

REGULATION 28 TRUSTEE CHECKLIST

Quarter ending 30 June 2019

Schedule IB Compliance	Confirm	Date	Comments
Confirm manager performed monthly compliance check			
Record all manager breaches for duration and severity			
Confirm breaches and discuss with manager (if necessary)			
Request details of breach correction (when and how)			
Review manager Schedule IB Reports			
Review asset manager instrument classifications			
Confirm manager performed look-through into all funds			
Prepare Product Level Reg28 reports (Member Level)			
Prepare Fund Level Reg28 reports			
Review and record breach reports for Product and Fund Level			
Confirm manager, product and fund values match administrator			
Investigate differences and reconciliations			
Confirm compliance reports (Schedule IB) are completed			
Confirm SARB D427 is consistent with Schedule IB			
Confirm PO, Chairman signed SARB D427 report			
Confirm SARB D427 report was submitted before 31 August 2019			
Confirm Non-Compliance reports prepared in prescribed format			
Upload Non-Compliance reports on FSCA portal by 30 Sept 2019			
Request remedial rebalancing instruction from asset consultant			
Review and approve remedial rebalancing and calculations			

ACTION TAKEN

REGULATION 28 TRUSTEE CHECKLIST

Quarter ending 30 June 2019

Implement remedial rebalancing			
Request post rebalancing compliance reports			
Check compliance of Product and Fund levels (post rebalancing)			
Review Environmental, Social and Governance (ESG) reports			
Review Shareholder Voting records - Quarter to 30 June 2019			
Fund Year End – request Schedule IA reports			
Check Schedule IA for completeness and accuracy			
Request ISAE3402 for audit purposes			
Investment Risk Analytics			
Review fund asset allocation and diversification			
Review asset allocation performance target probability			
Review manager correlation and allocations			
Review fund industry concentration and volatility risk			
Review currency exposure and concentration			
Review credit Issuer exposure and concentration			
Review fund Value at Risk (VAR) reports			
Review Stress Testing – Market impact loss			
Review style analysis (Value, Growth, Size, Momentum etc.)			
Review total risk decomposition reports			
Review fund and manager performance relative to benchmarks			
Review performance relative to peer group			
Review performance attribution (source of performance)			

Principles of Regulation 28

1. Comply with all regulatory limits
2. Review Investment Policy Statement (IPS) annually (minimum)
3. Apply the following regulatory principles:
 - a. **Promote education of the Board**
 - b. **Monitor compliance with this regulation**
 - c. **Consider BBEE service providers**
 - d. **Ensure fund assets are appropriate for liabilities**
 - e. **Perform due diligence before investing in an asset**
 - f. **Perform due diligence before investing in foreign asset**
 - g. **Independent credit ratings**
 - h. **Risk analysis - credit, market, liquidity, operational, currency, geographic and sovereign risk**
 - i. **Environmental, Social and Governance consideration**
4. Fund retains responsibility for compliance with these principles

Asset Limits

1. Fund must only hold approved assets and must comply with limits
2. Each category or member must comply with regulatory limits

Look-Through Principle

1. Do not use assets to circumvent limits
2. Disclose the underlying assets in the asset class they relate to.
3. No look-through required for:
 - a. **Hedge Funds**
 - b. **Private Equity Funds**
4. Direct or indirect foreign exposure must be disclosed as foreign

IMPORTANT DATES

Submit SARB D427 Report **31 Aug 2019**

Submit Reg28 Non-compliance report **30 Sep 2019**

The responsibilities and duties of trustees are explained in the Pension Fund Act (1956). The FSCA has also published standards of governance expected to be maintained by trustees of retirement funds. Trustees are encouraged to read and familiarise themselves with these publications. www.fsc.co.za

To help trustees ensure that their statutory obligations continue to be met, GIR has developed the Trustee Regulation 28 Compliance (TRC) checklist. The TRC checklist will be updated quarterly and distributed to website subscribers. Retirement fund trustees can also use the TRC checklist as a tool to generate discussion at trustee meetings amongst the trustees and their advisers/service providers and to identify matters requiring further attention.

Visit our website for more information regarding compliance with:

- PF 130 for Trustees
- Fiduciary Checklist
- Retirement fund regulations

Suggestions, comments or recommendations, please contact us:

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