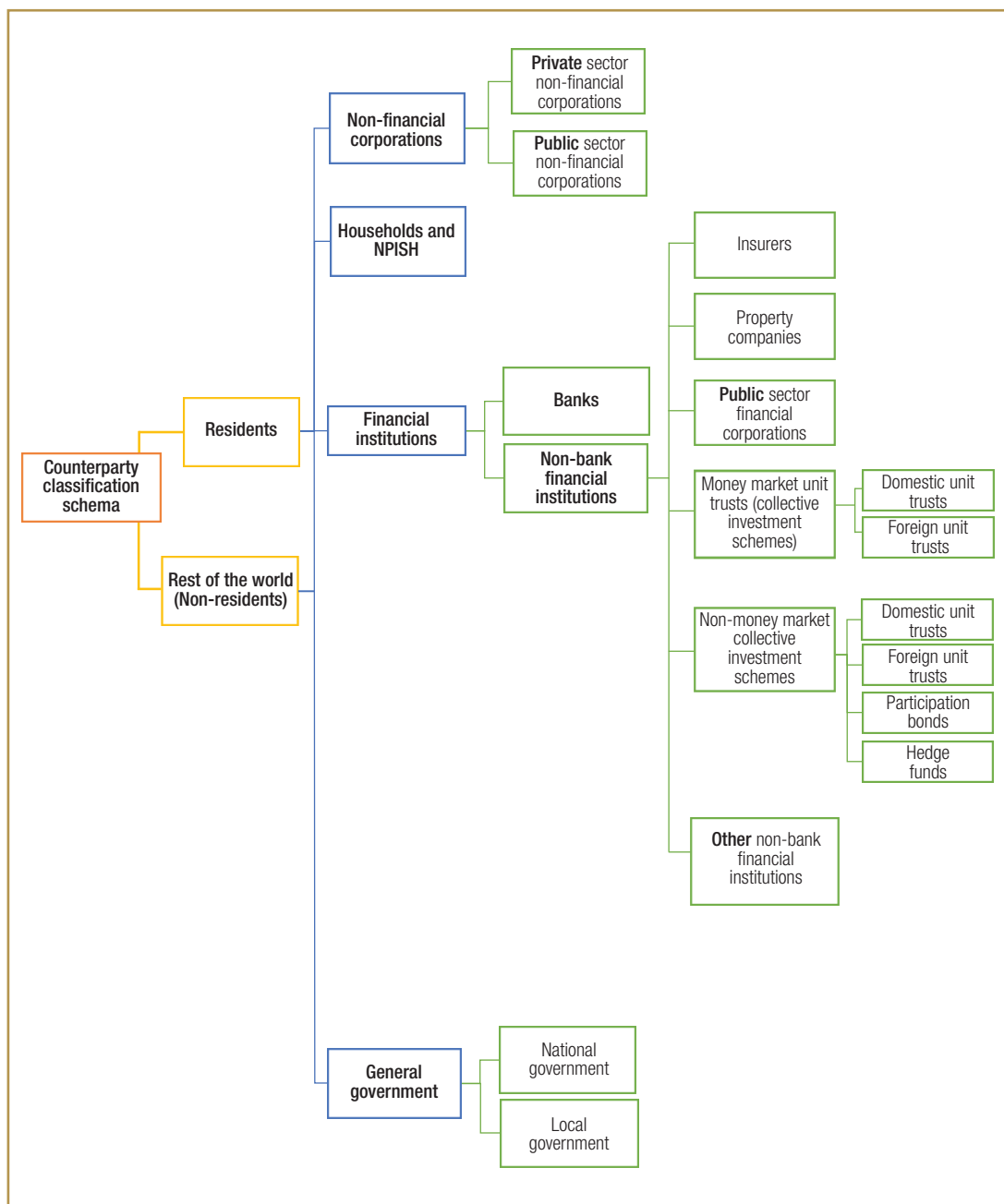
	Issued into the South African market	Issued into a foreign market
Issued by a resident unit	<i>Resident</i>	<i>Resident</i>
Issued by a non-resident unit	<i>Non-resident</i>	<i>Non-resident</i>

3.2 Classification of institutional sector counterparties

Institutional units are grouped into **institutional sectors** with similar characteristics.

Institutional sector counterparties are required for both financial asset and liability balances as well as transactions. **Residents and non-residents** are disaggregated into **institutional sectors** in the two columns for South Africa and foreign countries.

Classification of selected institutional sector counterparties relevant to the C48 Form



4. Institutional sectors

The latest SARB *Institutional Sector Classification Guide* should be used as a basis to classify institutions. It is available on the SARB website (<https://www.resbank.co.za/en/home/publications/guides/institutional-sector-classification-guide-for-sa>).

4.1 Non-financial corporations

These are **private** and **public** sector corporations whose primary activities are to produce market goods and non-financial services.

4.1.1 Private sector non-financial corporations

A private non-financial corporation is a **resident privately-owned entity** whose primary activity is to produce market goods as well as non-financial services at market prices. These corporations are registered under the Companies Act 71 of 2008 (Companies Act), and operate with the intention to make a profit. A list of private sector non-financial corporations listed on the JSE Limited (JSE) is available on the SARB website (<https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20private%20sector%20non-financial%20corporations%20listed%20on%20the%20JSE.pdf>). Private sector non-financial corporations with a **secondary listing on the JSE** should be reported in private sector non-financial corporations and 'of which: Companies with secondary listings on the JSE'.

4.1.2 Public sector non-financial corporations

A public non-financial corporation is a **resident state-owned entity** whose primary activity is to produce market goods as well as provide non-financial services. A list of public sector non-financial corporations is available on the SARB website (<https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20public%20sector%20non-financial%20corporations.pdf>).

4.2 Households and non-profit institutions serving households

The household sector comprises individuals and unincorporated businesses (e.g. one-man businesses or sole proprietorships). Households should be grouped together with non-profit institutions serving households (NPISH). Individuals, friendly societies and personal trusts should also be included in the household sector.

4.3 Financial institutions/corporations

These comprise banks and non-bank financial institutions, either private or publicly owned.

4.3.1 Banks

A bank is a company (Limited) registered under the Banks Act 94 of 1990 (Banks Act). A list of registered private banks is available on the SARB website (<https://www.resbank.co.za/en/home/what-we-do/Prudentialregulation/sa-registered-banks-and-representative-offices>). Public sector banks include Ithala Bank, the Land and Agricultural Development Bank of South Africa (Land Bank) and Postbank. Banks with a secondary listing on the JSE should be reported in banks and 'of which: Companies with secondary listings on the JSE'.

4.3.2 Non-bank financial institutions

Non-bank financial institutions are institutions whose main function is to intermediate financial assets and liabilities or engage in activities closely related to financial intermediation. These

institutions comprise linked investment service providers, collective investment schemes (comprising money market unit trusts, non-money market unit trusts, participation bonds and hedge funds), trust companies, finance companies, financial auxiliaries, insurers, pension and provident funds, and public sector financial corporations.

4.3.3 Insurers

An insurer (or insurance company) is an entity whose primary business is to provide short-term and long-term insurance to individuals (households) or other institutional units, or to provide reinsurance services to other insurers. A list of all registered insurers is available on the SARB website (<https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-registered-insure/List%20of%20registered%20insurers.pdf>).

Insurers also include public sector insurers, namely Densecure SOC, Escap SOC, Export Credit Insurance Corporation of South Africa SOC, Khula Credit Guarantee SOC, Land Bank Insurance SOC, Land Bank Life Insurance Company SOC and Sasria SOC. Insurers with a secondary listing on the JSE should be reported in insurers and 'of which: Companies with secondary listings on the JSE'.

4.3.4 Property companies

Listed property companies are companies that manage and develop commercial (industrial, offices, retail, etc.) and residential sites. A list of property companies listed on the JSE is available on the SARB website (<https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20property%20companies%20listed%20on%20the%20JSE.pdf>). Investment in a listed property company with a secondary listing on the JSE should be reported in property companies and 'of which: Companies with secondary listings on the JSE'.

4.3.5 Public sector financial corporations

A public financial corporation is a **resident state-owned entity** or institution whose primary activity is to provide financial services. A list of public sector financial corporations is available on the SARB website (<https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20public%20sector%20financial%20corporations.pdf>).

4.3.6 Money market unit trusts (collective investment schemes)

A money market unit trust is a collective investment scheme that pools investors' money with a manager for investment, on their behalf, in assets mostly comprising money market instruments. These money market instruments have an original maturity of one year or less. The value of money market unit trusts is the net asset value (NAV).

4.3.7 Non-money market collective investment schemes

A non-money market collective investment scheme includes non-money market unit trusts, participation bond schemes and hedge funds.

4.3.8 Other non-bank financial institutions

Other non-bank financial institutions exclude non-bank financial institutions already shown in separate line items (sectors) in the C48 form. These include, among others, financial auxiliaries, pension and provident funds, trust companies and finance companies.

4.3.8.1 Financial auxiliaries

Financial auxiliaries are financial institutions that engage in serving financial institutions and markets, but do not take ownership of the financial assets and liabilities. Financial auxiliaries include brokers and agents, clearing houses and stock exchanges.



4.3.8.2 Pension and provident funds

Pension and provident funds are independent pension and provident funds managed by institutional units. Official pension and provident funds are managed in terms of own statutes, while private pension and provident funds were established under the Pension Funds Act 24 of 1956 (Pension Funds Act).

4.3.8.3 Trust companies

A trust company is an entity that holds or administers assets for the benefit of individuals (households) or other institutional units. As such, these entities administer trusts and manage assets and estates that belong to the beneficiaries.

4.3.8.4 Finance companies

A finance company is an entity that obtains funds in various forms such as loans, bonds, debentures or notes, with the sole objective of investing or lending these funds in the form of instalment sale finance, financial leases, mortgage loans and other loans.

4.3.9 Other financial institutions

Other financial institutions exclude financial institutions (banks and non-bank financial institutions) already shown in separate line items (sectors) in the form.

4.4 General government

General government consists of the government units that produce services for individual or collective consumption, mainly on a non-market basis, and redistribute income and wealth. General government comprises the central government, which consists of national government, social security funds and extra-budgetary institutions, as well as provincial and local governments. However, only national and local governments issue interest bearing securities and are therefore separately included in the form.

4.4.1 National government

National government is principally engaged in the production and provision of non-market goods and services intended for individual and collective consumption. National government is the institutional sector counterparty for interest bearing securities (government bonds and Treasury bills) issued by the South African government. Interest bearing securities issued by state-owned companies should not be included in national government.

4.4.2 Local government

Local government is a third-tier government unit that provides a wide range of services to resident institutional units. Local government is the sector counterparty for interest bearing (debt) securities issued by municipalities. A list of local governments (metropolitans) is available on the SARB website ([https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20local%20governments%20\(metropolitans\).pdf](https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20local%20governments%20(metropolitans).pdf)).

4.4.3 Government

Investment in short-term interest bearing securities issued by general government such as commercial paper should be reported as 'Government'.

4.5 Companies with secondary listings on the JSE

A secondary listing (dual listing) is when a company is listed on more than one exchange. Secondary listed shares should be reported in both the respective resident sector and 'of which: Companies with secondary listings on the JSE'. A list of companies with secondary listings on the JSE is available on the SARB website (<https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20companies%20with%20secondary%20listings%20on%20the%20JSE.pdf>).



To ensure the institutional sector counterparty remains accurate over time, compilers should make reasonable efforts to verify the classification of institutions.

5. Column descriptions (Table 1 and Table 2): Income and expenditure

5.1 Transactions previous quarter (Column 1): Foreign countries

This refers to income and expenditure transactions received from or paid to foreign countries (non-residents) for the previous (last) quarter.

5.2 Transactions previous quarter (Column 2): South Africa

This refers to income and expenditure transactions received from or paid to South African residents for the previous (last) quarter.

5.3 Transactions this quarter (Column 3): Foreign countries

This refers to income and expenditure transactions received from or paid to foreign countries (non-residents) for this (current) quarter.

5.4 Transactions this quarter (Column 4): South Africa

This refers to income and expenditure transactions received from or paid to South African residents for this (current) quarter.

Notes pertaining to the above columns:

- All income and expenditure transactions should be the total for the quarter and not the cumulative amount.
- The columns for foreign countries plus South Africa should be equal to the total for each line item for the quarter.

6. Income and expenditure transactions

6.1 Investment income (gross)

Investment income is income that is received by retirement funds. Investment income must be reported on a gross basis, that is expenses incurred in managing investments and interest paid on borrowings must not be deducted.

6.1.1 Interest received

Interest income is income received by retirement funds on interest bearing investments.

6.1.2 Dividends received

Dividend income is income received by retirement funds on equity investments. Property



income that is received from real estate investment trusts (REITs) should also be reported here.

6.1.3 Rent received

Rent income is income received on property and land rental, excluding property income from REITs.

6.1.4 Income from insurance policies

This is investment income received by retirement funds on policies with insurers.

6.1.5 Collective investment schemes distributions

This is investment income received by retirement funds on investments with collective investment schemes.

6.1.6 Other investment income

This refers to other investment income received that is not mentioned as a separate line item, such as interest on the late payment of contributions and interest levied on surplus improperly utilised.

6.2 Profit (+) or loss (-) on investments and assets

This refers to the adjustment to fair value and profit or loss on assets of the reporting fund.

6.2.1 Realised sales and redemptions

Realised capital gains/losses on sales and redemptions occur when the sales price or redemption value of an instrument is higher or lower than its original cost (carrying value) at the time of sale. A realised gain/loss is the difference between the carrying value and the sales price.

6.2.2 Adjustment to fair value

This adjustment refers to the accounting adjustment of transactions to fair value, which is given as the value that approximates the value that would arise from a market transaction between two parties.

6.3 Contributions received

This refers to contributions received by the fund from members and employers, including any additional contributions received.

6.3.1 Members

This refers to contributions received from members (employees), including additional contributions.

6.3.2 Employers

This refers to contributions received from employers, including additional contributions and contributions that relate to an actuarial shortfall.

6.4 Transfers from other funds

Transfers from other funds refer to the value of retirement fund benefits received by the reporting fund from another retirement fund.

6.5 Other income

Other income that is not mentioned as a separate line item in the C48 form, including reinsurance recoveries, securities lending fee income, tax rebates and bad debts recovered.

6.6 Total income

This is the sum of all income received by the fund for the quarter.

6.7 Benefits paid

This refers to the value of benefits paid by the fund to beneficiaries (members).

6.7.1 Annuities and monthly pensions

This refers to regular annuities and monthly benefits paid by the fund to a member (beneficiary).

6.7.2 Lump sum on retirement, death and disability

This payment refers to a one-off benefit payment to a member at retirement or in the event of death and disability.

6.7.3 Pension withdrawals

Pension withdrawals refer to a withdrawal of the retirement benefit by a member before retirement. Retrenchment benefits, divorce settlements and resignation payment must be included in pension withdrawals.

6.7.4 Other benefits paid

This refers to other benefits paid to a member not mentioned above.

6.8 Expenses incurred for managing investments and performance fees

This refers to expenses and performance fees that are incurred by the fund as a result of managing investment assets of the fund.

6.9 Operating and administration expenditure

Operational and administration expenses are costs related to administering the running and maintenance of the fund.

6.9.1 Administration expenses

Administration expenses are costs related to administering the running of the fund, excluding salaries and wages paid by the fund.

6.9.2 Salaries and wages

Salaries and wages are paid by the fund to its employees. Salaries and wages include, among other things, trustee fees and remuneration.

6.9.3 Other operating and administration expenditure

This refers to other operating and administration expenditure not mentioned above.



6.10 Transfers to other funds

Transfers to other funds refer to the value of retirement fund benefits transferred by the reporting fund to another retirement fund.

6.11 Premiums paid on insurance policies

These are premiums paid by the fund to an insurer in accordance with the insurance contract.

6.12 Interest paid on borrowings

This refers to the interest paid by the fund on its borrowings.

6.13 Other expenditure

Other expenditure that is not mentioned as a separate line item in the C48 form.

6.14 Total expenditure

Total expenditure is the sum of all expenditure for the quarter.

7. Column descriptions (Table 3): Funds and liabilities

7.1 Balance at end of previous quarter (Column 1): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument held or provided by foreign countries at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

7.2 Balance at end of previous quarter (Column 2): South Africa

This refers to the **value** of the outstanding stock of a financial instrument held or provided by South African residents at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

7.3 Balance at end of this quarter (Column 3): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument held or provided by foreign countries at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

7.4 Balance at end of this quarter (Column 4): South Africa

This refers to the **value** of the outstanding stock of a financial instrument held or provided by South African residents at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.



Note pertaining to the above columns:

The columns for foreign countries plus South Africa should be equal to the total for each line item for the quarter.

8. Financial instruments: Funds and liabilities

8.1 Funds and surplus account

This is the value of members' funds and surplus account.

8.1.1 Members' funds

This refers to the value of members' funds in the retirement fund, including accumulated funds and member surplus account.

8.1.2 Amounts to be allocated

This refers to the value of members' funds that is still to be allocated during the current reporting period.

8.2 Reserves

This is the value of the actuarial reserves and other reserve accounts set aside by the reporting fund.

8.3 Loans (including repos and security lending)

A loan is created when the reporting fund borrow funds from another sector such as banks or non-bank institutions. Loans are valued at nominal value, with the outstanding claim including accrued interest. Bank overdrafts should be included in loans.

A repo is a repurchase agreement where securities are provided for cash with an agreement to repurchase the same or similar securities on a specified future date.

Security lending is an arrangement whereby a holder transfers securities to a borrower, subject to the same (or similar) securities to be returned on a specified date or on demand.

The three categories of securities lending include:

- Backed by cash collateral: the transaction is similar to a repo transaction and should be treated as a collateralised loan.
- Backed by securities as collateral: the transaction should be recorded as off balance sheet by both the lender and the borrower. Therefore, the transaction should not be reported in the C48 form.
- Not backed by any collateral: the transaction should be reported in the C48 form.

8.4 Provisions

These are amounts put aside by the reporting fund to cover unexpected events.

8.5 Financial derivatives

A financial derivative is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in their own





right in financial markets. The position in financial derivatives should be recorded as the net effective exposure. If the net effective exposure is not available, the derivatives should be valued at either the amount required to buy out or to offset the contract, or the amount of premiums payable for options contracts. A **positive** net effective exposure should be recorded as an **asset** and a **negative** net effective exposure should be recorded as a **liability**.

A distinction should be made between the two categories of financial derivatives, namely (i) option contracts; and (ii) futures, forward and swap contracts.

8.5.1 Option contract

This is an agreement whereby an investor acquires the right but not the obligation to buy (call) or sell (put) a specified underlying item at an agreed strike price on a specified date. The institutional sector counterparty for JSE-traded option contracts is not available, therefore all the exchange-traded derivatives should be reported as 'Other'.

8.5.2 Forward contract

A forward contract is an unconditional agreement in the over-the-counter markets whereby two parties agree to exchange a specified quantity of the underlying item at an agreed price (the strike price) on a specified date, for example forward rate agreements. The institutional sector counterparty is banks or non-bank financial institutions.

8.5.3 Futures contract

A futures contract is a standardised contract similar to a forward contract, but traded on a stock exchange. The institutional sector counterparty for JSE-traded futures contracts is not available, therefore all exchange-traded derivatives should be reported as 'Other'.

8.5.4 Swap contract

A swap contract is a contract between two parties who agree to exchange cash flows based on the reference prices of the underlying items for a defined period. Swap contracts are traded over the counter and the institutional sector counterparty is banks or non-bank financial institutions.

8.6 Accounts payable

Accounts payable by the reporting fund, including unsettled investment transactions and taxes payable. Accounts payable are measured at nominal value.

8.7 Other liabilities

Other liabilities are financial obligations that have not been specified in the balance sheet liability line items of the C48 form. Other liabilities include employer surplus account, transfers to other funds, benefits payable to members and unclaimed benefits.

9. Column descriptions (Tables 4 – 6): Assets

9.1 Balance at end of previous quarter (Column 1): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument issued by foreign countries at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.



9.2 Balance at end of previous quarter (Column 2): South Africa

This refers to the **value** of the outstanding stock of a financial instrument issued by South African residents at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

9.3 Balance at end of this quarter (Column 3): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument issued by foreign countries at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

9.4 Balance at end of this quarter (Column 4): South Africa

This refers to the **value** of the outstanding stock of a financial instrument issued by South African residents at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

9.5 Transactions: purchases and new issues (Column 5)

This refers to the **value** of securities (such as shares, unit trusts and interest bearing securities) that have been bought, as well as the **value** of securities that are offered for sale for the first time in the market (new issues). These financial transactions relate to the acquisition of financial assets of each type of financial instrument including corporate actions for this (current) quarter. All financial transactions should be recorded on a **gross basis**, therefore transactions for purchases and new issues should not be **netted** against transactions for sales and redemptions for all instruments.

9.6 Transactions: sales and redemptions (Column 6)

This refers to the **value** of securities (such as shares, unit trusts and interest bearing securities) that have been sold, as well as the **value** of the principal amount of securities that reached their maturity date and/or were redeemed. These financial transactions relate to the selling of financial assets of each type of financial instrument including corporate actions in this (current) quarter. All financial transactions should be recorded on a **gross basis**, therefore transactions for sales and redemptions should not be **netted** against transactions for purchases and new issues for all instruments.

Notes pertaining to the above columns:

- The sum of columns 1 and 2 (previous quarter) plus column 5 minus column 6 is **not** equal to the sum of columns 3 and 4 (this quarter). The difference relates to **revaluation** and **other volume changes** which could occur due to the re-classification of financial instruments.
- Where shaded (blocked), balances, purchases and new issues, as well as sales and redemptions are not required.





10. Non-financial assets

10.1 Non-financial assets of reporting retirement fund

Assets that are not financial assets are described as non-financial assets. Non-financial assets are further subdivided into 'produced' and 'non-produced'.

10.1.1 Land and buildings

This refers to the value of land and buildings owned by the reporting fund. Land and buildings include owner-occupied property, but exclude investment in listed or unlisted property companies.

10.1.2 Vehicles

Vehicles consist of transport equipment such as motor vehicles of the reporting retirement fund.

10.1.3 Computer equipment

Information and communication technology (ICT) equipment consists of devices that use electronic controls and also the electronic components that form part of these devices.

10.1.4 Software

Software consists of computer programs, program descriptions and supporting materials for both systems and applications software of the reporting retirement fund.

10.1.5 Other non-financial assets

This refers to other non-financial assets not specified separately, such as inventories and other intangible assets.

11. Financial instruments: Assets

11.1 Investment properties

This refers to investment in properties and property companies **not** listed on the JSE.

11.2 Listed ordinary shares including participating preference shares

An **ordinary share** represents equity ownership and voting rights in a listed company.

A **preference share** represents equity ownership in a company without voting rights. **Participating preference shares** are classified together with ordinary shares as they provide the holder with a claim on a share in the residual value of the company on dissolution.

11.3 Other equity instruments listed on the JSE

Other listed equity instruments are all the other forms of equity held in a corporation that are not ordinary and participating preference shares, such as exchange-traded notes and investment products.

11.4 Unlisted ordinary shares including participating preference shares

An unlisted ordinary share represents equity ownership that gives the holder voting rights in a company that is not listed on a stock exchange.

Investment in private equity funds should be included in unlisted ordinary shares. Private equity funds invest in instruments that are similar to equity instruments of unlisted companies.

11.5 Non-participating preference shares

Holders of non-participating preference shares do not participate in the issuer's residual assets on liquidation like participating preference shares, therefore investment in non-participating preference shares is requested separately on the form.

11.6 Money market unit trusts (collective investment schemes)

A money market unit trust is a collective investment scheme that pools investors' money with a manager for investment, on their behalf, in assets mostly consisting of money market instruments. These money market instruments have an original maturity of one year or less. The value of money market unit trusts is the net asset value (NAV).

11.6.1 Domestic money market unit trusts

Refer to South African (domestic) registered money market funds.

11.6.2 Foreign money market unit trusts

Refer to foreign (non-resident) registered money market funds.

11.7 Non-money market collective investment schemes

A non-money market collective investment scheme includes non-money market unit trusts, participation bond schemes and hedge funds.

Non-money market unit trusts exclude money market unit trusts and invest in equity, as well as interest bearing and multi-asset portfolios. **Fund of funds** unit trusts are non-money market unit trusts that invest in other domestic or foreign unit trusts. The value of non-money market unit trusts is the NAV.

Exchange-traded products comprise the following three sub-categories, namely (i) exchange-traded funds (ETF); (ii) exchange-traded commodities or currencies (ETC); and (iii) exchange-traded notes (ETN). ETFs registered as collective investment schemes invest unit holders' capital, therefore unit holders have a claim on the fund's assets and should be classified as non-money market unit trusts. ETC and ETN are only backed by the credit of the issuer and are therefore interest bearing securities. ETC and ETN are senior unsubordinated debt that are issued by a single issuer. Unlike ETF, ETC and ETN do not hold the underlying assets in a trust for their investors.

11.7.1 Domestic non-money market unit trusts

Refer to South African (domestic) registered non-money market funds.

11.7.2 Foreign non-money market unit trusts

Refer to foreign (non-resident) registered non-money market funds.

11.7.3 Participation bonds

A participation bond scheme is a collective investment scheme whereby investors' money is pooled with the objective of providing loans to real estate developers.

11.7.4 Hedge funds

A hedge fund is a collective investment scheme that makes use of pooled funds using a variety of investment strategies.

11.8 Long-term interest bearing securities

Interest bearing (debt) securities are securities on which interest is due to be paid, either periodically or at maturity, and with the face value repaid at maturity. A long-term interest bearing security is a financial instrument with an original maturity of **more than one year**. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Long-term interest bearing securities include bonds, debentures, notes (e.g. credit-linked notes), subordinated debt and asset-backed securities such as mortgage-backed bonds. Debt securities with **embedded financial derivatives** should be classified as interest bearing securities.

Equity linked notes (ELN) are typically privately placed interest bearing (debt) instruments. An ELN differs from conventional debt instruments as the principal, coupons or both are linked to the performance of an equity index or individual share. Although the return on the ELN is linked to the underlying equity, it should not be classified as equity or a derivative.

11.8.1 Characteristics of interest bearing securities

- They are negotiable and can be traded on secondary markets.
- The holder has the unconditional right to a fixed or contractually determine income in the form of coupon payments and/or a stated fixed sum on a specific date or dates, or starting from a date specified at the time of issue.

11.9 Short-term interest bearing securities

A short-term interest bearing security is a financial instrument with an original maturity of **one year or less**. Such securities are predominantly money market instruments. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Short-term interest bearing securities include debentures, notes, bills of exchange, negotiable certificates of deposit (NCD), commercial paper, promissory notes and Treasury bills. These instruments should be reported in **long-term interest bearing securities** if they have an original maturity of more than one year.

11.9.1 Negotiable certificates of deposit

An NCD is a negotiable-bearer interest bearing (debt) security issued by a bank at face value and can be traded in the secondary market.

11.9.2 Treasury bills

A Treasury bill is a short-term interest bearing security issued by national government. Treasury bills are sold at a discount and carry no coupon. Treasury bills are issued at different maturities of up to 12 months.



11.9.3 Land Bank bills

A Land Bank bill is a short-term discount interest bearing security that is issued by the Land Bank.

11.9.4 Promissory notes issued by banks

A promissory note is a written, dated and signed two-party instrument containing an unconditional promise by the bank to pay a payee on demand or at a specified future date.

11.10 Other short-term interest bearing securities

These include short-term interest bearing securities other than NCDs, Treasury bills, Land Bank bills and promissory notes issued by banks with an original maturity of one year or less.

11.10.1 Commercial paper

Commercial paper is an unsecured interest bearing security issued by a corporation to finance accounts receivable, inventories or short-term liabilities.

11.10.2 Debentures

A debenture is an interest bearing security that is not secured by any physical asset or collateral. A debenture with a maturity of one year or less should be classified as a short-term interest bearing security.

11.11 Financial derivatives

A financial derivative is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in their own right in financial markets. The position in financial derivatives should be recorded as the net effective exposure. If the net effective exposure is not available, the derivatives should be valued at either the amount required to buy out or to offset the contract, or the amount of premiums payable for options contracts. A **positive** net effective exposure should be recorded as an **asset** and a **negative** net effective exposure should be recorded as a **liability**.

A distinction should be made between the two categories of financial derivatives, namely (i) option contracts; and (ii) futures, forward and swap contracts.

11.11.1 Option contract

This is an agreement whereby an investor acquires the right but not the obligation to buy (call) or sell (put) a specified underlying item at an agreed strike price on a specified date. The institutional sector counterparty for JSE-traded option contracts is not available, therefore all exchange-traded derivatives should be reported as 'Other'.

11.11.2 Forward contract

This is an unconditional agreement in the over-the-counter markets whereby two parties agree to exchange a specified quantity of the underlying item at an agreed price (the strike price) on a specified date, for example forward rate agreements. The institutional sector counterparty is banks or non-bank financial institutions.





11.11.3 Futures contract

A futures contract is a standardised contract similar to a forward contract, but traded on a stock exchange. The institutional sector counterparty for JSE-traded futures contracts is not available, therefore all the exchange-traded derivatives should be reported as 'Other'.

11.11.4 Swap contract

A swap contract is a contract between two parties who agree to exchange cash flows based on the reference prices of the underlying items for a defined period. Swap contracts are traded over the counter and the institutional sector counterparty is banks or non-bank financial institutions.

11.12 Loans (including repos and security lending)

A loan is created when the reporting retirement fund lend funds to another sector such as households or corporations. Housing loans to members should be reported here. Loans are valued at nominal value, with the outstanding claim including accrued interest

A repo is a repurchase agreement where securities are provided for cash with an agreement to repurchase the same or similar securities on a specified future date.

Security lending is an arrangement whereby a holder transfers securities to a borrower, subject to the same (or similar) securities to be returned on a specified date or on demand.

The three categories of securities lending include:

- Backed by cash collateral: the transaction is similar to a repo transaction and should be treated as a collateralised loan.
- Backed by securities as collateral: the transaction should be recorded as off balance sheet by both the lender and the borrower. Therefore, the transaction should not be reported in the C48 form.
- Not backed by any collateral: the transaction should be reported in the C48 form.

11.13 Insurance policies

Insurance policies are policies undertaken by the retirement fund.

11.13.1 Linked policies

This refers to insurance policies whereby the value of the policy is linked to the value of the underlying assets.

11.13.2 Non-linked policies

This refers to insurance policies whereby the value of the policy is not linked to the value of the underlying assets. Non-linked policies have a minimum performance guarantee.

11.13.3 Pensioner annuity policies

This refers to the value of pensioner annuity policies purchased in the name of the fund.

11.14 Cash and deposits

Cash and deposits comprise transferable and other deposits. **Money market instruments** are not part of cash and deposits and should be reported in **short-term interest bearing securities**. Cash and deposits should be reported at nominal value including accrued interest.



11.14.1 Transferable deposits

Transferable deposits are deposits that are directly transferable on demand to make payments without incurring penalties or restrictions. These deposits include transactional accounts such as cheque accounts, as well as credit and debit payment facilities.

11.14.2 Other deposits

Other deposits are non-transferable deposits with an agreed maturity (fixed-term), where early withdrawal is subjected to a penalty. These deposits include time (fixed) and saving accounts. Other deposits also include call deposits.

11.15 Accounts receivable

Accounts receivable are financial assets that are created where there is a timing difference between transactions and corresponding payments. Examples of accounts receivable are unsettled sales of financial instruments, as well as the refund of taxes from the South African Revenue Service.

11.16 Other assets

Other assets are asset types not specified in the balance sheet line items of the C48 form. Other assets include employer surplus improperly utilised receivable, transfers from other funds and contributions receivable from members.

