



Financial Sector
Conduct Authority

RESPONSES TO COMMENTS RECEIVED ON THE DRAFT NOTICE * OF 2020: LEVIES ON FINANCIAL INSTITUTIONS

17 August 2020

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LIST OF COMMENTATORS		
No.	AGENCY / ORGANISATION	CONTACT PERSON
1.	Home Loan Guarantee Company NPC ¹	Willem Jan Van Emmenis
2.	Omara Insurance Consulting (Pty) Ltd ²	Anette Davis Key Individual
3.	Mohammed Kharwa & Associates	Rudy Pillay Key Individual
4.	Strategic Transfer Solutions (Pty) Ltd	Gareth Pinker Key Individual
5.	Brantam Financial Services (Pty) Ltd	Mr Derek Sumption
6.	LSA Investment-FSP 41154	Mr S Cele
7.	MODISURE CONSULT	SUNIL MODI
8.	Prescient Investment Management (Pty) Ltd	Nadia Galloway Head of Legal
9.	Tomlinson and associates	Capucine tomlinson
10.	SA Association of Treasury Advisors (SAATA)	Richard Beddow
11.	The Banking Association South Africa ³	Ayanda Baepi Senior Specialist
12.	Masthead (Pty) Ltd	Nicky Nairn Head of Compliance
13.	Funeral Federation of South Africa ⁴	Roger Bickford D&RB Consultants
14.	Mogale Nakampe	Mogale Nakampe

¹ The commentator marked comments either “No Comment / NA”, “No Comment”, “No” or “Yes” and they are therefore not included in the Tables below.

² The commentator indicated that there are no comments.

³ The commentator marked certain comments as “None. These comments are not included in the Tables below.

⁴ Norton Rose Fulbright South Africa Inc. acts for the Funeral Federation of South Africa and Patrick Bracher (Director) submitted their client’s response to the draft notice of the proposed levies on financial institutions.

15.	Institute of Retirement Funds Africa ⁵	Wayne Hiller van Rensburg
16.	4 Africa Exchange (Pty) Ltd	Mohammed Yakoob Head: Issuer Regulation, Legal and Compliance Division
17.	Granite Central Securities Depository (Pty) Ltd	Leon Rossouw
18.	The South African Insurance Association (SAIA)	Mashudu Mabogo Legal Specialist
19.	Pearl Wealth Planning (Pty) Ltd. ⁶	Sonja van Wyk
20.	Harmony Insurance Consultants	Lovenia Russ
21.	Momentum Metropolitan Life Limited	Geraldine Seethal Group Compliance Officer
22.	KNM Consultancy CC	Nicole Pillay Specialist Health Care and Financial Planner
23.	BLACK INSURANCE ADVISERS COUNCIL (BIAC)	Sam Mpuru President

⁵ The commentator marked certain comments as “No comment. These comments are not included in the Tables below.

⁶ The commentator included certain financial information which is not included in the Tables below.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
3. Levy on pension funds				
1.	<p>3(1)(a) The levy, in respect of a pension fund registered or provisionally registered in terms of the Pension Funds Act, but excluding a retirement annuity fund, pension preservation fund, provident preservation fund and a commercial umbrella fund, is an amount of R1 329.81 plus an additional amount of R15.74 per member of such fund and in respect of every other person who receives regular periodic payments from such fund (excluding any member or such person, whose benefit in the fund remained unclaimed and beneficiaries), or R3 047,053, whichever total amount is the lesser.</p>	Institute of Retirement Funds Africa	We request a waiver or reduction of the levies due to the impact of the Covid-19 pandemic on the membership of funds. The full impact of the pandemic is unknown at present. An additional consideration is that due to prevailing economic conditions low investment returns are anticipated for some time to come and we are of the view that any cost savings to members will be beneficial.	<p>The FSCA is fully funded by levies and fees with no subsidy from the government to deliver on its mandate. The impact of Covid-19 was factored on levies base and having considered inputs from the industry, FSCA resolved to reduce levy increase from 4% to 3%. Please see amended Notice. </p> <p>Also, please note that where there are circumstances where a financial institution is in financial difficulties, such an institution may approach the FSCA for an exemption which will be duly considered.</p>
2.	<p>3(1)(b) The levy, in respect of a commercial umbrella fund, pension preservation fund and provident preservation fund registered or provisionally registered in terms of the Pension Funds</p>	Institute of Retirement Funds Africa	We request a waiver or reduction of the levies due to the impact of the Covid-19 pandemic on the membership of funds. The full impact of the pandemic is unknown at present. An additional consideration is that due to prevailing economic conditions low investment returns are anticipated for some time to come and we are of the view that any cost savings to members will be beneficial.	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	Act is an amount of R1 329.81 plus an additional amount of R15.74 per member of such fund and in respect of every other person who receives regular periodic payments from such fund (excluding any member or such person, whose benefit in the fund remained unclaimed and beneficiaries).			
3.	3(2)(a) The calculation of the levy referred to in subparagraph (1) is based on the number of members and other persons as reflected in the latest statistics furnished to the Authority in terms of any law as at 30 June of the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
4.	3(2)(b) If a transfer of members is in process and not finalised on 30 June of the levy year, the transferor fund must pay the levy in respect of the members to be transferred.	Institute of Retirement Funds Africa	Noted	Noted.
5.	3(2)(c) Where the appointment of a liquidator of a fund is approved or where a fund has been exempted from	Institute of Retirement Funds Africa	Noted	Noted.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	section 28 of the Pension Funds Act by the Authority after 30 June of the levy year, the levy for the fund is payable in full for the levy year			
6.	3(3) The levies referred to in subparagraph (1) must be paid not later than 31 August of the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
4. Levy on administrators				
7.	4(1) The levy, in respect of an administrator approved in terms of section 13B of the Pension Funds Act, is an amount of R8 488.82 plus an additional amount of R661.76 per pension fund referred to in paragraph 3(1) under the administration of the administrator and an amount of R0.80 per member and in respect of every other person who receives regular periodic payments from such fund, but excluding any member or such person, whose benefit in the fund remained unclaimed and beneficiaries.	Institute of Retirement Funds Africa	We request a reduction of the levies due to the impact of the Covid-19 pandemic on the potential income of administrators. The full impact of the pandemic is unknown at present. It is likely that the number of occupational fund members will decline as employment levels decrease due to employers ceasing operations. Reduced operational costs for administrators could provide an indirect form of financial support that will contribute to the sustainability of these organisations.	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
8.	4(2)(a) The calculation of the levy referred to in subparagraph (1) is based on the number of members and other persons as reflected in the latest statistics furnished to the Authority in terms of any law as at 30 June of the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
9.	4(2)(b) If a transfer of members is in process and not finalised on 30 June of the levy year, the transferor fund must pay the levy in respect of the members to be transferred.	Institute of Retirement Funds Africa	Noted	Noted.
10.	4(2)(c) Where the appointment of a liquidator of a fund is approved or where a fund has been exempted from section 28 of the Pension Funds Act by the Authority after 30 June of the levy year, the levy for the fund is payable in full for the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
11.	4(3) The levies referred to in subparagraph (1) must be paid not later than 31 August of the levy year.	Institute of Retirement Funds Africa	Noted	Noted.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
5, Levy on retirement annuity funds				
12.	5(1)(a) The levy, in respect of a retirement annuity fund referred to in paragraph 3(1), is an amount of R1 329.81 plus an additional amount equal to 0.0097% of the value of the assets of the fund.	Institute of Retirement Funds Africa	We request a waiver or reduction of the levies as the full impact of the pandemic is unknown at present. Based on the prevailing economic conditions low investment returns are anticipated for some time to come and we are of the view that any cost savings to members will be beneficial.	Refer response above (number 1 above).
13.	5(1)(b) Where the appointment of a liquidator of a fund is approved by the Authority after 30 June of the levy year, the levy for the fund is payable in full for the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
14.	5(2)(a) The value of the assets of a retirement annuity fund is the value of those assets of the fund determined at the time of the valuation thereof by the insurer for the purpose of determining its liabilities excluded in paragraph 10(2)(b) from the definition of “liabilities”, as well as any other assets held by the fund to enable it to meet its obligations towards its members.	Institute of Retirement Funds Africa	Noted	Noted.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
15.	5(2)(b) The calculation of the levy referred to in subparagraph (1) is based on the value of assets as reflected in the latest statistics furnished to the Authority in terms of any law as at 30 June of the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
16.	5(2)(c) If a transfer of members is in process and not finalised on 30 June of the levy year, the transferor fund must pay the levy in respect of the value of the assets for the members to be transferred.	Institute of Retirement Funds Africa	Noted	Noted.
17.	5(3) The calculation of the value of the assets of a retirement annuity fund must include the value of a contract, if any, in which a long-term insurer, in return for the payment of a premium, undertakes to provide policy benefits for the purpose of funding in whole or in part the liability of a retirement annuity fund to provide benefits to its members in terms of its rules.	Institute of Retirement Funds Africa	Noted	Noted.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
18.	5(4) The levy referred to in subparagraph (1) which is payable by a retirement annuity fund must be paid not later than 31 August of the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
6. Levy for Pension Funds Adjudicator				
19.	6(1) The levy for the Pension Funds Adjudicator, in respect of a pension fund registered or provisionally registered in terms of the Pension Funds Act, including a pension preservation fund, provident preservation fund, a retirement annuity fund and commercial umbrella fund, is an amount of R6.85 per member of such fund and any other person who receives regular periodic payments from such fund, but excluding any member or such person, whose benefit in the fund remained unclaimed.	Institute of Retirement Funds Africa	Noted	Noted.
20.	6(2)(a) If a transfer of members is in process and not finalised on 30 June of the levy year,	Institute of Retirement Funds Africa	Noted	Noted.

TABLE A – SPECIFIC COMMENTS AND RESPONSES				
No.	Section of the Notice	Commentator	Comments	Response
	the transferor fund must pay the levy in respect of the members to be transferred.			
21.	6(2)(b) Where the appointment of a liquidator of a fund is approved or where a fund has been exempted from section 28 of the Pension Funds Act by the Authority after 30 June of the levy year, the levy for the fund is payable in full for the levy year.	Institute of Retirement Funds Africa	Noted	Noted.
22.	6(3) The levy referred to in subparagraph (1) may be paid with the levy referred to in paragraph 3 and is payable on the date specified in paragraph 3(3).	Institute of Retirement Funds Africa	Noted	Noted.
8. Levy on short-term insurers and Lloyd's underwriters				
23.	8(1) The levy, in respect of a short-term insurer other than a microinsurer, Lloyd's and Lloyd's underwriters, is the Rand levy amount which the short-term insurer paid in the previous levy year increased by 4%.	The South African Insurance Association (SAIA)	The levy is increased by 4% on the previous year's levy. The FSCA is requested to consider that the COVID-19 pandemic has had a significant financial impact on insurers, specifically as the industry is also struggling to grow profits significantly or sustainability due to market pressures, consumer spending and the economic downturn. Further the fees increase year on year irrespective of changes in Gross Written Profits (GWP). Accordingly, one member recommends that the FSCA reconsiders charging levies on financial institutions for	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			this period. An alternative suggestion is to charge levies as a percentage of GWP.	
24.	8(2) The levy, in respect of Lloyd's and Lloyd's underwriters, is the Rand levy amount which a Lloyd's representative or deputy representative referred to in section 34(2) of the Insurance Act, paid in the previous levy year increased by 4%.	The South African Insurance Association (SAIA)	The levy is increased by 4% on the previous year's levy. The FSCA is requested to consider that the COVID-19 pandemic has had a significant financial impact on insurers, specifically as the industry is also struggling to grow profits significantly or sustainability due to market pressures, consumer spending and the economic downturn. Further the fees increase year on year irrespective of changes in Gross Written Profits (GWP). Accordingly, one member recommends that the FSCA reconsiders charging levies on financial institutions for this period. An alternative suggestion is to charge levies as a percentage of GWP.	Refer response above (number 1 above).
9. Levy on long-term insurers				
25.	9(1)(a) (1) The levy, in respect of a long-term insurer– (a) authorised in terms of the Long-term Insurance Act to–	MODISURE CONSULT	I raise objection on the basis of 3 months of covid we could not operate. bussiness received no reprieve from govt or fsca yet you demand increases. where is the justification. in fact we should get a pass at least for thisyers levies as sme we receive noincome and no help! totally disatrous. please assist us in some way to survivie.	Refer response above (number 1 above).
26.	(i) enter into one or more than one disability policy, fund policy, health policy, life policy or sinking fund policy, or one	The South African Insurance Association (SAIA)	The levy is increased by 4% on the previous year's levy. The FSCA is requested to consider that the COVID-19 pandemic has had a significant financial impact on insurers, specifically as the industry is also struggling to grow profits significantly or sustainability due to market pressures, consumer spending and the economic downturn. Further the fees increase year on year irrespective of changes in Gross Written Profits (GWP).	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	<p>or more of those policies and an assistance policy, is the Rand levy amount which the long-term insurer paid in the previous levy year increased by 4%; or</p> <p>(ii) enter into an assistance policy only, is the Rand levy amount which the long-term insurer paid in the previous levy year increased by 4%;</p>		<p>Accordingly, one member recommends that the FSCA reconsiders charging levies on financial institutions for this period. An alternative suggestion is to charge levies as a percentage of GWP.</p>	
27.	<p>9(1)(b)</p> <p>(1) The levy, in respect of a long-term insurer–</p> <p>(b) other than a microinsurer, licensed in terms of the Insurance Act to–</p>	<p>The South African Insurance Association (SAIA)</p>	<p>The levy is increased by 4% on the previous year’s levy. The FSCA is requested to consider that the COVID-19 pandemic has had a significant financial impact on insurers, specifically as the industry is also struggling to grow profits significantly or sustainability due to market pressures, consumer spending and the economic downturn. Further the fees increase year on year irrespective of changes in Gross Written Profits (GWP).</p>	<p>Refer response above (number 1 above).</p>

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	<p>(i) conduct life insurance business in one or more than one of the following classes as set out in Table 1 of Schedule 2 of the Insurance Act:</p> <p>(aa) <i>RISK</i> class;</p> <p>(bb) <i>FUND RISK</i> class;</p> <p>(cc) <i>CREDIT LIFE</i> class;</p> <p>(dd) <i>LIFE ANNUITIES</i> class;</p> <p>(ee) <i>INDIVIDUAL INVEST</i></p>		<p>Accordingly, one member recommends that the FSCA reconsiders charging levies on financial institutions for this period. An alternative suggestion is to charge levies as a percentage of GWP.</p>	

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	<p>MENT class;</p> <p>(ff) FUND INVEST MENT class;</p> <p>(gg) INCOME DRAWD OWN class;</p> <p>(hh)</p> <p>REINSU RANCE class; or</p> <p>(ii) one or more of the classes in sub- items (aa) to (hh) and the FUNERA L class,</p> <p>is the Rand levy amount which the long-</p>			

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	<p>term insurer paid in the previous levy year increased by 4%; or</p> <p>(ii) conduct life insurance business in the FUNERAL class as set out in Table 1 of Schedule 2 of the Insurance Act only, is the Rand levy amount which the long-term insurer paid in the previous levy year increased by 4%.</p>			
11. Levy on foreign collective investment schemes				
28.	<p>11(1)(c)</p> <p>(1) The levy, in respect of foreign collective investment schemes approved in terms of section 65 of the Collective Investment Schemes Control Act, is payable in four</p>	<p>The Banking Association South Africa</p>	<p>We note that this clause includes “assets managed on behalf of South African investors”- We request clarity on whether levies are due on non-South African investors? By way of example when banks do the ASISA stats we exclude non resident clients, therefore the levy payable excludes non resident client assets.</p> <p>Furthermore, where a formula is used (which increases the Levy as the AUM increases), we suggest that a maximum threshold limit should be applied, .i.e. the levy</p>	<p>Non residents client assets are excluded for levy purposes.</p>

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	<p>quarterly instalments, with each instalment consisting of –</p> <p>(c) 0,00031231% of the net amount of assets managed on behalf of South African investors.</p>		<p>cannot exceed a maximum amount irrespective of the assets.</p>	
15. Levy on authorised financial services providers				
29.	15	Strategic Transfer Solutions (Pty) Ltd	<p>We have noted that the proposed levies amount to an annual escalation of 4% over the expiring period. As a business we anticipate a reduction of bottom line revenue in the region of 30%.</p> <p>Insurance industry updates published have indicated that global insurance markets are expected to contract by as much as Two Trillion USD which will have an unprecedented impact on the industry in totality.</p> <p>On this basis we submit that a decrease in levies payable would be a more appropriate step.</p>	Refer response above (number 1 above).
30.		Masthead (Pty) Ltd	<p>In our experience the FSP/advisor market has been particularly hard hit by the economic impacts of COVID-19. Advisors' incomes are on the receiving end of the financial stress that their clients have been under. Therefore, while in a normal year, 4% would seem to be a reasonable increase, this is not a normal year. In the financial services industry, there have been a number of economic/financial relief packages put in place, but nothing material for financial advisors. We strongly urge the regulator to apply some of the same thinking in relation to these levies for FSPs. Therefore, we propose that all levies under s15(1)(a) and (b) as well as</p>	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			<p>s15(2)(a) and (b) remain unchanged from those set last year.</p> <p>If the regulator is not agreeable to this proposal, then we urge the regulator to at least consider a concession in relation to the base levies – in other words, apply a zero increase to this levy.</p>	
31.		Funeral Federation of South Africa	<p>1 Introduction</p> <p>1.1 The Funeral Federation of South Africa requests an exemption of all financial services providers employing or mandating Category I Section 1.1 Life Insurance Sub-Category A and Category IV representatives from the obligation to pay levies imposed on representatives who are performing financial services in respect of assistance business and funeral business under Class 4 of the classes of insurance business namely funeral business in terms of the Insurance Act, 2017 and the levy for funding the Office of the Ombud for Financial Services Providers.</p> <p>1.2 The applicant seeks full relief from the proposed levies to be imposed under section 15A(1) of the Financial Services Board Act, 1990 (in the Draft Notice published on 19 June 2020).</p> <p>2 Basis of application</p> <p>2.1 It is submitted that the granting of the exemptions will be in the public interest for reasons explained.</p> <p>2.2 The exemption will achieve the objects of the Financial Sector Regulation Act, the Insurance Act and the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act).</p>	Please note that the publication was just a call for comments on the draft levy notice. Once the notice has been made final and the levies become due, you are welcome to submit an exemption application to the FSCA for consideration.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			<p>2.3 The proposed levies to be imposed on financial services providers in respect of their representatives are:</p> <p>(1) The levy on Category I and Category IV authorised financial services providers accredited in terms of section 8 of the FAIS Act of a based amount of R3,718 and R250 per representative.</p> <p>(2) The levy for funding the Office of the Ombud for Financial Services Providers of a base amount of R1149 and R438 per representative.</p> <p>2.4 It is submitted that these levies are inappropriate to funeral business having regard to the nature of the business set out below.</p> <p>3 Transformation</p> <p>3.1 Funeral business is micro insurance business in the sense that the aggregate value of the insurance obligations relating to each life insured under an insurance policy does not exceed the maximum amount prescribed (currently R100,000 plus CPI from 1 July 2018) and most policies are for sums insured far less than that limit.</p> <p>3.2 One of the major objects of the Twin Peaks legislative regime is in section 7(1)(g) namely the transformation of the financial sector which means transformation as envisaged by the Financial Sector Code for Broad-Based Black Economic Empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003.</p> <p>3.3 Funeral insurance is overwhelmingly purchased by and sold by black persons as defined in that legislation.</p> <p>3.4 Section 237(4) of the FSR Act recognises that different fees may be imposed for different types or categories of persons.</p>	

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			<p>3.5 The legislation also recognises proportionality. For instance section 62(4) of the Insurance Act requires the Prudential Authority when taking administrative action (which includes imposing levies) must have regard to the nature, scale and complexity of the business of the insurer and the same applies in general in relation to the regulation of the financial laws where there is a specific emphasis on transformation. This is also a consideration in relation to exemptions under section 66(1)(b) of the Insurance Act which also include\$ taking into account developmental, financial inclusion and transformation objectives (section 66(1)(c)).</p> <p>4 Funeral insurance business</p> <p>4.1 It has been recognised for generations that funeral insurance (previously under the category of assistance business) is a special category of insurance which is usually bought rather than sold.</p> <p>It is wanted by the vast majority of the population and is an introduction into the world of financial services.</p> <p>4.2 It is for this reason that assistance business and now funeral business is exempted from the limitations on commission. The premiums are low and the business is highly competitive which reduces margins.</p> <p>4.3 Because of the way that funeral business has been recognised as a special class of business, it has transformed the insurance sector as no other class of business. It has achieved financial inclusion for millions of policyholders and it has been a work entry level for persons wishing to enter into the financial services market and industry. The levies discourage the financial services providers from creating employment which is contrary to the above intentions and contrary to the public interest particularly in the current economic situation.</p>	

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			<p>4.4 The FAIS Act requirement recognises that the persons selling funeral insurance need only have a certain level of education and experience because that is how funeral insurance business has been bought and sold throughout the history of life insurance.</p> <p>4.5 The vast majority of funeral insurance policyholders and representatives are from the lower LSM categories.</p> <p>4.6 In this context the applicant's funeral parlour members, operating lawfully provide an essential service. The funeral parlours have a close relationship with the insured persons who are usually loyal customers of a particular funeral parlour. The products are bought because of brand loyalty and service and the goodwill generated by the funeral parlour in the community. The parlours help the community in many ways to obtain funeral insurance and help them to pay cash premiums, and to get their benefits immediately when required.</p> <p>4.7 The funeral parlours go out of their way to look after their clients even to the extent of fetching people who want to pay their cash premiums to the parlour but do not have the resources to travel.</p> <p>4.8 Many funeral parlours have many hundreds of representatives working for them to offer and enter into the policies with people throughout the community who would otherwise not benefit from access to these products and the special services funeral parlours provide in their own communities.</p> <p>4.9 The products are not complex and are well understood by the public who take out funeral insurance which is why they are bought rather than sold. Financial advice is not necessary at the point of sale and the representatives selling the product do not give advice of a financial nature and do not need to.</p>	

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			<p>4.10 The playing fields are not level because Stokvels and burial societies and friendly societies are exempt for these costs. The unregulated industry (estimated at 70% of the industry) has no levies at all.</p> <p>4.11 There is no justification for levies on the funeral insurance representatives. A funeral parlour or an insurer which has many representatives (often hundreds) on the street dealing with funeral business has a disproportionately substantial financial burden in paying the levies despite the low margins and high administration costs in securing and maintaining funeral policies and collecting cash premiums.</p> <p>Conclusion</p> <p>5.1 In conclusion therefore the applicant submits that the levies imposed on financial services providers for their funeral insurance representatives under the FAIS Act including the cumulative effect of the levies to fund the FAIS Ombud (other than the base amount) are not appropriate to funeral business which has always been recognised as a special category of business with low premiums and high administration costs for those engaged in the buying and selling of the business.</p> <p>5.2 The public interest will be well served by exempting the financial services providers from paying the levies for the many representatives who are employed performing an essential function as distribution agents of funeral policies to those who want and need them.</p> <p>5.3 The applicant therefore requests an exemption according to which the representatives who are employed in selling funeral business only under Category I or Category IV in the FAIS Act are exempted from the levies imposed on the financial services providers for FAIS activities.</p>	

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
32.		Pearl Wealth Planning (Pty) Ltd.	<p>This company does not think that it is fair to the financial services sector to fund ALL operating expenses of the FSCA and Ombud. It seems that the FSCA can plan for any activities and resources and merely bill the financial services sector to finance operations as it wishes. One of the objectives and several functions of the FSCA is for the benefit and protection of financial customers – which can be any member of the public. This company believes that the public (tax payer) should be responsible for funding, at least, a large portion of FSCA operations – thus, a budget from Treasury. We have been unable to find out if this is the case. Clarification will be appreciated.</p> <p>As things stand now, this company recommends that levies be based on turnover or net income of the previous financial year-end of the entity with minimums for start-ups in the first few years. It is recommended that turnover/net income bands be used to determine base and individual amounts.</p> <p>This should be structured to be suitable bring relief to small FSPs and start-ups.</p> <p>Please also refer to this company’s comment on Section 16 – Levy for funding of Office of Ombud for FSPs.</p>	<p>Refer response above (number 1 above).</p> <p>We note the proposals. Please note that the proposals will be considered in future when levies are determined once the Financial Sector Levies Bill becomes law.</p>
33.	15(1)(a) (1) Subject to subparagraph (4), a person who is authorised in terms of section 8 of the Financial Advisory and Intermediary Services Act as a Category I or	Strategic Transfer Solutions (Pty) Ltd	As above	See the response above.
34.		Tomlinson and associates	Acceptable	Noted.
35.		Mogale Nakampe	R3 718 is a lot for us small FSPs, as there’s a number of other costs incurred in growing our FSPs. There’s PI Cover, there’s Accountant Fees, there’s monies	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	IV financial services provider as defined in the Determination of Fit and Proper Requirements for Financial Services Providers, 2017, excluding any such provider who is also authorised as a Category II, IIA or III provider referred to in subparagraph (3), must on or before 31 October of the levy year, pay a levy which is subject to a maximum amount of R1 917 909, and is calculated as follows: (a) a base amount of R3 718; and		involved in attaining the required CPD points, there's telephone/cellphone and internet costs, there's travelling costs, there's Bank Charges and other office upkeep fees. It would help us if FSCA could reduce the amount to be in line with other Authorities and what is paid by their members.	
36.		Harmony Insurance Consultants	What is this levy based on/linked to.	The levy amount is based on a cost recovery principle applied by the FSCA when budgeting.
37.		BLACK INSURANCE ADVISERS COUNCIL (BIAC)	R1200	Refer response above (number 1 above).
38.	15(1)(b) (1) Subject to subparagraph (4), a person who is authorised in terms of section 8 of the Financial Advisory and Intermediary Services Act as a Category I or IV financial services provider as defined in	Strategic Transfer Solutions (Pty) Ltd	As above	See the response above.
39.		Harmony Insurance Consultants	Clarify if levy of R593 is for Key Individual and R593 Representative separately, or one amount of R593 for both Key Individual and registered Representative.	The variable levy of R593 is for the total number of KI and Representatives for the FSP. If the FSP has a KI who is also representative the R593 is charged once for that particular person.

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No.	Section of the Notice	Commentator	Comments	Response
40.	<p>the Determination of Fit and Proper Requirements for Financial Services Providers, 2017, excluding any such provider who is also authorised as a Category II, IIA or III provider referred to in subparagraph (3), must on or before 31 October of the levy year, pay a levy which is subject to a maximum amount of R1 917 909, and is calculated as follows:</p> <p>(b) $A \times R593$.</p>	BLACK INSURANCE ADVISERS COUNCIL (BIAC)	R300	Refer response above (number 1 above).
41.	<p>15(2)(c) (2) Subject to subparagraph (4), a person who is authorised in terms of section 8 of the Financial Advisory and Intermediary Services Act as a Category II, IIA or III financial services provider as defined in the Determination of Fit and Proper Requirements for</p>	Prescient Investment Management (Pty) Ltd	<p>We wish to object to the increase of category 2 basis points.</p> <p>The nature of asset based fees is that the basis remains static, not to add 4% on the basis + market growth. Is such increases are applied, can one then expect a drop in the basis when markets do well?</p> <p>There is continued increased pressure on Fund Management industry to reduce fees.</p> <p>In the current climate we are even more cost conscious because of economic headwinds.</p>	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
42.	Financial Services Providers, 2017, must on or before 31 October of the levy year pay a levy, which is subject to a maximum of R1 917 909, and is calculated as follows:	The Banking Association South Africa	We suggest that where a formula is used (which increases the Levy as the AUM increases), that a maximum threshold limit should be applied, .i.e. the levy cannot exceed a maximum amount irrespective of the assets.	The levy for all FSP is capped at R1 844 143 irrespective of the AUM increases.
43.	(c) $B \times 0.0000191979$	Masthead (Pty) Ltd	<p>Rate chargeable iro Value of Investments Managed (AUM) for Cat II, IIA & III FSP</p> <p>As part of our feedback last year, we expressed concern about the need to apply an increase to the factor or percentage that is applied to the AUM. We still believe that it is unfair for these FSPs to be exposed to a “double levy” in that, as their assets grow (organically or by acquisition) they pay more, plus they’re subject to an increase in the rate. We know that when the value of AUM falls the regulator earns less. But, so do the FSPs. Therefore, a rate increase to potentially compensate for that is not, in our view, a fair solution. An increased rate on a decreased AUM value again is a double-whammy for the FSP. If the regulator proceeds with this proposal, the impact is a 10.2% increase over the 2018 rate. Simply increasing fees to compensate for lower income is not a sustainable business solution. We would like to know what the end game is – at what level will the increase in this factor or rate stop increasing?</p> <p>Given these points and our comments above in relation to the economic impacts of COVID-19, we request that the regulator applies a zero increase on the factor/rate so that it remains unchanged from last year.</p>	<p>Comment is noted. Inflation related increases needs to be factored into levies payable in respect of AUM.</p> <p>Please see amended Notice. </p>
44.	15(3)(a) (3) Subject to subparagraph (4), a person who is authorised in terms of	Masthead (Pty) Ltd	<p>Base Levies for Cat I & IV FSPs only authorised for Long-term Insurance subcategory A and/or Friendly Society Benefits</p> <p>Given the financial constraints placed on these types of FSPs as a result of the COVID-19 crisis and national</p>	Refer response above (number 1 above).

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	<p>section 8 of the Financial Advisory and Intermediary Services Act as a Category I or a Category IV financial services provider to render financial services in respect of only the financial product subcategories: Long-term Insurance subcategory A or Friendly Society Benefits, as defined in section 1 of the Determination of Fit and Proper Requirements for Financial Services Providers, 2017, must on or before 31 October of the levy year pay a levy, which is subject to a maximum of R1 917 909, and is calculated as follows:</p> <p>(a) a base amount of R3 718</p>		<p>lockdown, in addition to financial challenges which may be faced in 'normal' circumstances, we propose that the base levy be reduced by 50% or at a minimum remain unchanged. The FSCA's 2018/2019 Annual Report⁷, reported that there were 1,206 authorised Funeral Parlours and 104 Category IV FSPs. Based on these numbers, if the proposed base levy is reduced by 50% (i.e. R1,859), then the revenue impact on the FSCA will be just over R2.4 million. In our view, this lost revenue could quite easily be balanced with cost savings, such as reduced travel expenses and other savings due to the national lock down. If the proposed base levy remains unchanged from 2019, the 'lost' revenue will only be R187,300, which is relatively insignificant. FSCA FAIS Notice 44 of 2020 provided notification of the suspension of authorisation of licences, primarily due to non-payment of levies. Annexure A of this Notice was some 46 pages long and included many FSPs which had "Funeral" or "Funeral Services" or "Funeral Parlour" as part of their FSP name, which seems to indicate, therefore, that these types of businesses had encountered difficulty in paying their 2019 Levies. We strongly believe that these unprecedented times call for financial relief to be provided to FSPs, particularly those that service clients falling into the lower income bracket. By reducing the prescribed levy on a blanket basis, it will avoid to some extent, the need for the regulator to suspend and possibly withdraw licences, which would have a knock-on negative impact on financial services customers.</p>	
45.		Funeral Federation of South Africa	See above under 15.	Refer response above (number 31 above).

⁷ Page 31 and 32 of the FSCA 2018/2019 Annual Report

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No.	Section of the Notice	Commentator	Comments	Response
46.	<p>15(3)(b)</p> <p>(3) Subject to subparagraph (4), a person who is authorised in terms of section 8 of the Financial Advisory and Intermediary Services Act as a Category I or a Category IV financial services provider to render financial services in respect of only the financial product subcategories: Long-term Insurance subcategory A or Friendly Society Benefits, as defined in section 1 of the Determination of Fit and Proper Requirements for Financial Services Providers, 2017, must on or before 31 October of the levy year pay a levy, which is subject to a maximum of R1 917 909, and is calculated as follows:</p> <p>(b) A x R250</p>	Masthead (Pty) Ltd	<p>Levies per KI/Rep for Cat I & IV FSPs only authorised for Long-term Insurance subcategory A and/or Friendly Society Benefits</p> <p>We appreciate the fact that the proposed levy per KI/Rep remains unchanged and have no further comments.</p>	Refer response above (number 1 above).
47.	15(4)	Strategic Transfer	Noted	Noted.

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No.	Section of the Notice	Commentator	Comments	Response
	<p>Multiple authorised financial services providers who form part of the same legal entity are jointly and severally liable for payment of a single levy as referred to in subparagraphs (1), (2) or (3), as the case may be. For purposes of such payment, the key individuals and the representatives of such authorised financial services providers are deemed to be the key individuals and representatives of one authorised financial services provider.</p>	<p>Solutions (Pty) Ltd</p>		
<p>48.</p>	<p>15(5) Where the authorisation of a financial services provider is suspended on 31 August 2020, but the Authority lifts the suspension thereafter, the authorised financial services provider is liable to pay the applicable levy within 30 days from the suspension being lifted, subject to the maximum amounts stipulated in subparagraphs (1), (2) and (3). The levy must be</p>	<p>Strategic Transfer Solutions (Pty) Ltd</p>	<p>Noted</p>	<p>Noted.</p>

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	calculated on the basis of the statistics of the authorised financial services provider as at the date of the suspension being lifted.			
49.	15(6) Should the levy referred to in this paragraph not be paid, the licence of the authorised financial services provider may be withdrawn in terms of section 9 of the Financial Advisory and Intermediary Services Act.	Strategic Transfer Solutions (Pty) Ltd	Noted	Noted.
16. Levy for funding of Office of Ombud for Financial Services Providers				
50.	16	Strategic Transfer Solutions (Pty) Ltd	We have noted that the proposed levies amount to an annual escalation of 4% over the expiring period. As a business we anticipate a reduction of bottom line revenue in the region of 30%. Insurance industry updates published have indicated that global insurance markets are expected to contract by as much as Two Trillion USD which will have an unprecedented impact on the industry in totality. On this basis we submit that a decrease in levies payable would be a more appropriate step.	Refer response above (number 1 above).
51.	16	Funeral Federation of South Africa	The background submissions in 15 above paragraphs 1 to 4.9 are equally applicable to these ombud levies and are incorporated here.	FSCA resolved to reduce levy increase from 4% to 3%. Please see amended Notice. 
52.		Pearl Wealth Planning (Pty) Ltd.	This company understands that funding for the Ombud is written into law and thus, this response to a request for comments falls outside the scope of the notice but it	The FAIS Ombud is funded in terms of section 22 of the FAIS

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			<p>has to be said that The Office of the Ombud for FSPs exists for client complaints, therefore funding of the Ombud should be for their account. A small fee on every single policy/plan/account should be used to fund the Ombud, similar to the compulsory contributions towards SASRIA on short term insurance policies.</p> <p>As things stand now, this company believes that funding for the Ombud should be calculated on the same basis as recommended in Section 15 – please refer.</p>	Act. Hence the levies raised by the FSCA to fund the office.
53.	<p>16(1)(a) (1) Subject to subparagraph (2), a person who is authorised in terms of section 8 of the Financial Advisory and Intermediary Services Act as a financial services provider must on or before 31 October of the levy year pay a levy, which is subject to a maximum of R311 123, and is calculated as follows:</p> <p>(a) a base amount of R1 149;</p>	Strategic Transfer Solutions (Pty) Ltd	As above	See the response above.
54.		Masthead (Pty) Ltd	<p>Base fee per FSP</p> <p>As explained in our comment in 15 above, our experience is that the FSP/advisor market has been particularly hard hit by the economic impacts of COVID-19. Therefore, while we recognise that the FAIS Ombud provides a key service to the industry and in particular to financial services customers, we strongly suggest that the base fee remains unchanged from 2019, i.e. a zero percentage increase is applied.</p>	Refer response above (number 1 above).
55.		Funeral Federation of South Africa	<p>1.1 There is no justification for levies on the funeral insurance representatives. A funeral parlour or an insurer which has many representatives (often hundreds) on the street dealing with funeral business has a disproportionately substantial financial burden in paying the levies despite the low margins and high administration costs in securing and maintaining funeral policies and collecting cash premiums.</p>	Please note that the publication was just a call for comments on the draft levy notice. Once the notice has been made final and the levies become due, you are welcome to submit an exemption application to the FSCA for consideration.

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No.	Section of the Notice	Commentator	Comments	Response
			<p>1.2 The levies imposed to fund the FAIS Ombud are also unfair in the context of funeral insurance. Nearly all disputes relating to funeral business are dealt with by the Ombud for Life Insurance and not the FAIS Ombud which very rarely gets involved in disputes relating to the purchase and sale of funeral policies.</p> <p>1.3 If there is a complaint, the policyholder does not care who the individual was from whom they bought the policy. They look to the funeral parlour which represents the insurer in dealing with these complaints and, except on rare occasions, there is no need for the FAIS Ombud to be involved in funeral policy disputes.</p> <p>Conclusion</p> <p>1.4 In conclusion therefore the applicant submits that the levies imposed on financial services providers for their funeral insurance representatives in respect of the levy to fund the FAIS Ombud (other than the base amount) are not appropriate to funeral business which has always been recognised as a special category of business with low premiums and high administration costs for those engaged in the buying and selling of the business with minimal involvement of the FAIS Ombud.</p> <p>1.5 The public interest will be well served by exempting the financial services providers from paying the levies for the many representatives who are performing an essential function as distribution agents of funeral policies to those who want and need them.</p> <p>1.6 The applicant therefore requests an exemption according to which the representatives who are employed in selling funeral business only under Category I or Category IV in the FAIS Act are exempted from the levies imposed and for funding the office of the Ombud for Financial Services Providers.</p>	<p>The disputes that are referred to the Insurance Ombud relate to the conduct of the product provider which is the insurer in this case. Whilst the funeral parlours are intermediating between the clients and insurance and that activity (advise and intermediary services) is governed in terms of the FAIS Act.</p> <p>Any dispute relating to the services rendered by the funeral parlour would thus be referred to the FAIS Ombud because the activity is governed by the FAIS Act.</p>

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No.	Section of the Notice	Commentator	Comments	Response
56.		Harmony Insurance Consultants	What is this levy based on/linked to.	The levy amount is based on a cost recovery principle applied by the FSCA when budgeting.
57.		BLACK INSURANCE ADVISERS COUNCIL (BIAC)	R500	Refer response above (number 1 above).
58.	16(1)(b) (1) Subject to subparagraph (2), a person who is	Strategic Transfer Solutions (Pty) Ltd	As above	See the response above.
59.	authorised in terms of section 8 of the Financial Advisory and Intermediary Services Act as a financial	Masthead (Pty) Ltd	Levies per KI/Rep As per our comment in 16(1)(a) above, we propose that the fee per KI/Rep remains unchanged from 2019.	Refer response above (number 1 above).
60.	services provider must on or before 31 October of the levy year pay a levy, which is subject to a maximum of R311 123, and is calculated as follows: (b) $A \times R438$.	Harmony Insurance Consultants	Clarify if levy of R438 is for Key Individual and R438 for Representative separately, or one amount of R438 for both Key Individual and registered Representative.	This levy is based on an amount of R438 multiplied by A as defined in the draft Notice, <i>i.e.</i> the total number of key individuals of the financial services provider approved in terms of section 8(3)(a)(ii) of the Financial Advisory and Intermediary Services Act plus the total number of representatives appointed by the financial services provider, less key individuals that are also appointed as representatives, as at 31 August of the levy year. The variable levy of R438 is for the total number of KI and Representatives for the FSP. If the FSP has a KI who is also

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No.	Section of the Notice	Commentator	Comments	Response
				representative the R438 is charged once for that particular person.
61.		BLACK INSURANCE ADVISERS COUNCIL (BIAC)	R200	Refer response above (number 1 above).
62.	16(2) Multiple authorised financial services providers who form part of the same legal entity are jointly and severally liable for payment of a single levy as referred to in subparagraph (1). For purposes of such payment, the key individuals and the representatives of such authorised financial services providers are deemed to be the key individuals and representatives of one authorised financial services provider.	Strategic Transfer Solutions (Pty) Ltd	Noted	Noted.
63.	16(3) Should the levy mentioned in subparagraph (1) not be paid, the licence of the authorised financial services provider may be withdrawn in terms of section 9 of the Financial	Strategic Transfer Solutions (Pty) Ltd	Noted	Noted.

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No.	Section of the Notice	Commentator	Comments	Response
	Advisory and Intermediary Services Act.			
17. Levy on exchanges				
64.	17(2) The levy, in respect of each exchange licensed in terms of section 9 of the Financial Markets Act, except the JSE Limited, is an amount of R584 272 payable within 30 days of a levy invoice raised on the exchange.	4 Africa Exchange (Pty) Ltd	<p>Given that most of the exchanges other than the JSE are newly established and in the early phases of their business life cycle, the proposed fixed levy amount is large in comparison to the revenues generated in the initial years of the exchanges' operations.</p> <p>It is therefore proposed that the levy be based on the activity on each "other" exchange (e.g. in proportion to trading activity on the relevant exchange), limited to the maximum proposed levy amount of R584 272.</p> <p>The levy should also be payable in quarterly instalments to manage the cash flows of the new exchanges.</p> <p>Furthermore, in light of the current covid / lockdown scenario which has hampered economic activity, we suggest that there be no increase in the levy and propose that a reduction in the levy for 2020 be considered.</p> <p>Please clarify whether amounts are inclusive or exclusive of VAT.</p>	<p>We note the proposals. Please note that the proposals will be considered in future when levies are determined once the Financial Sector Levies Bill becomes law.</p> <p>With regards to the impact of Covid-19 in the context of the levy increase, please refer to response 1.</p> <p>With regards to VAT, the FSCA is not registered as a VAT vendor under the Value-Added Tax Act No. 89 of 1991. The amounts therefore do not include VAT.</p>
18. Levy on central securities depositories				
65.	18(2) The levy, in respect of a central securities depository licensed in terms of section 29 of the Financial Markets Act, except Strate (Pty) Limited, is an amount of R584 272 payable within 30	Granite Central Securities Depository (Pty) Ltd	Granite CSD is of the opinion that there so many outstanding issues unresolved with the FSCA regarding Granite's ability to function fully as an operational Licensed CSD. Granite CSD request exemption of this Levy until such time that all outstanding matters with the FSCA is resolved and that the FSCA can regulate Granite CSD as an operational and functional CSD.	The FSCA has received Granite's exemption application and it is currently under consideration. A decision will be communicated to Granite in due course.

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No.	Section of the Notice	Commentator	Comments	Response
	days of the levy invoice raised on the entity.			
19. Levy on financial markets in respect of market abuse				
66.	19(1)(b) R119 059 in respect of an exchange contemplated in paragraph 20 subparagraph (2).	4 Africa Exchange (Pty) Ltd	<p>It is proposed that either:</p> <ul style="list-style-type: none"> • a levy should only be incurred in the event of an actual instance of market abuse (which can be added to the costs referred to in paragraph 19(4) below); or • as with the proposed levy set out in paragraph 19(2), the levy should be based on the activity on the exchange (e.g. in proportion to trading activity on the exchange) as opposed to a fixed fee, limited to the maximum proposed levy amount of R119 059 to cater for the initial phase of the other exchanges life cycle. <p>As per our earlier comment in terms of the current covid / lockdown scenario, we suggest that there be no increase in the levy and propose that a reduction in the 2020 levy be considered.</p> <p>Please clarify whether amounts are inclusive or exclusive of VAT.</p>	<p>Cannot base the levy on actual market abuse as the levies are determined in advance.</p> <p>See the response above.</p> <p>With regards to the impact of Covid-19 in the context of the levy increase, please refer to response 1.</p> <p>See the response above.</p>
67.	19(2) The levy referred to in subparagraph 1(a) is payable in four quarterly instalments of R6 726 845 each on or before 31 July, 30 September, 31 December and 31 March of the levy year.	4 Africa Exchange (Pty) Ltd	The quarterly payments should also be extended to the new exchanges to manage cash flows.	We note the proposal. Please note that the proposal will be considered in future when levies are determined once the Financial Sector Levies Bill becomes law.

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No.	Section of the Notice	Commentator	Comments	Response
68.	19(3) The levy referred to in subparagraph 1(b) is payable within 30 days of the date of the levy invoice raised on the exchange.	4 Africa Exchange (Pty) Ltd	As above – should also payable in quarterly instalments for the new exchanges.	See the response above.
69.	19(4) In addition to the levies referred to in subparagraph 1(a) and 1(b), the legal costs actually incurred by the Authority in respect of market abuse litigation are payable quarterly in arrears by the relevant exchange on which the market abuse activity occurred.	4 Africa Exchange (Pty) Ltd	<p>Given that the exchanges other than the JSE are still in the initial phase of their life cycle and the financial impact of such levy, it is proposed that:</p> <ul style="list-style-type: none"> • the Authority recover these costs directly from the party/ies who are the subject of the alleged market abuse; or • a provision be added that the relevant exchange will be entitled to recover any legal costs from the party/ies who are the subject of the market abuse investigation (i.e. the party/ies who is suspected of having committed the market abuse). 	Please note that we are only empowered to prescribe the levies payable and not to prescribe the requirements as proposed.
GENERAL				
21. Payment of levies				
70.	21 (1) The levies and interest (if any) referred to in this Notice are payable by the financial institution concerned to the Authority by means of a cheque, cash and money transfer.	Masthead (Pty) Ltd	Given the challenges faced by many FSPs as a result of the national lockdown, the associated costs of changing the way in which business can be conducted as well as the costs resulting from compliance with the Disaster Management Act Regulations and guidance provided by the Regulator, we propose that FSPs be allowed to opt for a monthly payment of their levies.	A financial institution may formally request in writing for a pay arrangement which normally does not exceed a period of 6 months.
71.		The Banking Association South Africa	We note that the methods of payment includes cheque and cash, having said that, we are aware that there are certain restrictions being placed on these forms of payment, such as, there is reporting required on the deposit of cash over certain thresholds and the size of	Noted. Please see amended Notice. 

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No.	Section of the Notice	Commentator	Comments	Response
	(2) Interest will be charged on all overdue accounts at the prime interest rate.		cheques accepted for processing, therefore these methods of payment may no longer be a viable as a form of payment for levies going forward.	
72.		Institute of Retirement Funds Africa	Noted	Noted.
73.		4 Africa Exchange (Pty) Ltd	Add the clarification whether all amounts stated in the Board Notice are inclusive or exclusive of VAT.	See the response above.
74.		BLACK INSURANCE ADVISERS COUNCIL (BIAC)	Mode of payment – Agreed Late payment - Charge regulated interest rate after a minimum period of 6months	Noted. Not accepted. Interest will be charged on all overdue accounts at the prime interest rate if payment is not received within 30 days of invoice date.
22. Application for exemption				
75.	22 (1) An application by any financial institution for the granting under section 15A(4)(a) of the Act of exemption from a provision of this Notice must be submitted in writing to the Commissioner, Financial Sector Conduct Authority via –	Masthead (Pty) Ltd	Although this section does not specifically state that an application fee must accompany an application for exemption from the provisions of the Notice, the Determination of Fees Payable to the Registrar of Financial Services Provider published on 9 February 2018, prescribes a fee of R7,333 for an application for exemption from any provision of the Act other than an application contemplated in paragraph 3.3. or 3.4 of that Notice. We submit that if an FSP or other financial institution requests an exemption from payment of a levy, this will often be due to the financial consequences that payment of such a levy will have on the FSP or financial institution and, therefore, that this section should specifically exempt an FSP or financial institution from paying any exemption application fee.	Please note that the Determination of Fees Payable as referenced in your comment relates to fees payable under the Financial Advisory and Intermediary Services Act. The draft levy Notice is proposed to be made under the Financial Services Board Act, 1990 (FSB Act). Section 15A(4)(a) of the FSB Act provides for application of a financial institution for exemption from a provision of the notice. Importantly, please note that no fee has been prescribed for such an application.

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No.	Section of the Notice	Commentator	Comments	Response
76.	<p>(a) registered post to P O Box 35655, Menlo Park, 0102; or</p> <p>(b) email to FSCA.LeviesExemption@fsca.co.za;</p> <p>on a date at least one month before the date on which the exemption is to take effect.</p> <p>(2) The application must contain full particulars of the financial institution, the authorisation of the persons signing the application and the date on which the exemption, if granted, is to take effect, and must fully set out the reasons for the application.</p>	Funeral Federation of South Africa	<p>Neither the Financial Services Board Act, 1990 nor the FAIS Act provides the power to grant this exemption for representatives in general.</p> <p>The exception process should be expanded to allow exemptions to be applied for in respect of classes of financial institutions and representatives and not only applications by individual applicants so that there is no need to invoke section 281 of the Financial Regulation Act, 2017 for such exemptions.</p>	<p>Agree that the FSB Act does not provide the power to grant exemption for representatives in general. Please note that the FSCA can only operate within the limitations of the law and we are therefore restricted to the requirements of the FSB Act. To widen the scope of section 15A(4) of the FSB Act would require a legislative amendment to the Act which is not within the control of the FSCA. Pending any such amendment or the introduction of the Levies Bill, for now each individual financial institution will have to apply for exemption.</p>
77.	<p>(2) The application must contain full particulars of the financial institution, the authorisation of the persons signing the application and the date on which the exemption, if granted, is to take effect, and must fully set out the reasons for the application.</p>	Institute of Retirement Funds Africa	Noted	Noted.
78.	<p>(3) The application must-</p> <p>(a) contain an affirmation by the financial institution concerned to</p>	BLACK INSURANCE ADVISERS COUNCIL (BIAC)	No input received from BIAC family	Noted.

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No.	Section of the Notice	Commentator	Comments	Response
	<p>provide, on receipt of any such request, the Authority immediately with any other or further information or particulars which he may require in connection with the institution or application concerned; and</p> <p>(b) contain particulars of the address at which the institution will accept service by the Authority of any notice contemplated in section 15A(4)(b)(ii) of the Act.</p> <p>(4) A notice referred to in section 15A(4)(b)(ii) of the Act must be served by the Authority by registered post at the address furnished by the financial institution in accordance with subparagraph (3)(b) in</p>			

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	its application for exemption.			
79.	<p>22</p> <p>(1) An application by any financial institution for the granting under section 15A(4)(a) of the Act of exemption from a provision of this Notice must be submitted in writing to the Commissioner, Financial Sector Conduct Authority via –</p> <p>(a) registered post to P O Box 35655, Menlo Park, 0102; or</p> <p>(b) email to FSCA.LeviesExemption@fsca.co.za;</p> <p>on a date at least one month before the date on which the exemption is to take effect.</p> <p>(4) A notice referred to in section 15A(4)(b)(ii) of</p>	4 Africa Exchange (Pty) Ltd	<p>It is uncertain when the invoice is intended to be issued by the Authority, and therefore when the one-month notice period should begin.</p> <p>It would be more appropriate that the application for exemption be submitted to the Authority within 14 days of receipt of the invoice, and that any payment of such invoice be required within 30 days of the Commissioner making a final determination in respect of the application for exemption.</p> <p>The requirement to provide an address is unnecessary under the current lockdown conditions, with staff working remotely and offices therefore being vacant – email correspondence will suffice.</p> <p>The requirement for the Authority to serve the notice by registered post is unnecessary under the current</p>	See the response above.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	the Act must be served by the Authority by registered post at the address furnished by the financial institution in accordance with subparagraph (3)(b) in its application for exemption.		lockdown conditions with staff working remotely – email correspondence will suffice.	
23. Consolidated payments				
80.	23. Where in any particular levy year, a body regarded by the Authority as fully representative of a category of financial institutions, offers to make a	Masthead (Pty) Ltd	Taking on the responsibility and administration of collecting fees and making a consolidated payment would interest representative bodies and their members if there is some financial concession or discount available for doing so. Therefore, we would be interested to hear what concession or discount is available on the total fees payable.	Refer response above (number 1 above).
81.	consolidated payment of levies on behalf of that category in terms of an agreement concluded	Institute of Retirement Funds Africa	Noted	Noted.
82.	between such category of the financial institutions and the body, the Authority may accept such offer, if the payment is made in accordance with the provisions of this Notice: Provided that if for any reason such consolidated payment is not so made on the relevant dates of payment, every individual financial institution concerned shall remain fully	BLACK INSURANCE ADVISERS COUNCIL (BIAC)	Not applicable at the moment to BIAC	Noted.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
	responsible for the individual payment payable by it, and interest (if any) on that amount calculated in accordance with paragraph 24(2).			
24. Withdrawal of notices and saving				
83.	24(1) Subject to subparagraph (2), Notice 384 of 12 July 2019 is withdrawn.	Institute of Retirement Funds Africa	Noted	Noted.
84.	24(2) If on the date of coming into operation of this Notice a financial institution has not yet fully paid a levy and interest due thereon, as imposed in terms of a provision of the notice mentioned in subparagraph (1), any such provision, together with any other provision of such notice which relates to the first-mentioned provision, is deemed in respect of the institution concerned and the relevant due amount not to be withdrawn by subparagraph (1) until such debt is fully discharged.	Institute of Retirement Funds Africa	Noted	Noted.

TABLE A – SPECIFIC COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
25. Short Title and Commencement				
85.	This Notice is called the Levies for Financial Institutions, 2020 and comes into operation on the date of publication in the Government Gazette.	Institute of Retirement Funds Africa	Noted	Noted.
86.		4 Africa Exchange (Pty) Ltd	The commencement should be 30 days after publication in the Gazette.	This Notice is set to come into operation on the date of publication in the Government Gazette so that invoices can be issued to financial institutions.
87.		BLACK INSURANCE ADVISERS COUNCIL (BIAC)	LEVIES FOR FINANCIAL INSTITUTIONS 2020	Noted.

TABLE B - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE NOTICE

No.	Section of the Notice	Commentator	Comments	Response
88.	Is there concern/s about the anticipated impact of the Notice on the financial soundness position of the financial institution in the levy year? If yes please, - - provide details including substantiating the anticipated impact. - motivate why the financial institution will not be able to take measures to mitigate the impact.	Strategic Transfer Solutions (Pty) Ltd	No	Noted.
89.	Is there concern/s about the anticipated impact of the Notice on the financial soundness position of the financial institution in the levy year? If yes please, - - provide details including substantiating the anticipated impact. - motivate why the financial institution will not be able to take measures to mitigate the impact.	Tomlinson and associates	No	Noted.
90.	Is there concern/s about the anticipated impact of the Notice on the financial soundness position of the financial institution in the levy year? If yes please, - - provide details including	The Banking Association South Africa	No	Noted.
91.	Is there concern/s about the anticipated impact of the Notice on the financial soundness position of the financial institution in the levy year? If yes please, - - provide details including	Mogale Nakampe	I do have concerns. 2020 has proven to be a difficult year for us as Cat.1 FSPs and the economy at large. A large number of companies are closing shops and this is where our clients are. Without our clients, there is no	Refer response above (number 1 above).

	<p>substantiating the anticipated impact.</p> <p>- motivate why the financial institution will not be able to take measures to mitigate the impact.</p>		<p>us(FSPs). The companies that have managed to keep their doors open have reduced their employee numbers and their salaries and that makes it difficult for clients to continue paying for their financial products and that in turn has had an impact on our earnings.</p> <p>The Lockdown Rules have to a large extent prevented us from engaging with the clients as the employers do not want to expose their employees to risks and also to maintain Covid-19 compliance requirements. We have found it difficult to grow our books and this will have an impact on our Financial Soundness.</p>	
92.		Institute of Retirement Funds Africa	<p>On a sectoral basis the levies are unlikely to lead to the immediate failure of funds and administrators. However, reductions in the operating costs such as levies will provide some support to the sustainability of administrators and the benefits of members of retirement funds.</p>	Refer response above (number 1 above).
93.		4 Africa Exchange (Pty) Ltd	<p>Yes – 4AX is in the process of establishing itself as a meaningful market player, and given the phase of the business lifecycle that 4AX finds itself in and the current covid / lockdown conditions which has hampers economic activity, it is difficult to absorb additional levies given the costs currently being incurred in setting up the business vs the limited revenue being generated at this stage.</p> <p>4AX is still loss making and breakeven point is anticipated in 2023.</p> <p>The imposition of a total levy of R703 331 will further impact the financial position of 4AX given the current limited financial resources, and we would therefore propose that no levies be charged for this year.</p> <p>In addition, 4AX has not qualified for any of the covid-relief measures provided by the various institutions in light of its size and foreign shareholder component.</p> <p>4AX intends to apply for the exemption and believes that it is appropriate to contribute to the levies once the</p>	Noted. Once the notice has been made final and the levies become due, you are welcome to submit an exemption application to the FSCA for consideration.

			business is profitable and cash generative.	
94.		Pearl Wealth Planning (Pty) Ltd.	<p>No, but it is because the directors of this company do not use overdraft facilities or loans in the name of the company. We pay our expenses but we currently live partly on overdrafts and savings in our personal capacity for our livelihood in order to keep the company financially sound.</p> <p>Please see the Annexure for detail of the impact on company net income. We use net income solely for salaries. The impact should be clear – personal debt increases. That is why saving for levies on a monthly basis is not even an option. We need to draw salaries to a maximum for our livelihood.</p> <p>Because we do not foresee that the economy will soon improve, we cannot start to utilize overdraft facilities or loans.</p> <p>Because of the poor condition of the economy, income is not even close to expectations in 2020.</p> <p>It is understood that the FSCA will grant payment of levies over three months but then interest is charged. This company made use of this payment plan in 2019 but the fact that we find it difficult to pay the levy in one payment should be an indication that levies are too high for the size of this company in terms of net income.</p>	A financial institution may submit a request in writing for a pay-off arrangement not exceeding a period of 6 months.
95.		BLACK INSURANCE ADVISERS COUNCIL (BIAC)	<p>BIAC as an organ of independent FSP who are in actual fact operating as what was previously called insurance reps, believe that:</p> <ol style="list-style-type: none"> 1. they would wish to pay license fees that are equivalent to those that are paid by tied agents because they are the cheapest method of companies cash flow 2. From the 26th March to date it has not been business as usual for all of us and none of BIAC members earn binder or retainer fees 3. Our clients have had their salaries reduced by 75% some of them, leading to string of lapses due to COVID19 	Refer to response 1 above.

			4.BIAC excluded from SME government funding 5.Lapses normally hit our pockets after three months and we are parents	
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TABLE C - GENERAL COMMENTS AND RESPONSES				
No.	Section of the Notice	Commentator	Comments	Response
FORMAT OF THE NOTICE				
96.	Do you find the format of the draft Notice user friendly and simple to understand? If no, please provide suggestions for improvement.	Tomlinson and associates	Yes	Noted.
97.		The Banking Association South Africa	Yes	Noted.
98.		Mogale Nakampe	Yes, I find it user friendly and simple to use.	Noted.
99.		Institute of Retirement Funds Africa	Yes	Noted.
100.		4 Africa Exchange (Pty) Ltd	Yes – easy to understand and use the comments template. A suggestion would be for the FSCA to highlight / explain the changes (e.g. the rationale for proposing an increase in the levies).	Noted.
101.		Pearl Wealth Planning (Pty) Ltd.	Yes. It can be improved by using tables, but it is simple enough to use as is.	Noted.
102.		BLACK INSURANCE ADVISERS COUNCIL (BIAC)	Easy to understand	Noted.
ANY OTHER GENERAL COMMENTS				
103.		Mohammed Kharwa & Associates	Any increase on levies are not acceptable in this dead economy. We suggest you look into the increase in the next year should this be necessary.	Refer to response 1 above.

TABLE C - GENERAL COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
104.		Brantam Financial Services (Pty) Ltd	<p>My concern revolves around the same asset being levied multiple times.</p> <p>Let's take for an example a client invested in a unit trust based retirement annuity, with us as his FSP.</p> <p>For arguments sake, his annuity is worth R 1 million.</p> <p>So, first off, his million rand is part of the assets we manage and is levied according to FAIS.</p> <p>The same million rand is under the management of our administrators and they're levied as a FSP III.</p> <p>As the money is invested in unit trusts, the same million rand is levied under CIS.</p> <p>Oh, the money is actually in a retirement annuity, guess what, the same million rand is levied yet again!!</p> <p>Therefore, the same asset is taxed four times, does this fit with Treating Customers Fairly?</p> <p>I was under the impression that part of RDR was to stop the practice of "double dipping", but what about quadruple dipping?</p>	<p>Please note that the proposals will be considered in future when levies are determined once the Financial Sector Levies Bill becomes law.</p>
105.		LSA Investment-FSP 41154	<p>As per the communication about 2020 levies we want to mention that we been not in business for 90 days and even now business and working conditions since this outbreak of Convid 19 they are still not conducive to business.</p> <p>So we appeal that when updating our Levies this year do consider this factors and most people are losing jobs so cancellations and lapses are envisaged.</p> <p>Hope you will consider my submission.</p>	<p>Refer response 1 above.</p>
106.		SA Association of Treasury Advisors	<p>The FSCA has called for input by 31 July 2020 on proposed levies for the 2020/21 financial year to be imposed on several affected institutions.</p>	<p>We wish to refer to our previous (and recent) engagements we had with your association where we explained that services related to the buying and selling of foreign</p>

TABLE C - GENERAL COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			<p>Now that the FSR Act defines <u>the buying and selling of forex as a financial service</u> that the FSCA has regulatory responsibility for, we would like to respectfully motivate, on behalf of our Members, that a new Category 1 subcategory be created.</p> <p>This will open the way to formulate <u>industry-relevant</u> Fit and Proper Requirements, CPD material, compliance reports, Code of conduct, etc for our Market Participants – all on which we, as the Industry Body, offer our input.</p> <p>Currently, our members are Registered under 1.18 (Short Term Deposits - as we have to open accounts with an Authorised Dealer through which our clients settle their FX transactions), and if the FSP advises clients on FX hedging (forward cover), they are also be registered under 1.13 (Securities and Instruments: Derivative instruments excluding warrants). <u>But there is currently no Category dealing with our core services which relate to the buying and selling of foreign exchange</u> – as now defined in the FSR Act.</p> <p>I hasten to add that our Members do not offer investment trading services covered under the existing Subcategory of 1.15 (Forex Investment Business).</p> <p>It has recently come to our attention that offshore service providers are exploiting the current “loose” regulatory situation around our industry to offer SA customers payment services on which SA Regulators have no oversight, and the SA customer, no recourse.</p>	<p>exchange will be included within the scope of the Conduct of Financial Institutions (COFI) Bill. We also requested you to consider and comment on the second version of the COFI Bill that National Treasury will be publishing for comment soon, specifically insofar as it relates to defining the foreign exchange related activities. The COFI Bill process is therefore the correct forum to address this issue and not a draft levy Notice.</p>

TABLE C - GENERAL COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			Please let us know if you would like to engage with us on the matter of creating a new Financial Service subcategory.	
107.		The Banking Association South Africa	The rates in respect of the levies payable have been pre-calculated and the main consideration from a commercial consideration is whether the rate is reasonable and not commercially burdensome and or excessive.	Refer response above (number 1 above).
108.		Funeral Federation of South Africa	The present system is clearly not working. This is demonstrated by the fact that the FSCA recently suspended the FAIS licences of about 220 funeral parlours. These funeral parlours are providing a service within their community and the current system is not accommodating the real world. A different form of regulation is needed starting with an exemption from the need to pay the fees for every representative who is providing funeral policies to the community.	See the response above. Furthermore, a financial institution may submit an application for exemption and if valid circumstances exist the FSCA has the discretion of exempting the institution from certain requirements.
109.	Impact of Covid-19 pandemic	Institute of Retirement Funds Africa	We have based all our comments on the positive contribution a reduction or waiver of levies will have on benefits of retirement funds and the sustainability of administrators.	Noted.
110.	Levy amount in relation to revenue / profitability of the new exchanges	4 Africa Exchange (Pty) Ltd	It is fair that all financial institutions contribute to the levies, however consideration needs to be given that due to the startup phase of the new exchanges, they may not be able to afford the levies given the limited profitability and cash flow generation at this stage of their business life cycle.	A financial institution may submit an application for exemption and if valid circumstances exist the FSCA has the discretion of exempting the institution from certain requirements.
111.	Proportionate calculation of levies	4 Africa Exchange (Pty) Ltd	The levies for the new exchanges should be calculated in proportion to the activity on the exchange rather than a fixed amount, and also payable in quarterly installments.	We note the recommendation. As mentioned, it is something that will be considered as part of future determinations. Please note that in terms of the draft Financial Sector Levies Bill the levies for

TABLE C - GENERAL COMMENTS AND RESPONSES				
No.	Section of the Notice	Commentator	Comments	Response
				exchanges will be issued quarterly and calculated based on activity.
112.	Covid-19 / lockdown conditions	4 Africa Exchange (Pty) Ltd	No consideration seems to have been given to the prevailing economic crises in proposing the levies for 2020.	Refer response above (number 1 above).
113.		Pearl Wealth Planning (Pty) Ltd.	The opportunity to comment is appreciated. We are not aware of any other platform to raise issues regarding legislation, board notices, etc.	Noted.
114.	Covid-19 pandemic	Harmony Insurance Consultants	Cognisance need to be taken that the South African economy was hard hit by the Covid-19 pandemic resulting in increase in unemployment rate and the ordinary man no longer able to afford insurance cover. Many small businesses had to scale down and/or close business which has a direct impact on signing up new clients and/or maintaining existing clients	Refer response above (number 1 above).
115.	% increase in levies	Momentum Metropolitan Life Limited	Most levies will increase by 4%. Since CPI is below 3% and due to cost pressure in the industry, we propose 3% increase?	Refer response above (number 1 above).
116.		KNM Consultancy CC	Please consider reducing the levies for FSPs like myself. With COVID, consumers are not purchasing.	Refer response above (number 1 above).
117.	15	BLACK INSURANCE ADVISERS COUNCIL (BIAC)	FSCA has financial obligations to be met. BIAC agrees The proposed act allows big insurance industry players to have 505 KI and 3234 reps in order to pay R1917909 beyond that their KI's and reps will operate for free	The cap levy applied on the FAIS levy cannot be removed because it would essentially mean that the largest FSPs with high AUM balances and more than 1 000's of representatives would have to bear a high proportion of the total levy which could not be justified.
118.	ceiling		BIAC proposes that the R1917909 ceiling be removed completely and insurance companies be allowed to pay for every employees	
119.	motivation		1. independent financial advisors are contributing to their cash flow over and above what the tied agents are contributing	

TABLE C - GENERAL COMMENTS AND RESPONSES

No.	Section of the Notice	Commentator	Comments	Response
			2. R1917909 is far below the budget and an insurance company's branch office production 3.there are insurance companies that are using teachers, nurses, gardners,and other sectors of the economy to advise clients about what BIAC members are licensed for. It is now that they are trying to recruit FSP	