12/12/1

Financial Institutions Office
Private Bag X238
PRETORIA
0001

August 1986

CIRCULAR P.F. 65

RECOGNITION OF KRUGERRANDS AS PRESCRIBED ASSETS

1. The Government Law Advisers have expressed the opinion that Krugerrands held by pension funds in the Republic qualify as "money in hand in the Republic" for purposes of the prescribed asset requirements of section 19(1) of the Pension Funds Act. This Office accepts the legal opinion, but in view of the nature of the investment and the fact that it produces no income, pension funds are urged to limit the investment to not more than 5% of the value of "total assets". By "total assets" is meant the value which is required to be shown against item 2 of Statement 11 (Schedule "D") of the prescribed returns.

2. Until such time as more appropriate provision can be made in the prescribed returns, holdings of Krugerrands in the Republic should be included at market value against item 7(a) of the prescribed balance sheet (Schedule "B") and against item 4(c) of Statement 11 (Schedule "D"). In addition the total mass in fine ounces so held must be indicated in a note to Statement 11. By market value is meant the price at which the S.A. Reserve Bank on the date to which the statements relate, would have been prepared to buy the coins. For this purpose, therefore, no premium attaches to proof coins.

3. Any adjustment of the marketvalue required in the preceding paragraph, must in the case of any reduction also be reflected against expenditure item 6 and in the case of any increase also be reflected against revenue item 3 of the prescribed income and expenditure account (Schedule "D").

4. In the case of a pension fund whose financial position has to be reported on by a valuator in terms of section 16 of the Act, the valuator's report will have to include a statement of the valuator's views on the present value of the prospective realizable value of the holdings.

5. Pension funds are requested to complete the prescribed financial statements and valuation reports, inclusive of those pertaining to the 1986 year end, in accordance with the aforegoing instructions.

6. Kindly acknowledge receipt of this circular and confirm that a copy thereof was handed to your auditor by signing and returning the attached acknowledgement form to this Office.

REGISTRAR OF PENSION FUNDS
1642B/aes/60