

**PFR 2 - PENSION FUND
INVESTMENT RULES
2023**

NBFIRA/RS/RF/RUL013

NBFIRA

Non-Bank Financial
Institutions Regulatory
Authority



CONTROL TABLE



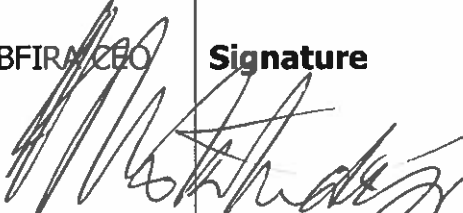

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1 PURPOSE

1.1 The purpose of this document is to establish and articulate the investment limits applicable to Retirement Funds, outlining the framework within which these Funds operate to ensure prudent financial management, risk mitigation, and the fulfillment of fiduciary responsibilities. These Rules are designed to safeguard the interests of Retirement Fund beneficiaries, enhance transparency, and promote the long-term sustainability of Retirement Fund assets.

1.2 These Rules are issued in terms of Section 64 of the Retirement Funds Act, 2022.

2 SCOPE

2.1 These Rules apply to all licensed Retirement Funds.

3 ASSOCIATED DOCUMENTS

Document	Reference
Fund Rules	
PFR8 Suitability of Retirement Fund Investments	
PFR10 - Minimum Standards and Conduct of Board of Trustees	
Retirement Funds Act & its Regulations	
Relevant Financial Services Laws	

4 DEFINITIONS

Term	Definition
Act	means the Retirement Funds Act, 2022 and its Regulations
An alternative investment	means an investment that does not fall into conventional asset category, such as cash, bond, equity, or property

	and for the purpose of these Rules, it is limited to such investments outlined in Table 1
Board of Trustees	means the governing body of a Fund
Bond	means either a government bond or a corporate bond
Cash	means cash in hand, bank notes issued or caused to be issued in terms of the Bank of Botswana Act, 1996 (Act No 19 of 1996), and credit balances
Credit balances	means a credit balance in an account or a deposit, including a negotiable deposit and a bill accepted by, or a promissory note issued by: <ul style="list-style-type: none"> • an institution registered or licensed under the Banking Act, 1995 (Act No. 13 of 1995); or • an institution incorporated outside of Botswana which would have been a banking institution under the Banking Act.
Contract for differences	means a contract the purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price of: <ul style="list-style-type: none"> • An asset; • Income from such asset; and • An index of such assets or the income.
Corporate bonds	means bonds, other than government bonds, which are issued by a body corporate registered in terms of the law.
Derivatives	means an asset whose price depends on or is derived from, the price of another asset, this Includes but is not limited to options, futures, and contracts for differences;
Fair value	means the fair value of an asset determined by reference to the International Financial Reporting Standards
Foreign cash	means cash in a currency which is not legal tender in Botswana
Fund	means a Retirement Fund as defined in terms of the Act
Futures contract	means a standardized contract the effect of which is that: <ul style="list-style-type: none"> • a person agrees to deliver to or receive from another person a certain quantity of corporeal or incorporeal things before or on a future date at a pre-arranged price; or • an amount of money will be paid to or received from another person before or on a future date

	<p>according to whether the pre-arranged value or price of:</p> <ul style="list-style-type: none"> • an asset; • an index as a means of indicator that reflects changes in the value of one or more groups of shares or securities on one or more exchanges; • currency; • a rate of interest; or • any other factor, is higher or lower before or on that future date than the pre-arranged value or price.
Government bonds	means securities issued by the Government of Botswana.
Holding company	means a holding company according to the Companies Act.
Infrastructure	means a system of public works including roads, air, rail, communication networks, water, power, and sewerage lines as well as public buildings.
IFRS	means International Financial Reporting Standards developed and maintained by the International Accounting Standards Board
Listed	means listed on a stock exchange or similar trading facility, which is recognised generally by the international community of institutional investors
Multilateral development finance organizations	means organizations formed between three or more nations to work on development issues that relate to all the countries in the organization.
Option contract	<p>means a standardised contract the effect of which is that a person acquires the option:</p> <ul style="list-style-type: none"> • to buy from or to sell to another person a certain quantity of corporeal or incorporeal things before or on a future date at a pre-arranged price; • for an amount of money to be paid to or received from another person before or on a future date according to whether the pre-arranged value or price of: <ul style="list-style-type: none"> • an asset; • an index as a means of indicator that reflects changes in the value of one or more groups of shares-or securities on one or more exchanges; • a currency; • a rate of interest • any other factor; and

	<ul style="list-style-type: none"> • is higher or lower before or on that future date than the pre-arranged value or price;
Property Company	<p>means a company:</p> <ul style="list-style-type: none"> • which owns immovable property as its principal business; or • all the shares in a company: <ul style="list-style-type: none"> • whose principal business consists of the ownership of immovable property; or • which exercises control, as defined in the International Accounting Standards, over a company whose principal business consists of the ownership of immovable property; or • constitutes, in the aggregate, fifty (50) per cent or more of the market value of its assets: <ul style="list-style-type: none"> • investments in immovable property; or • investments in another company which derives fifty (50) per cent or more of its income from investments in immovable property; or • which exercises control, in terms of the International Accounting Standards, over a company which derives fifty (50) percent or more of its income, in the aggregate, from investments in immovable property; or investments in another company which derives fifty (50) per cent or more of its income from investments in immovable property.
Private equity fund	means a pooled investment scheme with specific strategies and finite investment horizons; used for making investments in various unlisted companies through equity and or debt instruments
Share	means an interest in the capital of a company; including share stock
Sponsoring employer	means: <ul style="list-style-type: none"> • in relation to a Fund established to provide benefits for employees of a company, means the company for whom the member works, where only one company participates in a Fund; any company within a group, where "group"

	<p>describes a company and its subsidiaries (where the company owns at least 50 percent of the subsidiary), or all companies with a common holding company, and the employee works for one of the companies in such group; and;</p> <ul style="list-style-type: none"> • in relation to a Fund established for the employees of a body corporate other than a company including government and local authorities and bodies established by a law, the body that has the right in terms of the Fund Rules to appoint Trustees other than member-elected Trustees.
Supra-national bonds	means debt instruments issued by Multilateral Development Finance Organizations, of which Botswana is a member

5 ABBREVIATIONS

Abbreviation	Full Phrase
IFRS	International Financial Reporting Standards
SAA	Strategic asset allocation
AML/CFT	Anti Money Laundering/ Counter Terrorism Financing
ESG	Environmental, Social And Governance

6 RESPONSIBILITY

All licensed Retirement Funds.

7 PFR 2 - PENSION FUND INVESTMENT RULES

7.1 General Principles

- 7.1.1 The Board of Trustees are responsible for the investment of Funds. In pursuant of this role, the Board of Trustees shall invest fund assets in the best interest of the members and with the objectives of ensuring safety and maintenance of fair returns.

7.1.2 The Board of Trustees shall ensure that appropriate legal and financial due diligence are undertaken on all investment managers and other related service providers prior to investment.

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7.1.4 Subject to the Income Tax Act:

7.1.4.1 Fund contributions shall not be taxable; and

7.1.4.2 All interests, dividends, profits, investment and other incomes accruable to the Fund and assets shall not be taxable.

7.2 Investment Policy

7.2.1 A Board of Trustees of a Fund shall have an investment policy for the Fund. The investment policy shall have an investment strategy which is to be submitted to the Regulatory Authority at the initial licensing stage and once every three (3) years or where there is a material change within a period of twelve (12) months.

7.2.2 A material change to the Fund includes:

7.2.2.1 A change of twenty (20) percent or more in the membership of the Fund;

7.2.2.2 A change in the benefit structure which will change the value of the accrued liabilities by twenty (20) percent or more;

7.2.2.3 A change in the asset and, or liability values by more than twenty (20) percent because of movement in the market;

- 7.2.2.4 The transfer of at least twenty (20) percent of the assets or liabilities into or out of the Fund; or
 - 7.2.2.5 A change in valuation assumptions which has resulted in a change of more than twenty (20) percent to the actuarial values of either the assets or the liabilities.
- 7.2.3 The Board of Trustees shall consult experts with sufficient skill and experience to advise the Board of Trustees on an appropriate investment strategy, unless the Board of Trustees itself includes members with sufficient skills and experience to perform such function.
- 7.2.4 The Board of Trustees shall establish an investment strategy that shall take due account of:
- 7.2.4.1 the investment objectives of the Fund;
 - 7.2.4.2 the nature and term of the liabilities of the Fund;
 - 7.2.4.3 the funding methods used in the Fund, including, in case of a defined contribution fund, any smoothing of investment returns accrued to individual member accounts;
 - 7.2.4.4 the effect of taxation on the investment return earned, benefit payouts;
 - 7.2.4.5 the need to diversify the assets of the Fund; and
 - 7.2.4.6 the risks to which the assets and the liabilities of the Fund will be exposed.
- 7.2.5 The Board of Trustees shall review the investment strategy of a Fund, either when there is a material change to the Fund or in anticipation of a major change or, failing such a change, on at least an annual basis.
- 7.2.6 Where the strategy does not restrict pooled investment portfolios offered through insurance policies or collective investment undertakings:
- 7.2.6.1 the strategy shall set out in writing what percentages of the total fair value of the assets of the Fund may be invested in each of the various classes, which shall be subject to the limitations imposed by these Rules, and categories of asset [the strategic asset allocation [("SAA")], and what powers the investment manager will have to diverge from the SAA (which may be expressed as a range for the percentages in each asset class around the SAA) with, or without, the consent of the Board of Trustees, subject to the limits set out in this Rule;
 - 7.2.6.2 the strategy document shall include the criteria upon which investment managers shall be selected and the manner in which,

and the frequency with which, their performance shall be assessed. If performance assessment requires the use of a benchmark, such a benchmark shall be included in the document; and

7.2.6.3 where the Fund will be investing only in pooled investment portfolios offered through insurance policies or collective investment schemes, the strategy document shall set out the criteria with which such investment portfolios shall be selected and the manner in which, and the frequency with which, their performance shall be assessed. If performance assessment requires the use of a benchmark; such benchmark shall be included in the document.

7.3 Certification By Actuary

7.3.1 An actuary shall confirm that he or she is satisfied that the strategy is consistent with the objectives of the Fund and management of the risks to which the Fund is exposed, and that the strategy will result in an appropriate relationship between the assets and the liabilities off the Fund. The actuary shall issue a certificate to this effect whenever the investment strategy is changed to a material extent, or, failing such a change, at least once every three (3) years, provided that:

7.3.1.1 if the Fund is exempt on actuarial valuations, or application is to be made for such exemption; such a certificate shall accompany the request for exemption or renewal of this exemption; or

7.3.1.2 if the Fund is not exempt from actuarial valuations, such a certificate shall accompany the report on the valuation in terms of Section 32 of the Act.

7.3.1.3 all fund assets invested in private equity funds shall be registered in the name of the Fund or its nominee in line with Section 31 of the Retirement Funds Act and a partnership register shall be always maintained.

7.4 Risk Management

7.4.1 Appointment of Risk Officer

7.4.1.1 Every Fund shall appoint a Risk Officer, who shall be responsible for assessing and identifying the potential risks of the Fund.

7.4.1.2 The Risk Officer shall submit a quarterly report to the Board of Trustees.

7.4.2 Appointment of Anti Money Laundering/ Counter Terrorism Financing/ Proliferation (AML/CFT) Officer

7.4.2.1 Every Fund shall appoint a designated AML/CFT Officer in accordance with the provisions of the Financial Intelligence Act, 2022. The AML/CFT Officer shall be responsible for the assessment and evaluation of potential money laundering, financing of terrorism and proliferation of weapons of mass destruction risks and identifying the risk mitigating strategies and applying preventive measures such as service providers, investment or member due diligence, record keeping and reporting of suspicious transactions among others.

7.4.2.2 The Risk Officer shall submit a quarterly report to the Board of Trustees.

7.4.3 Appointment of Compliance Officer

7.4.3.1 Every Fund shall appoint a Compliance Officer who shall always ensure that, the Fund is in compliance with these Rules, relevant financial services laws, international standards and acceptable business practices.

7.4.3.2 Subject to prior approval by **the Regulatory Authority**, the Compliance Officer or Risk Officer may also carry out the role of the AML/CFT Officer of the Fund.

7.4.4 Risk Management Committee

7.4.4.1 The Board of Trustees shall establish a Risk Management Committee, among others, for the effective management of the fund risks.

7.4.4.2 The Risk Management Committee shall consist of Independent Trustees, among other trustees. The Principal Officer, the Risk Officer and Compliance Officer may be ex-officio members of the committee.

7.4.4.3 The Risk Management Committee shall manage conflicts of interest, ensuring that any actual or perceived conflicts are fully disclosed, with the members of the committee, recusing themselves from any discussion of such matters in respect of which they are, or may be perceived to be, conflicted, where "perceived" shall be interpreted with reference to the stakeholders in the Fund and shall maintain such a conflict of interest register all the times.

7.4.4.4 The Risk Management Committee shall meet at least once every quarter.

7.4.5 Risk Management Policy

7.4.5.1 The Board of Trustees shall establish a Risk Management Policy which shall be reviewed by the Regulatory Authority, in accordance with the provisions of the Act.

7.4.5.2 The Risk Management Policy shall be reviewed on a half yearly basis or whenever modifications are needed to bring the policy in line with the requirements of the prevailing legislation.

7.4.5.3 The Risk Management Committee may engage the services of risk management professionals if they find it necessary to do so.

7.5 Environmental, Social And Governance (ESG) Factors

7.5.1 In making investment decisions, the Board of Trustees is encouraged to consider the environmental, social and governance (ESG) factors, along with financial factors, that may contribute to achieving the long-term retirement objectives of fund members and their beneficiaries.

7.5.2 The Board of Trustees may include ESG investing factors in their investment strategies.

7.5.3 **Environmental risks** may represent physical risks that stem from the direct impact of natural catastrophes such as earthquakes or floods, climate change, greenhouse gas emissions, renewable energy, resource depletion, including wastewater and pollution and deforestation on the physical environment and individuals. These may, for example, affect resource availability, disrupt or damage supply chains, or damage property and assets because of severe weather droughts, (floods, storms, change of sea and water levels, deforestation, waste and pollution). They may also relate to transition risks that stem from the much wider set of changes in policy, law, markets, technology, investor sentiment and prices due to the transition towards a low-carbon economy.

7.5.4 Transition risks may therefore materialise in the repricing of carbon-intensive assets and reallocation of capital, adversely affecting asset owners and managers, including funds. A third group of risks related to climate change are liability risks that may affect insurers, governments and government agencies due to legal or moral responsibility to cover financial losses caused by climate-change-induced events.

7.5.5 Environmental issues may also provide opportunities such as access to new markets and new technologies.

- 7.5.6 **Social risks** relate to working conditions, including slavery and child labour; local communities, including indigenous communities; conflicts; health and safety issues (e.g., mining accidents); employee relations and diversity, discrimination in respect of employment and occupation, violations to freedom of association and the effective recognition of the right to collective bargaining, industrial actions (strikes).
- 7.5.7 **Governance risks** relate to executive pay, the respect of the rule of law, bribery and corruption, political lobbying and donations, board diversity and structure, tax strategy, cybersecurity and accounting frauds. Typical issues relating to listed equity companies include board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders.
- 7.5.8 In addition, governance issues regarding issuers can relate to anti-money laundering (AML) and combating the financing of terrorism (CFT) concerns. In the case of unlisted companies, governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues and fee structures, among others.
- 7.5.9 Governance issues may also provide opportunities for improving a Fund's own governance.
- 7.5.10 Where ESG factors have been factored in the investment process, the Board of Trustees should include a narrative explaining how the ESG factors have been applied as part of their annual financial year end reporting.

7.6 Investment Limits

7.6.1 Foreign Investments

- 7.6.1.1 Subject to the conditions set out in Table 1, no Fund shall, in respect of its investment strategy, invest less than fifty (50) percent of its total assets in Botswana, unless otherwise, as outlined in the transitional arrangements of these Rules.

7.6.2 Borrowing

- 7.6.2.1 A Fund shall not borrow without prior written consent of the Regulatory Authority.

7.6.2.2 Where **the Regulatory Authority** has issued such consent:

7.6.2.3 a Fund shall not borrow more than twenty-five (25) percent of the current value of its assets;

7.6.2.4 a Fund may only borrow money for bridging purposes to maintain sufficient liquidity to meet its operational requirements; and

7.6.2.5 the loan shall be repaid within twelve (12) months of entering the loan.

7.6.3 Derivatives

7.6.3.1 A Fund shall not invest derivatives other than for one or more of the following reasons:

- a. for the purpose of efficient portfolio management;
- b. for the purpose of reducing investment risk, and the Actuary has agreed in writing thereto;

provided that in respect of paragraphs 7.6.3.1 (a) and (b), the Fund will, or reasonably expects to, have an asset at the settlement date of the derivative instrument which matches the obligations under that instrument and from which it can discharge those obligations.

7.6.3.2 The Board of Trustees shall ensure that any agreement concluded with an investment manager for the management of any of the Fund's assets shall include a limitation on the use of derivative products and as approved by **the Regulatory Authority** in writing.

7.6.3.3 Where the investment manager may invest in derivative products in the name of the Fund, the Board of Trustees shall get written approval of their derivative policy from their Actuary and **the Regulatory Authority**. In approving the policy, the Fund's Actuary shall take account of the Fund's overall strategic investment policy, asset—liability management strategy, and risk tolerance. Such policy shall be reviewed annually by the Board of Trustees.

7.6.4 Security Lending

7.6.4.1 A Fund shall not engage in securities lending.

7.6.5 Alternative Investments

7.6.5.1 A Fund shall not invest more than twenty-five (25) percent of its total assets in alternative investments.

7.6.6 Look Through Principle

7.6.6.1 Where an asset is made up of underlying assets, the Fund shall include and disclose the underlying assets in the category in Table 1 to which the economic exposure of the underlying assets relates.

7.6.7 Private Equity And Infrastructure Fund Investments

7.6.7.1 A Fund shall only invest in private equity fund or infrastructure fund where its investment policy or strategy recognises the private equity or infrastructure as an asset class.

7.6.7.2 Following a due diligence process, a Fund shall only invest its assets in private equity fund or infrastructure fund registered by **the Regulatory Authority**, or, in the event of offshore private equity funds registered or approved by the relevant offshore financial supervisory authority.

7.6.7.3 The due diligence process shall include, but not limited to:

- a) the private equity or infrastructure fund strategy and objectives;
- b) procedure of the change of investment strategy;
- c) borrowing powers and any restrictions thereto;
- d) valuation methods, and the frequency of valuation and details of the list of potential valuers;
- e) corporate governance policy and structures including key persons, board and senior management;
- f) ensure that the private equity or infrastructure fund has risk management, investment strategy, dispute resolution, disclosure, conflict of interest and AML/CFT policies, among others.

7.6.7.4 A private equity fund or infrastructure fund shall have an advisory committee that shall represent its investors and may include independent members and or representatives from the fund manager. The advisory committee shall have a minimum of three (3) members with relevant expertise and or work experience in business management or investments.

7.6.7.5 A Fund shall invest in a local private equity fund with the overall strategy that promotes at least seventy (70) percent majority of investments in local portfolio companies at all times. Offshore private equity fund investment shall only be undertaken through offshore licensed private equity managers.

7.6.7.6 A Fund shall have a signed contract and service level agreement with a private equity or infrastructure fund, including but not limited to the provisions of the Rule regarding the appointment of a service provider as provided in PFR10 - Minimum Standards and Conduct of Board of Trustees and such copies shall be submitted to **the Regulatory Authority** within fourteen (14) days after signing.

7.6.7.7 Any material changes in the contracts or agreements shall be approved by the advisory committee and the parties to the contracts or agreements.

7.6.7.8 A Fund shall only invest in infrastructure through a specialist-private-equity type of fund, public-private partnership, infrastructure bond, or such investment fund listed on the Botswana Stock Exchange.

7.6.8 Asset Limits

7.6.8.1 A Fund shall not:

- a. encumber its assets except in circumstances allowed by the Act;
- b. allow its assets to be held by another person on its behalf, except where a contractual custodial relationship is in existence;
- c. by means of suretyship or any other form of personal security whether under a primary or accessory obligation, give security in relation to obligations between other persons;
- d. invest more than five (5) per cent of its total assets in securities issued by the sponsor or its related institutions.

7.6.8.2 A Fund shall only hold assets and categories of assets referred to in Table 1 and shall comply with the limits set out in these Rules.

Table 1: Asset Limits

Asset Category	Total Limit (Percent)	Per Issuer (Percent)
Total Cash exposure: 60 percent		
Local cash	20	7
Foreign cash	40	5
Botswana Government Debt Instruments		
Bills, bonds, or securities guaranteed by or issued by the government of Botswana, including supra-national bonds.	100	N/A
Bills, bonds, or securities guaranteed by or issued by corporate body established by Act of Parliament or local authority in Botswana that is approved by <i>the Regulatory Authority</i> .	20	5
Bills, bonds, or securities guaranteed by or issued by the development bank.	20	5
Local Corporate Bonds		
Total Listed and Unlisted corporate bonds	40	N/A
Corporate Bonds Listed on the Botswana Stock Exchange provided that <i>the Regulatory Authority</i> has approved & the listing criteria;	35	5
Unlisted Corporate Bonds where <i>the Regulatory Authority</i> issued a notice of no objection.	5	5
Total exposure to Foreign Bonds (government local authorities and corporate)		
Foreign bonds	50	5
Property (Local and Offshore)		
Immovable property, units in property collective investment undertakings, and shares in, loans to and debentures, both convertible and non-convertible, of, property companies, in Botswana or deemed to be in Botswana.	25	5

Listed units in property undertakings and debentures, both convertible and non-convertible, of, property companies, outside Botswana.	10	5
Local Equity		
Preference and ordinary shares in companies (excluding property companies), convertible debentures, whether voluntarily or compulsorily convertible (but excluding such debentures of property companies), and units in collective investment schemes (but excluding units in collective investment schemes invested primarily in property shares).	70	n/a
Shares and convertible debentures in a single company listed on the Botswana Stock Exchange	Market Cap < P500m- 5% Market Cap >500m < P1 500m-10% Market Cap >1 500m -15%	
Unlisted Shares	20	5
Paid up shares in a building society	10	
Loans and equity investment within Botswana in the sponsoring employer or related party, in terms of Section 34 (3) of the Retirement Funds Act	5	N/A
Offshore Equity		
Listed shares in foreign companies listed on a foreign stock exchange	50	5

Unlisted shares in foreign companies	5	2.5
Commodities		
Instruments based on the value of an underlying commodity commodities, where the instruments are settled in cash (in aggregate for all such instruments)	10	Per commodity -5% per instrument 5%

Alternative Investments		
Exposure to alternative investments	25	N/A
Hedge Funds and other assets not listed in the Rules	5	2.5 per hedge fund
Funds of hedge funds	-	2.5 per fund of hedge funds
Local private equity fund	10	2.5
Offshore private equity fund	5	2.5
Local infrastructure fund	5	2.5

7.6.9 Valuation Of Assets

7.6.9.1 Valuation Methodology

7.6.9.1.1 In principle, assets shall be valued at fair value, except where indicated otherwise.

7.6.9.1.2 Where there is no reliable market price the valuation of an independent expert in the valuation of that type of asset or an actuarial value using a discounted cash flow approach, with assumptions as to future investment returns and growth in values of assets of the different classes consistent with the assumptions used to value the liabilities, may be used.

7.6.9.1.3 If in the opinion of **the Regulatory Authority** a value determined in respect of an asset by a Fund is not a fair estimate, **the Regulatory Authority** may define the valuation methodology used to determine the value of the asset.

7.6.9.1.4 Private equity valuations shall be done in accordance with International Private Equity and Venture Capital Guidelines.

7.6.9.1.5 Private equity valuations shall be verified by an independent valuer at least once annually and the fund audit by an independent auditor.

7.6.10 Communication with Members

7.6.10.1 The Board of Trustees shall report annually to members the strategy, in summary form and in such manner as shall be determined by the Board of Trustees (which may differ between

active members, pensioners and deferred pensioners), in such a way that a typical member will be able to:

- a. understand the objectives set for the investment manager, where investment is in assets other than pooled investment portfolios offered through policies of insurance or collective investment undertakings, and reconcile these objectives with the overall investment strategy set by the Board of Trustees; or
- b. understand the strategy lying behind the selection of the pooled investment portfolios.

7.6.11 Individual Member Choice

7.6.11.1 Where the Board of Trustees offers all, or some, members' choice over the investment medium in which those members' interest in the Fund shall be invested, the Board of Trustees shall ensure that:

- a. any members who are offered choice over the investment medium in which their interest in the Fund is invested have access to advisors who have such skills and expertise and who will advise the members on their choice of investment medium if they do not have the skills and expertise to manage such choice themselves;
- b. the investment portfolios in which members may invest are selected because the portfolios have strategies which are consistent with those that the Board of Trustees feel may be appropriate to members of different risk profiles and ages, or which offer members the opportunity to combine in such a way that an appropriate individual strategy may be matched; investment portfolios shall comply with the limits set out in Rule 7.6.8.2;
- c. the performance of each investment portfolio is monitored and compared with criteria established by the Board of Trustees prior to appointment of the investment manager.
- d. if an investment managers not adhering to the strategy notified to the Board of Trustees and the members, the appointment of the investment manager is reviewed by the Board of Trustees and, if they decide to retain the investment portfolio as an option for members, members are informed of the failure to adhere -to the strategy set out, and are invited to review their selection of investment portfolio; where the Board of Trustees does not retain the investment portfolio as a permitted investment shall transfer members' interests in that portfolio to another portfolio of the member's choice, failing which, to the default portfolio.

7.6.11.2 the strategies adopted by the investment managers in respect of each such investment portfolio are explained to members in a language that they can reasonably understand;

7.6.11.3 in case a Member who is entitled to select their investment portfolio does not exercise a choice, the Board of Trustees shall establish a default investment option in which the Fund shall invest those members' interests in the Fund: Provided that such default option may include a range of investment options depending on factors such as the age of the member; and

7.6.11.4 the potential and actual members be properly informed so that they can make an informed choice in selecting their investment options when funds offer members investment options that partly consider non-financial factors (ESG), because such options may possibly result in sacrificing some return as compared to options that are defined on purely financial grounds.

7.7 Exemptions

7.7.1 **The Regulatory Authority** may on written application by a Fund, grant such Fund exemption from any of the provisions of these Rules upon such conditions as it may impose:

7.7.1.1 In particular:

- a. A Fund may be exempted from the quantitative limits set out in Table 1 where the Fund demonstrates to **the Regulatory Authority** that the Fund is of sufficient size and has access to appropriate expertise to enable it to determine and manage its own investment strategy.
- b. A Fund may be granted a minimum period of three (3) months from the reporting date at which a breach is first reported to **the Regulatory Authority** in which to comply with these Rules: provided that the Fund satisfies **the Regulatory Authority** that the breach was a result of market movements.

7.7.2 Effective Date and Transitional Arrangements

7.7.2.1 The effective date of these Rules shall be **1 June 2023** and shall replace the current Rules in place.

7.7.2.2 In particular, the total domestic investment limit shall be increased to a total domestic investment limit of 38 percent by **December**

2023 and be increased to a total domestic investment limit of 41 percent by **December 2024**. This is to be further increased to 44 percent by **December 2025**.

7.7.2.3 Finally, the total domestic investment limit shall be increased to 47 percent by **December 2026** and full compliance towards a total domestic investment limit of 50 percent is to be achieved **not later than December 2027**.

8. RECORDS

Reference Number	Record (Description of records)	Location / Holder	Retention Period	Justification
	Investment Policy	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring
	Audited Financial Statements	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring
	Certification of Suitability of Retirement Fund Investments	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring
	Monthly Investment Report	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring
	Onsite Report/Offsite Analysis	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring

