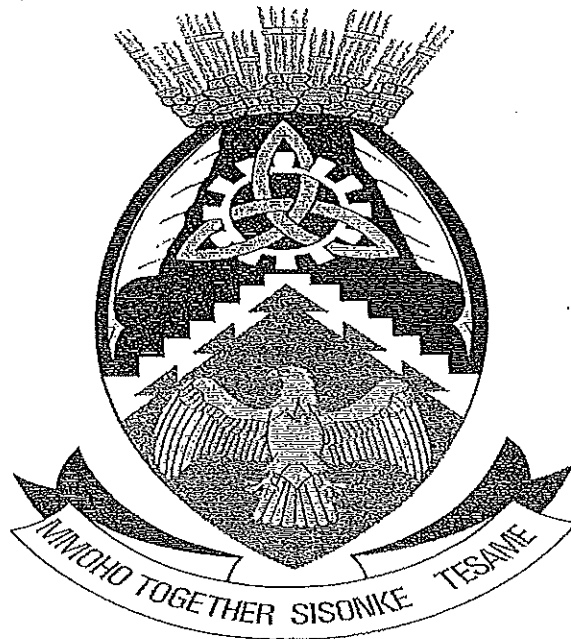


MATJHABENG LOCAL MUNICIPALITY



**LIABILITY, INVESTMENT AND
CASH MANAGEMENT
POLICY**

5.6 Contingent Liabilities

Council may from time to time, provide financial guarantees within its legal capacity. Management ensures that the business plan of the guaranteed party furthers the strategic objectives of Council and that financial statements are received on a regular basis. Should the guarantee be called up, Council will take immediate steps to recover the money. Before granting the guarantee Council can seek to secure collateral guarantees from the organization members.

These actions will be guided by S50 of the MFMA.

5.7 Foreign Currency Borrowing

Council may not raise loans in a foreign currency.

6. INVESTMENT POLICY

6.1 General Policy

Generally Council will invest surplus funds just with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990), for terms not exceeding one year in anticipation of cashflow expectations.

From time to time, with prior Council approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the treasury regulations from time to time.

6.2 Diversification

Council will only make investments with approved institutions which has an A rating as per Appendix B.

Not more than 20% of available funds will be placed with a single institution except at the discretion of the CFO because of improved returns and excluding any investments made per Council resolution.

6.3 Quotations

At least three [3] written quotations must be obtained.

Acceptance of the above must be governed in order of priority by:

- 6.3.1 Preservation and safety of principal;
- 6.3.2 Liquidity; and
- 6.3.3 Yield
- 6.3.4 Where appropriate, match dates of repayment of maturing loans.

REGULATIONS

GNR.308 of 1 April 2005: Municipal Investment Regulations

NATIONAL TREASURY

The Minister of Finance, acting with the concurrence of the Minister for Provincial and Local Government, has in terms of section 168, read with section 13 and 99 (2) (a), of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), made the regulations as set out in the Schedule.

SCHEDULE

ARRANGEMENT OF REGULATIONS

1. Definitions
2. Application
3. Adoption of investment policies
4. Core elements of investment policies
5. Standard of care to be exercised when making investments
6. Permitted Investments
7. Investments denominated in foreign currencies prohibited
8. Payment of commission
9. Reporting requirements
10. Credit requirements
11. Portfolio diversification
12. Miscellaneous provisions
13. Existing investments
14. Commencement

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 No. 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 No. 55 of 1989

Repealed Act

Act 55 of 1989 has been repealed by s 117 of Act 36 of 2004

), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985

Repealed Act

Act 1 of 1985 has been repealed by s 117 of Act 36 of 2004

), contracted by a municipality or municipal entity to—

- (a) advise it on investments;
- (b) manage investments on its behalf; or

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;

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

(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

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.