



CIRCULAR

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Reference : Regulation 30 and Annexure B categorization
Contact : J.Scheepers
Telephone : +27 12 431 0519
Facsimilee : +27 12 431 0619
E-mail : j.scheepers@medicalschemes.com
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Circular 3 of 2011: Categorisation of assets in terms of Annexure B to the Regulations

During the past few years, the Office of the Registrar (Office) has received an increasing number of queries on the classification of assets in terms of Regulation 30 of the Medical Schemes Act 131 of 1998 (Act) read in conjunction with Annexure B to the Regulations. This circular seeks to provide further clarity and guidance on the said classification.

The Office has published the following guidelines in this respect:

Guideline name	Description of guideline
List of registered banks as at 31 December 2010: categorisation for Annexure B purposes	The Guideline provides a listing of all registered banks; mutual banks; local branches of foreign banks; and foreign banks with approved local representative offices as per the South African Reserve Banks' Banks Supervision Unit. The Guideline further sub-categorises these banks in terms of Category 1 of Annexure B to the Regulations.
Instruments listed on BESA as at 31 December 2010: categorisation	This Guideline provides a detailed listing of all listed instruments on the Bond Exchange of South Africa (BESA) as at 31 December 2010. The Guideline further categorises these instruments in the different sub-categories of categories 2 (bonds), 4 (exchange traded

Guideline name	Description of guideline
for Annexure B purposes	funds), and 7 (other assets) of Annexure B to the Regulations.
Instruments listed on the JSE as at 31 December 2010: categorisation for Annexure B purposes	The Guideline provides a detailed listing of all listed instruments on Johannesburg Stock Exchange (JSE) as at 31 December 2010. It further categorises these securities according to the requirements of Annexure B to the Regulations in the different sub-categories of categories 3 (property), 4 (shares), 5 (debentures) and 7 (other assets).*
List of registered insurers as at 31 December 2010	The Guideline provides a listing of all registered insurers as at 31 December 2010 as per the Financial Services Board's (FSB) website. Schemes should refer to this guideline when investing in and accounting for policies of insurance (category 6 to Annexure B).
List of registered financial service providers as at 31 December 2010	This Guideline provides a comprehensive list of registered financial service providers (FSPs) as at 31 December 2010 per the FSB's website. As only Financial Advisory and Intermediary Services (FAIS)-registered entities are allowed to manage investments on behalf of a medical scheme, schemes should refer to the FSB's website (and this guideline) to ensure the registration of their asset managers. Investments managed by these registered entities should be accounted for in such entities' registered names in Part 9(b) to the Annual Statutory Return.

**Schemes and auditors should pay specific attention to those securities that are categorised as assets in territories outside the Republic in accordance with the latest update of inward listed securities (as at 4 January 2011) to ensure the scheme's compliance to Regulation 30 of the Act read in conjunction with Annexure B to the Regulations.*

Derivatives

Category 7 assets

The Office further noted that there are some misconceptions in the industry as to how compliance to Annexure B in respect of investments in derivatives should be tested.

Derivatives are classified as "other assets" in category 7 for Annexure B purposes.

Margin deposits held with the South African Futures Exchange (SAFEX)

Category 1 to Annexure B does not provide an individual limit on margin deposits held with the South African Futures Exchange (SAFEX).

The scheme should look at the underlying bank exposure in respect of margin deposits held with SAFEX. These underlying bank exposures should be taken into account in the compliance testing of the scheme's total exposure to each individual bank as limited per category 1 of Annexure B.

As the total category 7 assets are limited to 2.5%, it follows that the margin deposits held with SAFEX will be less than that.



Tebogo Maziya
Head: Financial Supervision
Council for Medical Schemes