
GENERAL NOTICE

NOTICE 1568 OF 2006

NATIONAL TREASURY

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT
(ACT No. 56 OF 2003)**

DRAFT MUNICIPAL REGULATIONS ON DEBT DISCLOSURE

CALL FOR COMMENTS

I, Trevor A. Manuel, Minister of Finance, after consultation with the Minister of Provincial and Local Government, hereby publish the draft regulations made, in terms of section 168 (1), for public comment in terms of section 169 (1) (b) of the Municipal Finance Management Act No. 56 of 2003, as set out in the Schedule.

Interested persons may submit their comments on the draft regulations in writing on or before 11 December 2006 to: The Director-General, c/o Mr. TV Pillay, National Treasury, Private Bag X115, Pretoria, 0001, or per fax to (012) 315-5230 or email to MFMA@treasury.gov.za

Kindly provide the name, address, telephone, fax numbers and e-mail address of the person or organisation submitting the comments.

T.A. MANUEL, MP

MINISTER OF FINANCE

EXPLANATORY MEMORANDUM

Municipal Regulations on Debt Disclosure

The wider implementation of the Municipal Financial Management Act (MFMA) in all municipalities and entities is an important element in the strategy to modernise and improve the financial management of local government. Linked to this strategy are the fundamental principles of effective and efficient utilisation of public resources and transparent and accountable financial management practices.

To advance these ideals it is important to demonstrate a sustainable and secure municipal fiscal environment and to strengthen the confidence of the private sector and other persons in their ongoing relationships with local government. In the area of municipal long-term borrowing (debt), the MFMA has established a broad framework, built on the package of financial reforms, that will ensure municipalities and municipal entities have access to appropriate and competitive funding instruments. An active municipal debt market that exudes confidence among participants is essential to make optimal use of debt to finance essential infrastructure.

Municipalities and municipal entities who propose to incur long-term debt are required by these regulations to disclose all information that may be material to the decision of a prospective lender or investor. All reasonable care must be taken to ensure the accuracy of information provided as the lender or investor may rely on such information to make an informed decision.

Information to be disclosed includes past audited financial statements, details of all other liabilities and outstanding debts, sources of revenue, relevant policies and strategies, local economic indicators and full particulars of the debt instrument to be launched. Furthermore, the lender, investor and the National Treasury must be notified of any material changes during the term of any debt incurred, such as failure to meet a repayment, incurring new debt and the provision of assets as security.

If an existing lender, investor or person other than the municipality or municipal entity plans to use municipal debt as a security they are also required to prepare and disclose similar information.

All information required in terms of these regulations must be confirmed by an audit opinion from an independent auditor and the information must be available for inspection by any interested person at the head office of the municipality or municipal entity.

The implementation of these regulations will help to strengthen the level of confidence in municipal fiscal affairs and enable the debt markets to effectively participate by providing access to a range of competitive funding instruments for the provision of municipal infrastructure and other capital development in accordance with section 46 of the MFMA.

NATIONAL TREASURY**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003****MUNICIPAL REGULATIONS ON DEBT DISCLOSURE**

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

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CHAPTER 1

INTERPRETATION AND APPLICATION OF THESE REGULATIONS

Definitions

1. In these regulations, a word or expression to which a meaning has been assigned in the Act and which is not defined in these regulations has the same meaning as in the Act, and, unless the context otherwise indicates –

“Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“creditor”, in relation to a municipality or municipal entity, means a person(s) to whom money is owing by a municipality or municipal entity;

“disclosure statement” means a statement issued or to be issued by –

- (a) a municipality or municipal entity which intends to incur debt by issuing municipal debt instruments; or
- (b) a person who intends to incur debt by issuing securities backed by municipal debt;

“financing agreement”, in relation to a municipality or municipal entity, includes any loan agreement, lease, instalment purchase contract or hire purchase arrangement under which a municipality or municipal entity undertakes to repay a long-term debt over a period of time;

“lender”, in relation to a municipality or municipal entity, means a person who provides debt finance to a municipality or municipal entity;

“long-term debt”, in relation to a municipality or municipal entity, means municipal debt that is repayable by a municipality or municipal entity over a period exceeding one year;

“municipal debt” means—

- (a) a monetary liability of, or monetary obligation on a municipality or municipal entity created by –
 - (i) a financing agreement, note, debenture, bond or overdraft; or
 - (ii) the issuance of municipal debt instruments; or
- (b) a contingent liability such as that created **by** guaranteeing a monetary liability or obligation of another;

“municipal debt disclosure depository” means a physical or electronic depository administered by the National Treasury, accommodating the documents referred to in regulation 24(1);

“municipal debt instrument” means any note, bond, debenture or other evidence of indebtedness issued by a municipality or municipal entity, including dematerialised or electronic evidence of indebtedness, intended to be used in trade;

“security”, in relation to a municipality or municipal entity, means any mechanism intended to secure the interest of a lender or investor, and includes any of the mechanisms mentioned in section 48 **(2)** of the Act;

“securities exchange” means a securities exchange in the Republic to list municipal debt instruments or securities backed by municipal debt for purposes of trade;

“securities backed by municipal debt” means securities as defined in section 1 of the Securities Services Act, 2004 (**No. 36 of 2004**), which, in whole or in part, are backed, collateralised or in any way secured by municipal debt;

“short-term debt”, in relation to a municipality or municipal entity, means a municipal debt that is repayable by a municipality or municipal entity over a period not exceeding one year;

“underwriter”, in relation to municipal debt, means a person who undertakes –

- (a) to take up municipal debt instruments to the extent that such instruments are not taken up by other lenders or investors; or
- (b) to provide debt finance to a municipality or municipal entity to the extent that such debt finance is not provided by other lenders or investors;

Application of these regulations

2. (1) These regulations apply to –

- (a) all municipalities and municipal entities when intending to incur debt whether through the issue of municipal debt instruments or in another way; and
- (b) all persons intending to incur debt by issuing securities backed by municipal debt.

(2) These regulations do not in any way detract from an obligation imposed on a person in terms of section 49 of the Act.

CHAPTER 2

COMPULSORY DISCLOSURES WHEN INCURRING MUNICIPAL DEBT

Part I: Municipal debt incurred otherwise than through municipal debt instruments

Disclosures to prospective lenders, other creditors and underwriters

3. (1) When entering into discussions with a prospective lender, other creditor or underwriter with a view to incurring municipal debt, a municipality or municipal entity must indicate in writing to the prospective lender, other creditor or underwriter whether it intends to incur short-term or long-term debt, and –

- (a) if it intends to incur short-term debt, whether the purpose of the debt is to bridge –
 - (i) shortfalls within a financial year as contemplated in section 45 (1) (a) of the Act; or
 - (ii) capital needs within a financial year as contemplated in section 45 (1) (b) of the Act; or
- (b) if it intends to incur long-term debt, whether the purpose of the debt is for –
 - (i) capital expenditure on property, plant or equipment as contemplated in section 46 (1) (a) of the Act; or
 - (ii) re-financing existing long-term debt as contemplated in section 46 (1) (b) of the Act.

Submission of certain documents to prospective lenders, other creditors and underwriters

4. (1) When entering into discussions with a prospective lender, other creditor or underwriter with a view to incurring short-term or long-term debt, a municipality or municipal entity must make available to the prospective lender, other creditor or underwriter certified copies of –

- (a) its audited financial statements for the preceding three financial years, together with an indication whether the audit deadline referred to in section 126 (1) and section 126(2) of the Act has been met; and
- (b) its repayment schedules pertaining to its existing short-term and long-term debt.

(2) In the case of a municipal entity which was established less than three financial years ago, the entity must submit audited financial statements for the preceding financial year or years since its establishment.

Notification of long-term debt to National Treasury

5. A municipality or municipal entity which contemplates incurring long-term debt otherwise than through the issuing of municipal debt instruments, must comply with section 46(3) of the Act.

Part 2: Municipal debt incurred through municipal debt instruments**Issuing of disclosure statements**

6. (1) If a municipality or municipal entity intends to incur long-term debt through the issuing of municipal debt instruments, it must prepare and, in accordance with this Part issue a disclosure statement prior to the issuing of such instruments.

(2) Subregulation (1) applies irrespective of whether the municipal debt instruments are to be –

- (a) sold publicly or placed privately; or
- (b) listed on any securities exchange.

(3) If municipal debt instruments are to be issued in accordance with a pre-determined borrowing programme or framework –

- (a) no disclosure statement is required at the stage of development and adoption of the programme or framework; and
- (b) subregulation (1) only becomes applicable in respect of any municipal debt instruments to be issued in terms of the programme or framework after the type of instrument has been determined.

(4) Subregulation (1) does not preclude the inclusion in, a disclosure statement of any other information which is required in terms of –

- (a) any other legislation; or
- (b) the rules of any securities exchange on which the municipal debt instruments are to be listed.

(5) If the information that must in terms of this Part be included in a disclosure statement is included in a prospectus, offering-circular or other disclosure document required by other legislation or the rules of any securities exchange on which the municipal debt instruments are to be listed, such prospectus, offering-circular or other disclosure document may for the purpose of these regulations be regarded to be a disclosure statement.

Formal requirements for disclosure statements

7. (1) A disclosure statement issued by a municipality or municipal entity must be signed –

- (a) in the case of a municipality, by the municipal manager; or
- (b) in the case of a municipal entity, by the chief executive officer.

(2) The accuracy of the information set out in a disclosure statement must be confirmed by an opinion from an independent auditor registered with the Public Accountants and Auditors Board, which opinion must be included in the disclosure statement together with any qualifications subject to which the opinion was issued.

Method of issuing disclosure statements

8. (1) A disclosure statement issued by a municipality or municipal entity is issued by submitting copies of the statement prior to the date of issue of the municipal debt instruments to –

- (a) prospective underwriters and primary market investors;
- (b) prospective secondary market investors, but only on request; and
- (c) any relevant securities exchange, if the municipal debt instruments are to be listed on a securities exchange.

(2) A copy of the disclosure statement must be submitted to the National Treasury within seven business days of issuing the municipal debt instruments.

Formal information to be included in disclosure statements

9. (1) A disclosure statement issued by a municipality must set out the following information:

- (a) the name of the municipality;
- (b) where the municipality is located;
- (c) Confirmation of the intent to borrow by Council including the resolution required in terms of section 46(2) of the Act;

- (d) the exact wording of the information statement required in terms of section 46(3) of the Act; and
- (e) any restrictions or limits imposed on borrowing which arise by virtue of any agreement, resolution or otherwise.

(2) A disclosure statement issued by a municipal entity must set out the following information:

- (a) the name of the municipal entity,
- (b) the date of its establishment,
- (c) a summary of its articles and memorandum of association if it is a company, or other constituting documents if it is not a company;
- (d) its parent municipality or municipalities;
- (e) details of the ownership structure of the municipal entity;
- (f) where the municipal entity is located;
- (g) Confirmation of the intent to borrow by the board of directors including the resolution required in terms of section 46(2) of the Act;
- (h) the exact wording of the information statement required in terms of section 46(3) of the Act; and
- (i) any restrictions or limits imposed on borrowing which arise by virtue of any agreement, resolution, regulations, the policy of its parent municipality or otherwise.

Disclosures relating to proposed issue of municipal debt instruments

10. (1) A disclosure statement issued by a municipality or municipal entity must set out the following information concerning the issue of municipal debt instruments:

- (a) the issue date;
- (b) the purposes for which funds raised by the issue ~~will~~ be used;
- (c) the total principal amount of municipal debt instruments issued;
- (d) if the current issue of municipal debt instruments is part of a larger issue of such instruments by the municipality or municipal entity –
 - (i) the total amount of the larger issue; and
 - (ii) the amount of any previous debt incurred within that larger **issue**;

- (e) the aggregate amount of interest payable in respect of the issue over the repayment period, as calculated at the issue date;
- (f) the applicable interest rate, or the basis for determination thereof if not determined, and the method for the calculation thereof in summary form, and the date from which interest will accrue;
- (g) the due dates for payment of any amounts payable;
- (h) the final maturity date;
- (i) any legal restrictions under which the municipal debt instruments, will be offered, sold, transferred or delivered;
- (j) the status of the municipal debt instruments, and the subordination thereof in relation to the other debts of the municipality or municipal entity;
- (k) the subscription or cancellation rights of any lender, underwriter or investor;
- (l) whether the municipal debt instruments will be listed on a securities exchange and details of such listing;
- (m) debt amortisation terms;
- (n) procedures relating to the method of issue or allocation;
- (o) clearing and settlement procedures;
- (p) a summary of the most important rights of persons who will be holders of the municipal debt instruments;
- (q) any penalty or early redemption premium payable by the municipality or municipal entity;
- (r) the minimum denominations in which the municipal debt instruments may be taken up by any person;
- (s) the details of any security to be provided by the municipality or municipal entity, and where the relevant documentation will be available for inspection;
- (t) whether any asset or right in respect of which security is provided has been determined by a council resolution in terms of section 48 (3) of the Act to be necessary for the provision of the minimum level of basic municipal services, and if so, the manner in which the availability of the asset or right for the provision of that minimum level of basic services will be protected; and

- (u) such other key terms and salient features of the debt transaction as may be necessary to enable a potential lender or investor who was not a party to the original transaction to understand the essence of the transaction.

(2) Where interest rates applicable to an issue of municipal debt instruments are not fixed rates, then reasonable and neutral assumptions as to the applicable future rates must be used to calculate the aggregate amount of interest referred to in subregulation (1) (e), and such assumptions must be clearly explained.

(3) Where interest rates applicable to an issue of municipal debt instruments are fixed rates, the terms and conditions applicable to that fixed interest debt instrument must also be explained in the disclosure statement.

Disclosure of names of political office-bearers, officials and contact persons

11. (1) A disclosure statement issued by a municipality or municipal entity must set out the full names, and the relevant qualifications and experience –

- (a) in the case of a municipality, of –
 - (i) the municipal manager;
 - (ii) the chief financial officer; and
 - (iii) the person that will be responsible for administering the debt and repayment of the debt, if this responsibility is not vested with the chief financial officer; and
- (b) in the case of a municipal entity, of –
 - (i) the members of the board of directors;
 - (ii) the chief executive officer; and
 - (iii) the financial officer and senior management of the municipal entity.

- (2) A disclosure statement must set out –
- (a) the names, contact persons, addresses, contact details and any registration details of the legal and financial advisors and auditors of the municipality or municipal entity and whether those advisors are officials of the municipality or entity;
 - (b) the addresses where relevant documentation is available for inspection by potential lenders, underwriters, investors and other interested persons; and
 - (c) the names and contact details of persons who are available to provide any further information.

Disclosures relating to financial affairs of the municipality or municipal entity

12. (1) A disclosure statement issued by a municipality or municipal entity must set out the following information concerning the financial situation and financial management of the municipality or municipal entity:

- (a) Details concerning the long-term debt of the municipality or municipal entity, including –
 - (i) the date and amount of each loan and of each issue of municipal debt instruments;
 - (ii) the identity of its creditors, except in the case of listed municipal debt instruments;
 - (iii) the capital amount outstanding on each loan and on each issue of municipal debt instruments;
 - (iv) the applicable interest rate on each loan and on each **issue** of municipal debt instruments; and
 - (v) the repayment schedules for its long-term debt and a summary of any security provided to secure such debt;
- (b) the amount of any short-term debt outstanding at the close of each of the three months preceding the date of the disclosure statement;
- (c) the revenue of the municipality or municipal entity for the preceding three financial years, or in the case of a municipal entity which was not

in existence during all three of those financial years, then for those financial years it was in existence, stating separately –

- (i) any allocations received in terms of the annual Division of Revenue Act;
 - (ii) any revenue from service fees, property rates, and other charges; and
 - (iii) any revenue from other sources;
- (d) details of any default by the municipality or municipal entity on outstanding or repaid debt –
- (i) during the preceding three years; or
 - (ii) since its establishment, in the case of a municipal entity established less than three years ago;
- (e) the reserves of the municipality or municipal entity;
- (f) a summary of any policies and practices of the municipality or municipal entity in respect of the collection of unpaid service fees, property rates, and other charges;
- (g) a summary of the policy of the municipality or municipal entity on the incurring of debt;
- (h) a summary of the long-term financial or capital strategy of the municipality or municipal entity;
- (i) a summary of the investment policy of the municipality or municipal entity;
- (j) a summary of the risk management policy of, and measures taken by, the municipality or municipal entity;
- (k) a summary of the nature and amounts of letters of credit, guarantees, insurance policies, and other credit enhancements which relate to the debt; and
- (l) whether any credit rating has been applied by a rating agency to the municipality or municipal entity and whether or not a rating was obtained, and if obtained, what rating, from which agency and when it was obtained.

Disclosures relating to local economic indicators

13. The disclosure statement issued by a municipality or municipal entity must set out the following information pertaining to local economic indicators:

- (a) the ten employers employing the greatest number of persons within the area of the municipality;
- (b) the ten major contributors to the municipal rate base;
- (c) growth projections in the area of the municipality for the next five years; and
- (d) any material risk factors which, in accordance with the assessment of the municipality or municipal entity, will have a direct impact on its ability to meet its repayment obligations.

Annual consolidation of disclosure statements

14. (1) A municipality or municipal entity, having incurred debt through the issuing of municipal debt instruments, must, annually within 60 days after the end of the financial year until the debt has been repaid, prepare a consolidated disclosure statement containing details of all debt instruments contained in the individual disclosure statements and –

- (a) any changes relating to the information disclosed in the initial disclosure statement or previous update of the consolidated disclosure statement;
- (b) place the annually updated disclosure statement on the municipal debt disclosure depository under regulation **24 (1)**.

(2) If there are no changes, written notice must so indicate and be placed on the municipal debt disclosure depository under regulation **24 (1)**.

(3) Subregulations (1) and (2) do not become effective on the date contemplated in regulation **26**, but takes effect on a later date determined by the Minister by notice in the *Gazette*.

Part 3: General disclosure requirements**Disclosures relating to municipal services**

15. (1) Where debt incurred by a municipality or municipal entity is to be repaid from revenues linked to a particular municipal service, the municipality or municipal entity must disclose the following information, irrespective of whether the debt was incurred by way of the issuing of municipal debt instruments or in any other way:

- (a) whether the rights of recovery of a lender or investor against the municipality or municipal entity is limited –
 - (i) to revenues linked to that particular service; or
 - (ii) in any other respect;
- (b) particulars of any security provided by the municipality or municipal entity; and
- (c) operational statistics pertaining to that particular municipal service and any other municipal service that is relevant to the debt transaction.

(2) A disclosure in terms of subregulation (1) must –

- (a) be contained in the disclosure statement if the debt is incurred through the issuing of municipal debt instruments; or
- (b) be made by written notice to the lender if the debt is incurred in any other way.

Material event disclosures

16. A municipality or municipal entity having incurred debt, irrespective of whether by way of the issuing of municipal debt instruments or otherwise, must provide written notification to lenders, investors and other holders of record of such debt instruments or debt, any designated fiduciaries representing any such lenders, investors or holders, any exchange on which the instruments are listed, and the National Treasury, as soon as possible after becoming aware, of –

- (a) any event which is likely to affect the ability of the municipality or municipal entity to meet its repayment or security obligations in respect of its debt;

- (b) any failure by the municipality or municipal entity to meet its repayment obligations on due date other than non-payment for technical reasons which is remedied within **72** hours;
- (c) any failure by the municipality or municipal entity to meet –
 - (i) any of its obligations pertaining to security provided by the municipality or municipal entity; or
 - (ii) any other obligation constituting a default as defined for purposes of a debt transaction;
- (d) any new debt incurred by the municipality or municipal entity;
- (e) the provision of any additional security by the municipality or municipal entity to an existing creditor; or
- (f) any mandatory intervention by the provincial executive in terms of Chapter 13 of the Act.

Availability of documents

17. Without derogating from any obligation to make documents available at places set out in a disclosure statement, a municipality or municipal entity must keep readily available at its head office for inspection, on request of any interested person, copies of all documents relating to a debt transaction or documentation required to be disclosed or made available in terms of these regulations, including –

- (a) any documentation referred to in regulation **4**;
- (b) any guarantees, security arrangements or other credit enhancement arrangements;
- (c) all advertisements, notices, resolutions, information statements, disclosure statements;
- (d) annual updates of disclosure statements referred to in regulation **14**; and
- (e) any material event disclosures referred to in regulation 16.

CHAPTER 3

COMPULSORY DISCLOSURES RELATING TO SECURITIES BACKED BY MUNICIPAL DEBT

Issue of securities backed by municipal debt

18. (1) If a person other than a municipality or municipal entity plans to issue securities backed by municipal debt, that person must prepare and, in accordance with this Part, issue a disclosure statement prior to the issuing of such securities.

(2) Subregulation (1) applies irrespective of whether the securities backed by municipal debt are to be –

- (a) sold publicly or placed privately; or
- (b) listed on any securities exchange.

(3) Regulations 6 (3), (4) and (5) and 8, read with any changes that the context may require, apply also to a disclosure statement that must be issued by a person referred to in subregulation (1).

Formal requirements for disclosure statements

19. (1) A disclosure statement issued by a person referred to in regulation 18 must be signed on behalf of that person by the chief executive officer or, if there is no chief executive officer, the person in charge.

(2) The accuracy of the information set out in a disclosure statement issued by a person referred to in regulation 18 must be confirmed by an opinion from an independent auditor registered with the Public Accountants and Auditors Board, which opinion must be included in the disclosure statement together with any qualifications subject to which the opinion was issued.

Formal information to be included in disclosure statements

20. A disclosure statement issued by a person referred to in regulation 18 must set out the following information:

- (a) the name of the person;

- (b) if it is a company –
 - (i) its company registration number; and
 - (ii) a summary of its articles and memorandum;
- (c) if it is another kind of entity or an association or partnership –
 - (i) any registration number allocated to it in terms of any applicable legislation; and
 - (ii) its constituting documents;
- (d) details of its ownership structure;
- (e) the exact wording of the resolution of its board of directors or other managing body approving the proposed issue of securities backed by municipal debt;
- (f) details of the municipal debt to be utilised for the issue of the proposed securities backed by municipal debt;
- (g) the name of the municipality or municipal entity; and
- (h) any restrictions or limits imposed on borrowing which arise by virtue of any agreement, resolution or otherwise.

Disclosures relating to proposed issue of securities backed by municipal debt

21. (1) A disclosure statement issued by a person referred to in regulation 18 must set out the following information concerning the issue of securities backed by municipal debt:

- (a) the issue date;
- (b) the purposes for which funds raised by the issue will be used;
- (c) the total principal amount of the securities to be issued;
- (d) if the current issue of securities is part of a larger issue of securities backed by municipal debt by the person referred to in regulation 18 –
 - (i) the total amount of the larger issue; and
 - (ii) the amount of any previous securities issued within that larger issue;
- (e) the aggregate amount of interest payable in respect of the issue of the securities over the repayment period, as calculated at the issue date;
- (f) the applicable interest rate, or the basis for determination thereof, if not

- determined, and the method for the calculation thereof in summary form, and the date from which interest will accrue;
- (g) the due dates for payment of any amounts payable;
 - (h) the final maturity date;
 - (i) any legal restrictions under which the securities will be offered, sold, transferred or delivered;
 - (j) the subscription or cancellation rights of any lender, underwriter or investor;
 - (k) whether the securities will be listed on a securities exchange and details of such listing;
 - (l) debt amortisation terms;
 - (m) procedures relating to the method of issue or allocation;
 - (n) clearing and settlement procedures;
 - (o) a summary of the most important rights of holders of such securities;
 - (p) any penalty or early redemption premium payable by the person referred to in regulation 18;
 - (q) the minimum denominations in which the securities may be taken up by any person; and
 - (r) such other key terms and salient features of the debt transaction as may be necessary to enable a potential holder of such securities who was not a party to the original transaction to understand the essence of the transaction.

(2) Where interest rates applicable to an issue of securities backed by municipal debt are not fixed rates, then reasonable and neutral assumptions as to the applicable future rates must be used to calculate the aggregate amount of interest referred to in subregulation (1) (e), and such assumptions must be clearly explained.

Disclosure of names of contact persons

22. A disclosure statement issued by a person referred to in regulation 18 must set out –

- (a) the names, contact persons, addresses, contact details and any registration details of the legal and financial advisors and auditors of the person referred to in regulation 18;
- (b) the addresses where relevant documentation is available for inspection by potential lenders, underwriters, investors and other interested persons; and
- (c) the names and contact details of persons who are available to provide any further information.

Disclosures relating to financial affairs of affected municipality or municipal entity

23. (1) A disclosure statement issued by a person referred to in regulation 18 must set out the following information concerning the financial situation and financial management of the municipality or municipal entity whose debt is to be used for the issue of securities backed by municipal debt:

- (a) details with respect to the long-term debt of the municipality or municipal entity, including –
 - (i) the date and amount of each loan and of each issue of municipal debt instruments;
 - (ii) the identity of its creditors, except in the case of listed municipal debt instruments;
 - (iii) the capital amount outstanding on each loan and on each issue of municipal debt instruments;
 - (iv) the applicable interest rate on each loan and on each issue of municipal debt instruments; and
 - (v) the repayment schedules for its long-term debt and a summary of any security provided to secure such debt;
- (b) the amount of any short-term debt of the municipality or municipal entity outstanding at the close of each of the three months preceding the date of the disclosure statement;
- (c) the revenue of the municipality or municipal entity in respect of the preceding three financial years, or in the case of a municipal entity which was not in existence during all three of those financial years, then for those financial years it was in existence, stating separately –

- (i) any allocations received in terms of the annual Division of Revenue Act;
 - (ii) any revenue from service fees, property rates, and other charges; and
 - (iii) any revenue from other sources;
- (d) details of any default by the municipality or municipal entity pertaining to outstanding or repaid debt –
 - (i) during the preceding three years; or
 - (ii) since its establishment, in the case of a municipal entity established less than three years ago;
- (e) the reserves of the municipality or municipal entity;
- (f) a summary of the policies and practices of the municipality or municipal entity in respect of the collection of unpaid service fees, property rates and other charges;
- (g) a summary of the policy of the municipality or municipal entity on the incurring of debt;
- (h) a summary of the long-term financial or capital strategy of the municipality or municipal entity;
- (i) a summary of the investment policy of the municipality or municipal entity;
- (j) a summary of the risk management policy of, and any measures taken by, the municipality or municipal entity;
- (k) a summary of the nature and amounts of letters of credit, guarantees, insurance policies, and other credit enhancements which relate to the debt; and
- (l) whether any credit rating has been applied by a rating agency to the municipality or municipal entity and whether or not a rating was obtained, and if obtained, what rating, from which agency and when it was obtained.

CHAPTER 4

MISCELLANEOUS

Municipal debt disclosure depository

24. (1) The National Treasury may establish and maintain a municipal debt disclosure depository, consisting of physical or electronic copies of the following documents:

- (a) disclosure statements submitted in terms of regulation **8** (2) or **18** (3);
- (b) notifications submitted in terms of regulation 5;
- (c) material event disclosures submitted in terms of regulation **16**; and
- (d) consolidated disclosure statements submitted in terms of regulation **14** (1).

(2) The National Treasury may make information contained within the municipal debt disclosure depository available on request to lenders, municipal securities investors, rating agencies and any other interested persons.

(3) Documents submitted to the National Treasury in terms of these regulations must be submitted in physical or electronic form, as the National Treasury may direct from time to time.

Failures to disclose compulsory information

25. The failure in good faith to disclose any matter in a disclosure statement or update of a disclosure statement does not affect the validity of the debt transaction to which that disclosure statement or update relate.

Notification of failure to meet a debt obligation

26. Any failure by the municipality or municipal entity to meet –

- (i) any of its obligations pertaining to security provided by the municipality or municipal entity; or

(ii) any other obligation constituting a default as defined for purposes of a debt transaction;
must be notified by the respective parties to the contract to the National Treasury within 4 working **days** of the default.

Short title and commencement

27. These regulations are called the Municipal Regulations on Debt Disclosure, **2006**, and takes effect on 1 July 2007.
