



FINANCIAL SECTOR LEVIES BILL

The Financial Sector Levies Bill ('the Bill') has been released for comment by National Treasury. It sets out how the twin peaks regulatory framework will be funded. The closing date for submissions was 31 January 2017.

The levies imposed will pay for the Financial Sector Conduct Authority, the Prudential Authority, the Financial Services Tribunal, the Ombud Council, the Pension Funds Adjudicator and the FAIS Ombudsman.

The levies will be paid by funds, administrators, insurers, banks and collective investment schemes.

An implementation levy of 15% of the levy payable, will be payable for the first two years by an entity for the Financial Sector Conduct Authority, the Prudential Authority, the Financial Services Tribunal and the Ombud Council.

A financial sector body (see below) can adjust the variable components of the levy formulae, taking into account the over or under collection of levies in the previous levy period. An entity can apply for exemption from paying all or part of the levy from the relevant financial sector body.

WHICH ENTITIES WILL RECEIVE THE LEVY?

The levies will pay for the Financial Sector Conduct Authority, the Prudential Authority, the Financial Services Tribunal, the Ombud Council, the Pension Funds Adjudicator and the FAIS

Ombudsman. These entities are collectively known as the 'financial sector bodies'. The levy for each of these bodies is calculated separately. It must be noted that some supervised entities (entities that are licensed in terms of a financial sector law and specified in the Schedules to the Bill) do not need to pay all the levies. For example, pension funds do not pay the Prudential Authority levy.

WHICH ENTITIES WILL PAY THE LEVIES?

- Occupational pension and provident funds
- Retirement annuity funds
- Commercial umbrella funds*
- Pension fund administrators
- Long-term insurers

*A commercial umbrella fund has been defined as a fund established for the benefit of employees of various employers which are not subsidiaries of a single holding company.

A levy is payable by each supervised entity that is licensed in terms of a financial sector law and specified in the Schedules to this Act.

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WHAT LEVY FORMULAE WILL APPLY TO OCCUPATIONAL FUNDS?

Entity	Proposed Levy Formulae	Current Levy Formulae
Prudential Authority	None	Not Applicable
Financial Sector Conduct Authority (FSCA)	R2 000 base, plus variable fee of $14 \times L$ (L = number of members as at 30 June of the levy year). Maximum of R2 750 000	Not Applicable
Financial Services Tribunal	$2.5\% \times S2$ (S2 = amount of levy payable to the FSCA)	Not Applicable
Ombud Council	$2.5\% \times S2$ (S2 = amount of levy payable to the FSCA)	Not Applicable
Pension Funds Adjudicator	$R4.65 \times L$ (L = number of members as at 30 June of the levy year)	R4.90 per member (based on the number of members as at 30 June 2016)
FAIS Ombud	Not Applicable	Not Applicable
Financial Services Board	Not applicable as will be replaced by the FSCA	R1 138 plus R13.20 per member or b) R2 556 435 whichever of (a) or (b) is the lesser.

HOW DO THESE LEVIES IMPACT ON A FUND?

A fund with 1,000 members currently pays a total levy of R19 238.00:

- R14 338 (R1 138 + R13 200) for the Financial Services Board; and
- R4 900 for the Pension Funds Adjudicator.

Therefore the same fund will pay a total levy of R21 450.00:

- R2 000 + R14,000 = R16,000 for the Financial Sector Conduct Authority;
- R400 ($2.5\% \times R16,000$) for the Financial Services Tribunal;
- R400 ($2.5\% \times R16,000$) for the Ombud Council; and
- R4 650 ($R4.65 \times 1,000$) for the Pension Funds Adjudicator.

IMPLEMENTATION LEVY

An implementation levy is proposed, to establish the Financial Sector Conduct Authority, the Prudential Authority, the Financial Services Tribunal and the Ombud Council.

The implementation levy will be payable for the first two levy years after the Bill commences.

The implementation levy will be 15% of the levy payable by any supervised entity for the Financial Sector Conduct Authority, the Prudential Authority, the Financial Services Tribunal and the Ombud Council.

EXEMPTION FROM PAYMENT OF A LEVY

A supervised entity can apply for exemption from paying all or part of the levy from the relevant financial sector body.

A financial sector body can establish its requirements for an exemption application. An exemption can only be granted on sound reasons.