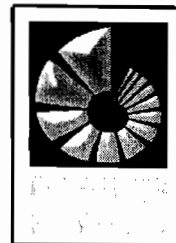


FINANCIAL SERVICES BOARD

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CIRCULAR LETTER 2

(To all self-administered funds, all fund administrators, and the administering insurers of funds exempted in terms of section 2(3)(a) of the Act)

UTILISATION OF THE PROCEEDS OF DEMUTUALISATION SHARES

It has come to the attention of the Registrar of Pension Funds that there are some funds/trustees which have either illegally or erroneously utilised the proceeds of the demutualisation shares in ways that are inconsistent with both the Pension Funds Act and fund rules.

Section 5(1) of the Pension Funds Act provides that upon registration a fund shall become a body corporate capable of legal acts including ownership and control of the business of the fund. All the assets, rights, liabilities and obligations shall be deemed to be those of the fund to the exclusion of any other person. No person shall have any claim on these assets or rights except where a claim arises in connection with transactions relating to the business of the fund. Examples of these claims would be things like administration costs, payment of withdrawal, retirement or death benefits which are spelt out in the rules of the fund.

The Registrar urges the boards of management of those funds which have defaulted to come forward and inform him of why they defaulted and how the proceeds will be paid back into the fund. The amounts involved must be disclosed. Your auditors will also be requested to report on the matter.

PF Circular 104 which was issued in August 1999 deals extensively with the handling of the demutualised shares and copies of this document are still available.

REGISTRAR OF PENSION FUNDS

Board Members: W J Haslam (Deputy Chairman) C C Dance G K Morolo Mrs H Wilton
Executive Officer: R G Cottrell