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A FRAMEWORK FOR UNCLAIMED FINANCIAL ASSETS IN SOUTH AFRICA

DISCUSSION PAPER

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EXECUTIVE SUMMARY

An estimated R88.56 billion unclaimed assets are held by financial institutions across the financial sector.¹ Given the lack of a common understanding of what constitutes an unclaimed asset and a lack of reliable and trusted data, the amount of such assets may be much higher.

The observed inconsistency in approach to the identification and treatment of unclaimed assets (including reunification efforts) both within market segments and across the financial sector overall contributes to the high amount of unclaimed assets. While progress has been made in the retirement, collective investment scheme and life insurance sectors², a high value of unclaimed assets remains. This prompts questions about how to minimise the accumulation of unclaimed assets in future, enhance reporting on unclaimed assets, further improve tracing mechanisms, and best utilise assets of beneficial owners that cannot be traced - and are likely to never be traced - for the greater good of the country.

Based on current available data, unclaimed retirement benefits constitute 53% of the total estimated unclaimed asset value, followed by the collective investment scheme and life insurance industry³ that holds 38% of unclaimed assets. Comparable data on unclaimed assets in the banking and other sectors are not available mainly due to a lack of reporting and common understanding of what constitutes an unclaimed asset. In 2021, the estimated number of dormant retail transactional accounts in respect of five banks only was approximately 5,7 million, to the value of R3.36 billion. This excludes dormant accounts in respect of other types of deposits. The overall size of unclaimed assets will thus be much higher than what is recorded in this paper, which in turn may impact the comparative figures.

The purpose of this paper is to build on the work conducted by National Treasury in respect of unclaimed retirement benefits. It seeks to contribute towards the debate on unlocking unclaimed assets across all industries within the financial sector for social, environmental and/or developmental initiatives and aims to foster a conversation on how lost accounts and unclaimed assets should be treated.

The FSCA recognises that consultation with industry is critical in understanding where and how potential dormancy and unclaimed assets may arise, the criteria that should be applied in the classification of dormant accounts and unclaimed assets across the various sectors and financial products, and the practical challenges in identifying and reuniting these assets with customers.

The FSCA considered international approaches to unclaimed assets to determine the lessons to be learnt from different country experiences and responses. It seems to be global practice for countries to have laws that define what is meant by unclaimed assets and to prescribe how these should be identified, reported on, and managed. Some jurisdictions have included a wide range of unclaimed assets within the scope of their frameworks. Differences regarding the extent to which unclaimed asset schemes in the various jurisdictions are independent from government

¹For the purposes of this discussion paper, any reference to unclaimed asset refers specifically to unclaimed assets in the financial sector i.e. held by financial institutions.

²Including Linked Investment Service Providers (LISPS) that are members of ASISA.

³Data is only in respect of ASISA members and include data of LISPS that members of ASISA.

have also been noted. The international landscape is continually changing and while lessons may be learnt from international experience and trends, it is important to consider South Africa's particular circumstances in any recommendation.

The FSCA makes 13 recommendations in support of a holistic and consistent approach to the treatment of lost accounts and unclaimed assets across financial institutions within the financial sector. It is recommended that as many as possible financial products and financial instruments be included⁴ within the scope of the work, as well as any investment, income, dividend, or other proceeds in respect of or derived from those products and instruments.

A common understanding of what constitutes a dormant account, a lost account and an unclaimed asset is imperative to understand the impact and extent of unclaimed assets in the financial sector. It is recognised that a one-size fit all approach may not be suitable across different industry segments due to the unique features and structures of the different financial products. However, a consistent approach towards the identification, monitoring, and response to lost accounts and unclaimed assets by financial institutions is promoted.⁵ Improved and more consistent approaches to reunification aims to reduce the levels of unclaimed assets.

From a public-interest perspective, the FSCA advocates that unclaimed assets should not be retained by financial institutions over the longer term. Not only does this potentially compromise an entity's commitment to finding and maintaining contact with its customers, but it is not a fair outcome for the rightful beneficiary. Where it is not possible to reunite those assets with their rightful owners, the FSCA considers whether such assets can be used for positive impact e.g., social, and environmental initiatives.⁶ The FSCA remains, however, very aware of the risks this may bring, especially relating to governance and conflicts of interest.

The FSCA is proposing the establishment of a single central unclaimed assets fund into which all unclaimed assets, once identified as such, should be transferred.⁷ The main objectives of such a central fund will be to accept and manage unclaimed assets, prioritise the reunification of those assets with their beneficial owners, pay valid claims and distribute funds that are not reserved for valid claims for the benefit of positive impact. Achieving the correct governance structure will be a critical success factor because the Board of the central fund will be responsible for taking operational decisions, including the levels of reserves that must be held to meet future claims and the level and purpose of any distributions.

An alternative option that may be considered is to require financial institutions to directly transfer the unclaimed assets to the National Revenue Fund instead of creating a new structure with the associated costs. The recommendations regarding the identification, reporting, treatment, and reunification of unclaimed assets apply equally to both options.

Beneficial owners must have the right to reclaim, in perpetuity, the value of the assets at the point of transfer into the receiving fund, be it a central fund or the National Revenue Fund, as well as any accrued interest between the date of transfer and the date of reclaim.⁸ Full restitution, in other words, placing the beneficial owner in the position it would have been had a transfer into

⁴See Recommendation 1.

⁵See Recommendation 2.

⁶See Recommendation 11.

⁷See Recommendation 3.

⁸See Recommendation 4.

the central fund or (National Revenue Fund) not occurred, is not recommended. It is recognised that there may be some potential disadvantage for beneficial owners in not providing a right to full restitution. However, it is important to note that this disadvantage will only materialise if the customer does not maintain his current contact details with his product or service provider, the proposed enhanced processes to be implemented for the treatment of unclaimed assets has been unsuccessful and the interest earned on the unclaimed asset transferred to the Central Fund is less than the market return by an identical asset that had not been transferred.

Minimum prescribed thresholds are being proposed that will have the effect that for unclaimed assets below certain thresholds, financial institutions will not be required to actively trace beneficial owners.⁹ However, these assets remain claimable by the beneficial owner, in perpetuity. Further information is sought on the cost of tracing activities and the average value of unclaimed assets per beneficial owner. Information relating to the average value of unclaimed assets per beneficial owner is currently only available in respect of unclaimed retirement benefits, which reflect that approximately 18.5% of beneficiaries of unclaimed retirement benefits has a benefit value of a R1 000 or less.

Noting the different tax treatment of financial products in the sector, it is proposed that assets be taxed on date of reclaim¹⁰ A full understanding of the complexities associated with this proposal requires engagement with impacted stakeholders such as National Treasury and the South African Revenue Services (SARS).

The question of whether financial institutions across the sector are undertaking best efforts to reunite unclaimed assets with beneficial owners is critical and cannot, based on the current lack of data, be answered. The FSCA, therefore, proposes that financial institutions be required to keep records of identified dormant and unclaimed assets, including the number of accounts and beneficial owners, asset type, individual asset value, age of asset, age and race of a beneficial owner, how the institution has responded to tracing beneficial owners, and the effectiveness of such responses. These records should routinely be reported on to the FSCA in a standardised manner and form.¹¹

The FSCA intends to prioritise the monitoring of financial institutions with high concentration of unclaimed assets.¹² The success rate of tracing efforts will be monitored, and positive learnings will be shared and implemented across the sector.

The establishment of a central database for unclaimed assets is proposed to assist in the tracing of beneficial owners in respect of all industry segments across the financial sector.¹³ The establishment of a central retirement fund member database is also proposed to link beneficial owners with their assets across multiple schemes.

⁹See Recommendation 8.

¹⁰See recommendation 5.

¹¹See Recommendation 6.

¹²See Recommendations 9 and 10.

¹³See Recommendation 7.

The importance of coordinated consumer awareness campaigns to promote the updating of contact details cannot be overemphasised.¹⁴ Consumers share responsibility with financial institutions for ensuring that they remain contactable. Understanding the implications of not complying with their responsibilities may result in enhanced consumer involvement. As such, it is proposed to impose requirements on financial institutions to disclose to customers, at point of sale, and thereafter on a regular basis, the effect and implications of an unclaimed asset and maintaining a dormant financial product as opposed to closing or terminating the product.

The regulation of tracing agents, within the financial sector, is also considered given some of the identified abusive practices.¹⁵ Although tracing agents are currently mainly concentrated in the retirement sector, it is expected that the activities of tracing agents will extend to other sectors once the proposed unclaimed asset framework become applicable to those sectors.

The FSCA proposes an incremental approach to the development and implementation of the recommendations. This aims to ensure that positive change can be affected as quickly as possible in areas where we have a clear path to improve customer outcomes, noting that certain proposals are considerably more complex and will require longer engagement and debate. A supporting roadmap for the identification, monitoring, and reporting of unclaimed assets may assist prioritisation and implementation.

The next step is for Commentators to submit comments on the proposed recommendations and respond to the key questions in this Discussion Paper by 30 November 2022. The responses will inform the FSCA's ultimate submission of its recommendations to the National Treasury and the extent to which some recommendations can be implemented on a prioritised and accelerated basis. The responses received will further determine the necessity to request additional information from industry. The FSCA intends to publish an overview of the outcome of its engagements.



¹⁴See Recommendation 12.

¹⁵See Recommendation 13.

A close-up photograph of two hands shaking over a white document, symbolizing an agreement or partnership. The hands are positioned in the center of the frame, with the document held between them. The background is blurred, showing indistinct shapes and colors.

PART 1

PURPOSE AND SCOPE

1. PURPOSE

- 1.1. Lost accounts and unclaimed financial assets are a global challenge. A 2016 working paper of the International Organisation of Pension Supervisors (IOPS) entitled *‘Supervision of lost accounts and unclaimed pension benefits’* notes that “...supervisory action to minimise the adverse impacts from lost accounts and unclaimed pension benefits is an important area as, left unaddressed, individual members may otherwise be denied the totality of benefits due and payable to them”. Unclaimed retirement benefits impact the poor and vulnerable in South Africa disproportionately. A large proportion of these unclaimed assets can be attributed to untraceable ownership resulting from poor records of workers in the manufacturing and mining sectors in the 1970s and 1980s, under the Apartheid system of forced migrant labour.
- 1.2. Lost accounts and unclaimed assets are not limited to retirement funds. Whilst the exact figures are generally unknown, these accumulate across the financial sector as financial customers or their beneficiaries are either unaware of the accrued assets or have lost contact with their financial institutions.
- 1.3. While work on unclaimed benefits in the retirement industry is relatively well progressed, efforts by other financial institutions to unite unclaimed assets with their customers vary greatly in their extent and effectiveness. The FSCA, therefore, proposes a coordinated approach to ensure that the sector prioritises improvements and financial customers are treated fairly.
- 1.4. The purpose of this Discussion Paper is to –
 - (a) Establish the current status and extent of dormant and unclaimed assets in South Africa.
 - (b) Establish current approaches, practices, criteria, definitions and initiatives that have been implemented or applied in South Africa in order to identify, manage and minimise dormant and unclaimed assets.
 - (c) Consider the supervisory approaches and practices implemented by foreign jurisdictions in respect of dormant and unclaimed assets.
 - (d) Make recommendations regarding:
 - (i) a common understanding of dormant and unclaimed assets, with criteria, across the financial sector for the different industry segments under review;
 - (ii) a supervisory approach and reporting framework in respect of dormant and unclaimed assets going forward;
 - (iii) responsibilities of financial institutions relating to the management, record keeping, and tracing of persons entitled to dormant and unclaimed assets, and consider suitable regulatory requirements in this regard, including in relation to permissible fees and charges; and
 - (iv) purpose(s) for which such unclaimed assets may be used, where it becomes apparent that the person entitled to unclaimed assets may not ever be traced, due for example to insufficient data and records, and where such unclaimed assets remain unclaimed for a determined period of time.

- 1.5. The proposals set out in this paper regarding the treatment of lost accounts and unclaimed assets build on the reforms by National Treasury in respect of unclaimed retirement benefits.
- 1.6. As just one role player in this ecosystem, the FSCA hopes the Discussion Paper stimulates debate and develops ideas that can ultimately be presented through to government and regulatory partners like the Prudential Authority for consideration. Certain proposals may, however, be implemented more rapidly in terms of the FSCA's mandate.
- 1.7. The FSCA recognises that consultation with industry is critical in understanding where and when potential dormancy and unclaimed assets may arise¹⁶, the criteria that should be applied in the classification of dormant accounts and unclaimed assets across the various sectors and financial products, and the practical challenges in identifying and reuniting these assets with customers.
- 1.8. This paper is a first step in the FSCA's consultation process. Given the complexities of some of the matters, stakeholders are encouraged to engage to the fullest extent to ensure all aspects are appropriately canvassed and considered.



¹⁶Currently, only the Pension Funds Act, No. 24 of 1956, defines what constitute an unclaimed benefit.

2. SCOPE

- 2.1. This paper considers the impact and suitable treatment of dormant accounts, lost accounts and unclaimed assets across the financial sector. These terms are understood as follows:
- **“dormant account”** refers to an account in which there has been no activity by the owner for a prolonged or sustained period of time;
 - **“lost account”** refers to an account where the owner or beneficial owner of the account cannot be located; and
 - **“unclaimed asset”** refers to any asset due to a person by a financial institution that remains unpaid or unclaimed and that a financial institution is unable to reunite with its beneficial owner.
- 2.2. The paper does not include the following potential pools of unclaimed assets: the South African Revenue Services, the Road Accident Fund¹⁷, medical schemes¹⁸, the Compensation Fund¹⁹ and the Guardian’s Fund.²⁰ It similarly does not include unclaimed assets that may be harboured in loyalty programmes or informal arrangements like stokvels and burial societies.²¹ These additional dimensions can form part of later work, as may be necessitated.

¹⁷The Road Accident Fund is a juristic person established in terms of section 2 of the Road Accident Fund Act, No. 56 of 1996, and falls under the administration of the Minister of Transport. The object of this fund is to pay compensation for loss or damage wrongfully caused by the driving of motor vehicles. It is financed through levies (the Road Accident Fund levy) imposed in terms of the Customs and Excise Act, No. 91 of 1964.

¹⁸Medical Schemes are regulated in terms of the Medical Schemes Act, No. 131 of 1998.

¹⁹The Compensation Fund provides compensation to employees who are injured or contract diseases through the course of their employment. It is governed by the Compensation for Occupation Injuries and Diseases Act, No. 130 of 1993, which determines how the fund is administered and the conditions for eligibility for compensation, and is funded through the payment of assessments fees by employers.

²⁰The Guardian’s Fund is a statutory trust established in terms of Chapter V of the Administration of Estates Act, No 66 of 1965, and which falls under the administration of the Master of the High Court. It is a fund created to hold and administer funds which are paid to the Master on behalf of various persons known or unknown, for example minors, persons incapable of managing their own affairs, unborn heirs, missing or absent persons, or persons having an interest in the moneys of a usufructuary, fiduciary or fideicommissary nature. Each Master has its own Guardian’s Fund.

²¹Whilst the FSCA is considering the extent to which informal arrangements like stokvels and burial societies may be harbouring unclaimed assets, the nature of members being connected through a “common bond”, and the shorter-term nature of these arrangements being typically one year or less, may imply ongoing contact that materially minimizes the risk of such members being unaware of proceeds owing.

3. DATA DISCLAIMER

- 3.1. The FSCA did not verify the accuracy or completeness of the statistical data set out in this Discussion Paper and the data is published as supplied or published by the relevant stakeholders.
- 3.2. The data must further be interpreted against the background that there currently is no common benchmark of what defines an unclaimed asset²², dormant account or lost account across the various segments of industry. This means that the data presented does not distinguish between assets sitting in a dormant account relative to a lost account and considers all such assets as “unclaimed assets.” In the banking sector, only dormant retail transactional accounts of five major banks are included. Further, while there is reasonable reporting and data available regarding unclaimed benefits within retirement funds, the quality of such data in relation to other industry sectors is considered in the main incomplete and less reliable.



²²Except for the retirement fund industry. See footnote 1.

The background of the entire page is a stylized representation of the Earth. It features a dark blue globe with a dense network of glowing orange and yellow lines that crisscross the surface, symbolizing global communication or data networks. The lines are particularly concentrated over the African continent, which is highlighted in a lighter blue color. The overall aesthetic is futuristic and technological.

PART 2

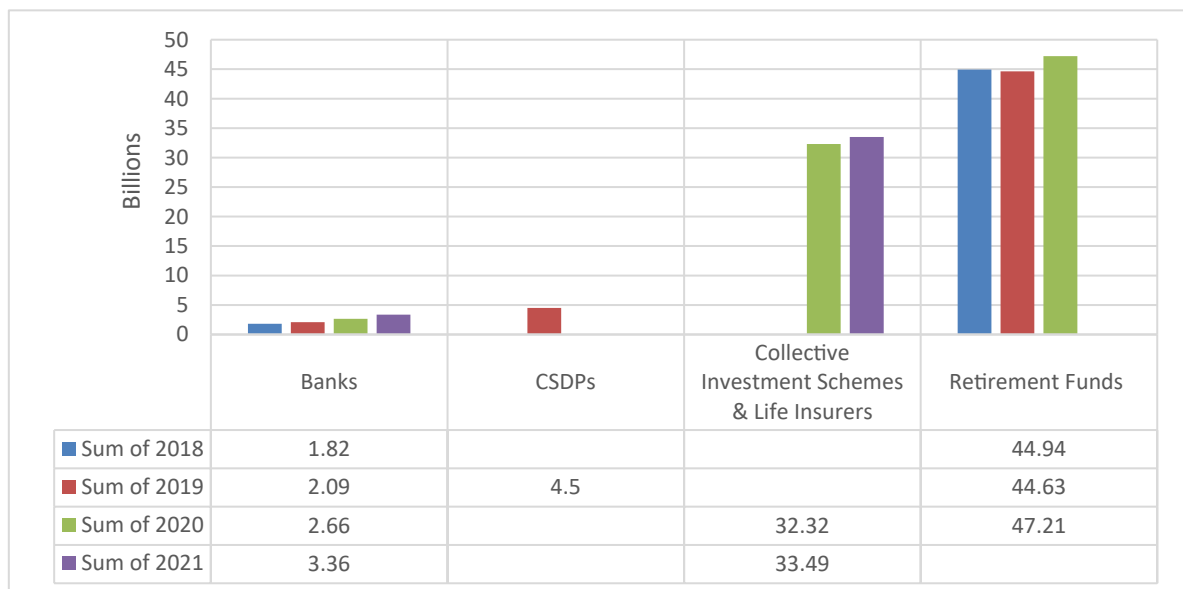
THE SOUTH AFRICAN LANDSCAPE

4. SIZE AND COMPOSITION OF UNCLAIMED ASSETS IN SOUTH AFRICA²³

4.1. An estimated R88.56 billion²⁴ unclaimed assets are held by those parts of the sector surveyed. Figure 1 below provides the estimated value held by financial institutions in known dormant or lost accounts.

Figure 1: Estimated value of dormant accounts / unclaimed assets²⁵

4.2.



As of 2021, unclaimed benefits in the retirement fund sector are the largest contributor to the pool of estimated unclaimed assets – approximately 53%²⁶. The collective investment schemes (CIS) and life insurance sector is also a sizable contributor at 38%, followed by central securities depository participants (CSDPs) and the banking sector at 5% and 4% respectively.²⁷

²³Based on data submitted to the FSCA through regulatory returns, published data in the public domain, as well as information obtained through industry associations in an aggregated form. The information presented is therefore indicative but should not be considered complete.

²⁴Based on the latest available data (2021 Banking, and Collective Investment Schemes and Life Insurance Sector data, including LISP data, 2020 Retirement Fund Sector data and 2019 CSDP data).

²⁵The numbers for the retirement fund unclaimed benefits differ slightly from those reported in the Financial Sector Outlook Paper due to the different methodologies in terms of which the statistics are provided. The statistics reported in this Paper is based on the financial statements of the 2020 financial year only whilst the statistics reported in the Financial Sector Outlook Paper was based on data as at 31 March 2021. This could have included data from previous years.

²⁶See footnote 23.

²⁷See footnote 23.

- 4.3. While reasons for the nature and extent of unclaimed assets and dormant accounts in South Africa vary by sector, the most common reasons are inadequate record keeping by financial institutions and intermediaries in the value chain, as well as neglect by asset owners to keep their records up to date. Financial institutions, in some instances, depend on information provided by the party responsible for client onboarding (e.g. intermediaries, employers, administrators, etc.) and challenges are compounded by transfers of assets and changes in intermediaries and administrators. Additional challenges relate to inconsistent identification and reporting of unclaimed assets and dormant or lost accounts, due to changing and inconsistently applied definitions. Lastly, there are no norms for tracing of account holders or assets owners.
- 4.4. Data regarding dormant accounts and unclaimed assets is most reliable with respect to retirement funds and ASISA²⁸ members, where specific reporting requirements and accepted industry practices exist – this is likely to inform the relatively higher levels of unclaimed assets reported by these sectors.

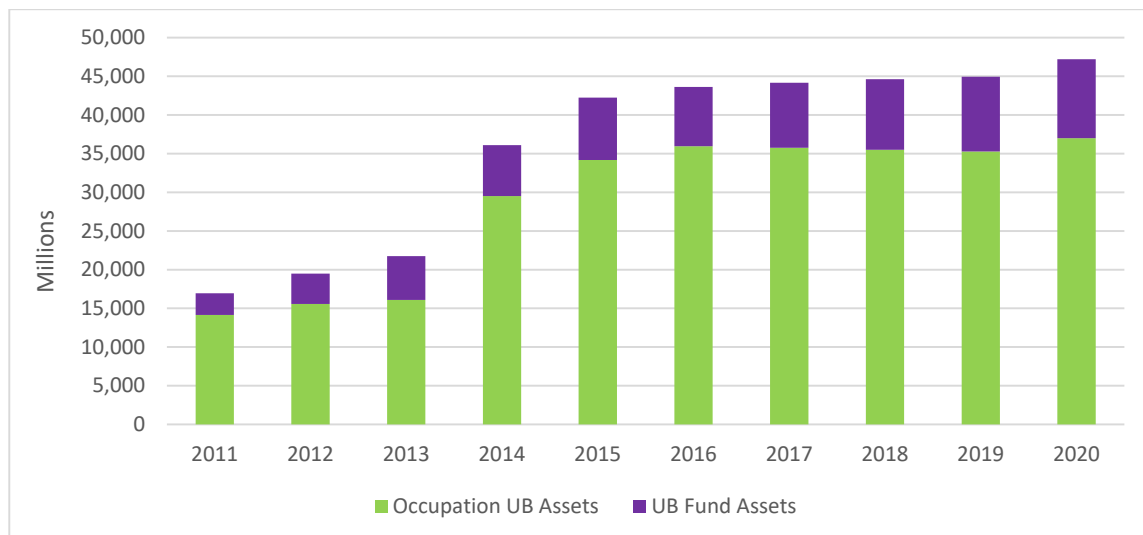
A. UNCLAIMED ASSETS HELD BY RETIREMENT FUNDS

- 4.5. At the end of 2020, there were 1 306 retirement funds holding unclaimed benefit assets amounting to R47,2 billion on behalf of 4,45 million members and beneficiaries.
- 4.6. Unclaimed retirement fund benefits are held either in unclaimed benefit funds (UB funds) or in occupational funds as unclaimed benefits (Occupational UB assets) – see Figure 2. The vast majority of unclaimed assets in the retirement funds sector reside in occupational funds; 2020 reflected 3,45 million members with assets amounting to R37 billion (78.4 % of the total assets in respect of unclaimed benefits). Unclaimed benefit funds over the same period had 990 640 members with assets amounting to R10.2 billion (21.6% of the total assets in respect of unclaimed benefits).
- 4.7. The overall increase in unclaimed benefit assets in 2014, as reflected in Figure 2, was mainly due to two large funds that changed their accounting policies in 2013, resulting in the reclassification of R11 billion assets to be identified as unclaimed benefits in the following year. Changes to the unclaimed benefit definition during 2014, that provided for the inclusion of a death benefit payable to a beneficiary and any amount that remained unclaimed or unpaid to a non-member spouse within 24 months from the date when the last deductions were made, resulted in additional benefits to be classified as unclaimed in 2015.²⁹ It is important to note that the increase in asset value of unclaimed benefits is not only because of an increase in the number of unclaimed benefits, but also due to investment income earned on the assets relating to these unclaimed benefits.

²⁸Association for Savings and Investment South Africa.

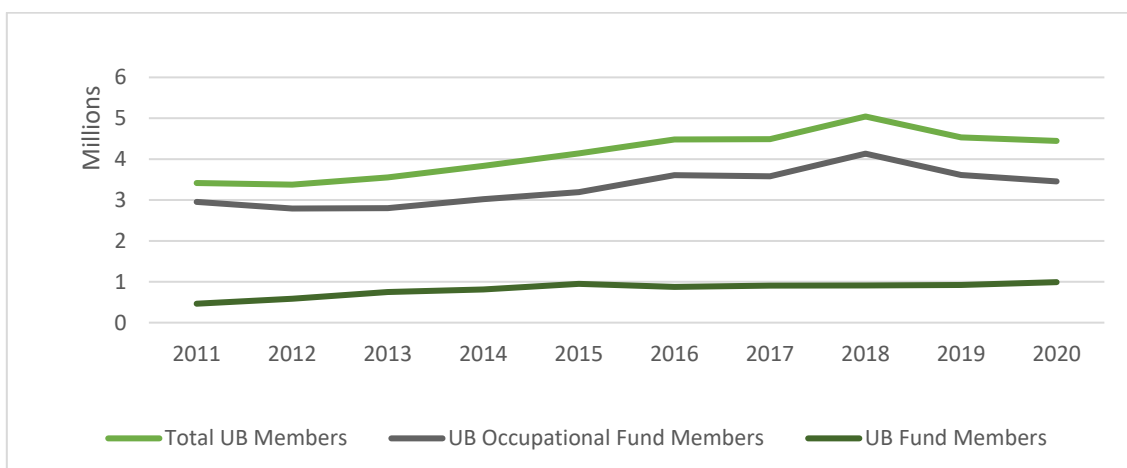
²⁹See Box 1.

Figure 2: Composition and Value of Unclaimed Benefits Assets



- 4.8. Figure 3 shows that despite the general increase in value of unclaimed benefits over time, the number of members with unclaimed benefits has declined since 2018, primarily due to tracing efforts by occupational funds. The increase in the number of members between 2011 and 2018 are ascribed to improvements in classification and reporting.

Figure 3: Total Unclaimed Benefit Members



- 4.9. Approximately 60% of unclaimed benefits in occupational funds are in respect of former employees that were members of retirement funds relating to the mining, motor, metal and engineering industries.
- 4.10. Table 1 shows the sectors ranked by the *value* of unclaimed benefits of the Top 20 funds. The Engineering and Manufacturing and Mining and Quarrying sectors account for 92% of the unclaimed benefits listed in the table and approximately 52% of the total unclaimed benefit assets in 2020. Recent analysis performed by the FSCA on the unclaimed benefit member data in the top 20 funds revealed low levels of valid South African identification numbers (less than 25%), which underscores the difficulty of tracing members with unclaimed retirement benefits.

Table 1: Top 20 retirement funds categorised by sector and ranked by the *value* of unclaimed benefits (2020)

Sector	No of Funds	Total Assets	Total UB Assets	Total Fund Members	Total Fund UB Members
Engineering and Manufacturing	7	133,769,630,263	20,741,190,684	3,415,626	2,420,555
Mining and Quarrying	5	116,811,317,005	3,704,125,025	309,587	123,140
Other – Different Employers – Umbrella Fund	3	35,433,470,459	867,657,364	325,588	56,912
Other – Individual Retirement Annuity Policies	2	118,532,868,925	606,491,238	1,082,787	24,796
Energy and Utilities, Water Supply, Sewerage, Waste Management and Remediation	2	196,734,509,000	418,856,000	111,034	4,092
Public Services and Administration	1	9,698,157,908	346,235,894	20,936	2,426
Total	20	610,979,953,560	26,684,556,205	5,265,558	2,631,921

- 4.11. Table 2 provides the distribution of the 4.45 million retirement fund members and beneficiaries with unclaimed benefit claims across a range of unclaimed benefit values. A significant proportion of members (18.5%) have claims valued at R1,000 or less. Given the anecdotally reported cost of tracing, an insignificant amount may ultimately accrue to members, which may make it unfeasible to continue active tracing in this membership category. Almost 42% of beneficiaries have a claim valued between R10,000 and R50,000. Continued analysis of the beneficiary data is needed to improve understanding of the likely success and traceability, based on verifiable forms of identification.

Table 2:

Benefit value (R)	Percentage of Members/Beneficiaries
<100	3.83
101 – 500	8.22
501 – 1 000	6.44
1 001 – 2 500	9.43
2 501 – 5 000	8.28
5 001 – 10 000	8.30
10 001 – 20 000	7.52
20 001 – 50 000	34.08
50 001 - 100 000	3.49
100 001 - 500 000	8.29
>1 000 001	2.12

- 4.12. While the numbers observed are material, it is important to contextualise the size of the problem in relation to the sector as a whole, noting that less than 2% of all retirement assets are unclaimed.

B. UNCLAIMED ASSETS IN THE CIS AND LIFE INSURANCE SECTOR

- 4.13. The CIS and life insurance sector³⁰ is second to retirement funds in terms of the aggregate size of long-term savings, totaling approximately R6.6 trillion assets under management as at June 2020.³¹ Unclaimed assets in this industry segment are not as well documented or understood as for the retirement fund sector. The total value of unclaimed assets as a percentage of the total value of assets under management by ASISA members for 2021³² was approximately 0.5%. The value of unclaimed assets reported by ASISA members as at 31 December 2020 and 31 December 2021 are set out in Table 3 below.

Table 3³³

Unclaimed assets (UA)	Number of products	Aggregate Rand value
UA being traced / still to be located as at 31 December 2020	319 072	R32.32 billion
UA first identified as unclaimed between 1 January 2021 to 31 December 2021	60 837	R23.77 billion
UA traced/located between 1 January 2021 to 31 December 2021	77 790	R22.66 billion
UA being traced / still to be located as at 31 December 2021	302 119	R33.42 billion

** Note: Although one product may have more than one beneficiary, it is still to be counted as one product. (Where some beneficiaries of the same product are still being traced, the fact that others have been located will reflect in the reduced rand value in the next column.)*

- 4.13. Mindful that unclaimed assets data collected by ASISA is not uniformly generated or independently verified,³⁴ based on the data available ASISA members united beneficial owners with unclaimed assets worth R22,66 billion in 2021; at the time this constituted approximately 40% of the unclaimed asset value. In 2018, ASISA members estimated the aggregate value of unclaimed assets to be R17.1 billion, suggesting that unclaimed assets almost doubled over the 2018-2021 period.³⁵ However, ASISA indicates that the data is not comparable, due to differences in the basis for measurement, and other factors³⁶. This underscores the importance of a consistently applied definition of unclaimed assets, as well as consistent reporting.

³⁰Including LISPs.

³¹ASISA – An Overview – June 2020.

³²ASISA member data as at end Dec 2021 reflects that life assets amount to approximately R3.7 trillion & CIS assets to approximately R3.14 trillion. This is a total asset value of R6.84 trillion.

³³The statistics provided in Table 3 exclude retirement annuity fund and preservation fund products that are dealt with in terms of the Pension Funds Act.

³⁴There are no regulatory requirements relating to treatment of unclaimed assets and reporting, and the integrity of the data relies in effect on ASISA self-regulation. It is important to note that the data is unaudited which may affect the data's accuracy and reliability.

³⁵ASISA previously reported that its members had united beneficial owners with unclaimed assets worth R8.1 billion during 2018 and that estimated assets worth R17.1 billion still had to be reunited with their owners.

³⁶ASISA explained that the enhanced version of the ASISA Standard that came into effect on 1 January 2019, *inter alia*, changed the way unclaimed assets were detected and classified. It further introduced processes and practices that improved tracing of beneficial owners and changed the basis on which data was collected.

C. UNCLAIMED ASSETS IN THE BANKING SECTOR

- 4.15. Data on unclaimed assets and dormant or lost accounts in the banking sector is restricted to information on dormant retail transaction accounts. Further, the FSCA has no data regarding unclaimed assets that may be sitting in non-bank transaction accounts and payment wallets.
- 4.16. According to information for the period between 2018 and 2021 received from the Banking Association of South Africa (BASA)³⁷ and reflected in figures 5A and 5B below, the number and value of dormant retail accounts has increased. The aggregate value of the assets in the accounts has also increased from about R1.82 billion in 2018 to about R3.36 billion in 2021.

Figure 5A: Number of dormant accounts

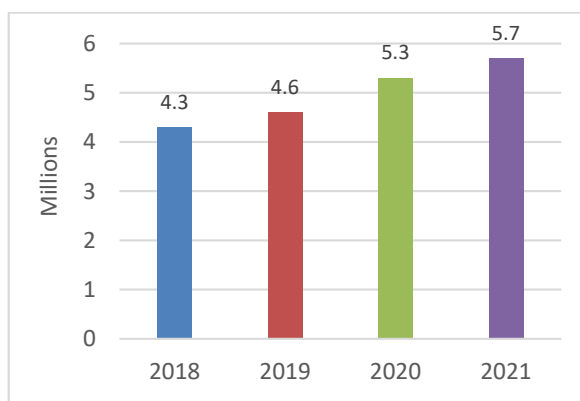
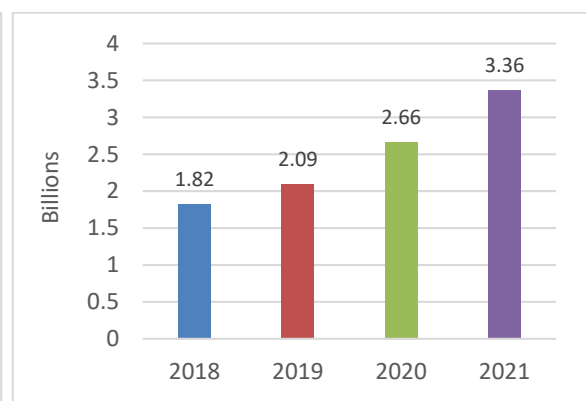


Figure 5B: Rand value of dormant assets



- 4.17. The data reflected in figures 5A and 5B is derived from five banks only. In 2021 the number of dormant retail transactional accounts was approximately 5,7 million to the value of R3.36 billion.³⁸ The banking sector is lagging other product providers regarding the identification and tracing of unclaimed assets. Part of the challenge may be increased complexity for the banks relating to the volumes of accounts in general and the common practice by account holders of allowing accounts to become dormant rather than closing them when no longer required or used.
- 4.18. Unfortunately, lack of standardisation across the banking sector regarding definitions and methodology may also render the available data less reliable and comparable.
- 4.19. BASA has issued a survey to its members to gather better information on dormant accounts and how the different banks treat these accounts, including funds that may be sitting in these accounts. The survey covers-
- When accounts become dormant in respect of account types and related dormancy status.

³⁷The data is subject to the following disclaimers: (a) it is unaudited and collected within a short period of time and should thus be regarded as indicative only; (b) there is no common definition across banks, in terms of when an account becomes dormant, inactive and unclaimed which affects the accuracy and reliability of the data; (c) the data is at account level and not at customer level (i.e. the customer may have other active accounts); (d) the consolidated year-on-year increases are impacted by different definitions and a number of events and does not necessarily indicate a true trend.

³⁸It is important to consider the data in context. The number of unclaimed assets in the banking industry will be much higher if identification and reporting is required by all banks and in respect of all types of deposits. At the end of 2021, banks held R4.9 trillion in deposits. Of that amount, less than R1.25 trillion related to transactional accounts.

- When accounts become inactive in respect of account types and related inactive account status.
- Treatment of dormant accounts and inactive accounts and if there are differences between these.
- The number and value of dormant and inactive accounts.
- Details on the applicable fee structures for maintaining dormant and inactive accounts.

D. UNCLAIMED ASSETS IN FINANCIAL MARKETS

- 4.20. The challenges in financial markets relate to unclaimed dividends and result from the limited or outdated information about the owners or holders of securities. Typically, shareholders do not have direct relationships with a CSDP or the issuer of securities, who process dividend transfers. In many cases shareholders pass away and their shareholding is not included in their estates resulting in the executor in many instances not being aware of the shareholding. The FSCA has begun working with industry participants to better understand the nature and size of unclaimed assets in the South African financial markets.
- 4.21. Further efforts are required to deepen the understanding on the extent and causes of unclaimed assets in financial markets, including improved data on the level and treatment of such. The FSCA notes that unclaimed shares held in share accounts add an additional layer of complexity if the beneficial owner is untraceable, as a security is not fungible to the same extent as cash.



5. REGULATORY AND SELF REGULATION INTERVENTIONS

In considering transparency across the different market segments and the varying success in reunifying unclaimed assets with their rightful beneficiaries, the correlation between increased standardisation of approach to unclaimed assets (including confirming beneficiary rights), improved data quality and monitoring, and reducing the size of unclaimed assets, is clear.

5.1. LEGISLATIVE CHANGES IN THE RETIREMENT FUND SECTOR

- 5.1.1. The most substantial regulatory reforms are observed in the retirement fund sector. Since 2001, amendments to the Pension Funds Act³⁹, and supporting subordinate legislation have increasingly protected member rights in relation to unclaimed benefits, ensuring first and foremost that these assets are not forfeited by members in any way.
- 5.1.2. Additionally, amendments have promoted rightful apportionment of actuarial surplus to members, active and more accurate identification of unclaimed benefits in funds and tracing of beneficiaries, and improved reporting. Since 2014 the definition of unclaimed benefit in the Pension Funds Act included unclaimed death benefits. See Box 1 for more detail of the specific legislative changes, policy developments and court findings.



³⁹Pension Funds Act, 1956 (Act No. 24 of 1956).

Box 1: Policy and Legal Developments in the Retirement Fund Sector

Policy and Legal Developments in the Retirement Fund Sector	
2001	The Pension Funds Act was amended to require a fund with actuarial surplus to apportion its surplus among its members and former members that left the fund in the period from 1 January 1980 until date of surplus apportionment. As this requirement was retrospective, it included members who had left the fund since 1980, funds that had already lost contact with these members resulted in a large number of them not being traced.
2004	<p>The National Treasury issued a Discussion Paper on ‘Retirement Reform’⁴⁰ in which it recommended that:</p> <ul style="list-style-type: none"> (a) The board of a retirement fund should be required to attempt to locate any individual - or his/her dependents - who are entitled to benefits under the fund. After a period of no more than 24 months after benefits become due to a former member, the corresponding value should be paid to a central unclaimed benefits fund and should not form part of the assets of the fund. (b) The central unclaimed benefits fund must have a duty to trace former members and endeavour to make payment to them or their dependents. (c) If the central fund is unsuccessful in tracing the former members or their dependents (e.g. if the former member passed away), the central fund may release moneys to the State in order to fund, for example, the social old age pension. (d) If any former members or relatives of deceased members come forward thereafter and successfully substantiate their claim, the central fund may make the benefit payment.
2006	The Pension Funds Act was amended to require all funds (noting that underwritten funds were previously exempted) to submit annual financial statements. Among the prescribed requirements, funds had to disclose membership and assets in respect of unclaimed benefits separately, which in turn required the reclassification of unpaid members and unclaimed benefits. This resulted in a material increase in the overall size of such at the time, due to reclassification.
2007	<p>To preserve the value of unclaimed benefits for members and beneficiaries, the FSCA’s predecessor – being the Financial Services Board - exempted retirement funds from having to pay levies in respect of members whose benefits remained unclaimed.⁴¹ This also incentivised funds to correctly categorise unclaimed members to ensure that the funds did not pay unnecessary levies.</p> <p>Pension Fund Circular 126 was further issued requiring funds to amend their rules, on or before 31 December 2008, to remove any reference that caused unclaimed benefits to revert back to the fund; the vesting and entitlement of benefits should be preserved for the owner or beneficiary and should not prescribe.</p>
2008	<p>The Taxation Laws Amendment Act⁴², amended the Income Tax Act⁴³ to allow for the establishment of “special purpose” preservation funds to hold unclaimed benefits. The definitions of “pension preservation fund” and “provident preservation fund” were amended in 2009 to allow for the transfer of a fund’s liabilities in respect of unclaimed benefits to a registered unclaimed benefit fund. This may have increased the disclosure of unclaimed benefits as until that time dormant funds were not necessarily submitting financial statements and disclosing unclaimed benefits.</p> <p>A definition for “unclaimed benefit” was further inserted in section 1 of the Pension Funds Act.</p>

⁴⁰<http://www.treasury.gov.za/public%20comments/Retirement%20Fund%20Reform%20A%20Discussion%20Paper.pdf>

⁴¹See Board Notice 71 of 2007: <https://www.fsca.co.za/Regulated%20Entities/Regulated%20Entities%20Documents/2007%20Levies.pdf>

⁴²Taxation Laws Amendment Act, No 3 of 2008.

⁴³Income Tax Act, No. 58 of 1962.

2014	<p>The definition of “unclaimed benefit” was amended to include a death benefit payable to a beneficiary not paid within 24 months from the date on which the fund became aware of the death of the member, and any amount that remained unclaimed or unpaid to a non-member spouse within 24 months from the date when the last deductions were made.⁴⁴ This resulted in additional benefits being classified as unclaimed.</p> <p>The Pension Funds Act was further amended to enable the establishment of unclaimed benefit funds.^{45 46}</p>
2015	<p>Retirement funds and administrators were requested to submit unclaimed retirement benefit data to the FSCA, at least quarterly, to enable the functionality of the unclaimed retirement fund benefits search engine.</p>
2020	<p>The Supreme Court declared Regulation 35(4) invalid and set it aside.⁴⁷</p> <p>Following the introduction in 2011 of the surplus legislation, the Minister of Finance made Regulation 35 under the Pension Funds Act, requiring monies owing to members in terms of an approved surplus apportionment scheme, but which members could not be traced, to be kept in a contingency reserve account (CRA) until that member was traced, or be paid over to an unclaimed benefit or the Guardian’s Fund.</p> <p>Certain retirement funds challenged the legality and constitutionality of Regulation 35(4), on the grounds that keeping funds effectively “sterilised” in the CRA in perpetuity was “irrational”.</p> <p>To mitigate the risk that a fund may release too high value of assets and not be able to repay claims in future, thereby becoming financially unsound, the FSCA issued a Guidance Notice during December 2020⁴⁸ pertaining to its expectations in this regard.</p>



⁴⁴<https://discover.sabinet.co.za/viewer/1166555#section1>

⁴⁵Note that unclaimed benefits may be retained in an “active” retirement fund. However, those funds that wanted to transfer all its members and assets to another fund with the intention to terminate the original fund, in many instances driven by costs, were unable to if it had unclaimed benefits. For these it made sense to transfer members and their unclaimed assets to an unclaimed benefit fund, which is a type of preservation fund.

⁴⁶Between 2007 to 2013, 6 757 retirement funds were dissolved due to such being inactive for an extended period or where members were transferred to other funds (mainly umbrella funds). For these funds, only unclaimed benefits remained, without a board of trustees to manage the fund and trace entitled members or beneficiaries. The registration of such funds could not be cancelled if a fund had remaining unclaimed assets. Unclaimed benefit funds were therefore established to house unclaimed benefits, to be managed by a board of trustees with the sole purpose of tracing members and beneficiaries entitled to such unclaimed benefits.

⁴⁷Supreme Court of Appeal Judgments - Hortors Pension Fund v Financial Sector Conduct Authority and Another (Case no 054/2020) [2020] ZASCA 141 (2 November 2020); Vrystaatse Munisipale Pensioenfonds v The Minister of Finance and Another (Case no 1161/18) [2020] ZASCA 143 (2 November 2020); and Southern Sun Group Retirement Fund v The Registrar of Pension Funds and Others (Case no 215/2019) [2020] ZASCA 142 (2 November 2020)

⁴⁸FSCA Guidance Notice 2 of 2020 (RF).

2020	<p>The National Treasury published proposed amendments to the Pension Funds Act that, <i>inter alia</i>, establishes a central unclaimed retirement benefit fund.⁴⁹</p> <p>The main stated purpose of this benefit fund is to:</p> <ul style="list-style-type: none"> • Accept and consolidate unclaimed benefits held by funds on behalf of members and beneficiaries, • Ensure that proper records are maintained for the determination and tracing of members and beneficiaries; and • Pay benefits from the fund to identified members and beneficiaries. <p>The amendments also empower the FSCA to determine the purposes for which an unclaimed benefit, that remained unclaimed for a period of at least 30 years from date of receipt of the benefit by the central fund, may be utilised.</p> <p>Other proposed amendments to the Financial Sector Regulation Act⁵⁰ address the lack of or outdated member information by, for example, requiring employers to submit and continuously update employee/member details with retirement funds.</p>
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5.2. VOLUNTARY STANDARDISATION THROUGH INDUSTRY BODIES

5.2.1. Certain industry associations have taken steps to improve member practices.

A. ASISA

5.2.3. There is no legislative requirement in the laws applicable to the collective investment scheme and life insurance sectors regarding the identification (including a definition of “unclaimed asset”), treatment and reporting of unclaimed assets. However, ASISA as the body representing the majority of the industry segment has taken steps to harmonise the approach to unclaimed assets for its members through a binding standard.



⁴⁹The amendments were published by National Treasury as consequential amendments to the Conduct of Financial Institutions Bill, but may alternatively be dealt with in a General Financial Services Laws Amendment Bill (Omnibus Bill). [http://www.treasury.gov.za/public%20comments/2020%2010%2008%20CoFI%20Bill%20\(version%20published%20for%20comment\)%20\(slightly%20updated\).pdf](http://www.treasury.gov.za/public%20comments/2020%2010%2008%20CoFI%20Bill%20(version%20published%20for%20comment)%20(slightly%20updated).pdf)

⁵⁰Financial Sector Regulation Act, No. 9 of 2017.

5.2.3. The ASISA Standard on Unclaimed Assets (the ASISA Standard), that came into effect on 1 January 2018, replaced the previous ASISA Unclaimed Asset Standard,⁵¹ which was applicable to long-term insurance members, CIS managers and Linked Investment Service Providers. The ASISA Standard sets out best practice guidelines that encourage timeous, proactive steps to:

- *“Enhance tracing procedures and other processes to ensure that customers are aware of and can be linked with their benefits, as to keep unclaimed assets at a minimum level as far as possible;*
- *Enhance disclosure to customers in respect of the treatment of unclaimed assets;*
- *Provide clarity on the principles applied in determining the assumed investment return on unclaimed assets;*
- *Achieve consistent treatment, as far as practically possible, of unclaimed assets by ASISA member companies regardless of product categories”.*⁵²

5.2.4. The ASISA Standard sets out -

- (a) guidelines that ASISA member companies are required to follow when investing the unclaimed assets;
- (b) requirements for customer disclosure, record keeping and annual reporting of unclaimed asset data to ASISA in a determined format; and
- (c) principles that ensure that unclaimed assets do not become the property of the financial institution and a customer’s right to an unclaimed asset remains until the claim is paid or the asset returned, regardless of the timeframe.

5.2.5. The 2018 ASISA Standard does not create a definition of when an asset is unclaimed, but guides companies on when assets should be considered unclaimed and what proactive steps should be taken to address the possibility through a principle-based approach.

5.2.6. It further encourages member companies to remind customers of their entitlement to assets following appropriate trigger events (see Box 2), such as a policy reaching its maturity date, a risk benefit claim having been approved, communication being marked as undelivered or a customer reaching the age of 80.



⁵¹The 2013 ASISA Unclaimed Asset Standard was only applicable to long-term insurance members. In 2016, the reach of the 2013 ASISA Standard was extended to include collective investment schemes managers and Linked Investment Service Providers.

⁵²Paragraph 2 of the ASISA Standard on Unclaimed Benefits, 2018

Box 2⁵³: ASISA Standard - Trigger Events

The date when ASISA member companies should consider assets to be at risk of being unclaimed is termed the “trigger date”, which is the date on which a “trigger event” occurs. These are events which require a proactive response from ASISA member companies to ascertain whether these assets are in fact ‘unclaimed’.

Trigger events

This is not the point at which an asset should be considered ‘unclaimed’ but a non-exhaustive list of examples of events that indicate that steps should be taken in case the customer or other person entitled to the product proceeds is not/ no longer aware of their entitlement:

- Date of maturity for fixed term policy contracts,
- Date of cessation of regular contributions/recurring-premium payments in respect of an open-ended contract,
- Named beneficiaries cannot be located where a risk benefit claim has been admitted or in respect of another policy contract,
- date that annuity payment/income distribution payment/redemption or maturity payment is returned,
- Post is returned,
- Electronic communications are undelivered,
- The customer reaches the age of 80.

Each product provider should explicitly determine and document the trigger events that are appropriate to its business and products.”

5.2.7. Once a trigger event has been activated, the product provider should proactively take steps to determine whether the policy- or unit-holder is aware of his or her rights to the asset and therefore whether it is indeed unclaimed (see Step 1 in Table 4). According to the ASISA Standard, once an ASISA member company concludes that all reasonable efforts to trace the customer, heirs or beneficiaries have been exhausted over a three-year period (see Step 2 in Table 4), the assets may be utilised for socially responsible investments with commercial returns such as Enterprise Supplier Development Funds (see Step 3 in Table 4). However, valid claims in respect of those assets will still be met. For products where the investment risk is carried by the company, the company may invest unclaimed assets as it deems appropriate. Where the customer, heir or beneficiary would carry the investment risk, the company must aim for investment returns in line with reasonable expectations.⁵⁴



⁵³Paragraph 5 of the ASISA Standard on Unclaimed Benefits, 2018.

⁵⁴ASISA Media Release on “*ASISA members unite customers, beneficiaries and heirs with unclaimed assets worth R8.1 billion in 2018*”.

Table 4

Step 1 ⁵⁵	Step 2 ⁵⁶	Step 3 ⁵⁷
Action to be taken after trigger event	Logging of assets as un-claimed	Action to be taken when the asset has been identified as “unclaimed”
<p>After the trigger event, appropriate action should be taken to establish whether the customer is still alive or aware of their entitlement in respect of the product. At least the following actions should be considered and appropriate action taken within a reasonable period depending on the product and the circumstances.</p> <p>Again, this is to ascertain whether these assets are in fact ‘unclaimed’:</p> <ol style="list-style-type: none"> Attempt to contact the customer telephonically and electronically to advise them of their available assets/ contract; If unsuccessful in contact, determine last known contact information and address of the customer with reference to the company internal database and compare internal database with an external database, including use of internet search engines and social media; If the customer cannot be contacted then other activities could be used, such as an external tracing company, to trace the customer. 	<p>After a reasonable period of time has passed, but no longer than three years, during which the above actions and/or other reasonable steps have been taken to establish whether a customer is still alive or aware of their entitlement in respect of the product without success, the assets should be identified as ‘unclaimed’.</p> <p>This is the “deemed date”, i.e. the date on which the asset should be identified as ‘unclaimed’.</p>	<p>Once an ASISA member company concludes that all reasonable efforts to trace the customer, heir or beneficiary have been exhausted, and in the case of life policies releases assets from the reserve backing an unclaimed benefit, the unclaimed assets:</p> <ol style="list-style-type: none"> Should not be paid to shareholders or treated as income, but Should be utilised for socially responsible activities, in line with the guidelines below. <p>The assets may be invested in any appropriate vehicle within the context of South Africa’s social development needs, such as:</p> <ul style="list-style-type: none"> Industry initiatives; Enterprise Supplier Development Funds (high social impact with commercial return). <p>This paragraph will not be applicable in the cases of risk policies such as, for example, annuity policies, where the payment of the benefit ceases on the death of the policyholder/beneficiary (so that on death no asset exists), and the policyholder/ beneficiary is deemed to have died.</p>



⁵⁵Paragraph 6 of the ASISA Standard on Unclaimed Benefits, 2018.

⁵⁶Paragraph 7 of the ASISA Standard on Unclaimed Benefits, 2018.

⁵⁷Paragraph 8 of the ASISA Standard on Unclaimed Benefits, 2018.

B. BASA AND THE RETAIL BANKING DIAGNOSTIC REPORT

- 5.2.8. The Banking Conduct Standard, published in June 2020, imposes a general principle-based requirement on banks to treat customers fairly. In addition, it requires a bank to –
- (a) proactively disclose to a financial customer the effect and implications of maintaining a dormant financial product as opposed to closing or terminating the financial product; and
 - (b) have processes and procedures in place to identify a dormant financial product and notify the financial customer of such dormancy, including the decisions available to the financial customer with regards to such dormant financial product.
- 5.2.9. The Retail Banking Diagnostic Report (RBDR), published by the National Treasury in 2018, provided independent research on the extent to which banks in South Africa treat their retail customers fairly in relation to transactional and fixed deposit accounts.⁵⁸ The report provided recommendations for regulatory improvements and related measures for consideration by the South African authorities in relation to dormant accounts, specifically:
- (a) Regulatory requirements on transparency and fair conduct, including defining the time or circumstances when an account would be considered dormant, to ensure uniformity of customer treatment by banks, and parameters for the identification of dormant accounts, customer notification, and closure.
 - (b) Potentially prohibiting harmful practices like continuing to charge maintenance fees on dormant accounts that have reached a zero or negative balance.
- 5.2.10. In December 2019, the FSCA undertook a review across 15 of 34 banks to measure the progress made and steps taken by the banks to remedy the findings raised in the RBDR. The review was limited to dormant transactional accounts.
- 5.2.11. The review found that:
- (a) The duration of inactivity for an account to be considered dormant varies considerably among the banks, ranging between two and 24 months;
 - (b) Most banks do not notify customers when dormant or inactive accounts are identified or inform them of the implications of such;
 - (c) There was no uniform approach regarding the charging of fees on an account after the account has been identified and marked as dormant (some banks do not charge fees).
- 5.2.12. The review further concluded that the manner, in which dormant accounts are closed differs within the industry. Some banks close accounts when the credit balance has been depleted to zero or after six months of inactivity and then transfer the unclaimed

⁵⁸<http://www.treasury.gov.za/publications/other/SA%20Retail%20Banking%20Diagnostic%20Report.pdf>

See also the FSCA's update on the recommendations from the World Bank Retail Banking Diagnostic Report: <https://www.fsca.co.za/Regulatory%20Frameworks/Pages/Industry-Communication.aspx>

funds to the bank's general ledger account⁵⁹. It was found that a number of banks do not have dormant account processes in place and leave dormant accounts indefinitely as long as there is a credit balance. It also appeared a common practice for negative balances to be routed to the collections department even if the negative balance resulted from bank fees/charges, including contact and tracing fees.

- 5.2.13. The review found that positive balances were also treated differently by banks, with a few banks tracing the customers' other accounts and transferring the balance to it, while the majority of the banks reviewed continued to indefinitely debit monthly fees. Furthermore, some banks were found to write off positive balances and to report them as profit on their income statements. A correlation between banks that do not contact customers to advise them of dormancy or inactivity and the continued debiting of funds was identified, suggesting that some banks neglected to contact customers as long as they were benefiting from the customers' inactivity.
- 5.2.14. To address the issues identified, the FSCA in 2020 made certain recommendations to the banking sector through BASA, to promote standardisation of the treatment of dormant transactional accounts. Aspects included, for example, when a customer's account should be treated as dormant and steps to then be taken by the provider bank, as well as permitted fees and charges. These recommendations formed the basis of engagement with the banking sector on best practice for banks going forward, which engagement has further informed the recommendations in Part 4.
- 5.2.15. BASA has subsequently highlighted the importance of differentiating between "inactivity" and "dormancy" as account statuses. According to BASA, inactive accounts may lead to dormancy, but a large proportion of customers with inactive accounts may re-activate these accounts within a reasonable period of time, as may relate to the purpose and features of the relevant account.⁶⁰
- 5.2.16. BASA and its members have indicated support for a more uniform approach that guides the management of dormant transaction accounts, but that excludes "inactive" accounts. BASA has further suggested that the aim of a conduct standard for dormant accounts should be to address the following:
- (a) Agreeing a definition and timelines for dormant accounts;
 - (b) Agreeing on communication best practice;
 - (c) Treatment of dormant accounts with positive and negative balances, including principles governing the charging of fees during periods of dormancy, criteria for account closures and claims processes for customers to access "unclaimed" funds.
- 5.2.17. BASA is currently in the process, collaborating with its members, to develop a definition that defines what constitutes a dormant account in the banking environment and the criteria for the management and treatment of such.

⁵⁹The general ledger represents the record-keeping system of a bank's financial data.

⁶⁰ Examples include:

- (a) Customers with irregular income streams (varied income streams and/or income values);
- (b) Where customers open retail banking transactional accounts for specific purposes, and this may include not needing to transact on a regular basis, e. g., a global account which is used on an infrequent basis and does not constitute the customer's primary transaction account;
- (c) The introduction of no/low fee retail banking transactional accounts enables customers to retain such accounts without the cost thereof eroding the value/balances over period of inactivity; and
- (d) Credit interest could accrue during periods of inactivity, either in the main retail banking transactional account or a linked savings account.

5.3 DEVELOPMENTS IN THE FINANCIAL MARKETS

IMPACTING UNCLAIMED ASSETS

- 5.3.1. In the regulated markets, shares may not be traded on an exchange while they are in paper/certificated form. Before shares may be traded, shareholders accordingly have to dematerialise their shares and provide the required verification documentation and proof of banking details to their stockbroker or CSDP, in order to open an uncertificated share account at a CSDP. This has supported the identification of shareholders, albeit in a limited way. There is no specific regulation relating to the identification, documentation and tracing of unclaimed assets in the financial markets.
- 5.3.2. The identification of shareholders was further supported by the introduction of a requirement in the Companies Act⁶¹, for issuers of shares to obtain the contact details⁶² and identity numbers of the persons to whom the shares were issued and the introduction of the dividends tax legislation⁶³ in 2012 that necessitated companies and regulated intermediaries to obtain and record the tax numbers of shareholders. However, there are historically shareholders who continue to hold shares in certificated form, prior to the implementation of the legislative requirements, where minimum information is available and shareholders nonetheless do not always maintain their updated contact details, which means that issuers (or their agents) are in many instances still struggling to trace shareholders.
- 5.3.3. While not regulated, industry practices that have evolved over time assist with the identification of unclaimed assets. As a matter of industry practice, a share account will be marked as an untraceable account if, among others –
- (a) a cheque to pay over dividends was returned⁶⁴;
 - (b) if there is a ‘hard e-mail bounce’: i.e. the e-mail address is invalid⁶⁵;
 - (c) three other mail items returned by the post office from the registered address;
 - (d) when a communication is received from a new homeowner, advising that the shareholder no longer resides at that address and no forwarding address is provided; or
 - (e) where bank account details provided are incorrect, for example, the shareholder has changed their bank account or closed the bank account.
- 5.3.4. Similarly, dividends are classified as unclaimed if a dividend cheque remained unclaimed for a period of six months or the dividend payment was returned from the payees’ bank. Dividends will be held in the unclaimed dividends account pending a claim and updated banking details from the shareholder. To counter cheque fraud, whereby fraudsters were targeting inactive post boxes/intercepting returned mail and fraudulently altering/negotiating these cheque payments, a decision was taken by certain issuers not to issue and post cheques. Payments are made where a registered shareholder claims such dividends and provides banking details for the funds to be transferred electronically.

⁶¹Section 50(2)(b) of the Companies Act, No 71 of 2008.

⁶²See section 50 of the Companies Act, read with regulation 32 of the Companies Regulations, 2011.

⁶³Section 64E of the Income Tax Act, No. 58 of 1962.

⁶⁴The South African Reserve Bank discontinued the issuing and the acceptance, collection of cheques effective from 31 December 2020.

⁶⁵If e-mail address is invalid the CSDP will resort to post depending on the nature of the applicable legal requirements.

6. TRACING INTERVENTIONS BY THE FSCA AND OTHER STAKEHOLDERS

- 6.1. During the 2020 financial year, 97 227 pension fund members or beneficiaries were paid benefits amounting to R3,45 billion. This brings the total of unclaimed benefits paid during the period 2010 to 2020 to approximately R37,7 billion, to over 1.3 million beneficiaries.
- 6.2. While the responsibility for tracing beneficiaries of unclaimed assets resides with financial institutions, the FSCA has initiated tracing interventions with respect to retirement funds due to the scale of the unclaimed benefits. These interventions include:
- (a) The establishment of the unclaimed retirement fund benefits search engine in 2015, as hosted on the FSCA's (and its predecessor, the FSB's) website. The search engine provides a "no charge" platform for members of the public to enquire whether there are any unclaimed benefits due to him or her.

Box 3: FSCA Unclaimed Retirement Fund Benefits Search Engine

The automated search engine includes the ability for the public to –

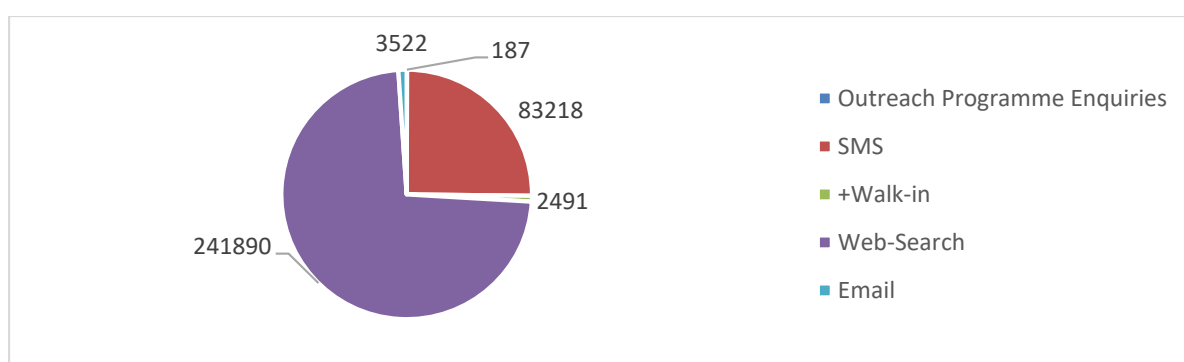
- *access the search engine through the FSCA website using the following minimum information to conduct a search:*
 - o *ID number/passport number;*
 - o *Name, surname and employer name; or*
 - o *Name, surname and fund name.*
- *send a free SMS to a dedicated number, that will provide an automated response – in turn by SMS - informing the enquirer whether there are any benefits due;*
- *send an e-mail to a dedicated e-mail address, that will provide an automated response – in turn by email - informing the enquirer whether there are any benefits due;*
- *send an e-mail to a dedicated e-mail address that will be received by the FSCA Business Centre to ascertain and inform the enquirer on whether there are any benefits due to the enquirer.*

Once a possible match has been identified on the search engine data, the enquirer will be provided with the relevant contact detail of the fund and/or administrator. As possible matches are not in any way certain, no information on the type of benefit or the amount of the benefit is provided to an enquirer.

- (b) Raising awareness and assisting members to ascertain if there are unclaimed benefits due to them through outreach and media awareness campaigns. The FSCA’s “Taking Regulation to the People” outreach programme, for example, focused on reaching consumers and potential beneficiaries in remote areas and those areas where a significant number of queries originated from. Dedicated information pamphlets were also developed, to create awareness of unclaimed retirement benefits and to guide potential beneficiaries on how to claim those benefits.

6.3. Figure 6 shows the number of unclaimed benefit enquiries made to the FSCA during the 2021/2022 financial year, through the various channels established for those purposes. In total, the FSCA dealt with 331 308 enquiries, of which 73% were searches conducted through the FSCA’s search engine.

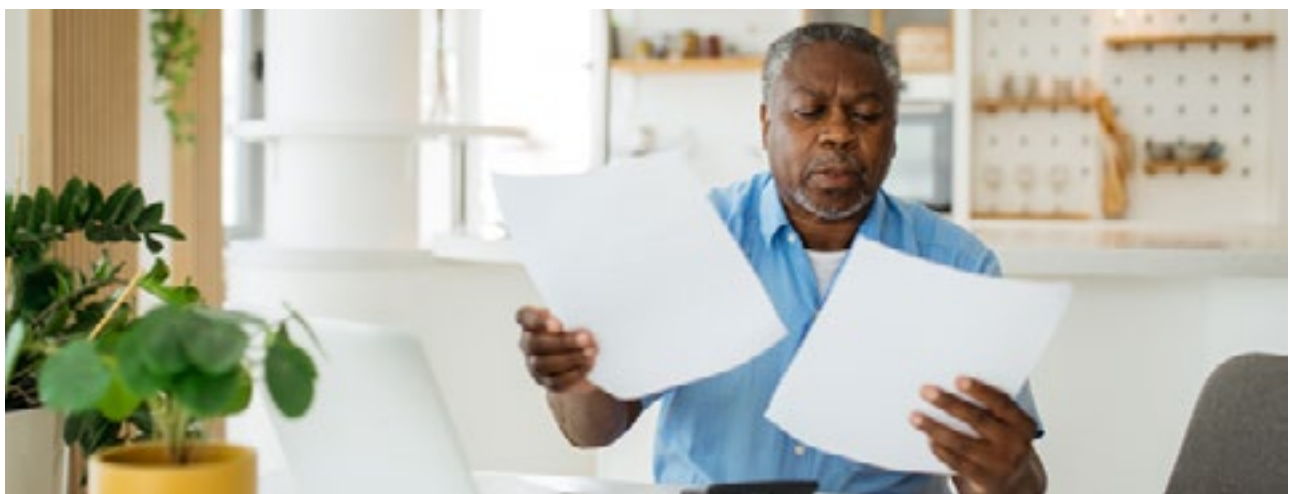
Figure 6: Unclaimed benefits enquiries



- 6.4. The retirement fund industry has also taken steps to locate beneficiaries of unclaimed benefits, leveraging tracing agents and FSCA facilities, like the unclaimed benefits search engine. But there have been shortcomings. In some instances, employers or fund trustees may have hard copies of documents that are required to better populate the search engine but do not forward these through to the FSCA. Tracing agents that charge upfront tracing fees are another concern, sometimes exploiting the most vulnerable.⁶⁶
- 6.5. ASISA members united approximately 77 790 beneficial owners with unclaimed assets worth R22,66 billion in 2021, leveraging the following tracing actions in accordance with the ASISA Standard, including:
- (a) Pro-active contacting of clients before the maturity of the product to inform them about the maturity date and what action is required;
 - (b) Reminder processes to follow-up where contact has not been established or no action has been taken by the client;
 - (c) Verifying client contact details with verification entities like, credit bureau(s), Astute, SearchWorx XDS and ITC;
 - (d) Move to more human intervention through implementation of KYC (Know Your Client) to ensure regular interaction and update of information;
 - (e) Establishing dedicated teams to trace unclaimed beneficiaries;

⁶⁶Currently there is no specific requirement for tracing agents to be registered with any regulatory authority in order to perform tracing services. Consequently, tracing agents are operating in an unregulated environment, which poses risks for retirement funds that engage them. Inversely, some of the tracing agencies indicated that they would appreciate a mechanism to differentiate themselves from unscrupulous tracing agencies.

- (f) Sharing of information between financial institutions, which was very successful, however was stopped with the implementation of the Protection of Personal Information Act⁶⁷;
 - (g) Social media searches like Facebook; and
 - (h) Website searches for deceased estates.
- 6.6. Tracing of customers in banking and financial markets is at a nascent stage.
- 6.7. In the banking sector, the banks implemented internal processes to contact customers at specific stages throughout the business relationship with the customer. In addition, the different business areas when engaging with a customer, will check whether the customer has any dormant account with any of the other business areas within the bank. In general, the banks don't make use of external tracing services providers due to the costs of such services and the impact thereof on the customer's account balance.
- 6.8. In the financial markets, issuers and CSDPs⁶⁸ are making use of different tracing and verification methodologies. In some instances, tracing service providers are used to trace lost shareholders; shareholder information is verified against independent third-party databases and CSDPs⁶⁹ update the contact and banking details of shareholders when they interact with them (mostly when the shareholder wants to transact on the account), to ensure their dividend payments that are due can be made. However, market practice is not consistent. In certain instances, tracing efforts are also guided by the value of the dividend account. The higher the value, the more effort is put in to trace the shareholder.
- 6.9. Some issuers may have provisions in their Memoranda of Incorporation to forfeit unclaimed dividends to the issuer after a defined period of time has lapsed. However, it seems that issuer practice is to honour any claims received from shareholders after this period. Historical data⁷⁰ is another challenge in reducing unclaimed assets in the financial markets, as the name of the shareholder is the only legal identifier they have to trace a lost shareholder. Deceased estates and the verification of executors and beneficiaries remain a challenge, with a high risk of fraudulent claims.



⁶⁷Protection of Personal Information Act, No. 4 of 2013.

⁶⁸There are currently eight CSDPs, six of which are bank CSDPs and 2 non-bank CSDPs.

⁶⁹Clients of bank CSDPs generally also have a bank account with the bank.

⁷⁰Data that existed prior to the implementation of the requirements in the Companies Act and the tax dividend legislation that issuers must obtain the contact details and tax reference numbers of shareholders.

PART 3

INTERNATIONAL EXPERIENCE RELATING TO LOST ACCOUNTS AND UNCLAIMED ASSETS

7. INTRODUCTION

- 7.1. Lost accounts and unclaimed assets are common challenges worldwide. As a result, there are lessons to be learnt from different country experiences and responses. We reviewed the findings of a 2016 IOPS survey that focused on retirement funds, and then considered country case studies to understand how different jurisdictions identify and manage lost accounts and unclaimed assets more widely (see **Annexure A** for the detailed case studies).
- 7.2. It appears to be common global practice for countries to have laws that define what is meant by dormant accounts, lost accounts and unclaimed assets, and to prescribe how these should be identified, reported on, and managed. The point at which an account is acknowledged as dormant in terms of the law varies widely, between two years (Korea) and 15 years (United Kingdom – UK - for certain categories). Unclaimed assets tend to be defined widely to include unclaimed assets across the whole financial sector, and these may be transferred into a single fund. Another common practice is for government to establish a central database and search engine accessible by all citizens and free of charge, to match lost or unclaimed assets with their owners and beneficiaries. An asset can always be claimed to full value, no matter how much time has passed. What is less clear is what should be done with the pool of lost or unclaimed assets that may never be claimed or matched with beneficiaries. Some countries like South Korea, the UK, Japan and Ireland are using these assets for social projects.



8. FINDINGS OF THE IOPS WORKING PAPER: SUPERVISION OF LOST ACCOUNTS AND UNCLAIMED PENSION BENEFITS⁷¹

The 2016 survey of IOPS members investigated the problems underpinning lost pension accounts and unclaimed benefits, and to establish how pension supervisors in member jurisdictions monitor and respond to these challenges identified. The authors determined that “...loss of contact may result in a forfeiture of substantial retirement benefits for individual members...” and “proper management and minimising the amount of lost accounts and unclaimed pension benefits are fundamental if supervisors are to build trust in the pension system”. Key findings of the survey are as follows:

8.1. DATA COLLECTION

Only eight jurisdictions out of 32 had precise data on unclaimed assets. Of the 14 jurisdictions who indicated that the issue of lost pension accounts and unclaimed benefits is a problem, seven stated that no relevant data were available. Table 5 illustrates the significance of the challenge (bearing in mind that the definition of unclaimed assets varies from jurisdiction to jurisdiction and that there are limitations in reported data). While the value of assets as a proportion of total saving is relatively low, high proportions of consumers are impacted. At the time, South Africa had the highest value of unclaimed benefits of the countries surveyed.

⁷¹While the term “retirement fund” is generally used in this paper, for this section the term “pension funds” is applied, consistent with the phrasing in the referenced IOPS working paper. These terms can be used interchangeably.

Table 5: Size of unclaimed assets in responding jurisdictions

Jurisdiction	Period	Unclaimed benefits	Total pension fund assets
Australia	2015	AU\$16.2 billion (US\$12.2 billion)	0.8
Chile	2014	Not available	0.17%
Hong Kong	2016	HK\$1.78 billion (US\$230 million)	0.25%
Namibia	-	N\$150 million (US\$9.5 million)	1.35%
South Africa	2016	R42, 695 billion (US\$3, 050 million)	1.8%
Switzerland	2014	CHF51.7 million (US\$53.1 million)	0.07%

8.2. CAUSES OF OCCURRENCE OF LOST ACCOUNTS AND UNCLAIMED BENEFITS

The survey indicates the following as the main circumstances impacting lost accounts and unclaimed benefits⁷²:

- Employers and/or service providers are not taking the necessary steps to keep track of beneficiary information, especially when faced with operational or financial problems.
- In the case of repeated short-term employment contracts or day-to-day employment, there may be too much information for employers, pension fund members , or service providers to manage.
- Beneficiaries might not keep the administrator updated with personal information because of low financial literacy or negligence, especially when a person has multiple pension accounts with small asset values.
- In the case of a members' death, sometimes it is not easy for the members' estate to locate the pension accounts of the deceased.

⁷²IOPS Working Papers, No. 26, Supervision of Lost Accounts and Unclaimed Pension Benefits, paragraph 9.

8.3 SUPERVISORY PRACTICES ON LOST ACCOUNTS AND UNCLAIMED BENEFITS⁷³

Four jurisdictions (Australia, Hong Kong China, Jamaica and South Africa) require service providers to report on lost accounts and unclaimed benefits. Measures to inform beneficiaries include:

- Insurers and pension funds in Switzerland are required to make regular contact with their members and policyholders, and where contact cannot be made must report such information over to the designated lost account / unclaimed benefits office.
- Australia requires pension funds to define, identify and report to the Australian Taxation Office the details of members who have lost accounts or unclaimed benefits.
- Five jurisdictions (Australia, Austria, Canada, Hong Kong China and Jamaica) require pension fund administrators to follow prescribed measures to locate the owners of lost accounts and/or unclaimed benefits.
- Chile and Romania require that the pension fund administrators are responsible for contacting beneficiaries and/or inheritors of the benefits of deceased members.
- Maldives and Switzerland have processes to locate the owner of lost accounts/ unclaimed benefits which are managed by designated public organisations.
- In Serbia, Trinidad and Tobago pension fund members are responsible for providing service providers with their contact information.

8.4. CENTRALISED INFORMATION COLLECTION FOR LOST ACCOUNTS AND UNCLAIMED PENSION BENEFITS

Establishing a centralised database may be the most effective way to resolve the problem of lost pension accounts and unclaimed benefits.⁷⁴

- Colombia, Nigeria and Slovakia have centralised databases about pension fund members, which is considered useful when a member needs to locate multiple fragmented pension accounts. Tanzania is considering registering all qualifying citizens with a unique identifier.
- Australia, Chile, Hong Kong China, Maldives and Switzerland have centralised information collection for lost accounts and/or unclaimed benefits.

⁷³IOPS Working Papers, No. 26, Supervision of Lost Accounts and Unclaimed Pension Benefits, paragraph 12.

⁷⁴IOPS Working Papers, No. 26, Supervision of Lost Accounts and Unclaimed Pension Benefits, paragraph 19.

8.5 TREATMENT OF LOST PENSION ACCOUNTS AND UNCLAIMED BENEFITS⁷⁵

The treatment of lost pension fund accounts and unclaimed benefits varies between the various jurisdictions depending on the legal structure and supervisory approach of the various jurisdictions. Certain jurisdictions retain lost accounts and unclaimed benefits in the pension funds indefinitely or are treated as unclaimed property. In others, lost accounts and unclaimed benefits are managed under prescribed process, are utilised for public interest, are diverted to government revenue, or go into the fund's income.



⁷⁵OPS Working Papers, No. 26, Supervision of Lost Accounts and Unclaimed Pension Benefits, paragraph 14.

9. COUNTRY CASE STUDIES FOR THE IDENTIFICATION AND MANAGEMENT OF UNCLAIMED ASSETS

Countries reviewed include Australia, Canada, Japan, Kenya, Ireland, Malaysia, Singapore, South Korea and the United Kingdom. Each country reviewed has implemented arrangements for the identification and management of unclaimed assets, supported by law. In most countries the arrangements originated with unclaimed bank deposits and is being rolled out to the wider financial sector, if not done so already (e.g. UK). The UK is unique in that it is a voluntary scheme i.e. in all other countries financial institutions must by law participate.

Common principles governing the arrangements are:

- **Identification and reporting:** Lost accounts and unclaimed assets are identified by financial institutions based on a common definition, which definition often differs by industry segment e.g. bank accounts may be a period of inactivity, life insurance policies may be a period after the policy matures and is unclaimed. The volume and value of unclaimed assets, and the extent that such have been reclaimed, should be reported to the relevant regulator, and monitored on an ongoing basis.
- **Prioritise reunification:** For assets identified as dormant or lost, efforts must be made by the financial institution to locate the owner or beneficiary of those assets, and efforts should continue should the assets be transferred into a central fund.
- **Establishment of a central fund mechanism:** Assets held in lost accounts are required to be channeled into a central fund, established by law and operated by the relevant regulator (e.g. Australia, Canada) or separate dedicated statutory body (Ireland, Japan, Kenya).
- **Establishment of a central fund mechanism:** A central tracking system is argued to be the most effective tool in tracing owners and beneficiaries because it helps potential claimants know where to look, and draws from all databases that can support matching claimants with the unclaimed assets.
- **Rights in perpetuity:** The owner or beneficiary can always claim the assets, irrespective the time that may have passed, and whether the assets have been transferred out of the origination financial institution to a central fund.

- **Prescribed period to be determined as “lost” is generally long:** Apart from South Korea (see below), countries have adopted fairly long periods to define when an account becomes lost and therefore the assets unclaimed, between seven and 15 years.
- **Using unclaimed assets to promote social good:** Countries are increasingly allocating assets that are likely to never be claimed or matched with claimants to promote good in the communities that need them and from which they derive, but there are complexities and possible pitfalls (Ireland, Japan, South Korea, UK – see the latter two of these summarized in boxes 4 and 5).

BOX 4: South Korea

South Korea

The Korean government was the first country to channel unclaimed assets towards social projects. In 2007 the Dormant Deposit Act established a foundation dedicated to receiving dormant deposits and insurance amounts, contacting their owners to return them, and providing funding and welfare services for low-income borrowers.

Dormant accounts are defined as those with less than 10 000 won (about US\$8) that are left without deposits or withdrawals for more than one year; those with 10,000-50,000 won (US\$8 – US\$43) in deposits that are left without transactions for more than two years; and those with 50,000-100,000 won (US\$43 – US\$85) left without transactions for more than three years.⁷⁶

The Smile Microcredit Bank was the foundation established to support low-income families' living and welfare standards and to protect owners of dormant deposits.⁷⁷ The purpose of establishing the foundation was to ensure depositor protection, stabilize low-income families' living, and contribute to a more balanced economic and social development through efficient use of dormant funds.

However, the foundation evolved to play a limited role in contacting owners of dormant funds, and focused more in providing funding and welfare services.⁷⁸ Out of 579,4 billion won of dormant deposits held by 104 local banks between September 2007 and end-2013, 191.2 billion won was returned to depositors, 297.4 billion won was contributed to the foundation, and banks retained the remaining 90.8 billion won. By 2015 the amount of dormant assets amounted to 1.6342 trillion won. Among them, 955.3 billion won (58.5%) had their owners' claim expired due to statute of limitations. These dynamics compromised the sustainability and effectiveness of the organisation; innovative microfinancing solutions⁷⁹ came at the expense of its core responsibility to reunify unclaimed assets and beneficiaries.

However in 2012 Korea's supreme court ruled that even if the account was dormant for 5 years or longer, if interests were regularly posted, it can be deemed as the bank's acknowledgement of its obligations to the account holder⁸⁰. Following this ruling, bank contributions to the foundation fell dramatically from 57.2 billion won in 2012 to 390 million won in 2013 and stopped altogether since 2014 as the classification of when an account becomes dormant became unclear⁸¹. This is illustrative of the importance of having clear and effective legislation.

⁷⁶2007 Article in the Korea Times, http://www.koreatimes.co.kr/www/tech/2018/12/693_18461.html

⁷⁷Previously known as the Dormant Deposit Management Foundation, established in 2008.

⁷⁸Jae-Youn Lee, *Tasks to Improve Management of Dormant Funds in Korea*, KIF Weekly Financial Brief, 2 Sept 2015, vol. 15 No. 30.

⁷⁹South Korea's microfinancing history appears anchored to Dormant Deposit Management Act. The law was created with the purpose of utilising dormant deposits to support microfinancing institutions and low cost insurance companies aimed towards lower and middle class citizens, in order to support welfare and reduce inequality.

⁸⁰https://www.kif.re.kr/kif3/eng/search/total_search?SearchText1=dormant

⁸¹Korea's Supreme Court stated that if the bank continues to provide interest on the account and the account holder could check this through online banking, then the account could not be classified as a dormant deposit. The classification between a dormant deposit and active bank account therefore became extremely unclear with the rise in popularity of online banking.

BOX 5: United Kingdom

United Kingdom⁸²

Dormant Assets Scheme

The UK Dormant Assets Scheme (the Scheme) was established by the Dormant Bank and Building Society Accounts Act 2008 (the Act). It is led by industry and backed by government, with the aim of reuniting owners with their assets. Where this is not possible, this money supports important social and environmental initiatives across the UK. Dormant assets remain the property of their owners, who can reclaim any money owed to them in full at any time.

While the Scheme was initially expected to bring in some £400m, contributions to date have exceeded expectations by more than 300%. So far, £1.35bn has been transferred into the Scheme, unlocking more than £745m for social and environmental initiatives. This includes releasing £150m to help charities, social enterprises, and individuals during the coronavirus outbreak. Projects further include helping young people into work, offering affordable credit to families, and addressing environmental issues.

The law provides that balances with no customer activity for 15 years may be classified as dormant, and if their owners cannot be traced then these funds may be transferred to a central reclaim fund. In 2011, the Reclaim Fund Ltd was established as a non-profit making organisation which operates independently from its parent institution, the Co-Operative Banking Group. Participating firms transfer the balances of dormant accounts to Reclaim Fund Ltd (RFL), an authorised reclaim fund (ARF), which takes on the liability to meet any reclaims. RFL is legally obliged to retain a portion of the funds it receives in order to repay owners who come forward to reclaim their money. RFL currently releases circa 60% of the money it receives to social and environmental initiatives, and reserves 40% for reclaims, of which a portion is invested. This approach is based on actuarial modelling and Financial Conduct Authority (FCA) guidance.

In February 2020, the UK government launched a public consultation on its proposals to expand the Scheme to include other asset classes and confirmed the government's commitment to maintaining the three principles of the Scheme:

- industry's first priority is to reunite owners with their assets;
- owners are able, at any point, to reclaim the full amount owed to them; and
- the Scheme is voluntary.

In January 2021 the government responded to industry comments received and indicated its intention to legislate to include additional assets across all three sectors in the Scheme, as set out below. It further is considering options whereby certain pension products may be included in specific and tightly prescribed circumstances.

⁸²Government response to the consultation on expanding the Dormant Assets Scheme <https://www.gov.uk/government/publications/the-dormant-accounts-scheme/government-response-to-the-consultation-on-expanding-the-dormant-assets-scheme#background> https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/792529/Industry_Champions_Report_on_Dormant_Assets_2019_summary_report__1_.pdf

Sector	Asset classes
Insurance and pensions	<ul style="list-style-type: none"> • Proceeds of life insurance and retirement income policies
IWM	<ul style="list-style-type: none"> • Shares or units in collective investments; • Certain investment asset distributions and proceeds
Securities	<ul style="list-style-type: none"> • Shares and distributions from shares in public limited companies; Proceeds from corporate actions

Participants must further first make efforts, based on industry best practice, to reunite assets with their owners. Only cash will be transferred into the Scheme; any non-cash assets must first crystallise or be converted to cash before being eligible for transfer. Definitions of dormancy and reclaim values will be tailored to asset classes based on market practice and, where relevant and appropriate, existing regulations. This is to ensure that, as far as possible, only genuinely dormant assets are transferred into the Scheme. Owners will always be able to reclaim the full amount owed to them, and the transfer and reclaim process will be tax neutral.

Funds unlocked through the expansion will build on the Scheme's substantial impact, which has so far included supporting unemployed young people, those in financial difficulty, and the UK's growing social investment market. Some responses to the consultation made recommendations for how future dormant assets funding could be spent. This was outside the scope of the consultation. The government recognised the interest in the ways future funds can best be spent and will consider whether this is an area that should be reviewed.

In the call for comments, government proposed implementation to take place as follows:

- Phase One develops the legal framework and implements standard practices for the tracing, verification and reunification of owners with their unclaimed assets in sectors that are new to the scheme (i.e. the insurance and pensions, investment and wealth management, and securities sectors)
- Phase Two will focus on the actual inclusion in the scheme – and transfer to Reclaim Fund Ltd – of dormant cash accounts, dormant non-cash insurance and pensions assets that have been converted to cash by operation of a contractual, legal or regulatory event, and proceeds from the sale of unclaimed shares and associated dividends.

Subsequent phases are intended to focus on further scheme expansion to include more complex assets.

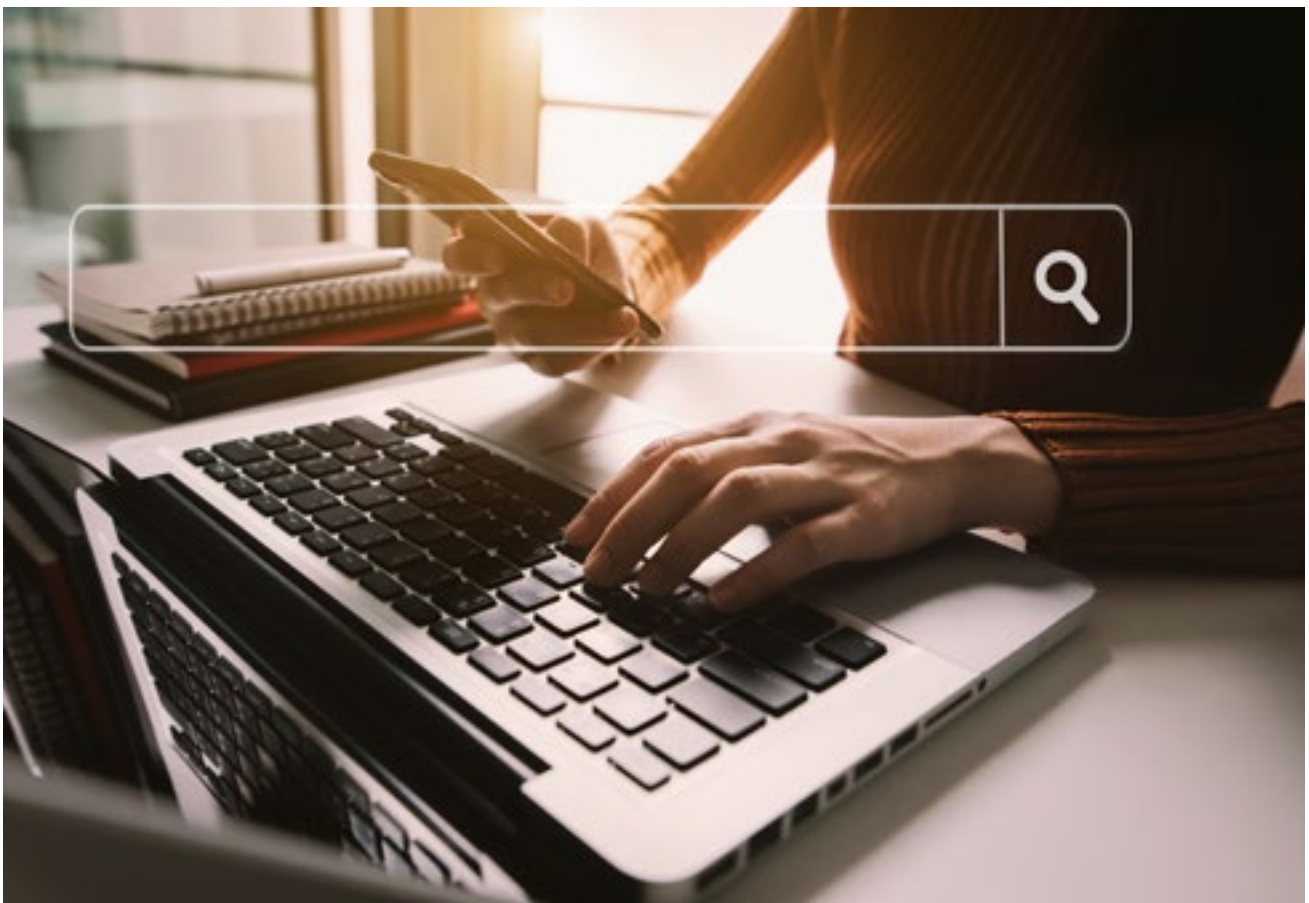
On 24 February 2022, the Dormant Assets Act, 2022, was adopted in the UK. The Act provides for the expanded Dormant Asset Scheme by enabling the Scheme to accept a wider range of dormant assets, including certain assets in the insurance and pensions, investment and wealth management, and securities sectors.

Mylostaccount

In January 2008 “mylostaccount” was launched as a joint venture with the British Bankers Association (now part of UK Finance), the Building Societies Association and National Savings and Investments, as a free tracing service to depositors. It enables them to search for their dormant accounts, including those that have been dormant for more than 15 years and which funds may be sitting in Reclaim Fund Ltd.⁸³ Searchers simply have to complete one form to search the majority of banks and building societies and National Savings & Investments (NS&I).⁸⁴ The service operates online but is also available in paper form from a variety of sources, including from the British Bankers Association (BBA), Building Societies Association (BSA) and NS&I, as well as directly from individual banks and building societies.

Since the launch of “mylostaccount” there have been over 2.7 million visitors to the website and 700,000 search applications submitted.⁸⁵ BBA and BSA estimate that £200 million of dormant bank and building society money has been reunited with depositors by “mylostaccount” over the same period. The BBA, BSA and NS&I also run separate individual tracing services, which feed into “mylostaccount”. These services utilise information provided by both BBA and BSA members, and NS&I accounts. Depositors can go directly to BBA, BSA and NS&I to use each of these services separately if they choose.

As well as using tracing platforms, depositors can also go directly to individual banks and building societies to identify dormant accounts. Furthermore, many banks and building societies have individually undertaken action to match customers with dormant accounts as part of their ongoing customer account management.



⁸³ www.mylostaccount.org.uk.

⁸⁴ A searcher sets up a profile using a valid email address and password, verifies his or her email address, and then complete the search form. The form asks a series of questions with multiple data points, including whether the account was in the searcher's name, date of birth, current contact address, previous addresses, who you think the account was with etc.

⁸⁵ Figures given in HM Treasury 2014 Review of the Dormant Bank and Building Society Accounts Act 2008; it appears that more recent figures are not available in the public domain.



PART 4

RECOMMENDATIONS

10. RECOMMENDATIONS

- 10.1. The FSCA has taken important steps towards tracing beneficiaries of unclaimed benefits. However, large balances of unclaimed assets remain across the financial sector and unfortunately certain beneficiaries may ultimately be considered untraceable. Assessing the South African landscape against international best practice reflects the need for a standardised regulatory framework (hereinafter referred to as the Unclaimed Assets Framework or Framework), which provides for at least the following:
- An aligned approach to the treatment of unclaimed assets across the financial sector and adoption of a common escalation system for the identification of unclaimed assets;
 - Processes regarding the identification and management of dormant and lost accounts;
 - Processes regarding the identification and management of unclaimed assets, including payment of unclaimed assets to owners and beneficiaries;
 - Processes to follow when assets have remained unclaimed within a financial institution for an extended period of time;
 - Thresholds in respect of small amounts which are not feasible for tracing purposes;
 - Treatment of unclaimed assets that are likely to never be claimed or paid; and
 - Regulating the conduct of tracing agents.
- 10.2. The FSCA, given the extent and impact of some of the recommendations, their inter-dependencies and the different processes, timelines and legislative instruments required to implement such recommendations, is considering an incremental approach to their development and implementation. This is to ensure that change can be affected as quickly as possible to improve outcomes for customers. The FSCA may as a result consider prioritising the development of a framework for the identification, monitoring and reporting of unclaimed assets.
- 10.3. Commentators are requested to specifically respond to the key questions posed after each recommendation. Comments on any other aspect of the paper and proposals are also welcomed.

RECOMMENDATION 1: ASSETS TO BE INCLUDED WITHIN THE SCOPE

Unclaimed assets are not unique to the retirement fund industry. While financial institutions in the other sectors have put or are putting mechanisms in place to identify unclaimed assets within their respective sectors and to reunite customers with such assets, the efforts made vary in extent and effectiveness.

A holistic and consistent approach to the treatment of unclaimed assets is recommended to ensure that the identification, reporting, management and reunification of unclaimed assets with their beneficial owners⁸⁶ is prioritised. It is therefore proposed that the following financial products and instruments be subject to the proposed Unclaimed Assets Framework⁸⁷:

- (a) Retirement fund benefits
- (b) Bank deposits, irrespective the term and including foreign currency deposits
- (c) Participatory interests in CIS
- (d) Life and Non-Life Insurance policies
- (e) Securities⁸⁸

Any investment, return, income, dividend or other proceeds in respect of or derived from the financial products referred to above that are payable or due to customers or their beneficiaries by financial institutions, including assets held by CSDPs, are included within the scope of the proposed Unclaimed Assets Framework.

It is further proposed that non-cash assets be liquidated into cash before being transferred into the proposed central unclaimed assets fund or National Revenue Fund.



⁸⁶The beneficial owner is the person entitled to the proceeds of an asset.

⁸⁷The basket of assets included will likely need to be reconsidered following implementation of the COFI Bill.

⁸⁸Including certificated and uncertificated securities and securities and instruments as referred to in paragraph (a) of the definition of financial product as defined in section 1(1) of the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

RECOMMENDATION 1: KEY QUESTIONS

[Please provide reasons for all answers]

1. Are there any financial products or other assets that are not on the list and that should be included?
2. Are there any financial products, sub-classes of financial products or other assets that should be excluded from the list?
3. Is it appropriate for non-life insurance to be included in the list? Please provide examples of instances where unclaimed assets could arise in the non-life insurance sector.
4. Should non-SA domiciled assets of customers be included/excluded and to what extent?
5. Should “unidentified assets” or “unallocated monies” (e.g. in suspense accounts) deposited by unknown customers into the bank accounts of financial institutions be included?
6. It is proposed that unclaimed assets of all customers (retail and non-retail) be included within the scope of the Framework. Does any good cause exist to limit the scope to certain types of customers?
7. If the answer to question 6 is yes, to what extent should the proposed framework be applied differently to the different types of customers and why?
8. Are there any practical or legal implications if non-cash unclaimed assets are converted to cash upon transfer to the Central Fund? In this regard, please take note of Recommendation 4 regarding restitution.

RECOMMENDATION 2: ALIGNED APPROACH TO THE TREATMENT OF UNCLAIMED ASSETS ACROSS ALL INDUSTRY SEGMENTS AND ADOPTION OF A COMMON ESCALATION SYSTEM FOR THE IDENTIFICATION OF UNCLAIMED ASSETS

Following international practice and the South African experience, it is recommended that the law prescribes what is meant by dormancy, lost accounts and unclaimed assets, to address the current inconsistent application of those terms, not only across sectors but within the same sectors. An overly prescriptive and standardised approach across the wider sector might be too restrictive, potentially warranting definitions that are specific to different asset classes, having regard to the particular nature and features of the underlying assets.

In general, it is proposed that the definition of unclaimed asset, as far as possible, be aligned to the definition of an unclaimed benefit in the Pension Funds Act. In other words, an asset becomes unclaimed if the asset has not been paid by a financial institution to a beneficial owner or has not been claimed by a beneficial owner, within 24 months of the date on which it becomes legally due, payable or claimable.

This proposed definition may not be suitable for assets with open-ended contract terms that have no fixed term date, e.g. deposits in transactional bank accounts or investments in a CIS. Comments and proposals are invited in this regard.

It is further proposed that the FSCA develop a consistent approach towards the identification, monitoring and responding to cases of possible unclaimed assets, by financial institutions.

This approach may rely on a flagging system to escalate possible cases where the account holder cannot be located over time and standardise practices to ensure that customers are treated fairly in line with TCF principles.

The following process is proposed, noting that the prescribed time periods envisaged will need to be specifically engaged upon:

Step 1: Identify dormant accounts by a specified trigger event

Responding to the challenge of unclaimed assets requires in the first instance identifying that an asset can possibly be “unclaimed.” While the ASISA approach is appreciated in terms of the flexibility granted, the fact that the trigger event may be as late as when a policy ends, means it may be waiting too long. The proverbial horse may have long bolted, and it could be decades following contact with the policy/unit holder, at which point tracing becomes more complex and unlikely.

It is therefore proposed that before assets be identified as unclaimed, that the account itself is identified as dormant when:

- (a) There has been no activity on the account and no contact with the financial customer, either directly or indirectly through an intermediary, for a period of two years or longer^{89 90};
- (b) The product has terminated (where relevant) and there remains no activity on the account for a period of 12 months, including that the amounts owing are not claimed;

whichever comes sooner.

It is recognised that “no activity” may further have to be defined in relation to the particular financial product or asset class.

Dormancy implies that the account is *possibly but not yet confirmed as lost*, and that the asset is *possibly but not yet confirmed as unclaimed*.

Step 2: Adopt a common standard for management of dormant accounts and escalation to “lost account” status with “unclaimed assets”

Once an account is identified as dormant, it is proposed that a financial institution be granted a prescribed time period, proposed at one year, in order to re-establish contact with the relevant financial customer, or his or her beneficiary. The financial institution should be able to provide evidence of steps taken to trace the owner or beneficiary of the account. Routine charges on the account may at this time continue, but no additional or unusual fees may be charged, for example “finder” or tracing fees.

Should contact be established, the account should no longer be considered dormant. However, should contact not be made over the prescribed period, the flag should escalate to a stricter category and be classified as a “lost account” holding “unclaimed assets”.

⁸⁹This approach reinforces RDR principles that commission charges cannot be levied against an account or policy for services provided if such services were not provided.

⁹⁰A consistent approach to what constitutes “contact” should be determined. Currently industry practice considers only a returned cheque or letter as being “out of contact,” but this is a poor indicator, and some positive response from customers should be considered.

Step 3: Adopt a common standard for treatment of lost accounts and unclaimed assets

At this point, it is proposed that no fees may be charged relating to holding or managing the asset, although it should be kept on the books for a set period, proposed at three years for an open-ended contract and the termination date of a closed-ended contract. Over this time all efforts should be made by the product provider or retirement fund administrator to find the customer or beneficiary, and evidence should be maintained in this regard. At any time that the owner is located, the account may be re-instated and fees that should have been charged may be re-instated against the account (no penalty charges are permitted). However, should contact not be established (after three years for open-ended contract and the termination date for a closed-ended contract), the unclaimed asset should be paid into the Central Unclaimed Assets Fund / National Revenue Fund (as per Recommendation 3).

The rationale for the proposal of prohibiting financial institutions to charge fees once an asset has been classified as lost, is to encourage active tracing of customers by financial institutions so as to avoid losing this potential customer and revenue stream, but more importantly to shift behavior by incentivising financial institutions not to lose contact with their customers in the first instance.



RECOMMENDATION 2: KEY QUESTIONS

[Please provide reasons for all answers]

1. What practices are currently being used to identify and track unclaimed assets?
2. How are dormancy and unclaimed assets defined in your institution/sector? Please provide information per product and sub-category of product.
3. What practices and methods are currently being used to trace beneficial owners? Please also indicate whether tracing is conducted in-house or outsourced to a third party.
4. Please indicate the tracing processes with which you had the most success in tracing beneficial owners and those with which you had the least success.
5. What is the average cost of tracing a lost beneficial owner? If possible, please distinguish between in-house and third-party tracing costs per tracing effort.
6. Are tracing costs deducted from the beneficial owner's dormant/unclaimed assets or is the cost covered by the financial institution?
7. Please indicate what the financial impact would be on financial institutions or other customers, if financial institutions are prohibited from charging tracing or finder fees.
8. Please indicate whether the FSCA should consider prohibiting the charging of fees on dormant accounts (see Step 2) that have reached a zero or negative balance.
9. Please indicate what the financial impact would be on financial institutions or other customers, if financial institutions are prohibited from charging any fees (including management and administration fees) on lost accounts/assets (see Step 3).
10. Are there any instances where the charging of fees on lost accounts/assets (see Step 3) would be justified?
11. What practices are currently being used to account for unclaimed assets?
12. How are assets treated or used that are likely to never be claimed or paid?
13. Do you agree that fixed term products and open-ended products be treated differently, as proposed under Step 3?
14. Please indicate whether institutions that form part of a group that consist of one or more other financial institutions utilise group-wide customer contact details for purposes of their reunification efforts? If not, please indicate why not? If it is due to legal constraints, please propose how those constraints could be addressed.
15. Do you have any proposals on how and what customer data can be made available to support tracing and reunification efforts, having regard to a consumer's right to the protection of personal information?
16. Do you have any proposals on how "no activity" should be defined, having regard to the different financial product classes and sub-classes?

RECOMMENDATION 3: ESTABLISH A CENTRAL UNCLAIMED ASSETS FUND (CENTRAL FUND) TO RECEIVE AND MANAGE UNCLAIMED ASSETS

Currently there are at least R88.56 billion unclaimed assets in the financial sector. Given the lack

of a common understanding of what constitutes dormant or unclaimed assets and the lack of reliable data, the amount of such assets may be much higher. It is R88.56 billion belonging to customers with whom the financial institution, for whatever reason, has permanently lost contact. Centralisation of unclaimed assets has been shown to significantly improve tracing capability and reunification. A single fund is likely to generate value and efficiency through operating synergies and economies of scale, as well as making it easier for customers to search for unclaimed assets through a single search facility. It will also assist monitoring the effectiveness of tracing methodologies.

It is therefore proposed that financial institutions be compelled to transfer unclaimed assets, whether deriving from a retirement fund or another source, into the Central Fund, with the main objectives of:

- (a) Reuniting unclaimed assets with their beneficial owners, including by maintaining the proposed central database (Recommendation 7).
- (b) Accepting and managing unclaimed assets in a way that is operationally efficient and effective, to ensure the fund is able to honour valid claims and that only valid claims are paid.
- (c) Distributing funds that are not reserved for claims (surplus) for the benefit of environmental, social and economic development (Recommendation 11).

The structure, funding and governance of the Central Fund is proposed as follows:

- i. To establish the Central Fund as a juristic person under the Financial Sector Regulation Act⁹¹ and classify it as a financial institution subject to regulatory oversight by the FSCA and the Prudential Authority (PA).
- ii. To enable the establishment of multiple portfolios that could manage sector specific unclaimed assets, which in turn can accommodate differences in requirements tailored to the characteristics of different sub-sectors (like transactional accounts relative to life insurance relative to retirement funds).
- iii. The FSCA should establish a recruitment panel comprising members from industry and other relevant stakeholders, to be responsible for the recruitment and appointment of the Central Fund's board members; consideration may be given to arrangements like the SARB's Corporation for Deposit Insurance, for lessons learnt in their establishment, especially relating to good governance, efficiencies and operational excellence.
- iv. Board members should be appointed, subject to the approval of the FSCA and PA, from qualified and experienced members of the respective industries and relevant stakeholders in the financial sector.
- v. The role of the Board is to oversee the effective functioning of the Central Fund, including defining its investment mandate and overseeing the distribution of surplus in line with (viii) (refer also to Recommendation 11). Strict governance and high levels of transparency will be required to protect against misuse of assets or other abuse.
- vi. The operations of the Central Fund should be self-funded from the investment income earned from the reserves and not from fees imposed on the administration of the unclaimed assets, as the latter may result in the depletion of the value of the beneficial owner's assets. This proposal should be read with

⁹¹Financial Sector Regulation Act, No. 9 of 2017.

the recommendation on restitution and may require amendment if the ultimate decision is to provide for full restitution.

- vii. The Central Fund must adequately and prudently make provision for reserves to cover future claims, manage those reserves and apply the surplus for the purposes set out in (viii). The FSCA should be responsible for determining through subordinate regulation, and therefore subject to consultation and parliamentary review, the purposes for which surplus funds may be used. Close monitoring of the fund through supervision will be essential given its envisaged size and complexity.
- viii. South Africa should learn from the South Korean experience insofar as ensuring that reunification of unclaimed assets with beneficial owners is not compromised by other fund activities.

The FSCA proposes to leverage from the work currently being conducted on the establishment of a central unclaimed retirement benefit fund by engaging National Treasury on a proposal to transfer the establishment of the central unclaimed retirement benefit fund [as referred to in Box 1] from the Pension Funds Act to the Financial Sector Regulation Act, to rename it to the Central Unclaimed Assets Fund, and to enable the expansion of the scope of that fund to accommodate other assets. It is further proposed that as a first step, the fund should only accept unclaimed retirement benefits and once it is sufficiently operationalised it can, on an incremental basis, be expanded to receive other types of unclaimed assets.

Matters relating to the funding, operations, governance and transparency of the Central Fund will need to be outlined in much more detail and Commentators' views on such are welcomed. The FSCA will also engage relevant stakeholders on, amongst others, the potential solvency and stability implications of the recommendations.

Alternative approach - transfer to National Revenue Fund

Should complexities surrounding a Central Fund be considered insurmountable, an alternative approach is to require the transfer of unclaimed assets to the National Revenue Fund. Some of the benefits of this option is that it will address the level of inherent concentration risk that will exist in the proposed Central Fund, and it will do away with the necessity to create another structure to manage unclaimed assets with the costs associated with such a structure. The downside is that it may lack transparency as to how unclaimed assets are being utilised by government, unless it can be ringfenced. Other matters that require further consideration with this option would be the establishment and management of a central data base of unclaimed assets and search facility and the execution of the objective to reunite beneficial owners with their unclaimed assets. The recommendations regarding the identification, verification, reporting, treatment, and reunification of unclaimed assets, as discussed below, apply equally to both options.

Matters common to both approaches

Irrespective of the preferred option, it is proposed that the governing legislation must be clear that a financial institution, notwithstanding the contract between the institution and its customer, must transfer unclaimed assets to the receiving vehicle. This may require that financial institutions render their contracts with customers subject to the Unclaimed Assets Framework.

Legislation must be clear that the liability for the transferred unclaimed assets and the liability to meet reclaims sit with the Central Fund / National Revenue Fund and not the financial institution that had transferred the funds. However, a transfer will not absolve a financial institution of any liability which may be unconnected with the transfer.

The impact of transferring unclaimed assets to the Central Fund / National Revenue Fund will be

limited to the extent that a financial institution is able to maintain updated customer information (Recommendation 12) and implements appropriate procedures to reunite potentially dormant assets with their beneficial owners (Recommendation 2).

RECOMMENDATION 3: KEY QUESTIONS

[Please provide reasons for all answers]

1. Please indicate which of the two options do you prefer: (a) to transfer unclaimed assets into a Central Fund established for that purpose; or (b) to transfer unclaimed assets to the National Revenue Fund?
2. What factors should the FSCA consider in choosing between the two options referred to in question 1?
3. Do you agree with the proposed approach to establish one Central Fund that must receive all unclaimed assets across the different types of financial products and/or industries? If not, what should we consider?
4. Will there be any impact on the financial status or activities of financial institutions if they are required to transfer unclaimed assets to the Central Fund or National Revenue Fund? If yes, what is the extent of the impact?
5. Do you have any views on the structure, funding, governance, and transparency of the Central Fund?
6. Please indicate who are relevant stakeholders that should be considered for inclusion in the recruitment panel and board members of the Central Fund as referred to in paragraphs (iii) and (iv) above?
7. Should the Central Fund or National Revenue Fund be responsible for the validation of claims or should that responsibility be retained by the financial institution.
8. Do you agree with the proposal that no fees should be deducted from the reclaim value of an unclaimed asset?
9. Should there be a period that assets must remain unclaimed in the Central Fund before it may be used for positive impact? If yes, will your answer differ if a requirement is placed on the Central Fund to retain sufficient reserves to meet reclaims?
10. Should existing financial institutions that wish to exit the marketplace be enabled to transfer dormant assets that has not yet been classified as unclaimed to the Central Fund or National Revenue Fund?
11. Is your institution subject to any requirements relating to the treatment of dormant accounts or unclaimed assets in the event of a voluntary winding down of the institution, or the lapsing of a license issued by a regulatory authority?
12. Should the central unclaimed asset search engine be hosted by the Central Fund or National Revenue Fund. If not, what should we consider?
13. Are there any other significant impacts of the proposed transfer of unclaimed assets to the Central Fund or the National Revenue Fund that the FSCA should consider?
14. Will your responses to the questions above be different if unclaimed assets are transferred to the National Revenue Fund? If yes, please indicate the differences.

RECOMMENDATION 4: PROVIDE FOR RESTITUTION IN PERPETUITY

It is recommended that beneficial owners should continue to be able to reclaim, in perpetuity, the value of the assets at the point of transfer into the Central Fund (or other fund as may be determined), as well as any accrued interest between the date of transfer and the date of reclaim.

Allowing for full restitution, in other words placing the beneficial owner in the position it would have been had a transfer into the Central Fund not occurred, may result in additional complexities and costs, and may cause tension between the objective of the fund to honour future claims and to distribute surplus funds for the benefit of positive impact. Full restitution will also require more prudent reserving, resulting in less funds being available for distribution to positive impact.

The limitation placed on the reclaim value may specifically impact unclaimed assets in respect of a financial product with no fixed term, as well as assets whose values are subject to market movements (e.g. shares or participatory interests in CIS) and currency fluctuations. Full monetary restitution in respect of these assets will require, for example, the beneficial owner to be paid the cash equivalent of the original asset's value as valued at the date of reclaim, which value must be calculated with regard to any market movements. The Central Fund will therefore have to match any changes in the asset's value between when it is transferred into the fund and when it is reclaimed. This will require the Central Fund to manage the assets to mirror the market movements of pre-transfer assets.

Limiting the value of the restitution, as proposed, will have the following benefits:

- It will be less complex and costly to operate and manage the Central Fund.
- It will reduce the risk inherent to reserving for reclaim amounts.

Unclaimed assets transferred to the Central Fund also benefit from the following:

- It is not subject to any administration or trading fees;
- It is protected from market fluctuations, as beneficial owners are entitled to reclaim the full amount transferred into the Central Fund plus interest - this is specifically the case where market performance is negative.

It is recognised that there may be some potential disadvantage for customers in not providing a right for full restitution. However, it is important to note that this disadvantage will only materialise if:

- The customer does not maintain his current contact details with his product or service provider, thereby preventing the assets becoming unclaimed.
- The proposed enhanced processes to reduce the event of unclaimed assets have been unsuccessful.
- The interest earned on the unclaimed assets transferred to the Central Fund is less than the market return by an identical asset that has not been transferred.

RECOMMENDATION 4: KEY QUESTIONS

[Please provide reasons for all answers]

1. It is proposed to provide for some growth in the value of the unclaimed asset in the Central Fund through the accrual of interest. Comment is invited on the interest rate benchmark that should be used.
2. Do you have any objections in respect of the restitution principle and calculation of the reclaim value?
3. Is there any other restitution methodology that the FSCA should consider, having regard to the complexities and costs of a full restitution methodology?
4. Will your responses to the questions above be different if unclaimed assets are transferred to the National Revenue Fund? If yes, please indicate the differences.

RECOMMENDATION 5: TAX NEUTRALITY

Noting the different tax treatment of financial products in the sector, it is proposed that assets be taxed on date of reclaim by the beneficial owner.

It is further proposed that the beneficial owner must be treated in a tax-neutral manner. In other words, the beneficial owner must be put in a tax position as if the transfer to the Central Fund had not occurred.

It must be noted that this proposal is made subject to further engagement with the National Treasury and SARS.

RECOMMENDATION 5: KEY QUESTIONS

[Please provide reasons for all answers]

1. Please indicate any difficulties you may foresee with the recommendations of placing the beneficial owner in a tax neutral position.
2. Do you have proposals regarding how the recommendation regarding tax neutrality can be achieved?
3. Do you have proposals on what the tax treatment of unclaimed assets should be, having regard to the specific characteristics of the different financial products?
4. Can this principle be applied to tax free savings accounts? If yes, how can it be achieved?
5. Will your responses to the questions above be different if unclaimed assets are transferred to the National Revenue Fund? If yes, please indicate the differences.

RECOMMENDATION 6: REPORTING BY FINANCIAL INSTITUTIONS SHOULD BE STANDARDISED IN TERMS OF REGULARITY AND FORM

There is a great need for consistent and reliable data on unclaimed assets and dormant or lost accounts from all relevant entities. Data collected should be consistently defined and should be disaggregated by financial product. It should also be sufficiently disaggregated to facilitate tracing efforts.

It is therefore proposed that all financial institutions, be required to keep records of dormant accounts, lost accounts, and unclaimed assets identified, including the number of accounts and beneficial owners, asset type, individual asset value, age of asset, where available age and race of beneficial owner, how the institution has responded to tracing and verifying beneficial owners, and the effectiveness of such responses. These records should routinely be submitted in a prescribed format to the FSCA for monitoring purposes.

Data reported to the FSCA, disaggregated by financial institution and financial product, will assist in focusing the FSCA's supervisory and consumer education efforts.

It is further recommended that financial institutions, on transfer of the unclaimed asset to the Central Fund, be required to provide the Central Fund with prescribed information to enable it to trace beneficial owners and maintain the central database and search engine (as per Recommendation 7). Financial institutions will further be required to retain records of the transferred unclaimed assets and validate any reclaims.

RECOMMENDATION 6: KEY QUESTIONS

[Please provide reasons for all answers]

1. Are there any reasons why financial institutions should not remain responsible for the validation of claims?
2. What minimum information should a financial institution be required to submit to the Central Fund to enable the Central fund to verify a reclaim if the ultimate decision is that the Central Fund must validate claims.
3. What are the estimated costs to validate a claim?
4. Will it assist industry if the information that they must report on to the FSCA is included in the Conduct of Business Returns?
5. Please indicate what is the average cost for a financial institution to retain records of unclaimed assets.
6. Will your responses to the questions above be different if unclaimed assets are transferred to the National Revenue Fund? If yes, please indicate the differences.

RECOMMENDATION 7: ESTABLISH A CENTRALISED DATA BASE TO ASSIST IN THE TRACING OF PERSONS IN RESPECT OF ALL INDUSTRY SEGMENTS ACROSS THE FINANCIAL SECTOR

The 2020 Budget Review issued by National Treasury indicates unclaimed benefits as a focus area and refers to the establishment of a central member data base in respect of retirement funds. It is proposed that be against which the FSCA's unclaimed retirement fund benefits search engine be run.

The central retirement fund member data base will be populated with information provided by financial institutions, as prescribed by the FSCA. It is proposed that financial institutions, immediately after a person becomes a member of a retirement fund and when there are any changes to the personal information of a member, update the central data base. This may include information relating to their tracing efforts.

Phase 1 of the project was to introduce unclaimed benefits into the database. The project was finalised during 2017. From that date the public has been able to use the FSCA's unclaimed retirement fund benefits search engine to search for unclaimed retirement benefits (see Box 3). Phase 2 will be to extend the database to include all paid-up members of retirement funds, as per the default regulations that came into effect on 1 September 2017⁹² and that require compliance with the Regulations within 18 months of the effective date.

It is further proposed that the Central Fund, once operationalised, be responsible for maintaining the central database for unclaimed assets and ultimately, that it be expanded to include beneficiaries of all unclaimed assets. Beneficial owners will also be able to access the Central Fund's search engine through the FSCA's website.

RECOMMENDATION 7: KEY QUESTIONS [Please provide reasons for all answers]

1. Do you have any proposals on how best to collect the data for the establishment of the central data base for retirement fund members and their contact details?
2. Will it be possible to extend such a database to other financial products?

⁹²Government Gazette No. 41064 of 25 August 2017.

RECOMMENDATION 8: IDENTIFY A MINIMUM THRESHOLD FOR UNCLAIMED ASSETS BELOW WHICH A FINANCIAL CUSTOMER WILL NOT BE ACTIVELY TRACED

Given the costs involved with tracing financial customers, it is proposed that when an asset is confirmed by a financial institution as an unclaimed asset, an asset below a prescribed threshold be immediately considered “untraceable” and revert into the Central Fund. All relevant information regarding these assets should be submitted to the Central Fund for incorporation in the central database. While active tracing will not be conducted for these assets, they will nonetheless be part of the central database and can be claimed by the owner or beneficiary at any time, in perpetuity.

At this stage it is proposed that the threshold amount be prescribed by Conduct Standard and be set initially at R1000 for unclaimed assets deriving from a retirement fund that is older than 20 years, and R100 for all other assets, subject to possible prioritisation measures described in Recommendation 9 and Recommendation 10. This amount would need to be adjusted for inflation over time.

The proposed threshold of R100 has been set based on the average retirement benefit values of beneficial owners (Table 2 in Part 2), such that 3,83% of retirement fund members have unclaimed assets of R100 or less. This aligns with the FSCA’s commitment to ensure that as many as possible beneficial owners are united with their assets. For unclaimed assets sitting in retirements funds for more than 20 years, the possibility of tracing members may be significantly lower than assets recently becoming unclaimed, informing the higher proposed threshold

Different tracing requirements and/or thresholds may be set for the Central Fund relative to financial institutions, to recognise the tracing efforts made by financial institutions prior to the transfer of the unclaimed assets into the Central Fund.

RECOMMENDATION 8: KEY QUESTIONS

[Please provide reasons for all answers]

1. Are the proposed tracing thresholds appropriate for all the different types of financial products and sub-categories of financial products?
2. Please indicate what is the average value of unclaimed assets per beneficial owner.
3. Does the financial institution apply any thresholds below which it does not actively trace beneficial owners? If yes, please explain the rational for the threshold and indicate what the thresholds are.
4. Do you have any proposals regarding tracing requirements and/or thresholds that should apply to the Central Fund?
5. Will your responses to the questions above be different if unclaimed assets are transferred to the National Revenue Fund? If yes, please indicate the differences.

RECOMMENDATION 9: PRIORITISE THE TRACING OF MEMBERS IN HIGH IMPACT RETIREMENT FUNDS

Given the high concentration of unclaimed benefits in a few retirement funds, it is proposed that the FSCA more closely monitors the tracing of beneficiaries in these funds and may issue regulatory guidance and directives in this regard. Additional specialist resources may be required, like forensic investigators.

In the first phase it is proposed that funds with more than R500 million total unclaimed assets, or funds with average unclaimed assets per beneficiary exceeding R45 000, be prioritised.

Effectiveness of tracing efforts should be monitored and positive learnings shared and expanded to other retirement funds.

RECOMMENDATION 9: KEY QUESTIONS

[Please provide reasons for all answers]

1. Comment is invited on the proposed approach.
2. Please indicate the type of tracing activity that, in your experience, yields the highest success rate and that could be used in the proposed prioritisation effort.

RECOMMENDATION 10: CONSIDER PRIORITISING THE TRACING OF FINANCIAL CUSTOMERS OF OTHER HIGH IMPACT PRODUCT PROVIDERS

Although data is limited at this stage, meaning that it is not possible to determine the extent that there are concentrations of unclaimed assets sitting in other industry segments or entities, improved data reporting should support this analysis. Should such concentrations be detected, it is proposed that the FSCA consider further prioritisation approaches, guided by the experiences of prioritising certain retirement funds, as may be relevant.

RECOMMENDATION 10: KEY QUESTIONS

[Please provide reasons for all answers]

1. Please indicate any known concentration of unclaimed assets in -
 - (a) a particular segment of the industry;
 - (b) financial product class or sub-class, or
 - (c) your particular financial institution.

RECOMMENDATION 11: USE A PORTION OF UNCLAIMED ASSETS FOR PROJECTS WITH SOCIAL, ENVIRONMENTAL AND DEVELOPMENTAL BENEFITS

It is imperative that valid claims against unclaimed assets be paid out in perpetuity. But unclaimed assets are generating returns and cumulatively growing, while at the same time the period that has passed means many owners and beneficiaries will never be identified and found. Consistent with current National Treasury legislative proposals, it is therefore proposed to actuarially estimate a sustainable unclaimed assets pool that can satisfy expected claims, and that the surplus funds be invested into initiatives that will have a positive systemic impact e.g. social, environmental and developmental initiatives.

In support of transparency and accountability, it is proposed that the allocated amounts be invested on behalf of the fund in accordance with governance processes reflected in Recommendation 3, through regulated vehicles like CIS or alternative investment funds (both are provided for under the draft Conduct of Financial Institutions Bill, published September 2020⁹³ for a second round of public comment). The intention is further for the Board of the Central Fund to oversee the investment and application of the investments or allocations.

In the case of unclaimed benefits, where the assets can generally be linked to specific geographic regions and communities in which contributing fund members lived and worked, it is proposed that the actuarially allocated amounts may be invested through social impact funds, mandated to support infrastructure development, with specific deliverables like schools and clinics. Amounts allocated to these social impact funds should be done on a fair and equal basis (for example based on the relative sizes of the funds), although consideration should be given for supporting emerging black asset managers. Asset managers should be subject to strict mandate, governance and performance requirements, to ensure that funds are efficiently and effectively utilised.

It is proposed that unclaimed assets originating from other sources, like bank deposits and insurance policies, be invested through one or more designated infrastructure/development funds, like the DBSA/Infrastructure SA Infrastructure fund^{94 95}.

In all instances, the amounts should be managed on a draw-down basis i.e. while amounts may be committed to social benefit funds, these amounts would only be withdrawn from the Central Fund when the infrastructure project requires it.

⁹³[http://www.treasury.gov.za/public%20comments/2020%2010%2008%20CoFI%20Bill%20\(version%20published%20for%20comment\)%20\(slightly%20updated\).pdf](http://www.treasury.gov.za/public%20comments/2020%2010%2008%20CoFI%20Bill%20(version%20published%20for%20comment)%20(slightly%20updated).pdf)

⁹⁴Noting Governments significant fiscal constraints, Treasury has signed a memorandum of agreement with the Development Bank of South Africa (DBSA) and Infrastructure SA for the management of the country's R100 billion infrastructure fund. This is intended to facilitate blended financing from government, the private sector and international financing institutions, to relieve strain in the infrastructure value chain – see http://www.treasury.gov.za/comm_media/press/2020/20200817%20Media%20Statement%20-%20Memorandum%20of%20Agreement%20DBSAs%20Mandate%20to%20establish%20and%20manage%20the%20Infrastructure%20Fund.pdf

⁹⁵Proposals in this paper should consider complementary regulatory proposals regarding patient capital. Patient capital refers to long-term, typically illiquid investments. See for example work being done in the EU and UK in this regard – <https://www.fca.org.uk/publication/feedback/fs20-2.pdf>.

RECOMMENDATION 11: KEY QUESTIONS

[Please provide reasons for all answers]

1. Should the list of proposed purposes for which unclaimed assets might be used be expanded. If yes, what other purposes should be included?
2. Do you have any comments on the proposed redistribution of the unclaimed funds?
3. Will your responses to the questions above be different if unclaimed assets are transferred to the National Revenue Fund? If yes, please indicate the differences.

RECOMMENDATION 12: COORDINATED CONSUMER AWARENESS CAMPAIGN REGARDING UNCLAIMED ASSETS, INCLUDING TO PROMOTE KEEPING PERSONAL DETAILS UPDATED

Financial customers should share responsibility with financial institutions for ensuring that their product and service providers have updated contact information. The FSCA proposes an ongoing awareness campaign, working together with financial institutions and relevant employers, to explain the importance of keeping personal details up-to-date, and the consequences of failing to do so. This should explain to South Africans how to update their information in the proposed central database, so that they only have to update it once and not across multiple providers.

The FSCA further proposes that a legislative obligation be placed on financial institutions to disclose to customers, at point of sale, and thereafter on a regular basis the effect and implications of an unclaimed asset and maintaining a dormant financial product, as opposed to closing or terminating the product.

The awareness campaign can educate consumers about how best to trace assets that are potentially owing to them, to avoid being taken advantage of by rogue tracers.

RECOMMENDATION 12: KEY QUESTIONS

[Please provide reasons for all answers]

1. Do you have any proposals on how best to create awareness amongst customers?
2. What do you see as being the most critical elements of an unclaimed asset awareness campaign?

RECOMMENDATION 13: REGULATION OF TRACING AGENTS

Following the retirement fund surplus legislation in 2001 and the on-going need to locate unclaimed benefits and unpaid surplus beneficiaries, a new industry of tracing agents evolved to fill the gap of specialised tracing of such benefits. It is expected that the activities of tracing agents may extend to other products once the proposed Unclaimed Assets Framework becomes applicable to those products.

Currently there is no specific requirement for tracing agents to be registered with any regulatory authority to perform tracing services. Consequently, tracing agents are operating in an unregulated environment which may pose risks for consumers and retirement funds that engage with such service providers.

Tracing agents contracted by retirement funds, in most instances, only get paid if they have successfully traced a beneficiary of an unclaimed asset. This fee structure appears to mitigate against abuse by the tracing agents to bill for unsuccessful traces. However, of concern is the variance in cost across the different tracing agents; fees charged are not always commensurate with the services being rendered.

It has also been identified that some individuals wrongly purport to be tracing agents, charging a fee to ‘assist’ the member in reclaiming their unclaimed benefit, but merely make inquiries with funds or enter the name of the individual in the FSCA’s unclaimed retirement benefits search engine. The fees charged also vary substantially and can range anything from R50 to R2 000, or a percentage of the value of the benefit. The FSCA has previously warned the public of tracing agents that use hard selling techniques to persuade consumers to utilise their services, for example by misrepresenting to the consumer the rate of success of tracing a benefit, guaranteeing the existence of unclaimed benefits whilst knowing that there is no guarantee, or by purporting to be consultants of the FSCA or even retirement funds, in order to bolster their legitimacy.

Certain legitimate tracing agencies have indicated their support for a mechanism to differentiate themselves from unscrupulous tracing agencies.

It is therefore proposed that consideration be given how best to regulate the activities of tracing agents.

RECOMMENDATION 13: KEY QUESTIONS

[Please provide reasons for all answers]

1. To what extent should tracing agents be regulated and by whom? Please explain your answer.
2. What aspects of tracing agents’ activities may potentially promote or conversely hinder good outcomes for customers?

10. WAY FORWARD

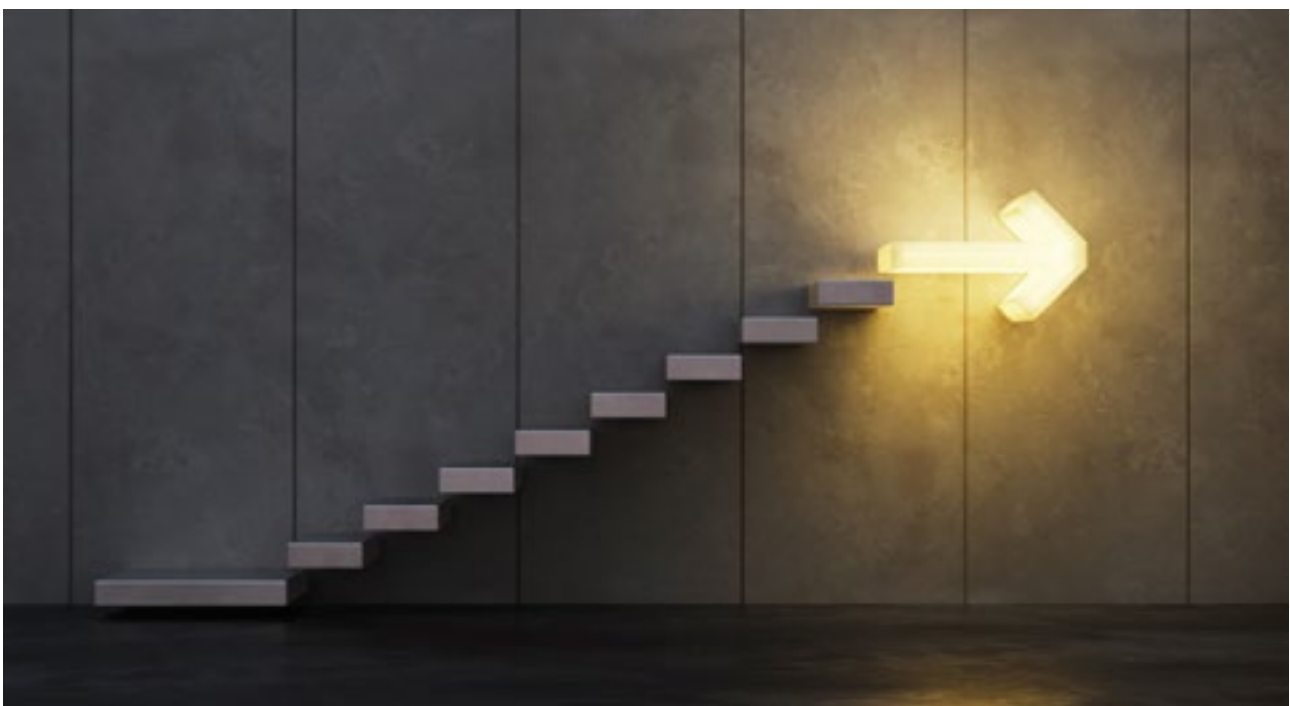
This Discussion Paper is intended to support the debate on how to effectively address the challenge of unclaimed assets in the financial sector, especially to locate beneficiaries from many years back, and to take steps to minimise the risk of sizable unclaimed assets accumulating in future. The FSCA supports government initiatives to strengthen infrastructure development in support of fair and sustainable economic growth.

Feedback received will be reviewed and used to strengthen the proposals, for submission to National Treasury.

Commentators are invited to comment on this paper and, in particular, to respond to the key questions. Comments are due on 30 November 2022.

Following the consideration of the responses to this Discussion Paper, and in support of the engagement process, a survey regarding dormant accounts, lost accounts, and unclaimed assets may be issued to the relevant sectors to, amongst others –

- Determine the current criteria and timeframes for the classification of assets or accounts as unclaimed, dormant or lost;
- Consider and confirm the full extent of unclaimed assets, based on the industry determined criteria where these exist and the new proposed criteria;
- Support development of aligned legal definitions of unclaimed assets across sectors, where possible;
- Support establishment of a uniform timeframe for the classification of assets as unclaimed;
- Support regulatory requirements regarding the management, tracing of individuals and payment of unclaimed assets to suitably verified beneficiaries; and
- Confirm the threshold in respect of small amounts which is not feasible for tracing purposes.



ANNEXURE A

Australia

There is approximately \$1.5 billion of “lost” money in Australia to be claimed from bank accounts, shares, investments and life insurance policies.⁹⁶ Bank accounts are considered lost after 7 years if the account is inactive. Life insurance policies become lost 7 years after the policy matures and is not claimed.

Unclaimed assets are in the main administered by ASIC. Monies received by ASIC are transferred to the Commonwealth of Australia Consolidated Revenue Fund. ASIC maintains and publishes a database of unclaimed money records, which together with an unclaimed money search function on its Moneysmart website⁹⁷ helps people find and claim their lost money. A beneficiary can claim their money at any time i.e. there is no time limit. Interest is payable to the claimant on the unclaimed money held by ASIC since 1 July 2013.

Other organisations for tracking and claiming lost assets include the Australian Taxation Office for retirement funds (known as superannuation funds in Australia) and the state government for lost share dividends. The Australian Taxation Office uses a seekers tax number as a unique identifier in its SuperSeeker portal.⁹⁸ Lost and unclaimed superannuation moneys are remitted to its Unclaimed Super Money Register which collects, holds, and makes efforts to unite lost/unclaimed moneys with fund members.

Ireland

Ireland introduced legislation governing dormant accounts in 2001 covering funds held by all financial institutions, including post office savings accounts, bank deposit accounts, savings bonds and certificates, instalment savings and certain life insurance policies. Under the legislation, a dormant account is defined as an account that has not had any activity for 15 years. If the rightful owner cannot be contacted, funds are transferred to the Dormant Accounts Disbursement Board, and eventually to the Social Innovation Fund Ireland (SIF), which administers the money used to support various social causes. Since the fund was established, approximately €1 billion has been recovered from dormant accounts. Of that, approximately €300 million have been reclaimed by account holders.

The Social Innovation Fund (www.socialinnovation.ie) supports non-profits, charities, and social enterprises and promotes social innovation. Every Euro raised by the fund is matched by a Euro from Government through the Department of Rural and Community Development via the Dormant Accounts Fund. Since the program’s inception, the Government and SIF have provided grants and business support to 86 social innovations in Ireland addressing social issues such as technological social innovation, community resilience, social enterprise development, education, health, mental health and more. One project involved funding the development of FoodCloud’s smartphone app for supermarkets with food nearing its expiration date. The app allows food retailers and charities to communicate about the availability of surplus food, so delivery and collection could be arranged, thereby reducing food waste.

⁹⁶<https://asic.gov.au/for-consumers/unclaimed-money/#why>

⁹⁷www.moneysmart.gov.au

⁹⁸OPS Working Paper, 2016, “*Supervision of lost pension accounts and unclaimed benefits*”, paragraph 14.

Israel

In 2020 it was reported that there are around 539,000 dormant accounts in Israeli banks, with combined assets of 6.8 billion shekels. Of those, 90,000 accounts with a combined value of 1.7 billion shekels belong to people who have died.⁹⁹

The “Money Mountain 2” website maintained by the Bank of Israel enables bank customers to search at no cost, inactive bank accounts and deposits in their name. The website presents customers with the names of banks in which there is a current account, or deposit regarding which the bank has been unable to contact the owners for two months after the maturity date. The system does not present information regarding the amounts in the account or deposit—to receive such information and to withdraw funds, the customer contacts the bank whose name and contact information appeared in the search results. Similarly, “Money Mountain 2” serves as a tool for heirs to search bank accounts of the deceased, at no cost.

In 2013¹⁰⁰ the Bank of Israel proposed requirements aimed, inter alia, at ensuring that banks take further steps to locate the owners of inactive accounts and to maintain the value of the funds in those accounts. The proposed amendment imposed a requirement on banks to take effective action to locate customers with whom contact has been lost, and to invest the funds in those accounts in investment programs that will enable the accrual of interest while maintaining their liquidity and requiring banks to report to the Administrator General regarding accounts in which there has been no contact with the owners for five years.

Japan

Japan’s Dormant Deposit Utilisation Act 2016¹⁰¹ facilitates the channeling of funds from bank accounts that have been dormant for 10 years or more to finance social welfare activities, supporting children and young adults, people facing severe financial constraints, and to champion the revitalisation of local communities. The Japanese government estimates there is approximately 70 billion yen (US\$662 million) in dormant assets in the country and anticipated allocating 3 billion yen (US\$28 million) over 2019 to address social issues through the newly created Japan Network for Public Interest Activities (JANPIA).¹⁰² Under the law, banks are required to send a notice to an account owner if the account balance is ¥10,000 or more (US\$94 / R1600) and nine years have passed since the last withdrawal from or deposit into an account. If the account owner fails to respond, make a withdrawal or deposit additional funds within one year, the account will be considered dormant. Accounts below the ¥10,000 threshold without the same types of activity will be considered dormant after 10 years, but no due diligence procedures are required. Amounts from dormant accounts are paid to the Deposit Insurance Corporation of Japan, into the Dormant Deposits Management Account.¹⁰³

⁹⁹<https://www.haaretz.com/israel-news/business/.premium-billions-lying-in-dormant-accounts-being-invested-in-money-losing-bonds-1.9338797>

¹⁰⁰<https://www.boi.org.il/en/NewsAndPublications/PressReleases/Pages/LocatingLostDebts.aspx>

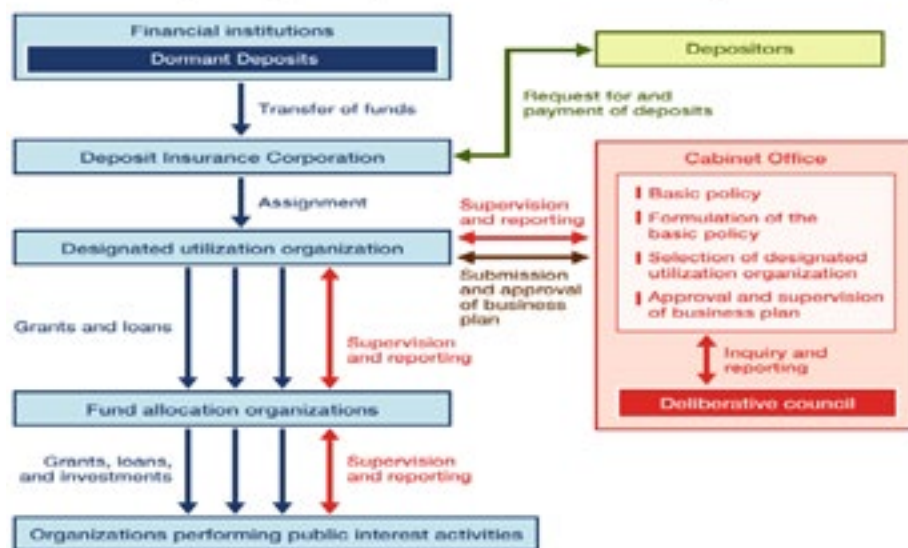
¹⁰¹Act for the Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector, 2016

¹⁰²A general incorporated foundation that is intended to operate as the Designated Utilization Organization under the Dormant Deposit Utilisation Act, www.janpia.or.jp/en/

¹⁰³https://www.dic.go.jp/english/e_kikotoha/page_000122_00001.html

Property owners will retain the ability to recover their dormant funds even after they are transferred; previously, banks were permitted to retain unclaimed funds as profit.

The Transfer, Management, and Use of Dormant Deposits



Source: Parliamentary Caucus for Dormant Deposit Utilization webpage.

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Areas of ongoing work include:

- Implementing innovative solutions to social issues on a nationwide basis
- Through the use of private deposits, attract the use of additional private-sector funds to address social issues
- Ensure highly transparent management and accountability

Some opponents to the law question the new funding organisation's transparency and ability to prevent misuse of the funds.

Kenya

In 2008 the Kenyan Ministry of Finance appointed a *Taskforce on Unclaimed Assets* to determine the nature and scale of unclaimed assets in Kenya and develop a responding national policy framework. It identified the following critical aspects of such a framework:¹⁰⁴

- Strong controls and reporting requirements
- Mandatory legal and reporting framework
- Investment of unclaimed funds for long-term development

Flowing from this taskforce The Unclaimed Assets Authority was created under the Unclaimed Assets Act, No. 40 of 2011 to administer unclaimed assets. The primary mandate of the Authority is to receive unclaimed assets from the holders of such assets into an Unclaimed Assets Trust Fund, and then safeguard and re-unite these assets with their rightful owners.

The Authority acts as the Trustee to the Fund in accordance with Unclaimed Assets Act, is empowered carry out inspections of unclaimed assets to ensure accurate reporting and ensures that all relevant information on unclaimed assets is submitted to the Authority and maintained in the database. The Authority is also mandated to enforce, and generally administer, the provisions of the Unclaimed Assets Act, and advises the Cabinet Secretary on the national policy to be followed with regard to unclaimed assets.

¹⁰⁴Report by the Taskforce on Unclaimed Assets (2008), <https://www.slideshare.net/JoeNgigi/report-of-the-taskforce-on-unclaimed-financial-assets-final-001-69868443>

The fund currently holds a total of KShs43 trillion in unclaimed assets. In 2020 it received remittances amounting to KShs. 16.7 billion (US\$153.6 million) from holders into the Trust Fund. Reports have been made for 802.6 million units of shares. Claims amounting to 426.3 million (US\$4 million) and 4.4 million units of shares were paid to nearly 5000 claimants over 2020, a 74% rise in reunification than in the previous year.

Malaysia

The Unclaimed Moneys Act, 1965, regulates the treatment of unclaimed assets in Malaysia. Unclaimed moneys are defined as follows:

- Moneys which are legally payable to the owner but have remained unpaid for a period of not less than one year, e.g. salaries, wages, dividends, profits declared for distributions and insurances claims which have been approved for payment.
- Moneys standing to the credit of an account that has not been operated in whatever manner by the owner for a period of not less than seven years. Examples under this category include saving accounts, current accounts and fixed deposits.
- Moneys to the credit of a trade account that has remained dormant for a period of not less than two years, such as trade creditors' account and trade debtors accounts with credit balances.

Unclaimed monies are administered by the Registrar of Unclaimed Money (Registrar) who is also the Accountant-General. Unclaimed monies managed by the Accountant General's Department of Malaysia (AGD) totaled RM8.75bil at the end of 2019, after RM2.13bil were returned to their owners.

In 2020 the AGD launched an online portal called eGUMIS (Electronic Government Unclaimed Moneys Information System)¹⁰⁵ to enable the public to check for any unclaimed money.

In terms of the law unclaimed money may not have any addition or deduction from the original amount. This means owners will not continue to earn interest on unclaimed money. However, there is no expiry date to claiming the fund. Companies that are subject to the Unclaimed Moneys Act must maintain records of unclaimed money, and the funds (if any) must be submitted to the Registrar by March 31 each year. Failure to do so could result in the imposition of fines.

Unclaimed securities consist of shares, bonds and other financial instruments belonging to the public which are transferred to the Government in the name of Minister of Finance and Accountant General under the various Acts. Although these securities are transferred to the Minister of Finance or the Accountant General, the Government still maintains the record of original owners for the sole purpose of returning these securities/proceeds thereof to the owners/their heirs sometime in the future.

The government through Accountant General Department's acts as a trustee for all the unclaimed securities surrendered to the Government pursuant to Section 14, 29 and 30 of Securities Central Industry Depositories Act 1991 (SICDA), Section 65 Trustee Act 1949, Section 36 Trust Companies Act 1949 and Section 353 Companies Act 1965.

All proceeds in the form of dividends, interest and proceeds from the sale of securities are firstly accrued in the records to the owner before the money is lodged with the Registrar of Unclaimed Moneys. The lodged moneys will be subjected to Unclaimed Moneys Act and the owner/his successor/ heir can claim because there is no limitation on the period in respect of which a claim may be submitted.

¹⁰⁵ <https://egumis.anm.gov.my/faq>
<https://egumis.anm.gov.my/login>

We have noted some discussions regarding the use by government of the unclaimed moneys mostly because of the view that idle money kept in the AGD was not productive as it was not circulated to generate economic activity. However, it seems that the current framework will have to be amended to enable such usage.

Singapore

Financial institutions have frameworks in place to govern the operations of unclaimed assets in inactive/dormant accounts or unclaimed insurance payouts. However, there is no common definition of when an account is considered dormant and there is usually no time limit for claiming funds in such an account or insurance payouts held for a beneficiary under an insurance policy. If a bank has ceased operations in Singapore, it would usually set up trust accounts to hold funds from its dormant accounts for possible claimants. Before an insurer ceases its operations in Singapore, any outstanding liabilities would usually be transferred to another insurer in Singapore under a court-approved scheme.

MAS works with financial institutions on ways to trace and encourage holders of dormant accounts or beneficiaries of unclaimed benefits to come forward and claim their funds. For example, in 2016, the Life Insurance Association of Singapore (LIA Singapore) has launched an online register for members of the public to check on unclaimed insurance payouts.





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