



Financial Sector  
Conduct Authority

# **RESPONSES TO COMMENTS RECEIVED ON THE DRAFT NOTICE \* OF 2021: LEVIES ON FINANCIAL INSTITUTIONS**

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**05 August 2021**

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<b>LIST OF COMMENTATORS</b>		
<b>No.</b>	<b>AGENCY / ORGANISATION</b>	<b>CONTACT PERSON</b>
1.	Desigan Reddy	Desigan Reddy
2.	A2X Markets	Gary Clarke - Head: Legal and Regulation Luthfia Akbar - Legal and Regulation
3.	Compli-Serve	Jan Scholtz
4.	Pote Fourie Brokers	Rolanda Fourie - Member
5.	KGA Life Limited	Rudi Kotze - Head of Legal and Compliance
6.	At The Brokerage PTY Ltd	Leon Delport - Director
7.	The Federated Employers Mutual Assurance Company (RF) PTY LTD ("FEM")	Carmen Foster - FEM Legal and Compliance Manager
8.	Pearl Wealth Planning (Pty) Ltd.	Sonja van Wyk
9.	4 AFRICA EXCHANGE	Palesa Manana - Compliance Officer
10.	The South African Insurance Association (SAIA) (A representative body of the non-life insurance industry)	Mashudu Mabogo - Legal Specialist
11.	The Banking Association South Africa (BASA) <sup>1</sup>	Adri Grobler
12.	The South African Institute of Stockbrokers <sup>2</sup>	Erica Bruce
13.	Masthead (Pty) Ltd	Anri Dippenaar - Head of Compliance

<sup>1</sup> The commentator marked certain comments as "No comment". These comments are not included in the Tables below.

<sup>2</sup> The commentator marked certain comments as "No comment". These comments are not included in the Tables below.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
<b>2. Imposition of levies</b>				
1.	2 Imposition of levies	The South African Institute of Stockbrokers	<p>The SAIS would like to thank the Financial Sector Conduct Authority (FSCA) for the opportunity to comment on the draft Notice imposing levies on financial institutions under section 15A (1) of the Financial Services Board Act, 1990 (Act No. 97 of 1990).</p> <p>The SAIS is of the opinion that a robust regulatory framework is imperative. The necessity for a recognized regulatory framework that is globally accepted is of equal importance. A respected and trusted regulatory environment will be a differentiating factor for South Africa, on both the African continent and globally. It will serve to not only protect the public interest but will also encourage investment of capital, stimulation of economic activity, promotion of competition, entrepreneurship and transformation. Creating jobs and ultimately generating tax revenue are further additional, positive consequences of a trusted regulatory framework. The SAIS supports a robust regulatory framework and initiatives that both the private and public sector should engage in, in a constructive manner to achieve outcomes desired.</p>	Noted.
<b>3. Levy on pension funds</b>				
2.	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	The South African Insurance Association (SAIA)	Refer to proposal in Section C re: increase.	Refer to response in number 13 below.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
	fund, is an amount of R1 369.70 plus an additional amount of R16.20 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 138 465, whichever total amount is the lesser.			
3.	3(3) The levies referred to in subparagraph (1) must be paid not later than 31 August of the levy year.	The South African Insurance Association (SAIA)	Please clarify on why was there a change in the timeline for payments to be made payable by no later than 31 August (previously 30 September)?	The timelines for the payments were changed due to the national lockdown declared by the government in 2020. Most non-essential operations were closed including government printers hence the delay in the publishing the Notice which necessitated the change in levy payments dates.
4.		The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>1. BASA notes that the levies payment date has moved from end of September (2020) to 31 August for 2021. We will appreciate an explanation for the suggested change in date.</li> <li>2. Nevertheless BASA will appreciate that the same date as 2020 be carried over, namely 30 September of the levy year. We submit that keeping the date the same will ensure consistency and reduce the risk that levies are not paid on time.</li> </ol>	Refer to response in number 3 above.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
<b>4. Levy on administrators</b>				
5.	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 743.49 plus an additional amount of R681.62 per pension fund referred to in paragraph 3(1) under the administration of the administrator, and an amount of R0.82 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.	The South African Insurance Association (SAIA)	Refer to proposal in Section C re: increase.	Refer to response in number 13 below.
6.	4(3) The levies referred to in subparagraph (1) must be paid not later than 31 August of the levy year.	The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>1. BASA notes that the levies payment date has moved from end of September (2020) to 31 August for 2021. We will appreciate an explanation for the suggested change in date.</li> <li>2. Nevertheless BASA will appreciate that the same date as 2020 be carried over, namely 30 September of the levy year. We submit that keeping the date the same will ensure consistency and reduce the risk that levies are not paid on time.</li> </ol>	Refer to response in number 3 above.
<b>5. Levy on retirement annuity funds</b>				
7.	5(1)(a)	The South African	Refer to proposal in Section C re: increase.	Refer to response in number 13 below.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
	The levy, in respect of a retirement annuity fund referred to in paragraph 3(1), is an amount of R1 369.70 plus an additional amount equal to 0.0097% of the value of the assets of the fund.	Insurance Association (SAIA)		
8.	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.	The South African Insurance Association (SAIA)	Please clarify on why was there a change in the timeline for payments to be made payable by no later than 31 August (previously 30 September)?	Refer to response in number 3 above.
9.		The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>1. BASA notes that the levies payment date has moved from end of September (2020) to 31 August for 2021. We will appreciate an explanation for the suggested change in date.</li> <li>2. Nevertheless BASA will appreciate that the same date as 2020 be carried over, namely 30 September of the levy year. We submit that keeping the date the same will ensure consistency and reduce the risk that levies are not paid on time.</li> </ol>	Refer to response in number 3 above.
<b>6. Levy for Pension Funds Adjudicator</b>				
10.	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	The South African Insurance Association (SAIA)	Refer to proposal in Section C re: increase.	Refer to response in number 13 below.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
	commercial umbrella fund, is an amount of R7.06 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.			
11.	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).	The Banking Association South Africa (BASA)	1. BASA suggests that the wording be changed to read: '.....levy referred to in paragraph <b>section</b> 3 and is payable on the date specified in paragraph <b>section</b> 3(3).	Disagree. It is part of the FSCA's standard drafting convention to refer to paragraphs in Notices instead of "sections".
<b>8. Levy on short-term insurers and Lloyd's underwriters</b>				
12.	8 Levy on short-term insurers and Lloyd's underwriters	Desigan Reddy	There are no levies or fees mentioned for MicroInsurer's? Please can we have a schedule of fees or levies that would be applicable to microinsurers.	The Levy Notice does not impose a levy on microinsurers. The draft Financial Sector Levies Bill imposes a levy on microinsurers which levy will become payable when the Bill becomes law.
13.	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	At The Brokerage PTY Ltd	Due to the financial loss of clients related to COVID 19 financial stress, I would prefer to keep paying and affording staff salaries than increase levy payments.	FSCA resolved to reduce levy increase from proposed 4% to 3% in the previous levy period after consultations with industry. This was also taking into account the impact of national lockdown and Covid-19. FSCA has again resolved to reduce levy increase from proposed 4% to 3% for this

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
	in the previous levy year increased by 4%.			levy period. Please see amended Notice. 
14.		The Federated Employers Mutual Assurance Company (RF) PTY LTD (“FEM”)	Consideration should be given to calculate the levy more closely linked to the most recent years’ premium income. Given the current economic conditions, many insurers premium income could be decreasing while the levy increases.	Noted. The proposal is covered in the description of the variable of the levy on Non-life Insurer and Lloyd’s in the draft Financial Sector Levies Bill and will apply when the Bill becomes law. For now, however, the status quo will be maintained.
15.		The South African Insurance Association (SAIA)	<p>The levy for short-term insurers increased by 4% in this provision whereas last year it was 3%.</p> <p>Challenge for business is that 2020 required insurers to incur losses that were not foreseen and the proposed 4% (1% more than 2020) will add to the financial constraint on businesses.</p>	Refer to response in number 13 above.
16.	8(4) The levies referred to in subparagraph (3) must be paid in two equal instalments before or on 31 July and 30 November of the levy year.	The South African Insurance Association (SAIA)	<p>Timelines moved up as well to 31 July as compared to 30 September in 2020 for the first payment.</p> <p><b><i>Clarity is sought on the rationale for moving the dates forward?</i></b></p> <p>The 2<sup>nd</sup> payment of the levies are still due on 30 November of the levy year, which is acknowledged.</p>	Refer to response in number 3 above.
17.		The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>1. BASA notes that the first instalment for the levies payment date has moved from 30 September (2020) to 31 July for 2021. We will appreciate an explanation for the suggested change in date.</li> <li>2. Nevertheless BASA will appreciate that the same date of 30 September and 30 November be carried over. We submit that keeping the date the same will ensure consistency and reduce the risk that levies are not paid on time.</li> </ol>	Refer to response in number 3 above.



**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
	<p>classes as set out in Table 1 of Schedule 2 of the Insurance Act:</p> <p>(aa) RISK class;</p> <p>(bb) FUND RISK class;</p> <p>(cc) CREDIT LIFE class;</p> <p>(dd) LIFE ANNUITIES class;</p> <p>(ee) INDIVIDUAL INVESTMENT class;</p> <p>(ff) FUND INVESTMENT class;</p> <p>(gg) INCOME DRAWDOWN class;</p> <p>(hh) REINSURANCE class; or</p> <p>(ii) one or more of the classes in sub-items (aa) to (hh) and the FUNERAL class,</p> <p>is the Rand levy amount which the long-term insurer paid in</p>			

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
	<p>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>			
21.	<p>9(1)(b)(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>	KGA Life Limited	<p>Proposed paragraph 9(1)(b)(ii) of the Notice Regarding the Publication of The Draft Notice * of 2021 Levies on Financial Institutions (“the draft notice”) proposes the following for life insurance business in the FUNERAL class as set out in Table 1 of Schedule 2 of the Insurance Act:</p> <p>...the Rand levy amount, which the long-term insurer paid in the previous levy year increased by 4%.</p> <p>Whilst almost every nation, industry, community, and person has been impacted by COVID-19 in some way and with the future impact still uncertain, the Funeral Insurance space has been hit particularly hard.</p> <p>It is trite that excess deaths, reported during the last year, far exceed the numbers reported as confirmed ‘COVID deaths’. Nowhere was this felt more directly than in the Funeral Insurance industry.</p> <p>As with most other industries, the Funeral Insurance industry has seen a pronounced reduction in its top line, with existing policyholders defaulting and new joiners</p>	Refer to response in number 13 above.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>particularly low compared to prior periods. Unlike many other industries however, the Funeral Insurance players also saw a marked increase in claims. In KGA Life’s instance, claims in January 2021 alone were 80% more than the previous year and for the period June 2020 to March 2021 were 40% higher than expected.</p> <p>This, along with an increase in expenditure relating to the servicing of policyholders (stemming, amongst other things, from the increased cost of doing business and PPE costs) culminated in a perfect storm for Funeral Insurance Providers who simply cannot now also afford a 4% increase in ‘Levies on Long-Term Insurers’.</p> <p>Moreover, even notionally, a general 4% increase makes little sense. Consumer inflation is lower than it has been in many years and is in fact much lower than the proposed increase, sitting at 2.9% according to Statistics South Africa. How an increase of 1.1% more than inflation can be justified has not been explained and, in the absence of a thoroughly clarified rationale, seems irrational at best.</p> <p>Taking into account also that levies were similarly increased in the prior year in similarly trying financial times for insurers, the Financial Sector Conduct Authority (“Authority”) has not shown any cause why another increase is required, justified or indeed equitable. In an environment where the sector is fighting to keep its collective head above water, it is our view that the Authority should recognise the opportunity to come to the aid of Funeral Insurers.</p> <p>The FSCA recognises the distinction between life insurance business in the Funeral class and other classes of life insurance, by dealing with same in a separate subsection of the draft notice, as it also does in many other pieces of legislation and regulation. Yet despite this, the Authority does not come to Funeral Insurers aid by proposing lower increase percentages.</p>	

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>We believe that a further distinction, in terms of the percentage of the proposed increase, is appropriate and should be implemented.</p> <p>In light of all of the above factors, we propose that the Authority revise the paragraph 9(1)(b)(ii) of draft notice to simply maintain levies on Funeral Insurers at the prior year’s levies, rather than increase same.</p>	
22.	<p>9(2) A long-term insurer must pay the full applicable levies referred to in subparagraph (1) in accordance with subparagraph (3); or</p>	<p>The Banking Association South Africa (BASA)</p>	<p>1. BASA would like to understand how the scenarios catered for under the 2020 Notice be dealt with this year? Specifically section 9(2)(b) and (c) of the 2020 Levies Notice, with regard to the scenarios that the FSCA has not catered for in this proposed Notice. We therefore wish to understand how these scenario will be catered for in the 2021 Notice.</p> <p>2. BASA suggests that sections 9(2) and (3) be combined to improve the reading: <i>A long-term insurer must pay the full applicable levies referred to in subparagraph (1) in two equal instalments before or on 31 July and 30 November of the levy year.</i></p>	<p>The wording in the 2021 Notice is simplified by inserting the definition “long-term insurer”.</p> <p>Suggestion accepted. Please see the amended Notice. </p>
23.	9(3)	<p>The South African Insurance Association (SAIA)</p>	<p>Timelines moved up as well to 31 July as compared to 30 September in 2020 for the first payment. <b>Clarity is sought on the rationale for moving the dates forward?</b> The 2<sup>nd</sup> payment of the levies are still due on 30 November of the levy year, which is acknowledged.</p>	<p>Refer to response in number 3 above.</p>
24.		<p>The Banking Association South Africa (BASA)</p>	<p>1. BASA notes that the levies payment date has moved from end of September (2020) to 31 August for 2021. We will appreciate an explanation for the suggested change in date.</p> <p>2. Nevertheless BASA will appreciate that the same date as 2020 be carried over, namely 30 September</p>	<p>Refer to response in number 3 above.</p>

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			of the levy year. We submit that keeping the date the same will ensure consistency and reduce the risk that levies are not paid on time.	
<b>10. Levy on collective investment schemes in securities</b>				
25.	10(1)(a) The levy, in respect of collective investment schemes in securities referred to in Part IV of the Collective Investment Schemes Control Act, is a total amount of R17 817 618, for all such schemes administered by a manager registered in terms of section 42 of that Act at any time during the levy year.	The South African Insurance Association (SAIA)	Refer to proposal in Section C re: increase.	Refer to response in number 13 above.
26.	10(1)(b) The amount is payable in four quarterly instalments on or before 31 July, 30 September, 31 December and 31 March of the levy year.	The South African Insurance Association (SAIA)	Timelines for the quarterly payments were moved up as well to 31 July and 30 September as compared to 30 September and 31 October in 2020. <b><i>Clarity is sought on the rationale for moving the dates forward?</i></b>	Refer to response in number 3 above.
<b>11. Levy on foreign collective investment schemes</b>				
27.	11(2) The levy is payable in four quarterly instalments on or before 31 July, 30 September, 31 December and 31 March of the levy year. The amounts are	The South African Insurance Association (SAIA)	Timelines for the quarterly payments were moved up as well to 31 July and 30 September as compared to 30 September and 31 October in 2020. <b><i>Clarity is sought on the rationale for moving the dates forward?</i></b>	Refer to response in number 3 above.

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No.	Section of the Notice	Commentator	Comments	Response
	calculated on the basis of statistics as at the end of the preceding quarter, which statistics must be furnished to the Authority within 30 days after the end of such quarter.			
<b>12. Levy on collective investment schemes in property</b>				
28.	12(2) The levy referred to in subparagraph (1) must be paid not later than 31 July of the levy year.	The South African Insurance Association (SAIA)	Timelines for the quarterly payments were moved up as well to 31 July as compared to 30 September in 2020. <b><i>Clarity is sought on the rationale for moving the dates forward?</i></b>	Refer to response in number 3 above.
29.		The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>1. BASA notes that the levies payment date has moved from end of September (2020) to 31 July for 2021. We will appreciate an explanation for the suggested change in date.</li> <li>2. Nevertheless BASA will appreciate that the same date as 2020 be carried over, namely 30 September of the levy year. We submit that keeping the date the same will ensure consistency and reduce the risk that levies are not paid on time.</li> </ol>	Refer to response in number 3 above.
<b>13. Levy on collective investment schemes in participation bonds</b>				
30.	13(2) The levy referred to in subparagraph (1) is calculated for four quarters and must be paid not later than 31 July of the levy year.	The South African Insurance Association (SAIA)	Timelines for the quarterly payments were moved up as well to 31 July as compared to 30 September in 2020. <b><i>Clarity is sought on the rationale for moving the dates forward?</i></b>	Refer to response in number 3 above.

TABLE A – SPECIFIC COMMENTS AND RESPONSES				
No.	Section of the Notice	Commentator	Comments	Response
<b>15. Levy on authorised financial services providers</b>				
31.	15 Levy on authorised financial services providers	Pearl Wealth Planning (Pty) Ltd.	<p>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. We take note that FSCA’s response to last year’s comment was that proposals will be considered when levies are determined once the Financial Sector Levies Bill becomes law.</p> <p>For 2021 we propose that 0% increase be applied for obvious economic reasons as a result of the Covid-19 pandemic.</p>	<p>Please note that these proposals should be submitted in response to the development and finalisation of Financial Sector Levies Bill, as part of the stakeholder engagement process on that Bill.</p> <p>See also the response to number 33 below.</p> <p>Refer to response in number 13 above.</p>
32.		The South African Insurance Association (SAIA)	Maximum payable increased from R1 899 467 in 2020 to R1 975 446. We note that the levy is still payable by 31 October.	Refer to response in number 13 above.
33.		The South African Institute of Stockbrokers	<p>An authorised user, as defined in the Financial Markets Act, 2012 (Act No. 19 of 2012), “is a person authorised by a licensed exchange to perform one or more securities services in terms of the exchange rules and includes an external unauthorised user, where appropriate” (p.12).</p> <p>A large proportion of authorised users (exchange members) perform one or more securities services, which lie outside of the exchanges’ rules. Consequently, they would hold additional Financial Service Provider (FSP) licenses, as may be required and therefore will be levied accordingly.</p> <p>Presently, authorised users and their clients pay an Insider Trading Levy fee which is calculated on the value of transactions traded on equity markets. The</p>	Comment noted. All financial institutions are charged for fees commensurate with the different activities that they perform and the level of supervisory oversight required. Going forward with the Levies Bill and thereafter the COFI Bill, the FSCA will be reconsidering the overall approach to ensure continued fairness and transparency.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>members are of the opinion that this levy is used against the current fees, which are levied by the (FSCA) to the exchanges and used for other regulatory services, performed by the exchanges. These fees are calculated and regulated under each exchange's rules. Currently, there is no transparent, quantifiable reconciliation of the fees collected by the exchanges, against the fees billed by the FSCA. In addition to these levies, the JSE mandates the use of a Broker Dealing Account (BDA) system. Members are charged a significant amount for the use of this mandated system, partially under the guise of managing risk and regulation, settlement, and administration. Authorised users and their clients are also billed a STRATE levy fee under the guise of managing risk and regulation.</p>	
34.	Category I or IV financial services provider	Masthead (Pty) Ltd	<p>"R3 829 is a large amount for small start-up FSP's. We have many of these FSP's as our members. There has been severe and ongoing economic impact on the income of Advisors' due to COVID-19. Therefore, while in a normal year, 4% would seem to be a reasonable increase, once again 2021 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) remain unchanged from those set last year.</p> <p>In addition, we propose a consideration of the following basis for the levy calculation in relation to number of representatives and key individuals:</p> <p><b>Base Rxx Plus</b> <b>A x Rxx</b></p>	<p>Refer to response in number 13 above.</p> <p>Please note that these proposals should be submitted in response to the development and finalisation of Financial Sector Levies Bill, as part of the stakeholder engagement process on that Bill.</p>

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p><b>A</b> = the <i>AVERAGE</i> of 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, calculated from the first day 1 September until the last day, 31 August of the levy year. This approach would avoid anomalies and manipulation, ensuring a balanced and accurate value for the determination of levies.</p> <p>From a drafting perspective, the regulator could look at the wording proposed at various places in Table B of the Draft Financial Sector Levies Bill, 2021, dated 24 February 2021.</p> <p>While there is a maximum or cap applied in relation to the levies in terms of s15 (1), (2) and (3), practically, the cap only applies to FSPs that can most afford to pay. Therefore, in an effort to balance the scales between large and smaller FSPs, we would suggest that the level at which the maximum levy is applicable should be +8% over the 2020 levels, namely R2,051,424.</p>	<p>Noted. However, pending the finalisation of the Financial Sector Levies Bill we prefer to perpetuate the current wording.</p>
35.	15(1)(a) a base amount of R3 829; and	The South African Insurance Association (SAIA)	Refer to proposal in Section C re: increase.	Refer to response in number 13 above.
36.	15(2)(a) a base amount of R7 716; and	The South African Insurance Association (SAIA)	We note that the levy is still payable by 31 October. Refer to proposal in Section C re: increase.	Refer to response in number 13 above.

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<b>No.</b>	<b>Section of the Notice</b>	<b>Commentator</b>	<b>Comments</b>	<b>Response</b>
37.		Masthead (Pty) Ltd	As mentioned above, we would suggest that the level at which the maximum levy is applicable should be +8% over the 2020 levels, namely R2,051,424.	Refer to response in number 34 above.
38.	<p>15(2)(c) B x 0.0000184595.</p> <p>Category II, IIA or III financial services provider</p>	Masthead (Pty) Ltd	<p>The comments above in relation to the ongoing economic impacts of COVID-19 are equally applicable in the investment environment, which has also been hard hit. We therefore strongly urge the regulator to apply the same consideration in relation to these FSP's and to apply a zero percent increase on the factor/rate, so that this too remains unchanged from last year.</p> <p>In addition, we propose a consideration of the following basis for the levy calculation in relation to number of representatives and key individuals:</p> <p><b>Base Rxx Plus</b>  <b>A x Rxx</b>  <b>A</b> = the <i>AVERAGE</i> of 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, calculated from the first day 1 September until the last day, 31 August of the levy year.</p> <p>This approach would avoid anomalies and manipulation, ensuring a balanced and accurate value for the determination of levies.</p> <p>As mentioned above, we would suggest that the level at which the maximum levy is applicable should be +8% over the 2020 levels, namely R2,051,424.</p>	<p>The factor was not changed from last year's.</p> <p>Please note that these proposals should be submitted in response to the development and finalisation of Financial Sector Levies Bill, as part of the stakeholder engagement process on that Bill.</p> <p>Refer to response in number 34 above.</p>

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

<b>No.</b>	<b>Section of the Notice</b>	<b>Commentator</b>	<b>Comments</b>	<b>Response</b>
39.	15(3)(a) a base amount of R3 829; and	The South African Insurance Association (SAIA)	If authorised for LT Sub-cat A/ friendly society benefits – R1 899 467 in 2020 to R1 975 446. We note that the levy is still payable by 31 October.	Refer to response in number 13 above.
40.	Category I or a Category IV financial services provider - only Long-term Insurance subcategory A or Friendly Society Benefits	Masthead (Pty) Ltd	<p>Given the financial constraints placed on these types of FSPs as a result of the ongoing COVID-19 crisis and national 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 2019/2020 Annual Report, reported that there were 104 Category IV FSPs in last year and 99 in 2020, also that the total number of authorised FSPs decreased overall year-on-year from 12,028 in 2019 to 10,029 in 2020. These types of businesses had already encountered difficulties during 2019 and 2020 in staying in the industry, and we strongly believe that these unprecedented times call for financial relief to be provided to FSPs. Particularly for these FSPs who service clients falling into the lower income bracket who will be most severely impacted. 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> <p>As mentioned above, we would suggest that the level at which the maximum levy is applicable should be +8% over the 2020 levels, namely R2,051,424.</p>	<p>Refer to response in number 13 above.</p> <p>Refer to response in number 34 above.</p>
41.	15(4) Multiple authorised financial services providers who form part of the same legal entity are jointly and severally liable for payment of a	Compli-Serve	What is the process / procedure for FSP's that falls under this definition to apply to receive a single levy statement?	Kindly note that the FSCA interprets the provision (par 15(4)) which refers to FSPs who are part of the same legal entity, as FSPs in the same group of companies. An application relating to groups can

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

<b>No.</b>	<b>Section of the Notice</b>	<b>Commentator</b>	<b>Comments</b>	<b>Response</b>
	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.			be done in any format. A letter or e-mail will suffice and should be send to <a href="mailto:Faislevies@fsca.co.za">Faislevies@fsca.co.za</a> .
<b>16. Levy for funding of Office of Ombud for Financial Services Providers</b>				
42.	16 Levy for funding of Office of Ombud for Financial Services Providers	KGA Life Limited	<p>The FSCA is acutely aware of the simplified nature of ‘Funeral Insurance policies’, as well as the simplified oversight required.</p> <p>The FSCA recognises the distinction between persons authorised only to render financial services in respect of Long-term Insurance subcategory A and persons authorised to render other more ‘complex’ financial services, by:</p> <ul style="list-style-type: none"> <li>• Simplifying, specifically for persons only authorised to render financial services in respect of Long-term Insurance subcategory A, many requirements placed on other persons rendering financial services; and</li> <li>• Reducing, in terms of paragraph 15(3) of the Notice Regarding the Publication of The Draft Notice * of 2021 Levies on Financial Institutions (“the draft notice”), levies on Financial Services Providers who only render financial services in respect of Long-term Insurance subcategory A.</li> </ul> <p>We believe that, in relation to the Levy for funding of Office of Ombud for Financial Services Providers, a</p>	Please note that these proposals should be submitted in response to the development and finalisation of Financial Sector Levies Bill, as part of the stakeholder engagement process on that Bill.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>similar distinction is appropriate, as well as fair and equitable. This is the case as the cost for the Ombud stemming from a complaint relating to a simple Funeral Insurance product would be significantly less than the cost stemming from a complex complaint relating to, for instance, a share portfolio.</p> <p>In light of this we believe that a reduction, similar to that which is applied to Levies on Authorised Financial Services Providers, should be implemented for persons only authorised to render financial services in respect of Long-term Insurance subcategory A and included in the draft notice.</p>	
43.	16(1)(a) a base amount of R1 184; and	The South African Insurance Association (SAIA)	We note that the levy is still payable by 31 October. Refer to proposal in Section C re: increase.	Comment noted.
44.		Masthead (Pty) Ltd	<p>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 due to the economic hardship caused by ongoing COVID-19 pandemic that the base fee remains unchanged from 2020, i.e. a zero percentage increase is applied.</p> <p>Similar to our comment above in relation to the maximum levy payable under s15(1), (2) and (3), we also suggest that the level at which the maximum levy is applicable should be +8% over the 2020 levels, namely R332,783.</p>	Refer to response in number 34 above.
45.	16(1)(b) A x R451.	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 2020.	Refer to response in number 13 above.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

<b>No.</b>	<b>Section of the Notice</b>	<b>Commentator</b>	<b>Comments</b>	<b>Response</b>
46.	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.	Compli-Serve	What is the process / procedure for FSP's that falls under this definition to apply to receive a single levy statement?	Refer to response in number 41 above.
<b>17. Levy on exchanges</b>				
47.	17 Levy on exchanges	A2X Markets	The proposed levy equates to a 4% increase from the previous year. Given that economic activity was subdued during the last 12+ months, we are of the view that this increase will disproportionately affect smaller exchanges negatively. Given that activity was subdued and the fact that this hampered the exchange's ability to continue to execute on its business plan, fee increases without the proportionate increase in revenues as a result of Covid , works to advantage the incumbent over smaller exchanges as they are better enabled to absorb cost increases given their established and dominant position. Our suggestion is to leave the levy figure unchanged from the prior year to better enable smaller exchanges compete on a more level playing field with the incumbent.	Refer to response in number 13 above.
48.		4 AFRICA EXCHANGE	The levy, in respect of each exchange licensed in terms of section 9 of the Financial Markets Act, except the	Refer to response in number 13 above.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>JSE Limited, is an amount of R601 800 payable within 30 days of a levy invoice raised on the exchange.</p>	
49.		The South African Institute of Stockbrokers	<p>An authorised user, as defined in the Financial Markets Act, 2012 (Act No. 19 of 2012), “is a person authorised by a licensed exchange to perform one or more securities services in terms of the exchange rules and includes an external unauthorised user, where appropriate” (p.12).</p> <p>A large proportion of authorised users (exchange members) perform one or more securities services, which lie outside of the exchanges’ rules. Consequently, they would hold additional Financial Service Provider (FSP) licenses, as may be required and therefore will be levied accordingly.</p> <p>Presently, authorised users and their clients pay an Insider Trading Levy fee which is calculated on the value of transactions traded on equity markets. The members are of the opinion that this levy is used against the current fees, which are levied by the (FSCA) to the exchanges and used for other regulatory services, performed by the exchanges. These fees are calculated and regulated under each exchange’s rules. Currently, there is no transparent, quantifiable reconciliation of the fees collected by the exchanges, against the fees billed by the FSCA. In addition to these levies, the JSE mandates the use of a Broker Dealing Account (BDA) system. Members are charged a significant amount for the use of this mandated system, partially under the guise of managing risk and regulation, settlement, and administration. Authorised Users and their clients are also billed a STRATE levy fee under the guise of managing risk and regulation.</p> <p>Authorised users are a category of Financial Market participant that will not be directly levied, as proposed in the new Levies on Financial Institutions Act. However, authorised users are of the understanding that they and</p>	Refer to response in number 33 above.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>their clients will be beholden to and at the mercy of some these providers e.g. STRATE, exchanges, CSDP's etc...Unfortunately, these providers will need to re-coup these levies and members of the exchange will not be able to transparently quantify these expenses against the amount the providers are actually levied. Authorised users are of the opinion that they will be paying multiple services providers, indirectly on many levels, for the same function, i.e. the managing and monitoring of risk and market regulation, for pre and post trade, clearing, settlement, and administration. Authorised users also believe that the cumulative costs that they ultimately pay for risk mitigation and a robust regulatory framework will be far more than other financial market participants. This would not create equal opportunity and will create regulatory arbitrage.</p>	
50.	<p>17(1) The levy, in respect of the JSE Limited, an exchange licensed in terms of section 9 of the Financial Markets Act, is an amount of R18 054 005 and must be paid not later than 31 July of the levy year.</p>	4 AFRICA EXCHANGE	<p>In light of the COVID-19 pandemic, we suggest that there be no increase in the levy and propose that a reduction in the levy for 2021 be considered. We note that the FSCA recorded a R25 million surplus against a budgeted deficit of R148 million as per its 2019 / 2020 Annual Report.</p>	Refer to response in number 13 above.
<b>18. Levy on central securities depositories</b>				
51.	<p>18(1) The levy, in respect of Strate (Pty) Limited, licensed in terms of section 29 of the Financial Markets Act as a central securities depository, is an amount of R4 314 794 and must be</p>	The South African Insurance Association (SAIA)	<p>Timelines for the quarterly payments were moved up as well to 31 July as compared to 30 September in 2020. <b><i>Clarity is sought on the rationale for moving the dates forward?</i></b></p>	Refer to response in number 3 above.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
	paid not later than 31 July of the levy year.			
<b>19. Levy on financial markets in respect of market abuse</b>				
52.	19 Levy on financial markets in respect of market abuse	A2X Markets	The proposed levy equates to a 4% increase from the previous year. Given that economic activity was subdued during the last 12+ months, we are of the view that this increase will disproportionately affect smaller exchanges negatively. Given that activity was subdued and the fact that this hampered the exchange's ability to continue to execute on its business plan, fee increases without the proportionate increase in revenues as a result of Covid, works to advantage the incumbent over smaller exchanges as they are better enabled to absorb cost increases given their established and dominant position. Our suggestion is to leave the levy figure unchanged from the prior year to better enable smaller exchanges compete on a more level playing field with the incumbent.	Refer to response in number 13 above.
53.		The South African Institute of Stockbrokers	See the comment in Section 17 (above).	Refer to response in number 3 above.
54.	19(1)(b) R122 631 in respect of an exchange contemplated in paragraph 20 subparagraph (2).	4 AFRICA EXCHANGE	As per 17(1) above, we suggest that there be no increase in the levy and propose that a reduction in the levy for 2021 be considered.	Refer to response in number 13 above.
55.	19(2) The levy referred to in subparagraph 1(a) is payable in four quarterly instalments of R6 928 650 each on or before 31 July,	The South African Insurance Association (SAIA)	Timelines for the quarterly payments were moved up as well to 31 July and 30 September as compared to 30 September and 31 October in 2020.  <b>Clarity is sought on the rationale for moving the dates forward?</b>	Refer to response in number 3 above.

TABLE A – SPECIFIC COMMENTS AND RESPONSES				
No.	Section of the Notice	Commentator	Comments	Response
56.	30 September, 31 December and 31 March of the levy year.	The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>BASA notes that the levies payment dates for 2021 are different to the 2020 dates which were 30 September, 31 October, 31 December and 31 March. We will appreciate an explanation for the suggested change in date.</li> <li>Nevertheless BASA will appreciate that the same dates as 2020 be carried over. We submit that keeping the date the same will ensure consistency and reduce the risk that levies are not paid on time.</li> </ol>	Refer to response in number 3 above.
57.	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	The quarterly payments should also be extended to the new exchanges.	Please note that these proposals should be submitted in response to the development and finalisation of Financial Sector Levies Bill, as part of the stakeholder engagement process on that Bill.
<b>20. Levy on credit rating agencies</b>				
58.	20(1) The levy in respect of credit rating agencies registered in terms of section 5 of the Credit Rating Services Act is a total amount of R3 642 615 and is payable on or before 31 July of the levy year.	The South African Insurance Association (SAIA)	<p>Timelines for the quarterly payments were moved up as well to 31 July as compared to 30 September in 2020.</p> <p><b><i>Clarity is sought on the rationale for the difference in the dates?</i></b></p>	Refer to response in number 3 above.
<b>GENERAL</b>				
<b>21. Payment of levies</b>				
59.	21 Payment of levies	The South African Insurance Association (SAIA)	Why was there a change in the timeline for payments to be made payable by no later than <b>31 August</b> (previously 30 September) for some of the entities with other commencing as soon as 31 July.	Refer to response in number 3 above.

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>When we considered the the levy year in 2020 it was 1 April 2020 – 31 March 2021 and the levy year in this draft is for the same period – 1 April 2021 – 31 March 2022.</p> <p>Is the understanding that entities will be required to pay sooner for the same levy year/ period?</p> <p><b><i>Clarity is sought on the rationale for moving the dates forwards and confirmation of the expectations from the insurers?</i></b></p>	
60.		Masthead (Pty) Ltd	<p>Given the challenges faced by many FSPs as a result of the national lockdown and ongoing COVID crisis, the associated costs of changing the way in which business can be conducted as well as the costs resulting from compliance with the Protection of Personal Information Act, Disaster Management Act Regulations, we propose that FSPs be allowed to opt for a monthly payment of their levies that exceeds the prescribed period of 6 months. We also recommend that interest is not charged on any overdue amounts.</p>	<p>A financial institution may formally request in writing for a pay arrangement which normally does not exceed a period of 6 months. In exceptional circumstances, pay arrangements exceeding 6 months are approved based on the compelling reasons presented to FSCA.</p>
<b>22. Application for exemption</b>				
61.	22 Application for exemption	The South African Institute of Stockbrokers	<p>There must be a high level of transparency and due diligence processes followed with respect to the granting of exemption of any levies. Conflicts of interest must be disclosed and all exemptions and potential conflicts must be published in a Government Gazette, to ensure fairness, openness, and access to information, on which the sector will have an opportunity to comment.</p>	<p>Application for exemption is dealt with in terms of section 15A(4) of the Financial Services Board Act, 1990 which provides that the board may upon the application of a financial institution, and if the board is of the opinion that there are sound reasons therefor, grant exemption to the financial institution from a provision of the notice to the extent and subject to the conditions determined by the board. In addition, section 281(4) of the Financial Sector Regulation Act</p>

**TABLE A – SPECIFIC COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
				requires that the responsible authority granting an exemption to publish such exemption.
62.		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.
<b>23. Consolidated payments</b>				
63.		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, given the challenges faced by many FSPs as a result of the national lockdown and COVID-19. This allows for a consolidated payment method. However, there is a lot of administrative processes to ensure that the payment is made and we therefore propose that a discount be applied to benefit those who make consolidated payments.	Refer to response in number 13 above.

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

No.	Section of the Notice	Commentator	Comments	Response
64.	-	A2X Markets	<p>A2X is concerned about the proposed increase of 4% which is seemingly separate from the proposed special levy on financial institutions proposed recently. The implementation of the standard levy as well as the special levy at the levels contemplated would be unreasonable. Specifically in the context of the current stressed economic environment, this would have a negative impact on our business at this critical juncture of A2X's development and be contrary to one of the aims of the FMA being the encouragement and facilitation of competition.</p>	<p>Noted. The special levy is contained in the draft Financial Sector Levies Bill, which will be applicable when the Bill becomes law.</p>
65.	-	Pote Fourie Brokers	<p>I think it is not at all to the advantage of the industry that we should have an increase in fees, as we as an industry have been through a difficult period with Covid and the lockdown. Clients and us as brokers alike, have been hit hard and I would think it unfair to even consider an increase in fees at this stage.</p> <p>The whole country experienced this and a huge amount of people lost their employment and had to cancel insurance. We are also on the verge of another Covid wave and possibly increased levels of lockdown arrangements. So I believe an increase in fees is unacceptable.</p>	<p>Refer to response in number 13 above.</p>
66.	-	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>The impact should be clear – personal debt increases. That is why saving for levies on a monthly basis is not</p>	<p>Refer to response in number 13 above.</p>

			even an option. We need to draw salaries to a maximum for our livelihood.	
67.	-	The South African Insurance Association (SAIA)	<p>We suggest that the increases should be reconsidered in light of the challenging year all entities, especially insurers.</p> <p>We propose that the levies remain the same as the 2020 levies.</p> <p>Also, timeline for the comments end in June but these are effective potentially end of June – too little time to consider the comments.</p>	<p>Refer to response in number 13 above.</p> <p>All comments received as per this response to comments matrix are considered.</p>
68.	-	The Banking Association South Africa (BASA)	<p>1. BASA submits that there will not be any impact on the financial soundness of our members, however we request that the regulator consider our comments regarding the changes in the levy payment dates.</p>	Noted.
69.	-	The South African Institute of Stockbrokers	<p>Yes, there is a concern for authorised users. An authorised user, as defined in the Financial Markets Act, 2012 (Act No. 19 of 2012), “is a person authorised by a licensed exchange to perform one or more securities services in terms of the exchange rules and includes an external unauthorised user, where appropriate” (p.12).</p> <p>A large proportion of authorised users (exchange members) perform one or more securities services, which lie outside of the exchanges’ rules. Consequently, they would hold additional Financial Service Provider (FSP) licenses, as may be require, and therefore will be levied accordingly.</p> <p>Presently, authorised users and their clients pay an Insider Trading Levy fee which is calculated on the value of transactions traded on equity markets. The members are of the opinion that this levy is used against the current fees, which are levied by the (FSCA) to the exchanges and used for other regulatory services, performed by the exchanges. These fees are calculated and regulated under each exchange’s rules. Currently, there is no transparent, quantifiable reconciliation of the</p>	Refer to response in number 33 above.

			<p>fees collected by the exchanges, against the fees billed by the FSCA. In addition to these levies, the JSE mandates the use of a Broker Dealing Account (BDA) system. Members are charged a significant amount for the use of this mandated system, partially under the guise of managing risk and regulation, settlement, and administration. Authorised users and their clients are also billed a STRATE levy fee under the guise of managing risk and regulation.</p> <p>Authorised users are a category of Financial Market participant that will not be directly levied, as proposed in the new Levies on Financial Institutions Act. However, Authorised users are of the understanding that they and their clients will be beholden to and at the mercy of some these providers e.g. STRATE, exchanges, CSDP's etc....Unfortunately, these providers will need to re-coup these levies and members of the exchange will not be able to transparently quantify these expenses against the amount the providers are actually levied. Authorised Users are of the opinion that they will be paying multiple services providers, indirectly on many levels, for the same function, i.e. the managing and monitoring of risk and market regulation, for pre and post trade, clearing, settlement, and administration. Authorised users also believe that the cumulative costs that they ultimately pay for risk mitigation and a robust regulatory framework will be far more than other financial market participants. This would not create equal opportunity and will create regulatory arbitrage.</p>	
70.	-	Masthead (Pty) Ltd	<p>No consideration seems to have been given to the continuing economic crisis in proposing the levies for 2021. Cognisance needs to be taken that the South African economy was hard hit by the Covid-19 pandemic resulting in increase in the unemployment rate and consumers not being able to afford financial products. Providers are directly impacted by the aforementioned and are stretched financially. IFAs did not escape the negative impacts of the pandemic and during the launch of their Annual Specialist Risk Review (2020), SHA</p>	Refer to response in number 13 above.

			<p>confirmed that according to their survey, <math>\pm 11\%</math> of IFAs reduced staff numbers and, on average, their revenue dropped by 18%.</p> <p>This becomes even more clear when considering the cost of compliance with additional regulatory requirements such the Disaster Management Act and Protection of Personal Information Act. We are concerned that a further increase in fees will, whether directly or indirectly, be passed on to the financial customers or, worse lead to the financial exclusion of many more.</p>	
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TABLE C - GENERAL COMMENTS AND RESPONSES				
No.	Section of the Notice	Commentator	Comments	Response
<b>FORMAT OF THE NOTICE</b>				
71.	-	A2X Markets	Yes.	Noted.
72.	-	KGA Life Limited	Yes.	Noted.
73.	-	At The Brokerage PTY Ltd	Yes.	Noted.
74.	-	Pearl Wealth Planning (Pty) Ltd.	Yes but please improve for better readability. Tables, please.	Noted. This proposal will be considered as part of future developments (e.g. under the draft Financial Sector Levies Bill).
75.	-	The South African Insurance Association (SAIA)	No – It was a challenge to compare the old and the new without any reference in this document.  We suggest that the draft Notices juxtapose the old notice against the proposed revisions.	Proposal not accepted. The draft Levy Notice contains the information for the levy year to which it relates.
76.	-	The Banking Association South Africa (BASA)	BASA confirms that the format of the draft Notice is user friendly and simple to understand.	Noted.
77.	-	The South African Institute of Stockbrokers	Yes	Noted.
78.	-	Masthead (Pty) Ltd	Yes	Noted.
<b>ANY OTHER GENERAL COMMENTS</b>				
79.	-	Pearl Wealth Planning (Pty) Ltd.	The opportunity to comment is appreciated.	Noted.

**TABLE C - GENERAL COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
80.	Levies Bill	The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>1. BASA would like to understand what is still required in terms of the promulgation of the Levies Bill? We request to be taken into the regulator's confidence with regard to the outstanding issues on the Levies Bill as our members need ample warning as to when the Levies Bill will come into effect, for budgeting and operational purposes.</li> <li>2. From a practical perspective, we will also appreciate a heads up on how the calculation of levies will be done when moving over from the FSCA levies Notice to the Levies Bill, considering that the calculations under the Levies Bill are different to the FSCA Notice calculation i.e. If the FSCA issues a levy statement for a FSCA registered entity to pay R1 800 000 by 31 October 2021 and the Levies Bill becomes effective 1 October 2021. Will an amended and pro – rata levy statement then be issued for the entity and how will the pro-rata calculation work in this case - as in most cases FSCA registered entities will pay more under the Levies Bill?</li> </ol>	<p>The National Treasury is managing the legislative processes regarding the Financial Sector Levies Bill.</p> <p>The Levies Bill will become effective from the next levy year being 2022/23 financial year. No pro-rata levies will be issued. Levies for the 2021/22 financial year will be calculated using the Levy Notice.</p>
81.	Increase in levies	The Banking Association South Africa (BASA)	<ol style="list-style-type: none"> <li>1. We note that the draft levies overall on average propose a fee increase in excess of 4% which is at variance with CPI and we request the Authority to have regard to the current economic climate and significant downturn in the South African Economy as a result of the Covid-19 pandemic, especially in view of the anticipated Levies Bill requirements.</li> </ol>	Refer to response in number 13 above.
82.	Unquantified Layered Friction Costs	The South African Institute of Stockbrokers	The SAIS and by extension the Financial Market participants (Authorised Users) that the SAIS represents, are largely concerned about the unquantified, layered friction costs, which will be added through the investment cycle. These levies will affect the process on numerous levels e.g. Investor fees at a bank, advisor fees at a FSP, levies and fees at an authorised user, trading and settlement fees, clearing	Comments noted, we will continuously engage with industry to contain costs of regulation.

**TABLE C - GENERAL COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			<p>and custody fees, insurance and unit trust fees and SRO fees etc....It is noted that the combined fees/levies imposed across all the market participants will ultimately be passed on to the investor, in some form or the other. The SAIS is of the opinion that the multiple levies could have a negative impact on the investment process and on the government's attempt to create a national savings culture.</p> <p>This is even more critical given the effect of the COVID-19 global pandemic. It is highly unlikely that industry will be able to absorb the aggregated costs that may ultimately be passed down to them, even if a regulated environment is beneficial for the industry and protects investors.</p> <p>Given the above, the SAIS is of the opinion that an in-depth impact analysis is imperative. This is critical to quantify the true friction cost to the ultimate beneficial owner/investor who invests through these multiple investment avenues, which may just carry the burden of these costs downstream. This analysis should include all role players, as an integrated modular solution to the investment cycle and not in their individual capacity.</p> <p>It is important to be cognisant that the financial market participants view the proposed levy as an additional layer of costs i.e. authorised users will pay JSE, STRATE, CDSP, FSCA and PA (Treasury), to regulate and manage risk for fair outcomes for the investor. The concern, specifically, is in respect of the cumulative effect of the regulatory levies and fees which will be passed on, by supervised entities, to participants, investors, and financial consumers. The SAIS is of the opinion that it is essential that the finalisation of the COFI Act, the revision of the Financial Markets Act (FMA) and the introduction of codes of conduct must be completed together with the finalisation of the Levy Bill. This would provide for a holistic view of the regulatory</p>	

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No.	Section of the Notice	Commentator	Comments	Response
			architecture and understanding of the end-to-end regulatory frictional costs and framework impacting the market.	
83.	Self-Regulating Organisation (SRO) Model	The South African Institute of Stockbrokers	Multiple exchanges mean multiple levies on market participants, which will once again be passed on to the ultimate investor. The SAIS believes that the role of multiple exchanges must be examined when reviewing the Levies Bill i.e. the roles that the various entities play with respect to regulation, prudential requirements and risk management within the financial markets as well as trying to avoid duplication, on multiple levels, by the different regulators and exchanges. The SAIS reiterates that the finalisation of COFI and the FMA review is vital, as further clarity is required in respect of the role of SRO's and the delegation of duties by the regulator (FSCA). The costs, processes and procedures for authorised users must create equitable and level playing fields. The SAIS believes that regulatory levies or fees payable by a market infrastructure should be commensurate to the intensity of regulation and supervision required and should be proportional to the nature, scale and complexity of regulatory risks present in that type of market infrastructure.	Noted. The National Treasury is managing the legislative processes, including public comment processes, regarding the Financial Sector Levies Bill. The Bill and its legislative processes are separate from this Levy Notice.
84.	Calculation and Collection Process	The South African Institute of Stockbrokers	<p>The costs, processes and procedures need to be analysed to have a full view of the impact on financial markets, their participants and the ultimate investor. Furthermore, an analysis needs to be conducted on the current levies collected across regulators and SRO's. This is required for the market to fully understand the total costs/levies that will be passed on and eventually impact the ultimate investor.</p> <p>Further investigation needs to be undertaken to determine what the optimal collection point/process would be. In addition, there must be clarity in respect of where in the process the fees should be collected e.g. at initiation of trade, settlement of trades or potentially</p>	Refer to response in number 33 above.

**TABLE C - GENERAL COMMENTS AND RESPONSES**

No.	Section of the Notice	Commentator	Comments	Response
			ultimate end users/investors. The different financial market participants need to understand the different roles, responsibilities and functions the FSCA, PA, Exchanges, FMI and clearing houses perform and the cost of regulation within the different entities, to better understand the quantum of fees associated with each regulator. To ensure complete transparency and to avoid potential conflicts of interest, fees and pricing models with regards to levies must be published by exchanges, SRO's and FMI's.	
85.	Further Engagement	The South African Institute of Stockbrokers	All stakeholders should continue engaging the relevant role players to ensure that the protocols, processes and desired outcomes are obtained. In finalising the levies to be imposed on financial institutions, a practical view of the impact on all market participants must be analysed and industry must be further consulted in the finalisation process. This will enable the industry to be included in the development of the processes and systems, potentially creating a more transparent environment for the collection of data, in the correct format, that is not tainted and easily accessible, increasing the ease of regulation. There are substantial areas in which the industry can contribute, through their expertise, to the structure, for maximum efficiency. The industry can assist the regulator in building a robust and cost-effective regulatory framework that is needed by South Africa. This is especially important given the effects of the global pandemic.	Note. However, please note that the Levy Notice is not newly developed, it is based on the levy notices in the preceding levy years. The Financial Sector Levies Bill which is currently under development and which is subject to various public consultation processes will determine the new approach to levies. We recommend that you submit your inputs in this regard as part of that process.
86.	Specific Authorised User Fee	The South African Institute of Stockbrokers	We reiterate that financial market participants view the proposed levy as an additional layer of costs i.e. authorised users will pay JSE, STRATE, CDSP, FSCA and PA (Treasury), to regulate and manage risk for fair outcomes for the investor. The authorised user has no transparent view of the total cost of risk management and the SAIS is of the opinion that this is something that should be considered. A specific, separate authorised	See response directly above. The status quo will be retained for now. Please note that these proposals should be submitted in response to the development and finalisation of Financial Sector Levies Bill, as part of the stakeholder engagement process on that Bill.

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No.	Section of the Notice	Commentator	Comments	Response
			user levy fee will enable transparency and a controlled passing-on of levies to the ultimate client. This will allow for risk to be quantified from an authorised user and ultimate investor perspective.	Refer to response in number 33 above.
87.	Conclusion	The South African Institute of Stockbrokers	<p>The SAIS has reviewed the proposed fees and is of the view that additional engagement and analysis of empirical evidence, to determine the friction cost caused by implementing fees is needed. A significant increase in the cost of regulatory oversight could lead to unintended consequences for the South African capital markets.</p> <p>The SAIS is of the strong viewpoint that well-regulated financial markets are essential however, the benefits should be balanced with the cost of the reforms. We look forward to closer and more collaborative working relationship to find optimal solutions for the industry.</p>	Comments noted, we will continuously engage with industry to contain costs of regulation.