
ANNEXURE 2C: DRAFT NOTICE – CREDIT RATING AGENCIES

FINANCIAL SERVICES BOARD

No. _____

_____ 2010

I, Dube Phineas Tshidi, Registrar of Pension Funds, hereby issue the following guideline in respect of ratings and rating agencies that may be used by pension funds in the assessment of investment products and debt instruments or the issuers of investment and debt instruments as set out in the Schedule below.

DP TSHIDI

Registrar of Pension Funds

This Notice takes effect on the date of publication thereof.

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SCHEDULE

Rating agencies and the rates applicable to investment products and debt instruments or the issuers of investment and debt instruments

1. Rating agencies and the rates applicable to issuers of debt and debt instruments
2. In the assessment of issuers of assets or debt and debt instruments, the following rating agencies and ratings may be considered:
 - 2.1 Standard & Poor (S&P)
 - 2.2 Moody's Investor Services Limited or Moody's Investor Services South Africa (Pty) Limited (Moody's)
 - 2.3 Fitch Ratings Limited or Fitch Southern Africa (Pty) Limited (Fitch Ratings)
 - 2.4 CA-Ratings
 - 2.5 Global Credit Rating Co. (GCR)
3. The relevant ratings for domestic or National rating scales are set out below in **Table 1** and International Rating Scales of Rating Agencies are set out in **Table 2** below.
4. Where an instrument or entity concerned has been assigned a rating by two or more rating agencies, the lowest rating should apply.
5. Where the short-term rating of an instrument or issuer spans over more than one rating band, reference should be made to the long-term issuer rating to determine the applicable rating band for inclusion limit purposes.
6. The recommended limits of debt instruments or entities issuing debt instruments are as follows:

TABLE 1: NATIONAL RATING SCALES OF RATING AGENCIES

| | S & P | | Moody's | | Fitch Ratings | | CA-Ratings | | GCR | |
|-------------|------------------|-------------------|------------------|--------------------------|----------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Rating Band | Long term rating | Short term rating | Long term rating | Short term rating | Long term rating | Short term rating | Long term rating | Short term rating | Long term Rating | Short term Rating |
| 1 | AAA | A-1+ | Aaa.za | Prime 1.za | AAAzaf | F1+zaf | zaAAA | zaA1+ | AAA | A1+ |
| | AA+ | A-1+ | Aa1.za | Prime 1.za | AA+zaf | F1+zaf | zaAA+ | zaA1+ | AA+ | A1+ |
| | AA | A-1+ | Aa2.za | Prime 1.za | AAzaf | F1+zaf | zaAA | zaA1+ | AA | A1+ |
| | AA- | A-1+ | Aa3.za | Prime 1.za | AA-zaf | F1+zaf | zaAA- | zaA1+ | AA- | A1 |
| 2 | A+ | A-1 | A1.za | Prime 1.za or Prime 2.za | A+zaf | F1+zaf or F1zaf | zaA+ | zaA1 | A+ | A1 |
| | A | A-1 | A2.za | Prime 1.za or Prime 2.za | Azaf | F1zaf | zaA | zaA1 | A | A1 |
| | A- | A-2 | A3.za | Prime 1.za or Prime 2.za | A-zaf | F1zaf or F2zaf | zaA- | zaA2 | A- | A1- |
| 3 | BBB+ | A-2 | Baa1.za | Prime w.za | BBB+zaf | F2zaf | zaBBB+ | zaA2 | BBB+ | A2 |
| | BBB | A-2 | Baa2.za | Prime 2.za or Prime 3.za | BBBzaf | F2zaf or F3zaf | zaBBB | zaA2 | BBB | A2 |

TABLE 2: INTERNATIONAL RATING SCALES OF RATING AGENCIES

| INTERNATIONAL RATING SCALES OF RATING AGENCIES | | | | | | |
|--|-------|------|---------|--------------------|---------------|-----------|
| | S & P | | Moody's | | Fitch Ratings | |
| 1 | AAA | A-1+ | Aaa. | Prime 1 | AAA | F1+ |
| | AA+ | A-1+ | Aa1. | Prime 1 | AA+ | F1+ |
| | AA | A-1+ | Aa2. | Prime 1 | AA | F1+ |
| | AA- | A-1+ | Aa3. | Prime 1 | AA- | F1+ |
| 2 | A+ | A-1 | A1. | Prime 1 | A+ | F1+ or F1 |
| | A | A-1 | A2. | Prime 1 or Prime 2 | A | F1 |
| | A- | A-1 | A3. | Prime 1 or Prime 2 | A- | F1 or F2 |
| 3 | BBB+ | A-2 | Baa1. | Prime 2 | BBB+ | F2 |
| | BBB | A-2 | Baa2. | Prime 2 or Prime 3 | BBB | F2 or F3 |
| | BBB- | A-2 | Baa3. | Prime 3 | BBB- | F2 or F3 |