

# Wierzycka tackles large asset managers on ETF roadblock

Large asset management firms protecting their turf are behind the abrupt suspension of the National Treasury circular allowing higher ratio of offshore investments for pension funds, says Sygnia Investments chief executive officer Magda Wierzycka.



Magda Wierzycka, CEO, Sygnia Investments

Earlier this week, National Treasury issued a joint statement with the South African Reserve Bank (Sarb) and the Financial Sector Conduct Authority (FSCA) saying it was rescinding a circular that relaxed exchange control. This would have impacted Regulation 28 of the Pension Funds Act by allowing a higher ratio of offshore investments for pension funds from its current threshold of 30%.



## Exchange control circular suspended

24 Nov 2020



Wierzycka accused "a handful of large asset managers who control the wealth of most South African investors" of using the Association for Savings and Investment South Africa (Asisa) as a front to protect their interests.

"It is not up to asset managers to determine the degree of foreign exposure appropriate for a particular investor: asset managers do not have insight into their clients' liabilities, and it is up to an individual or board of trustees, supported by advisors who can help devise a customised strategy for each investor based on their circumstances, to do so. To claim that power for fund managers alone is the height of arrogance, as is the pressure applied to the Sarb to reverse its earlier decision."

“ I believe Asisa (acting for Coro, Ninety One and others) made representations to FSCA, NT and Sars to stop the circular which allowed savers to invest their savings offshore through ETFs. I have requested a copy. If I don't get a copy PAIA comes to mind. [@asisa\\_za](#)— Magda Wierzycka (@Magda\_Wierzycka) [November 25, 2020](#) ”

Wierzycka posted a copy of the letter from Asisa to the FSCA on her Twitter feed.

“ I just want to ensure that everyone is clear about what Asisa said to FSCA, NT and Sarb. Does this look like asking for guidance on Excon Circular relaxing foreign exchange controls or motivating against it? You make up your own mind. [pic.twitter.com/1fKK2nXdGM](https://pic.twitter.com/1fKK2nXdGM)— Magda Wierzycka (@Magda\_Wierzycka) [November 26, 2020](#) ”

"Their reason, not backed up by independent legal opinion and merely referencing 'our view', was that it conflicted with Regulation 28," she said.

Sygnia has sought legal opinion "from a top pension funds lawyer which confirmed that there was in fact no such conflict and that the legal effect of the circular on Regulation 28 was clear".

## Asisa response

In response, Asisa issued a statement in which it said that it had engaged with the FSCA merely to seek clarity on the implications of the circular on behalf of a number of its members.

Asisa CEO, Leon Campher said the body and its members have always been in support of exchange control relaxation. "The Sarb circular was positive in that it removed the inconsistent treatment of inward listed instruments depending on whether they were equity, debt, ETFs or derivatives. However, pension funds are still required to comply with prudential requirements applicable to their investments, namely Regulation 28.

"At no point did Asisa demand suspension of the above mentioned circular. Our letter to the FSCA, which has now been shared widely, clearly states that Asisa was requesting urgent guidance. Our request was made a week after the FSCA had already made it clear that the inward listing classification of instruments listed on a South African exchange and the application in financial sector laws would remain until further notice."

He said the body was aware of Sygnia's concerns, but "the reality is that there is more at stake than just the views of asset managers. Prudential regulations affect a wide ecosystem that includes the trustees of retirement funds who have a responsibility towards members of retirement funds to ensure that their investment portfolios comply with the prudential regulations. Ultimately, clear regulation protects the ultimate investors whose interests should be paramount."