INVESTMENT FRAMEWORK POLICY AND GUIDELINES

JUNE 2022

(Last adopted by Council on the 2017-06-28)

INDEX

ETHEKWINI MUNICIPALITY

INVESTMENT FRAMEWORK POLICY AND GUIDELINES

1. PURPOSE

(1) To establish a framework and guidelines for the investment of funds.
(2) To undertake the investment of funds not immediately required in a prudent manner.
(3) To ensure the safety of principal, whilst managing liquidity requirements to meet cash flow needs.
(4) To provide the highest investment returns at minimum risk, within the parameters of authorised instruments.
(5) To ensure diversification of permitted investments.
(6) To ensure compliance with all legislation governing the investment of funds.

2. PROBLEM STATEMENT

The Municipality invests its funds according to what is permitted by statute and regulation and also for optimal possible returns.

The investment of funds is done to ensure that the optimal amount of cash is invested at all times and that the minimum amount of cash is retained in the current account. This process is followed to ensure that the maximum interest is earned at all times. The investment process requires the compilation of all income anticipated to be received from all sources and the expenditure payments anticipated to be charged to the Bank account.

This policy also deals with the interest earned on investments, and may state, for example, that the interest accrued on all the municipality's investments, will, in compliance with the requirements of GRAP, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and thereafter be appropriated to the reserve or account in respect of which the investments were made.

The Guidelines are a necessary instrument to ensure that in the course of making investments, the market, interest rate and credit risk are prudently managed and there is preservation and safety of investments.

3. LEGISLATION

The relevant legislation and regulations in terms of which investment decisions are governed are:

- Local Government Municipal Systems Act 32 of 2000 (See number 1 of Annexure A).
  Local Government Municipal Finance Management Act No. 56 of 2003 (See number 2 of Annexure A).

- Municipal Investment Regulations (Government Gazette No. 26945 dated 29 October 2004) which is applicable to all Municipalities and Municipal Entities and is effective from 1 April 2005. (See Annexure B).
- Sub delegations from the Chief Financial Officer to his subordinates. (See Annexure C).

4. PERMITTED INVESTMENTS

A municipality or municipal entity may invest funds only in any of the following investment types:-

(a) securities issued by the national government;
(b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
(c) deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
(d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
(e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
(f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
(g) guaranteed endowment policies with the intention of establishing a sinking fund;
(h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
(i) municipal bonds issued by a municipality; and
(j) any other investment type as the Minister may identify by regulation in terms of Section 168 of the Act, in consultation with the Financial Services Board.

5. TYPES OF INVESTMENT INSTRUMENTS

5.1 Bond

A bond is an instrument used by Government, Government State Owned Companies such as Telkom, Eskom, Transnet, Municipalities and listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency, to raise loan capital on the open market. Bond holders have the right to interest, usually paid on a semi-annual basis, and the repayment of the capital amount reflected on the stock certificate held on maturity date.

One of the critical variable factors in determining bond rates is the expected long term trend in inflation, in order to provide a return that equals inflation plus a risk premium. The higher the risk attached to a borrower, the higher will be the risk premium investors will demand.

During its tenure the bond will trade on the bond market at prevailing interest levels. The price of a bond trading at any given time on the market is a function of prevailing interest rates. Bond value moves inversely to movements in interest rates.

Investments in bonds are made in terms of the Municipal Investment Regulations which forms part of the Municipal Finance Management Act. See Annexure B,

In terms of the above legislation the Municipality can invest, inter alia, in the following bonds:

5.2 Sovereign RSA Exposure

All RSA government issued Bonds

5.3 AAA rated Bonds with Government Guarantee

5.4 Corporate Bonds with an investment grade rating from nationally or internationally recognised credit rating agencies

5.5 In addition the Municipality may also invest in its own bonds

5.6 Money Market Instruments

The Municipality invests funds to meet its cash flow needs. For example funds that are immediately required are invested on overnight call, funds not immediately required are invested either on short call (7-31 days) or on fixed investments (1-12 months). The call balance being a contingency plan for unforeseen expenditure is time dependent which is driven by the monthly needs of the municipality. These types of investments are authorised in terms of the Municipal Investment Regulations, see Annexure B, clause 6. Funds invested on call, being short term and liquid earn lower interest rates and are kept to minimum levels.

The utilisation of different financial instruments and maturities, properly balanced, ensures liquidity and reduces risk of interest rate volatility and loss of principal. Diversifying investments and maturities avoid unreasonable risks in the Investment portfolio regarding specific security types, issuers or individual Banks.

6. PROHIBITED INVESTMENTS

There are a considerable number of investment instruments which the Municipality does not utilise as there is no enabling legislation which permits such investments. Some of the prohibited investments are as follows:-

(a) Investment in Listed Shares (Equities). The amount invested fluctuates with changes in the value of the shares in the portfolio. Although the returns are higher than most other investment options, it may be difficult to realise the investment at the time funds are required and the risk of capital loss is considerable. Additionally in depth knowledge of the equity market is required.

(b) Borrowing for investment purposes is prohibited. At any given time, with a conventionally shaped interest yield curve, long term interest rates will exceed those for the short term. In the vast majority of instances therefore funds will need to be borrowed at an interest rate which includes the lending Bank's risk and their premiums exceeding the likely short term investment returns.

(c) The use of derivative instruments. The safety of principal is not assured. A high degree of expertise is required to utilise derivative instruments effectively, and there is a risk of losing the principal amount.

(d) Investment in Market Linked Endowment Policies. The safety of principal is not assured as the principal will fluctuate with changes in the value of the investments underlying the policy. The funds are tied up for the duration of the investment and are illiquid.

(e) Investments denominated in foreign currencies are prohibited; however it is possible

to make an investment if the investment is denominated in Rand and is not indexed to, or affected by fluctuations in the value of the Rand against any foreign currency in terms of Regulation 7 of the Municipal Investment Regulation.

(f) In accordance with Regulation 8 of the Municipal Investment Regulation, no commission shall be paid to municipal officials and their families.

7. GUIDELINES AND PROCEDURES

7.1 Responsibility of investment officials

(a) Investment officials must conduct their duties in a prudent and transparent manner and must be familiar with the investment matters.
(b) There must be full adherence to the written procedures and these guidelines.
(c) Officials must exercise due diligence.
(d) All reports must be prepared timeously.
(e) There must be strict compliance with all legislation.

7.2 General approach to investments

(a) The responsibility and risk arising from any investment transaction vests in the relevant Municipality or Municipal Entity in line with clause 7, clause 10, and Annexure C1,C2 and C3.
(b) All investments must be made in the name of eThekwini Municipality.
(c) Investments may not be undertaken with a view to speculation.
(d) The preservation and safety of investments is the foremost objective of the investment program. To attain this objective, diversification of investments across institutions, types of investments, and investment maturities is required to ensure that the municipality prudently manages market, interest rate and credit risk.
(e) Investment shall be made with care, skill, prudence and diligence. The approach must be that of a prudent person acting in a like capacity and familiar with investment matters would use in the investment of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Municipality. The standard of prudence to be used by the Investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall investment portfolio.
(f) The Investment portfolio must remain sufficiently liquid to enable the Municipality to meet all cash flow requirements that may be reasonably anticipated.
(g) The investments shall be structured to obtain the optimal possible returns, taking into account investment risk constraints, cash flow needs and the parameters determined for authorised investments in accordance with this policy and the legislation referred to in clause 3.
(h) Section 65 of the MFMA which addresses management of expenditure of the municipality is also considered when making investment decisions to ensure that municipal funds are managed effectively and economically. The daily compilation of all income and expenditure anticipated to be received and charged through the bank accounts includes project payments that form part of the approved procurement budget and plans. These payments are a critical element in the investment decisions because without their accuracy, the investment decisions will be incorrect.

7.3 Investment Managers

Investment or Asset Fund Managers may be appointed to assist with the placing of investments, or to manage a portion of the investment portfolio in order to maximize interest earned without jeopardising liquidity. The appointment of these service providers must be done in accordance with the Supply Chain Management Policy, and must have the credentials specified for the Investment Manager in Regulation 1 of the Municipal Investment Regulations. The conditions for their use including their liability in the event of non-compliance with this policy must be included in the bidding documentation specifying mandates that minimize risk and place the institutions on equal footing.

7.4 Investment procedures

7.4.1 The daily activities pertaining to the investment process entail investing surplus cash on the basis of maximising returns or disinvesting sufficient funds to meet daily expenditure.

7.4.2 The investment process ensures that the optimal amount of cash is invested at all times and that the minimum amount of cash is retained in the current account; this ensures that the maximum interest is earned at all times.

7.4.3 The investment process requires the daily compilation of all income anticipated to be received from all sources and the expenditure payments anticipated to be charged to the Bank account. This includes forecasting annual cash flow, monthly Investment Plan and the monthly cash flow (Intra Cash).

7.4.4 A request is issued via email to a minimum of 3 Financial Institutions provide the Municipality with quotations for interest to be earned for the amount of funds, and for the term which the investment is to be placed.

7.4.5 The interest rates from the various Financial Institutions are tabulated on a call rate schedule and fixed deposit schedule where applicable with the respective schedules depicting the name of the Financial Institution, their contact person who provided the quote and the terms and interest quoted.

7.4.6 Having obtained the necessary number of quotations, the decision is then made based on the best rates offered and the Financial Institution is identified with whom the investment is to be placed.

7.4.7 Taking account of the investment principles contained in this policy, it is customary to accept the best quote received within the exposure limits as contemplated in Municipal Regulation 5(a). The Financial Institutions are fully aware that the rate quoted must be their best rate, as the Municipality will under no circumstance negotiate or “horse trade” on a quoted rate.

7.4.8 Where the best quote is received from a Financial Institution that has reached its maximum exposure limit, the funds will be invested with the financial institution with the next best quotation.

7.4.9 In the event of an unusual situation happen that the two or more financial institutions provide the same interest rate and have the same available capacity; the pro-rata basis will apply. This is where the total investment with the particular bank is divided by the total exposure limit of that bank. The funds will fairly be invested with institution with the lower ratio.

7.4.10 In the event that the Financial Institution fails to pay any amount due to the Municipality (capital or interest on investment), an additional interest on the due amount is charged using the prevailing prime rate from the date of the default to the date at which the payment is received by the Municipality.

7.4.11 The criteria applied by the investment officials in placing funds:-

i. Cash requirements of eThekwini Municipality
ii. Quoted rates.
iii. Risks involved given existing exposure of individual Banks.
iv. Imminent changes in interest rates
v. Interest rate trends
vi. Cognizance of local and international economic trends

7.4.12 The BA900 is a summary of capital and reserves per the South African Reserve Bank (SARB) Bank Analysis 900 (BA900), together with credit ratings is used to determine the maximum exposure and limits for investment purposes with each individual financial institution.

7.4.13 Funds available for investment are split between the various financial institutions with a minimum of 90% of funds being invested with financial institutions with combined Capital and Reserves in excess of R5 bn and a long term credit rating of A and above. Whilst the remaining 10% may be invested with financial institutions with a lower Capital and Reserves figure and a long term credit rating of below A, the amounts invested will be dependent upon the current view taken of the trading activities and market perception of the smaller financial institution. Criteria used are as follows:

I. Where Capital and Reserves are in excess of R6 bn with a short term credit rating of A1/A-1/F1/P-1 and a long term credit rating of A and above, the maximum investment is 7.5% of the combined total.
II. Where Capital and Reserves are between R3 bn to R6 bn with a short term credit rating of A1/A-1/F1/P-1 and a long term credit rating of A and above, the maximum investment is 6.0% of the combined total.
III. Where Capital and Reserves are less than R3 bn, with a short term rating of A2/A-2/F2/P-2 and a long term rating of A and above, the maximum investment is 5.0% of the combined total.
IV. Where Capital and Reserves are less than R3 bn, with a short term rating of A2/A-2/F2/P-2 and a long term rating of below A (but above sub-investment grade), the maximum investment is 4.0% of the combined total.
V. In accordance with Regulation 10 (2) b of the Municipal Investment Regulations, if a financial institution no longer has the minimum acceptable credit rating as specified in this investment policy, the Municipality must liquidate the relevant investment. The Municipality shall not invest with financial institutions with any credit rating (short or long term) below invest grade. Refer to Rating Scales below.

7.4.14 The scale ratings are cited from different rating agencies and are shown in the table below:-

Global Credit Ratings		Moody's Credit Ratings		Fitch Credit Ratings		S&P Credit Ratings		Grading
Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
A1+	AAA	P-1	Aaa	F1+	AAA	A-1	AAA	Investment Grade
	AA+		Aa1		AA+		AA+	
	AA		Aa2		AA		AA	
	AA-		Aa3		AA-		AA-	
A1	A+		A1	F1	A+		A+	
	A		A2		A		A	
A2	A-	P-2	A3	F2	A-	A-2	A-	
	BBB+		Baa1		BBB+		BBB+	
A3	BBB	P-3	Baa2	F3	BBB	A-3	BBB	
	BBB-		Baa3		BBB-		BBB-	
B	BB+	Not Prime	Ba1	B	BB+	B	BB+	Sub-Investment Grade
	BB		Ba2		BB		BB	
	BB-		Ba3		BB-		BB-	
	B+		B1		B+		B+	
	B		B2		B		B	
	B-		B3		B-		B-	

7.4.15 The list of approved institutions that the municipality currently invests its funds with include:

a. Standard bank
b. Rand Mechand Bank
c. Nedbank
d. ABSA
e. Investec
f. Grindrod
g. Bank of China

7.4.16 All investments are made via the Electronic Funds Transfer (E.F.T) and the relevant documentation is transmitted by email to the individual financial institutions confirming investment or disinvestment transactions.

7.4.17 All investment transactions are recorded on register which includes, name of financial institutions, interest earned on each investment and term of investment. In the unlikely event of Council requiring to prematurely redeem an investment due to unforeseen expenditure for which settlement will be authorized by executive management, according to the following process:-

a. Written instruction from executive management to Investments officials setting out the reason for the requirement for the premature redemption, authorising and acknowledging that the redemption outweighs the risks, penalties and breakage costs.
b. The decision on which investment will be prematurely redeemed will take into account cognizance of the earliest maturity dates of the existing investments.
c. Investment officials to issue a written request to the identified institution where the investment will be prematurely redeemed.

7.5 Internal control procedures

The internal control procedures involve Internal Audit and the Auditor General reviewing and testing the systems of the Investments Department on a regular basis in order to prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action,

a system of internal controls governs the administration and management of the Investment portfolio. Controls deemed most important include:-

(i) Control of collusion, separation of duties
(ii) Rotation of duties
(iii) Written confirmation of telephone transactions
(iv) Minimising the number of authorised Investment officials
(v) Checking and verification by senior officials of all investment transactions
(vi) Documentation of transactions and strategies
(vii) Code of ethics and standards
(viii) Strict adherence to Investment Framework Policy and Guidelines
(ix) Limits placed on investments by the various officials
(x) Procedure manuals
(xi) Electronic Funds Transfer limits and a detailed cash controls for the system
(xii) Monthly reporting to Committee of all investments
(xiii) Exercise strict compliance with all legislation
(xiv) Regular reconciliation of bank accounts and interest due

7.6 Reporting and monitoring requirements

Regular reporting mechanisms are in place in order to assess the performance of the investment portfolio and to ensure that the investments comply with policy objectives, guidelines, applicable laws and regulations. Reporting is done on the following intervals:

- Daily (Update to Executive Management)
- Weekly (Update to Executive Management)
- Monthly (Report to Council)
- Monthly Intra-cash Report to Executive Management
- Quarterly (Report to National Treasury)
- Quarterly BA900 Review Report
- Half yearly (Interim Financial Statement)
- Annual (Annual Financial Statement)

8. TYPES OF RISKS MANAGED BY THE MUNICIPALITY

- Market Risk:-
  This is the risk that the investment value will fluctuate relative to market factors changes domestically and globally.
- Interest Rate Risk:-
  This risk is associated with the sensitivity of investment returns against changes in the repo and prime rates.
- Liquidity Risk:-
  This risk is associated with the municipalities ability to meet is short term cash requirements
- Credit Risk:-
  This is the risk that the financial institutions will fail to pay back funds invested when they fall due.
- Counter party Risk:-
  This risk is associated with a counter party (a financial institution or eThekwini Municipality) on an investment agreement failing to meet the contractual obligations when funds are invested.

9. PROCEDURES FOR BENCHMARKING AND PERFORMANCE EVALUATION

EThekwini Municipality uses the following benchmarks and performance indicators:

- Days cash on hand is calculated on a monthly bases and compared against the norm of 30-90days as per MFMA circular no 71
- An EXCO report on the investment portfolio is submitted to council reporting on the monthly performance of the municipality

10. ROLES AND FUNCTIONS FOR INVESTING

The primary functions of the Investments Department of the Finance Cluster of eThekwini Municipality is to act as custodian of the Municipality's cash investments, and it is therefore of paramount importance that proper and effective controls are devised and employed in the department to ensure that the movement of cash is monitored on a daily basis.

The Department is staffed by:-

- Chief Investment Officer
- Senior Manager : Investments
- Manager : Finance
- Accountant : Investments
- Accountant : External Loans

11. PROCEDURES FOR THE ANNUAL REVIEW OF THE POLICY

Annual review:-

The Investment Department will on an annual basis, review the policy and will submit to the Chief Investment Officer to sign off any minor changes to the approved policy. In the event of substantial changes to the approved policy the Council will have to approve the amendment of the policy

ANNEXURE A

1. Local Government Municipal Systems Act 32 of 2000

Section (60) (2).

The council may only delegate to an Executive Committee or Executive Mayor or Chief Financial Officer decisions to make investments on behalf of the Municipality within a policy framework determined by the Minister of Finance.

2. Local Government Municipal Finance Management Act No. 56, 2003

Section 8:

CHAPTER 3

MUNICIPAL REVENUE

(ss 7-14)

Part 1

Municipal bank accounts (ss 7-12)

7 Opening of bank accounts

(1) Every municipality must open and maintain at least one bank account in the name of the municipality.

(2) All money received by a municipality must be paid into its bank account or accounts, and this must be done promptly and in accordance with this Chapter and any requirements that may be prescribed.

(3) A municipality may not open a bank account—

(a) abroad;

(b) with an institution not registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990); or

(c) otherwise than in the name of the municipality.

(4) Money may be withdrawn from a municipal bank account only in terms of section 11 (1).

8 Primary bank account

(1) A municipality must have a primary bank account. If a municipality—

(a) has only one bank account, that account is its primary bank account; or

(b) has more than one bank account, it must designate one of those bank accounts as its primary bank account.

(2) The following moneys must be paid into a municipality's primary bank account:

28

Chapter 3: Municipal Revenue (ss 8–9) 29

(a) All allocations to the municipality, including those made to the municipality for transmission to a municipal entity or other external mechanism assisting the municipality in the performance of its functions;

(b) all income received by the municipality on its investments;

(c) all income received by the municipality in connection with its interest in any municipal entity, including dividends;

(d) all money collected by a municipal entity or other external mechanism on behalf of the municipality; and

(e) any other moneys as may be prescribed.

(3) A municipality must take all reasonable steps to ensure that all moneys referred to in subsection (2) are paid into its primary bank account.

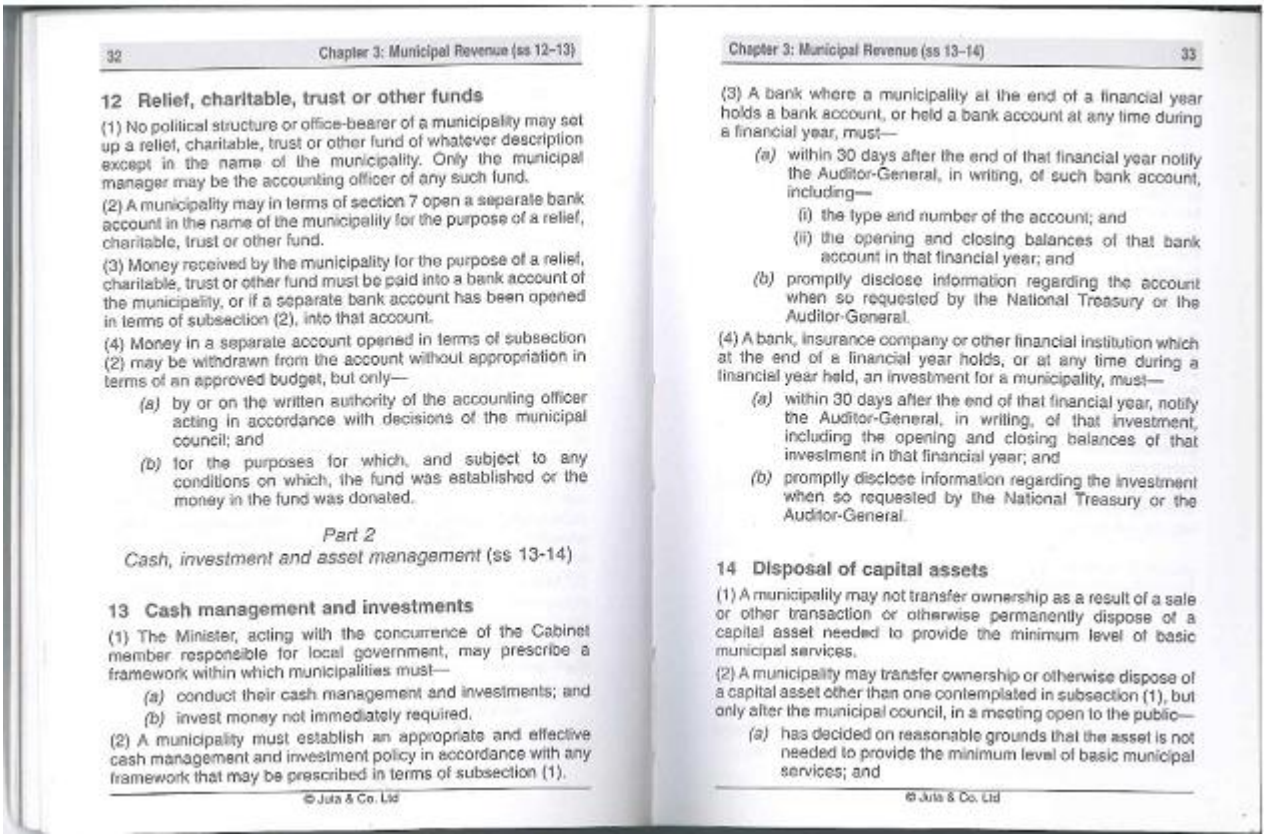
(4) No organ of state in the national, provincial or local sphere of government may transfer an allocation of money referred to in subsection (2) to a municipality except through the municipality's primary bank account. All allocations due by an organ of state to a municipal entity must be made through the parent municipality, or if there are more than one parent municipality, any of those parent municipalities as may be agreed between the parent municipalities.

(5) The accounting officer of a municipality must submit to the National Treasury, the relevant provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If a municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the National Treasury and the Auditor-General, in writing, at least 30 days before effecting the change.

9 Bank account details to be submitted to provincial treasuries and Auditor-General

The accounting officer of a municipality must submit to the relevant provincial treasury and the Auditor-General, in writing—

Section 13:



32 Chapter 3: Municipal Revenue (ss 12–13)

12 Relief, charitable, trust or other funds

(1) No political structure or office-bearer of a municipality may set up a relief, charitable, trust or other fund of whatever description except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

(2) A municipality may in terms of section 7 open a separate bank account in the name of the municipality for the purpose of a relief, charitable, trust or other fund.

(3) Money received by the municipality for the purpose of a relief, charitable, trust or other fund must be paid into a bank account of the municipality, or if a separate bank account has been opened in terms of subsection (2), into that account.

(4) Money in a separate account opened in terms of subsection (2) may be withdrawn from the account without appropriation in terms of an approved budget, but only—

(a) by or on the written authority of the accounting officer acting in accordance with decisions of the municipal council; and

(b) for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

Part 2

Cash, investment and asset management (ss 13-14)

13 Cash management and investments

(1) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must—

(a) conduct their cash management and investments; and

(b) invest money not immediately required.

(2) A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).

Chapter 3: Municipal Revenue (ss 13–14) 33

(3) A bank where a municipality at the end of a financial year holds a bank account, or held a bank account at any time during a financial year, must—

(a) within 30 days after the end of that financial year notify the Auditor-General, in writing, of such bank account, including—

(i) the type and number of the account; and

(ii) the opening and closing balances of that bank account in that financial year; and

(b) promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.

(4) A bank, insurance company or other financial institution which at the end of a financial year holds, or at any time during a financial year held, an investment for a municipality, must—

(a) within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year; and

(b) promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

14 Disposal of capital assets

(1) A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

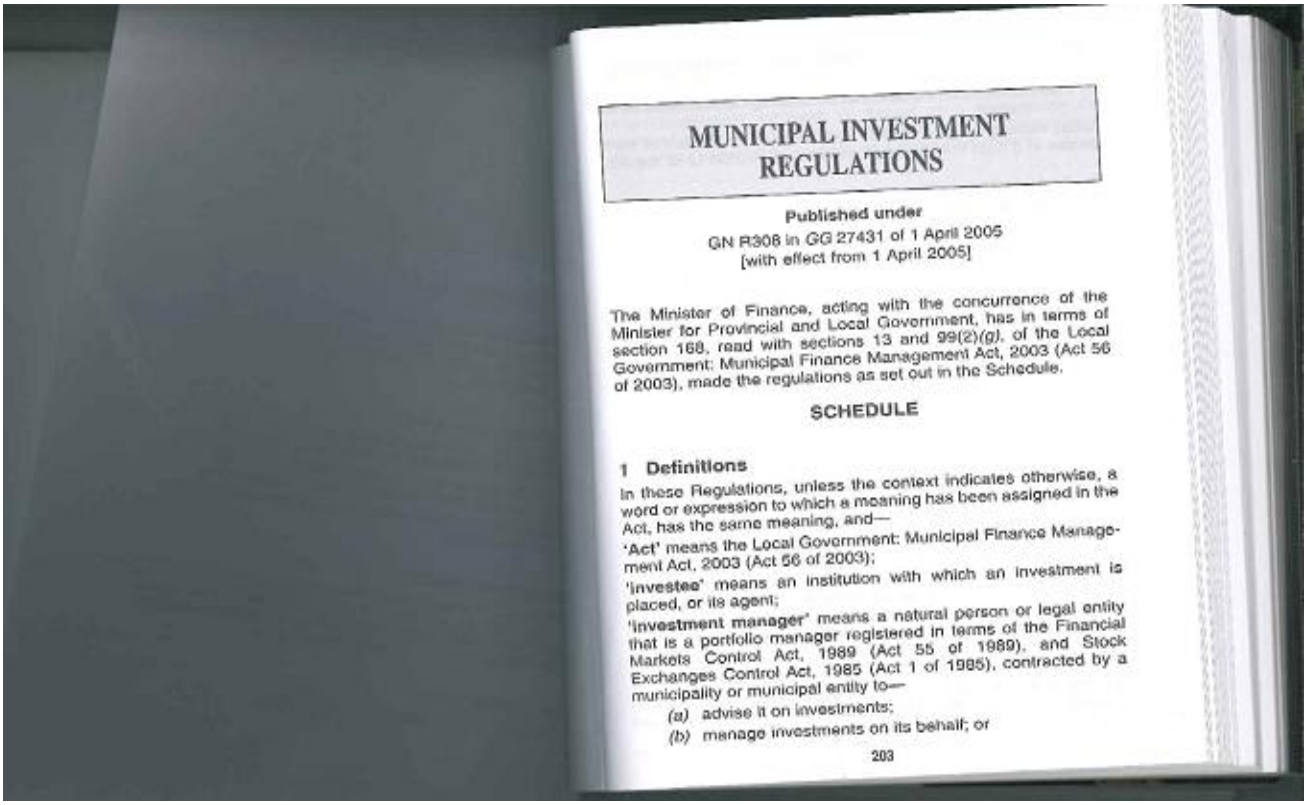
(2) A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection (1), but only after the municipal council, in a meeting open to the public—

(a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and

Section 17(3) (f):

When an annual budget is tabled in terms of section 16(2), it must be accompanied by particulars of the municipality's investments.

ANNEXURE B



MUNICIPAL INVESTMENT REGULATIONS

Published under

GN R308 in *GG* 27431 of 1 April 2005
[with effect from 1 April 2005]

The Minister of Finance, acting with the concurrence of the Minister for Provincial and Local Government, has in terms of section 168, read with sections 13 and 99(2)*(g)*, of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), made the regulations as set out in the Schedule.

SCHEDULE

1 Definitions

In these Regulations, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act, has the same meaning, and—

'**Act**' means the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

'**investee**' means an institution with which an investment is placed, or its agent;

'**investment manager**' means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act 55 of 1989), and Stock Exchanges Control Act, 1985 (Act 1 of 1985), contracted by a municipality or municipal entity to—

(a) advise it on investments;

(b) manage investments on its behalf; or

203

(c) advise it on investments and manage investments on its behalf;

'**trust money**' means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Act.

2 Application

(1) These Regulations apply to—

(a) all municipalities;

(b) all municipal entities; and

(c) all investment managers acting on behalf of, or assisting, a municipality or municipal entity in making or managing investments.

(2) These Regulations do not apply—

(a) to a pension or provident fund registered in terms of the Pension Funds Act, 1956 (Act 24 of 1956), or any subsequent legislation; or

(b) in respect of trust money administered by a municipality or municipal entity where a trust deed prescribes how the trust money is to be invested.

(3) Municipal pension or provident funds which do not comply with subregulation (2)*(a)* are exempted from these Regulations until 30 June 2005.

(4) The accounting officer of a municipality and municipal entity must provide the National Treasury with details of all pension or provident funds that do not comply with subregulation (2)*(a)* within 30 days of promulgation of these Regulations.

3 Adoption of investment policies

(1) The investment policy to be established by a municipality in terms of section 13(2) of the Act, must be—

(a) adopted by the council of the municipality; and

(b) consistent with the Act and these Regulations.

(2) The board of directors of a municipal entity must adopt an investment policy for the entity consistent with the Act and these Regulations.

(3) All investments made by a municipality or municipal entity, or by an investment manager on behalf of a municipality or municipal entity, must be in accordance with the investment policy of the municipality or entity and these Regulations.

4 Core elements of investment policies

The investment policy of a municipality or municipal entity must—

(a) be in writing;

(b) give effect to these Regulations; and

(c) set out—

(i) the scope of the policy;

(ii) the objectives of the policy, with due regard to the provisions of these Regulations relating to—

(aa) the preservation and safety of investments as the primary aim;

(bb) the need for investment diversification; and

(cc) the liquidity needs of the municipality or municipal entity;

(iii) a minimum acceptable credit rating for investments, including—

(aa) a list of approved investment types that may be made, subject to regulation 6;

(bb) a list of approved institutions where or through which investments may be made, subject to regulation 10;

(iv) procedures for the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the Act;

(v) measures for ensuring implementation of the policy and internal control over investments made;

(vi) procedures for reporting on and monitoring of all investments made, subject to regulation 9;

(vii) procedures for benchmarking and performance evaluation;

(viii) the assignment of roles and functions, including any delegation of decision-making powers;

(ix) if investment managers are to be used, conditions for their use, including their liability in the event of non-compliance with the policy or these Regulations; and

(x) procedures for the annual review of the policy.

5 Standard of care to be exercised when making investments

Investments by a municipality or municipal entity, or by an investment manager on behalf of a municipality or entity—

(a) must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;

(b) may not be made for speculation but must be a genuine investment; and

(c) must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality or municipal entity and lastly to the probable income derived from the investment.

6 Permitted investments

A municipality or municipal entity may invest funds only in any of the following investment types—

(a) securities issued by the national government;

(b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;

(c) deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);

(d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act 45 of 1984);

(e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984);

(f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;

(g) guaranteed endowment policies with the intention of establishing a sinking fund;

(h) repurchase agreements with banks registered in terms of the Banks Act, 1990;

(i) municipal bonds issued by a municipality; and

(j) any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

7 Investments denominated in foreign currencies prohibited

A municipality or municipal entity may make an investment only if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

8 Payment of commission

(1) No fee, commission or other reward may be paid to a councillor or official of a municipality or to a director or official of a municipal entity or to a spouse or close family member of such councillor, director or official in respect of any investment made or referred by a municipality or municipal entity.

(2) If an investee pays any fee, commission or other reward to an investment manager in respect of any investment made by a municipality or municipal entity, both the investee and the

investment manager must declare such payment to the council of the municipality or the board of directors of the municipal entity by way of a certificate disclosing full details of the payment.

9 Reporting requirements

(1) The accounting officer of a municipality or municipal entity must within 10 working days of the end of each month, as part of the section 71 report required by the Act, submit to the mayor of the municipality or the board of directors of the municipal entity a report describing in accordance with generally recognised accounting practice the investment portfolio of that municipality or municipal entity as at the end of the month.

(2) The report referred to in subregulation (1) must set out at least—

(a) the market value of each investment as at the beginning of the reporting period;

(b) any changes to the investment portfolio during the reporting period;

(c) the market value of each investment as at the end of the reporting period; and

(d) fully accrued interest and yield for the reporting period.

10 Credit requirements

(1) A municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out in regulation 5, to ensure that it places its investments with credit-worthy institutions.

(2) A municipality or municipal entity must—

(a) regularly monitor its investment portfolio; and

(b) when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in its investment policy.

11 Portfolio diversification

A municipality or municipal entity must take all reasonable and

prudent steps, consistent with its investment policy and according to the standard of care prescribed in regulation 5, to diversify its investment portfolio across institutions, types of investment and investment maturities.

12 Miscellaneous provisions

(1) The responsibility and risk arising from any investment transaction vests in the relevant municipality or municipal entity.

(2) All investments made by a municipality or municipal entity must be in the name of that municipality or municipal entity.

(3) A municipality or municipal entity may not borrow money for the purpose of investment.

13 Existing investments

Nothing in these Regulations compels a municipality or municipal entity to liquidate an investment which existed when these Regulations took effect merely because such investment does not comply with a provision of these Regulations.

14 Commencement

These Regulations take effect on 1 April 2005.

ANNEXURE C1

OFFICE OF THE DEPUTY CITY MANAGER
Treasury
251 Anton Lembede Street, Durban, 4001
PO Box 828, Durban, 4000
Tel: 031 311 1111, Fax: 031 304 3879
Email: revline@durban.gov.za
www.durban.gov.za

09 March 2017

Deputy Head: Finance, Pensions & Major Projects
1st Floor, Florence Mkhize Building
Durban
4001

Attention: Mr S. G. Mbele

Dear Sibonelo

DELEGATION OF INVESTMENT FUNCTIONS

In terms of the authority delegated to me by the eThekwini Council on 25-02-2015, I hereby sub-delegate the undermentioned authority to you to make investment decisions on behalf of the Municipality.

Official	Functions Delegated
1. Deputy Head: Finance, Pensions & Major Projects	**All Money Market Investments** ie. Call and Fixed Deposits **Other Investments** - Purchase and sale of bonds **Property Leasebacks** Approval of multi tenancy leases

It is imperative that you at all times operate within the ambit of Investment Framework Policy Guidelines and the mandates imposed by statutory requirements as amended.

Yours faithfully

K. A. KUMAR
DEPUTY CITY MANAGER: TREASURY

ANNEXURE C2

OFFICE OF THE DEPUTY CITY MANAGER
Treasury
251 Anton Lembede Street, Durban, 4001
PO Box 828, Durban, 4000
Tel: 031 311 1111, Fax: 031 304 3879
Email: revline@durban.gov.za
www.durban.gov.za

09 March 2017

Senior Manager: Investments
6th Floor, Florence Mkhize Building
Durban
4001

Attention: Miss LL Enicker

Dear Linda

DELEGATION OF INVESTMENT FUNCTIONS

In terms of the authority delegated to me by the eThekwini Council on 25-02-2015, I hereby sub-delegate the under mentioned authority to you to make investment decisions on behalf of the Municipality.

Official	Functions Delegated
Senior Manager: Investments	**All Money Market Investments** ie. Call and Fixed Deposits

It is imperative that you at all times operate within the ambit of Investment Framework Policy Guidelines and the mandates imposed by statutory requirements as amended.

Yours faithfully

30-3-2017

SIBONELO MBELE
DEPUTY HEAD: FINANCE, PENSIONS & MAJOR PROJECTS

ANNEXURE C3

OFFICE OF THE DEPUTY CITY MANAGER
Treasury
251 Anton Lembede Street, Durban, 4001
PO Box 828, Durban, 4000
Tel: 031 311 1111, Fax: 031 304 3879
Email: revline@durban.gov.za
www.durban.gov.za

09 March 2017

Manager: Finance
6th Floor, Florence Mkhize Building
Durban
4001

Attention: Miss V. N. Kweyama

Dear Nomusa

DELEGATION OF INVESTMENT FUNCTIONS

In terms of the authority delegated to me by the eThekwini Council on 25-02-2015, I hereby sub-delegate the undermentioned authority to you to make investment decisions on behalf of the Municipality.

Official	Functions Delegated
Manager: Finance (In the absence of the Senior Manager: Investments)	**All Money Market Investments** ie. Call and Fixed Deposits

It is imperative that you at all times operate within the ambit of Investment Framework Policy Guidelines and the mandates imposed by statutory requirements as amended.

Yours faithfully

10-3-2017

SIBONELO MBELE
DEPUTY HEAD: FINANCE, PENSIONS & MAJOR PROJECTS