



## Prudential Communication 15 of 2022

### Mutual Banks Act, 1993 (Act No. 124 of 1993)

### Payment of annual licence fees by mutual banks to the Prudential Authority

#### **Objective of this Prudential Communication**

*This communication provides guidance on matters pertaining to the payment of the annual licence fees by mutual banks in light of the impending transition to the payment of annual levies. The requirement for the payment of the annual licence fees will be repealed by the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022 (Act No. 12 of 2022) (Levies Admin Act).*

#### **1. Application**

- 1.1 This Prudential Communication is applicable to all mutual banks registered in terms of the Mutual Banks Act, 1993 (Act No.124 of 1993) (Mutual Banks Act).

#### **2. Purpose**

- 2.1 The purpose of this Prudential Communication is to provide clarification on the payment of the annual licence fees, as well as the approach that will be undertaken by the Prudential Authority (PA) in order to address the potential issue for double-charging the mutual banks, once the Financial Sector and Deposit Insurance Levies Act, 2022 (Act No. 11 of 2022) (Levies Act) and the Levies Admin Act (collectively referred to as the Acts) come into effect.

#### **3. Introduction**

- 3.1 The Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act) read together with the Acts, provide a legal basis for the imposition and collection of levies from the supervised entities, to fund the operations of the regulators and other bodies. In addition, the regulators are also empowered to determine and charge fees to fund the performance of specific functions under the FSR Act and the relevant financial sector laws.
- 3.2 The commencement date for Chapter 16 of the FSR Act and the Acts was initially envisaged for 1 April 2022. In light of the delays in the finalisation of the Acts, the National Treasury announced through Government Notice No. 257 of 25 March 2022, the postponement of the commencement date of Chapter 16 to a future date that will be determined by the Minister of Finance once the Acts are finalised and promulgated.

3.3 On 6 December 2022, the President assented to the Acts, and these were published in the Government Gazette 47695 and 47696 on 9 December 2022. A commencement date for the Acts is yet to be determined.

#### **4. Transition from annual licence fees payments to annual levies**

4.1 Section 31 of the Mutual Banks Act requires mutual banks to obtain a licence pertaining to their particular business in respect of each year ending on the thirty-first day of December against payment of the prescribed licence fees. The consequential amendments proposed through the Levies Admin Act repeal the requirement for mutual banks to pay annual licence fees. This is in light of the impending Levies Act that will require mutual banks to pay annual levies to the PA and other Authorities.

4.2 The PA noted the concern that the industry raised in the past about the potential for double-charging emanating from the transition from the payment of the annual licence fees to the payment of the annual levies once the Acts come into effect. Through this communication, the PA seeks to provide clarity on the payment of the annual licence fees and how the PA proposes to address the potential issue of double-charging once the Acts come into effect.

#### **5. Expectation**

5.1 While the Levies Admin Act repeals section 31 of the Mutual Banks Act, these provisions are still in effect until the commencement of the Acts and the PA expects all mutual banks to make payment for their annual licence fees in accordance with the current process in place.

#### **6. The way forward**

6.1 In order to cater for the transition from the payment of annual licence fees to the payment of annual levies given the impending implementation of the Acts, and to ensure that mutual banks are not double-charged, the PA seeks to clarify that it will refund the pro-rata surplus of the annual licence fees. This will be calculated taking into consideration the commencement date of the Acts.

6.2 Any enquiries regarding this communication must be directed to the frontline supervisors of the respective mutual bank.

**Fundi Tshazibana**  
**Chief Executive Officer**

**Date:**