

Legal Report June 2017

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Newsletter of Sanlam Employee Benefits: Legal

1. FSB Levies

The Financial Services Board levies for the period from 1 April 2017 to 31 March 2018 were announced in Board Notice 458 of 2017. The levy for a preservation fund and commercial umbrella fund (i.e. a fund for the benefit of employees of various employers which are not subsidiaries of a single holding company) will in future be calculated on a different basis as in the past, as indicated below. The levies relevant for the employee benefits industry are as follows:

1.1 Levy on retirement funds

- (a) The levy on any registered retirement fund (excluding retirement annuity funds, preservation funds and commercial umbrella funds) is the lesser of:
- R1 138, plus an additional amount of R13,46 per member of the fund and in respect of every other person who receives regular periodic payments from the fund (excluding any member or person whose benefit remained unclaimed and beneficiaries); or
 - R2 607 564.
- (b) The levy on any preservation fund and commercial umbrella fund is R1 138 plus R13,46 per member and every other person who receives regular periodic payments from the fund (excluding any member or person whose benefit remained unclaimed and beneficiaries).

1.2 Levy on fund administrators

Such levy is R7 264,44 plus an additional amount of R566,31 per fund referred to in 1.1 that is under the administration of the administrator, as well as an amount of R0,69 per member and in respect of every other person who receives regular periodic payments from the fund (excluding any member or person whose benefit in the fund remained unclaimed or a beneficiary in a beneficiary fund).

1.3 Levy for Pension Funds Adjudicator

The levy for any registered retirement fund is R5,51 per member and any other person who receives regular periodic payments from such fund (excluding any member or person whose benefit in the fund remained unclaimed).

2. Financial Sector Regulation Bill

The National Assembly passed the Financial Sector Regulation Bill ("Bill"), on 23 June 2017, and it has been sent to the president for his signature. Once enacted the legislation will come into effect on a date determined by the Minister of Finance. Different commencement dates may be determined for different provisions.

The Bill follows the so-called "Twin Peaks" model of financial regulation, i.e. it will establish two separate regulators:

- The Prudential Authority within the South African Reserve Bank to oversee the safety and soundness of financial institutions; and
- The Financial Sector Conduct Authority (which will replace the Financial Services Board), responsible for matters relating to market conduct and aimed at ensuring that financial customers are treated fairly by financial institutions

The object of the Bill is to achieve a stable financial system that works in the interests of financial customers and supports balanced and sustainable economic growth in South Africa. The Bill aims to achieve this by establishing, in conjunction with the specific financial sector laws, a regulatory and supervisory framework that promotes -

- financial stability
- the safety and soundness of financial institutions
- the fair treatment and protection of financial customers
- the efficiency and integrity of the financial system
- the prevention of financial crime
- financial inclusion
- transformation of the financial sector
- confidence in the financial system

The Bill amends various financial sector laws in order to take account of the new dispensation. For example, in the Pension Funds Act all references to the Registrar of Pension Funds or the Financial Services Board must be read as a reference to the Financial Sector Conduct Authority.

Retirement funds or other clients requiring more information should not hesitate to contact their consultant.