



The Home of Exchange Traded Funds®

## **THE USE OF EXCHANGE TRADED FUNDS (ETFs) BY FINANCIAL SERVICE PROVIDERS**

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ETFs are becoming increasingly popular amongst local investors and FSPs are likely to be asked questions about ETFs and investment in such products. Some possible questions and answers are covered below.

- **Are ETFs an appropriate investment?**

ETFs are listed securities on the JSE that give access to a portfolio of shares making up the main JSE indices, for equities and bonds. The indices measure the average performance of the market as a whole, or a sector of the market, and the securities in an index are usually the largest and most traded shares on the exchange.

ETFs offer the investor a diversified, transparent and easily tradable portfolio in which to obtain the average market performance – the investor takes the market risk, but not the ALPHA (share selection) risk associated with active fund management. All ETF securities are registered in the name of the individual investor on the centralised electronic register operated by the JSE/STRATE and the major custodian banks.

- **How are ETFs Regulated?**

Exchange Traded Funds are issued by FSB registered Mancos under the Collective Investment Schemes Control Act (2002). They therefore adhere to the rules and requirements of CISCA, FAIS and FICA.

The following FSB registered Management Companies (Mancos) issue ETFs in South Africa.

## ETF Products & Issuers

Manco	ETF Product Brand
Satrix Managers (Pty) Ltd	Satrix
BettaBeta Collective Investment Scheme (Nedbank Capital)	BettaBeta
zShares ETF Scheme (Investec)	zShares
RMB Investment Managers (Pty) Ltd (Rand Merchant Bank)	RMB
Grindrod Index Tracker Managers (Pty) Ltd	Proptrax & PrefTrax
DBX Tracker Collective Investment Scheme (Pty) Ltd (Deutsche Bank)	DBX Tracker
NewFunds Collective Investment Scheme (Absa Capital)	NewFunds
Stanlib Collective Investments Limited	Stanlib

ETFs are also listed securities on the JSE and abide with all the rules and regulations applicable to publically listed companies.

- **Am I licensed as a FSP to offer ETFs to my clients?**

FSPs and their representatives can provide financial services in respect of ETFs, when licensed under categories 1.14 (Collective Investment Schemes) and/or 1.8 (Securities and Investments – Shares) of the FAIS Act. Exchange Traded Notes (ETNs), which also offer passive investment tracking products on the JSE, are not registered as Collective Investment Schemes and therefore require a 1:8 license.

- **How do I access ETFs for my clients?**

The most cost efficient method is to use one of the Investment Platforms offered by ETF issuers (such as the Satrix Investment Plan) or the etfSA Investor Plan platform, which offers all 63 ETFs available in South Africa. Client accounts are managed by an administration Category III FSP. FSPs can register with the administrators of such platforms to receive trailing commissions, with the approval of their clients.

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