

Discussion paper on unclaimed assets in South Africa’s financial sector

The Financial Sector Conduct Authority (FSCA) today launched a seminal discussion paper on Unclaimed Assets which have accumulated to almost R90 billion across the financial sector, with the majority of these assets being in retirement funds. The discussion paper builds on work done by the FSCA and the National Treasury (NT) to find a solution that will lead to increased disbursements of unclaimed assets to beneficial owners.

FSCA Commissioner, Mr Unathi Kamlana, says work is continuing to establish the true value of unclaimed assets in the sector, given that these assets are held by various financial institutions, and not only by retirement funds. He says one big hinderance to disbursing these funds is the lack of a common understanding of what constitutes dormant or unclaimed assets, and the lack of reliable data.

“We recognise that good progress has been made, but as the FSCA we remain concerned because ultimately we have to consider whether the customers, and beneficiaries in this case, are being treated fairly. It is quite clear that we have to improve the outcomes for customers and that’s what this paper is trying to achieve,” says Kamlana.

Dealing with unclaimed assets is a complex task, with many moving parts across different sectors of the economy.

These assets include:

1. Retirement fund benefits
2. Bank deposits, including foreign currency deposits
3. Participatory interests in collective investment schemes
4. Life and Non-Life Insurance policies
5. Securities

The FSCA’s discussion paper considered international unclaimed assets frameworks to determine the definitions, management and reporting of unclaimed assets.

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The paper also outlines reasons for the nature and extent of the problem of unclaimed assets in South Africa, which vary by sector. The most common reasons are:

- Asset owners' failure to –
 - keep financial institutions updated with their contact details and the personal details of their beneficiaries; and
 - inform their beneficiaries of the existence of the assets and the institutions where it is held.
- Inadequate record keeping by financial institutions and intermediaries in the value chain.
- Inconsistency in approach to the identification and treatment of unclaimed assets (including reunification efforts) both within market segments and across the financial sector overall.
- Failure by employers to provide retirement funds/administrators with complete details of the members of the fund.
- Changes in intermediaries and administrators.

The FSCA proposes 13 recommendations in support of a holistic and consistent approach to the treatment of lost accounts and unclaimed assets within the financial sector. One of the most significant proposals is the establishment of a single Central Unclaimed Assets Fund into which all unclaimed assets, once identified as such, should be transferred and managed on behalf of the sector. Alternatively, such unclaimed assets can be transferred into the National Revenue Fund for the same purpose.

Ms Katherine Gibson, FSCA Deputy Commissioner, says the FSCA paper is intended to avoid a build-up of unclaimed assets in the future.

“We are approaching this from a fairness point of view on behalf of customers, most of whom are from vulnerable backgrounds. This fits in well with our wider consumer protection framework,” says Gibson.

The Discussion Paper on Unclaimed Assets can be downloaded from:
www.fsc.co.za/Regulatory%20Frameworks/Pages/Discussion-Papers.aspx

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