

GOVERNMENT NOTICE

COLLECTIVE INVESTMENT SCHEMES

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

No. X

2021

STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS ACT, 2021

The Namibia Financial Institutions Supervisory Authority has section 410(5)(j) of the Financial Institutions and Markets Act, 2021 (Act No. X of 2021), made the Standards set out in the Schedule.

Gersom Katjimune
Chairperson

Windhoek,

2021

DRAFT STANDARD

CALCULATION OF FAIR VALUE OF A SECURITY

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

Standard No: CIS.S.4.13

DRAFT

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2021 [Act No. • of 2021]

Calculation of fair value of a security

Standard No. CIS.S.4.13

issued by NAMFISA under section 410(2)(r) of the Financial Institutions and Markets Act, 2021

Definitions

1. (1) In this Standard—

“Act” means the *Financial Institutions and Markets Act, 2021* [Act No. • of 2021], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act;

“base currency” means the currency in which the assets are denominated;

“CIS” means a collective investment scheme as defined in section 168 of the Act;

“closed-end CIS” means a CIS that issues a fixed number of participatory interests that are not redeemable, that are traded in secondary markets and the market price of which may differ from its NAV price;

“constant NAV” means NAV per participatory interest that does not vary with changes in the assets and liabilities of a collective investment scheme

“fair-value of a security” means a price at which a security would sell in an orderly transaction to a willing buyer at the valuation date;

“fiduciary” has the same meaning as in the General Standards;

“fiduciary duty” has the same meaning as in the General Standards;

“functionary” means a principal officer, officers or employees of a manager or an individual acting for or representing an authorized representative that is a corporate body, including a director, principal officer or other officers of that corporate body;

“initial charge” means the costs incurred by the manager in the creation and issuance of a participatory interest and included in the price of the participatory interest;

“material information” has the same meaning as in the General Standards;

“NAV” means the “net asset value” of a participatory interest as determined in accordance with Standard CIS 5-11;

“offer” means to sell or offer to sell for cash any participatory interest to a client or a potential client;

“offer document” means a document containing information about a CIS or a portfolio of a CIS or offer of a participatory interest whether referred to as a prospectus, a fact sheet, notice, circular or by any other name and whether in printed or in electronic form;

“open-end CIS” means a CIS that issues and redeems participatory interests on an ongoing basis, changes its underlying assets from time to time and the NAV price of which is based on the value of assets;

“operator” means the operator of a foreign CIS;

“Rand” means the official currency of the Republic of South Africa;

“transaction” has the meaning ascribed thereto by section 78 of the Act, insofar as it is applicable in the context of these standards, and refers to a contract of sale and purchase of a participatory interest;

“underlying securities” means the assets of a portfolio;

“valuation date” means the date on which the value of a security is determined or the date at which the value of a transaction is determined; and

“variable NAV” means NAV per participatory interest that varies with changes in the assets and liabilities of a CIS.

(2) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including without limitation, the following—

(a) as defined in section 1 of the Act—

- (i) affiliate;
 - (ii) associate;
 - (iii) auditor;
 - (iv) board;
 - (v) client;
 - (vi) corporate body;
 - (vii) director;
 - (viii) financial service;
 - (ix) financial year;
 - (x) NAMFISA;
 - (xi) officer;
 - (xii) principle office;
 - (xiii) principal officer; and
 - (xiv) person
- (b) control as defined in section 3 of the Act
- (c) as defined in section 78 of the Act —
- (i) exchange;
 - (ii) issuer;
 - (iii) investment manager;
 - (iv) listed securities;
 - (v) regulated person;
 - (vi) security; and
 - (vii) transaction.
- (d) as defined in section 168 of the Act —
- (i) assets;
 - (ii) authorized representative;
 - (iii) collective investment scheme;
 - (iv) custodian;
 - (v) deed;
 - (vi) designated representative; investor;
 - (viii) manager;
 - (ix) members of the public;
 - (x) participatory interest;
 - (xi) portfolio; and
 - (xii) trustee;

- (e) collective investment scheme in participation bonds, as defined in section 201 of the Act;
- (f) collective investment scheme in unlisted securities, as defined in section 210 of the Act;
- (g) collective investment scheme in money market instruments, as defined in section 211 of the Act;
- (h) foreign collective investment scheme, as defined in section 205 of the Act; and
- (i) a person or manager connected with a foreign country or Namibia, as the case may be, as provided in section 220(2) of the Act.

Applicability

- 2. This Standard applies to collective investment schemes, managers and operators, trustees and custodians.

Calculation of fair value

- 3. (1) A manager or operator must determine the fair value of a security included in a CIS in accordance with this Standard.
- (2) In determining the fair value of a security, a manager or operator must:
 - (a) for a listed security, use the valuation date, or current market, price or last price prior to valuation date, and where the security is listed on more than one exchange, the price where the security is principally traded;
 - (b) for an unlisted security, use market rates for money market instruments, market comparable values adjusted for liquidity discount for bonds, net realizable value in an arm's length transaction, or acquisition cost;
 - (c) for a participatory interest, use redemption price or realization price, last quoted price, or where these are not available, purchase or acquisition price;
 - (d) for derivative instruments, current market price, i.e., net value on the closing out of a position on valuation date, daily mark-to-market value, expense premium if an option is not exercised or is out-of-money, paid margins plus value of profits and losses, value of comparable listed options, or other valuation methods commonly used by market participants if market prices are not available;

- (e) for forward contracts, warrants and other instruments (such as swaps or repurchase agreements), use the current or closing market prices and yield curves, paid margins plus profits and losses, net value on the closing out of a position less dealing costs, or other valuation methods commonly used by market participants if market prices are not available, taking market interest rates into consideration;
 - (f) for money market instruments, use the acquisition cost of the instruments, taking into consideration accrued interest and any holding costs; and
 - (g) for any other security, use valuation methods, including market or transaction comparables approach, adjusted net asset value method, income or cost approach, that are commonly used by market participants based on relevant observable inputs.
- (3) The determination of the fair value of a security should take into consideration any relevant risk factor that market participants would include in pricing that security, including any restriction on the sale of a security, or factors such as non-controlling interests or illiquidity of a market for a security.
- (4) In the determination of the fair value of a security, a manager or operator must ensure consistency and comparability in the valuation and over time, and make full disclosures where material changes in valuation of securities are effected.