



Prudential Communication 3 of 2023

Financial Sector Regulation Act, 2017 (Act No. 9 of 2017)

Collection of Levies and Determination of Fees by the Prudential Authority

Objective of this Prudential Communication

This communication provides information on the coming into effect of certain provisions of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), (FSR Act), the Financial Sector and Deposit Insurance Levies Act, 2022 (Act No. 11 of 2022) (Levies Act) and the Financial Sector and Deposit Insurance Levies and Deposit Insurance Premium (Administrative) Act, 2022 (Act No. 12 of 2022) (Levies Administration Act) on 1 April 2023. It also provides information on the next steps to be implemented by the Prudential Authority in terms of the collection of levies and the determination of fees.

1. Application

- 1.1 This Prudential Communication applies to banks, branches of foreign institutions, controlling companies, mutual banks, co-operative banks and co-operative financial institutions, insurers (including micro-insurers and insurance controlling companies) as well as market infrastructures (hereinafter referred to as supervised entities).
- 1.2 This communication is also related to Prudential Communication 14 of 2022 for banks.

2. Purpose

- 2.1 The purpose of this Prudential Communication is to inform supervised entities about the commencement of the legislation empowering the Prudential Authority to collect levies and determine fees. This flows from the coming to effect of certain provisions of the Financial Sector Regulation Act (FSR Act), the Levies Act and the Levies Administration Act. Furthermore, the communication informs the supervised entities of the Prudential Authority's operationalisation plan that entails the process to be followed going forward.

3. Introduction

- 3.1 The Minister of Finance on 24 March 2023, through Notice No. 3186 of 2023, Notice No. 3187 of 2023 and Notice No. 3188 of 2023 in Government Gazette No. 48291, gave effect to certain provisions of the FSR Act, Levies Act, and the Levies Administration Act respectively, from 1 April 2023.

3.2 Chapter 16 of the FSR Act, read together with the Levies Act and the Levies Administration Act, provides for the imposition and collection of levies from supervised entities for the funding of the Prudential Authority. The operationalisation of Chapter 16 of the FSR Act also enables the Prudential Authority to charge fees to fund the performance of specific functions under the FSR Act and the relevant financial sector laws.

4. Levies

4.1 In terms of section 2(a) of the Levies Administration Act, the South African Reserve Bank is responsible for the collection and administration of the financial sector levy and the special levy charged in terms of the FSR Act, read together with the Levies Act.

4.2 A 'levy year' is the period from 1 April in each year to 31 March in the succeeding year. A 'levy year' has four equal 'levy periods', and some supervised entities will be liable to pay their levies per levy year and others per levy period.

4.3 The formulas for the levies that will be imposed on the supervised entities for the 2023/2024 financial year are outlined in Schedule 1 of the Levies Act. Supervised entities are requested to familiarise themselves with Schedule 1 to gain an understanding of the methodology that will be used to compute levies that will be paid to the Prudential Authority at a date that will be communicated. The communication will include account details as well as other relevant procedural matters relating thereto.

4.4 In terms of section 242 of the FSR Act, the Prudential Authority will issue assessment notices to all the supervised entities, setting out the amount of levy due from each supervised entity for the 2023/2024 financial year as well as the due date for the levy payment. As indicated above, the Prudential Authority anticipates that this process will commence in the third quarter of the 2023 calendar year, with a view to have the levies paid to the South African Reserve Bank before the 31 March 2024. If there are any delays to the aforementioned time-period, the Prudential Authority will communicate accordingly.

4.5 Certain categories of supervised entities have their levies calculated and payable per 'levy period'. These supervised entities will also need to be ready to pay their levies for all the past 'levy periods' calculated from 1 April 2023. These levy payments will be due on a date that the Prudential Authority will communicate.

4.6 All supervised entities are encouraged to plan accordingly taking into consideration the proposed collection timelines.

5. Fees

5.1 Section 237(1) of the FSR Act also enables the Prudential Authority to charge fees to fund the performance of any functions under the FSR Act or the relevant financial sector laws including in relation to the performance of functions in terms of a financial sector law which does not explicitly authorise the charging of fees.

The Prudential Authority is required in terms of the FSR Act to publish fees that have been determined.

- 5.2 A fees determination is defined as a regulatory instrument in terms of section 1 of the FSR Act and will follow the same processes followed when making prudential standards.
- 5.3 The Prudential Authority will in the forthcoming months publish a draft fees determination for consultation. The proposed fees determination will encompass all the fees across the supervised entities and will also replace the current supervised entity-specific requirements relating to fees.
- 5.4 Until such a time that the envisaged fees determination is finalised, supervised entities are expected to continue to pay fees in terms of the existing regulations, supervisors' rules and prudential standards issued under the relevant financial sector laws related to fees.

6. Next steps

- 6.1 Supervised entities are requested to consider the amendments to the above-mentioned legislation and to start making the necessary preparations in anticipation of what has been communicated herein.
- 6.2 Any enquiries regarding this communication must be directed to the respective front-line supervisors from the Prudential Authority responsible for the relevant supervised entities.

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Chief Executive Officer

Date: