



Regulation 13

What it does to the 'S' in ESG



Recap Namibia's unique context

- Focused and developing economy – pensions need to run at pace of growth
- DC heavy – different to many developed markets on DB – no safety nets.
- Listed universe: limited, concentrated sectors
- Unlisted space: risk, liquidity & limited opportunity set.

‘S’ risk on regulation is very high



Balancing the ‘S’

Competing and complex principles:

- (i) RF - private assets – State not carrying risk in many cases, and to be at care not to put private savings at risk for its own ‘S’ mandate.
- (ii) However - RF savings subject to tax exemptions and exchange regulation, state may regulate.
- (iii) If these assets drive socio-economic objectives, all will benefit, including investors.
- (iv) Principle (iii) cannot be at cost of private savings ‘S’ risk, this will discourage retirement savings and return a burden to the state / economy.



Regulator roles

- Risk management and allowing sufficient returns – primary mandate.
- In the Retirement Fund space – primary ‘S’ duty to retirement members. Socio-economic a secondary mandate?
- Defined Contribution adds a huge gap: social risk to RF members is wide. Social agendas and ‘uninsured’ risk is a complex mix.

Starting at 50 may work



0–20%

UAE
Singapore
Netherlands
Saudi Arabia
Australia
Sweden
Denmark
Switzerland

Manageable if one starts young



20–50%

UK
Italy
Germany
India
Israel
US
France
South Africa
Canada

Save as you go



>50%

Brazil
Hong Kong
Chile
Taiwan
Japan
Russia
Nigeria



Regulator – ongoing monitoring

Regulator pioneering new territory - will be some trial and error.

Regulator is showing maturity in adaptation – exemption examples.

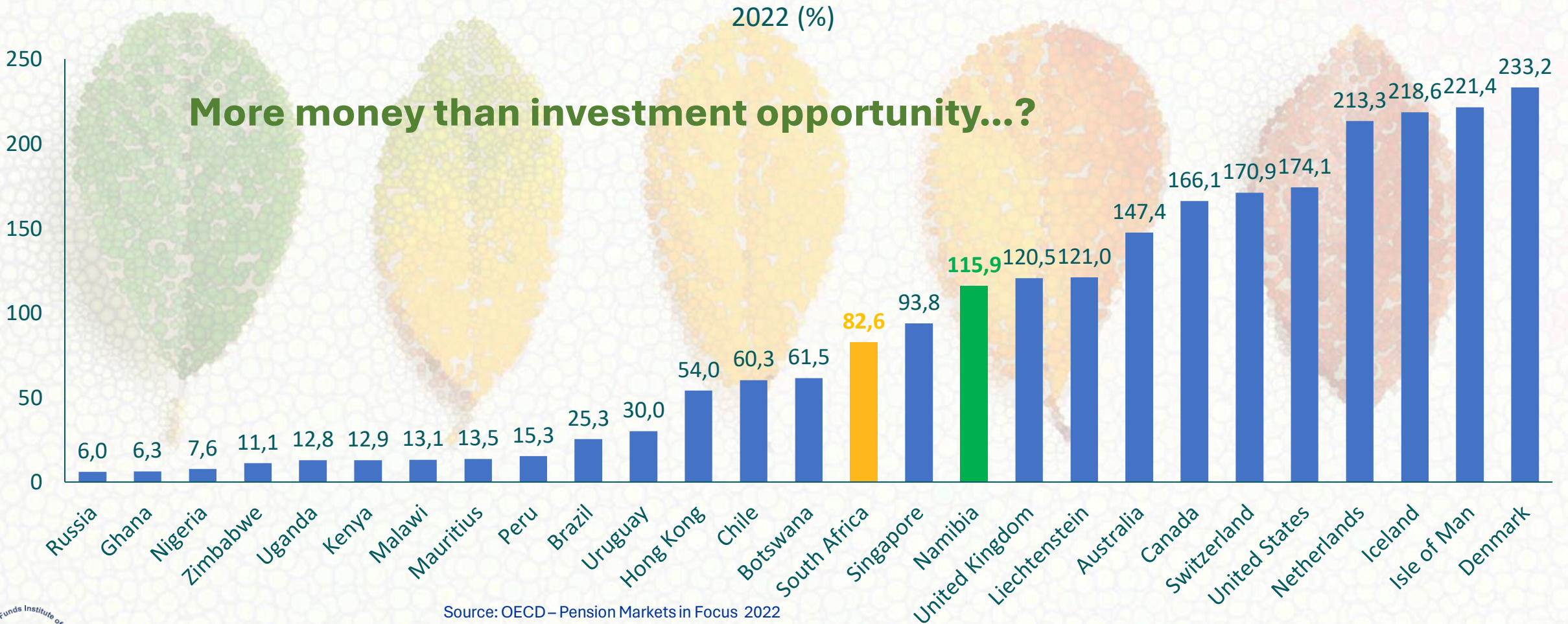
Requires ongoing flexibility and adaptability to “on the ground experiences.”

Feedback and assessment on regulatory impact will need to be continuous.
Key: Is secondary mandate hurting primary mandate too much?



Pension Fund assets as % of GDP

How does Namibia rank Globally?



Source: OECD – Pension Markets in Focus 2022

Regulation recap

- Namibian pension fund regulations
 - 45% domestic asset requirement

A fund must keep invested in domestic assets, at all times after the following dates, not less than the following percentages of the market value of its total assets.

Market Value of Total Assets	Not less than
31 August 2018	40.0%
30 November 2018	42.5%
31 March 2019	45.0%

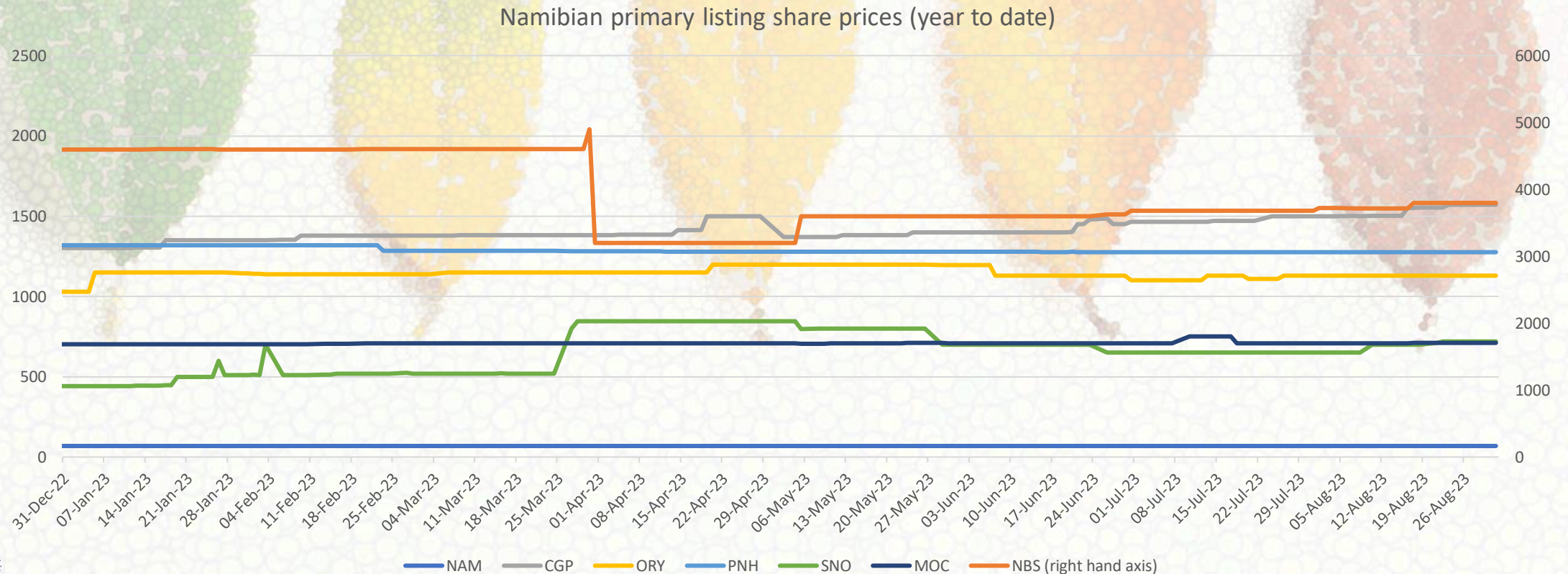
Domestic assets consisting of shares acquired in a company incorporated outside Namibia may not exceed:

Market Value of Total Assets	May not exceed
1 January 2014	30%
1 January 2015	25%
1 January 2016	20%
1 January 2017	15%
1 January 2018	10%

**More money than investment opportunity;
Social and economic upliftment intentions can't be fulfilled.**

Resources: Is the local universe deep enough?

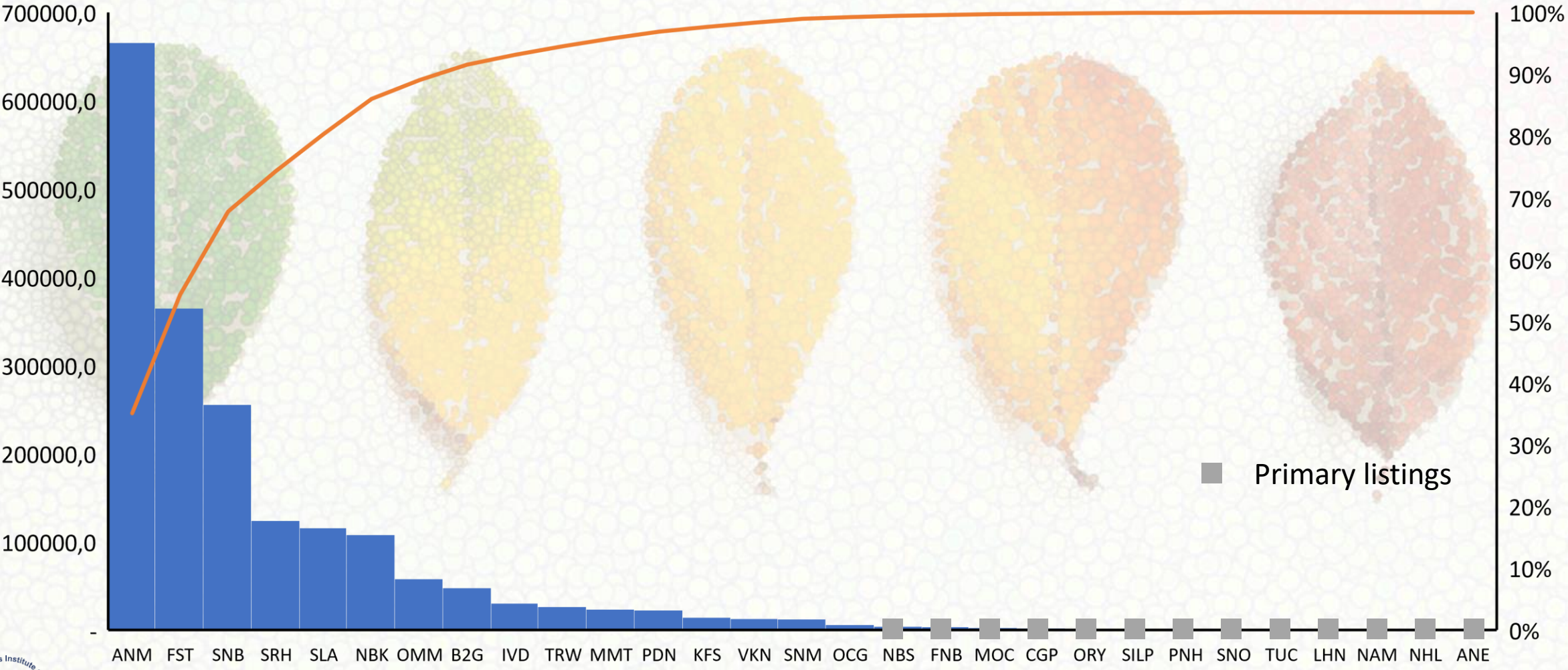
- Primary listings don't really trade
- Dual listings sometimes one trade a day to track SA market



Namibian stock market dynamics



NSX Overall Index

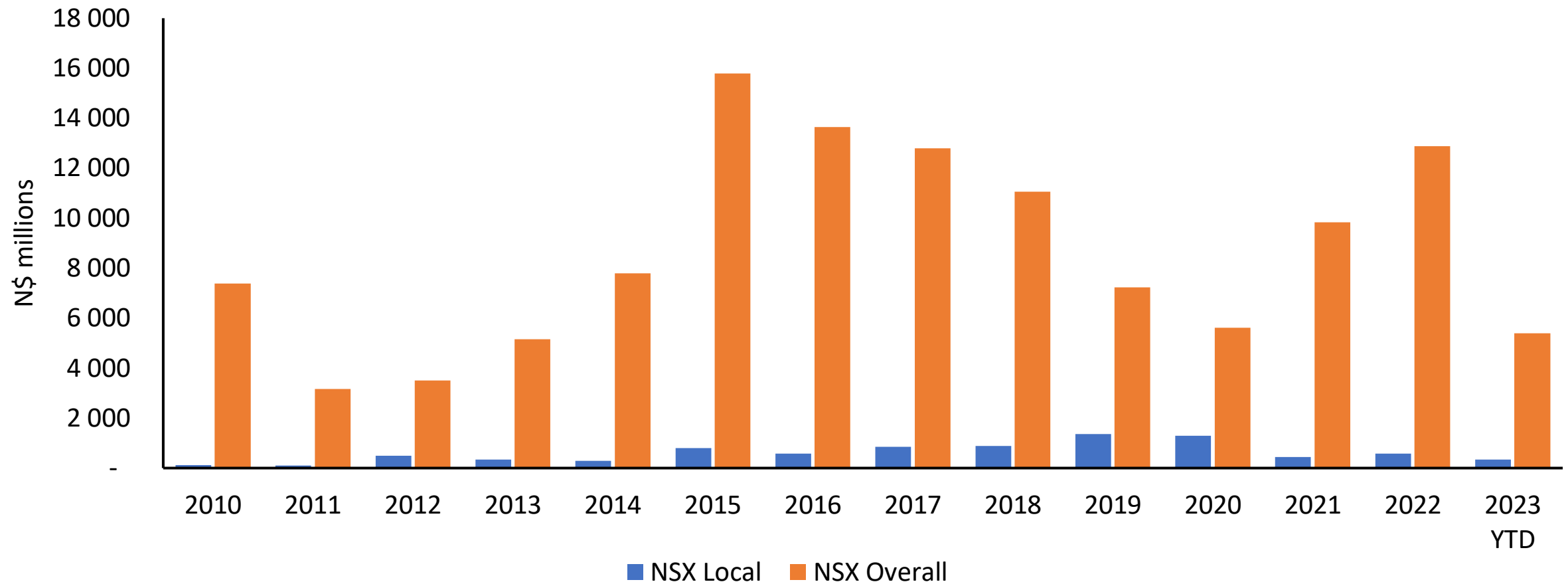


Source: NSX daily report, 2023.07.31



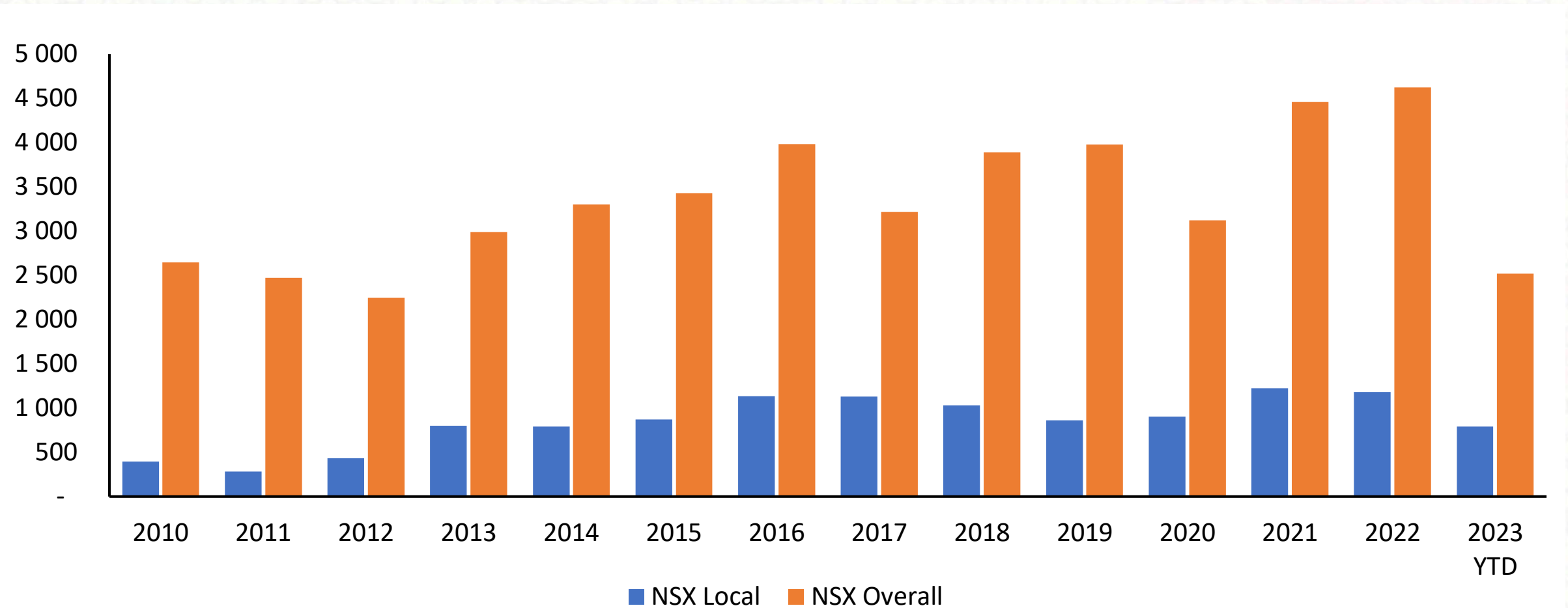
Namibian stock market dynamics

Trading value



Namibian stock market dynamics

Number of deals



Result

- Regulation has created a ‘forced’ allocation to bonds
- How this has played out?

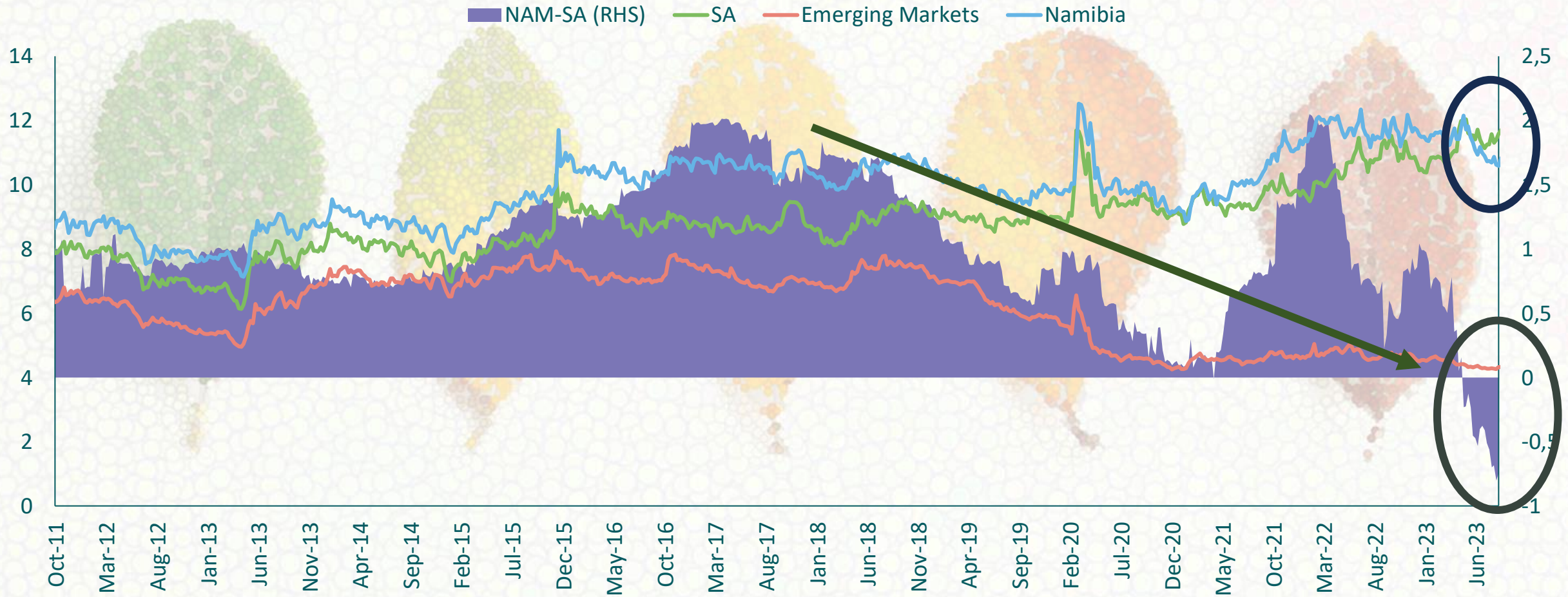


Namibian bond market dynamics

31-Aug-23	Market Cap	No of Issuance
Government Nominal Bonds	64,926,845,000	15
Government Inflation Linkers	7,849,070,000	5
Corporate Bonds	537,750,000	5
Floating Rate Notes	4,878,000,000	25
Total	78,191,665,000	



Result: Mind the gap

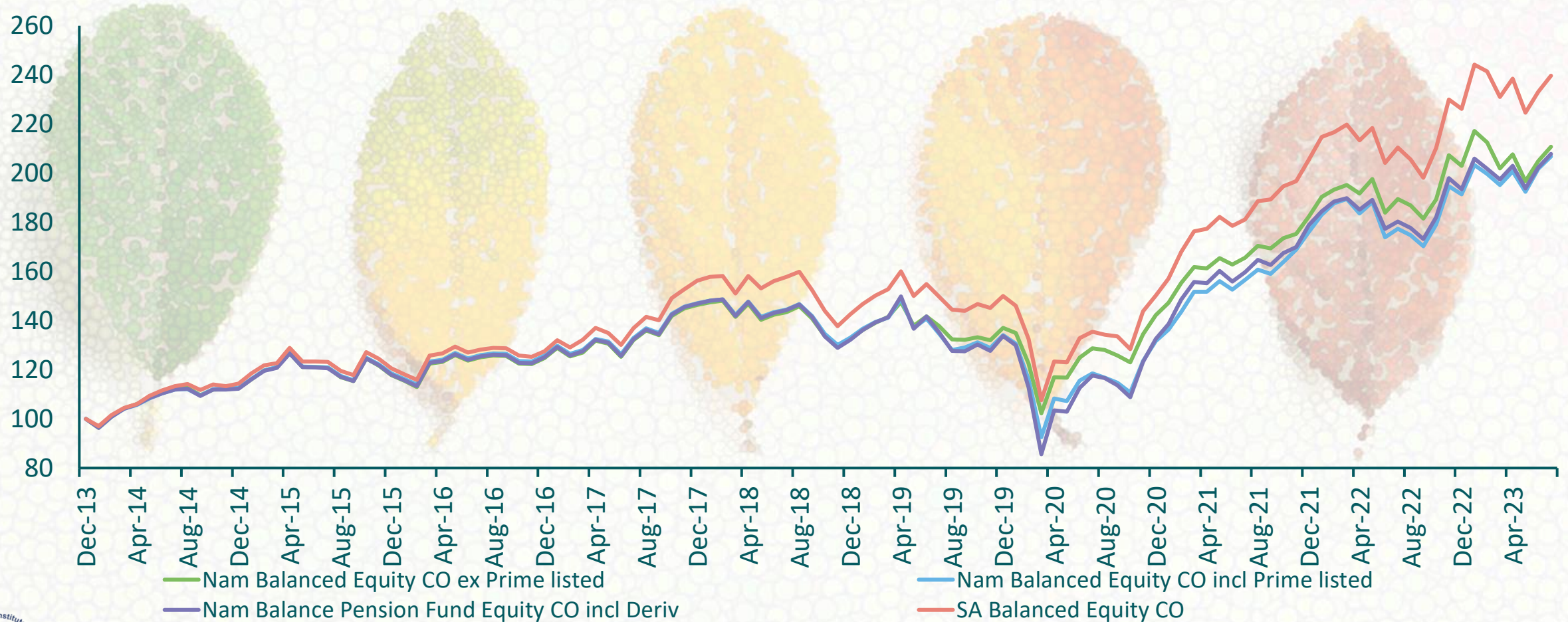


Resilience: How this is playing out

- Inadvertent squeeze between dual listed limits, and local minimums?
- FOMO in the bond space – driving returns
- But long term poorer yields for pension savings
- And what happens when the spreads open....?
- Question of today: can and should this now be managed



Our experience – future pensioners carrying the cost



Back to the ESG

- Easy to look at the ‘S’ within underlying investments to drive the socio-economic agenda.
- But should be cautious not to affect the future pensioners themselves – balancing act required.
- Noting that looking after future pensioners also means a long-term economic upliftment.



Adapt Regulation 13?

- Reg 13 (3) (c) – 10% limit - the most key – let the equity market ‘breathe’ – perhaps raise to 20%?
- Regulation 13 (2) (c) – 45% limit - international diversification – the money will return.... Lower to 35% and ratchet with growth?
- Exchange considerations?



Adapt Regulation 13?

Reg 13 (5)

Good intentions and initiative overall.

Practically what is the experience? *'If we build they will come'* pulling in the right projects? South African approach – put on the menu - might offer guidance, and given financial institutions opportunities to 'gear up'

Partnerships with financial institutions? If not the banks, what is the signal?

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