



UPDATE ON OUR LAST EDITION ABOUT REGULATORY AND LEGAL DEVELOPMENTS AFFECTING RETIREMENT FUNDS

- A. Interest on arrear contributions – date of calculation
- B. Finalised Conduct Standard - conditions for investment in derivative instruments for pension funds, 2023

A. INTEREST ON ARREAR CONTRIBUTIONS – DATE OF CALCULATION

In our last edition we stated the following:

“Update on the Conduct Standard about contributions

What is the date of calculation of penalty interest?

In terms of the Pension Funds Act and the Conduct Standard, interest is payable on arrear contributions. This interest is calculated from the first day following the expiration of the period contributions were payable for until the fund receives the contributions - at the prime rate plus 2%.

There is confusion as to whether the penalty interest starts to run from the 1st day of the month or the 8th of the month. The FSCA will provide its view on this.”

The FSCA has now provided its view on this in Communication 15 of 2023 (RF)

Contributions must be paid not later than seven days after the end of the month for which the contribution is payable. The FSCA's view is that interest must be calculated from the day after the 7th day, that is the 8th day.

Example

ABC Company is paying contributions for May 2023. These contributions must be paid into the retirement fund's bank account by the 7th of June 2023 at the latest. ABC does not pay the contributions by the 7th of June 2023. The interest payable on these arrear contributions will then run from the 8th of June.

B. FINALISED CONDUCT STANDARD - CONDITIONS FOR INVESTMENT IN DERIVATIVE INSTRUMENTS FOR PENSION FUNDS, 2023

In our last edition we provided the following information:

“Draft Conduct Standard – conditions for investment in derivative instruments for funds.”

The Conduct Standard sets overarching principles for the uses of derivative instruments by funds.