CONSULTATION REPORT

BUDGET AND ESTIMATES OF EXPENDITURE, AND LEVIES AND FEES PROPOSALS

Consolidated comments and responses to public comments received

November 2023

1. Purpose

The purpose of this document is to set out a report on the consultation process undertaken in respect of the below, as required in terms of section 104 read with section 240(1) of the Financial Sector Regulation Act.

2. Definitions

In this consultation report -
"FSCA" means the Financial Sector Conduct Authority, as defined in section 1 of the Financial Sector Regulation Act;
"Financial Sector Regulation Act" means the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017); and
"Levies Act" means the Financial Sector and Deposit Insurance Levies Act, 2022 (Act no. 11 of 2022).

3. Summary of the public consultation process

3.1 This consultation report must be read with Annexures A to D of the Notice regarding the Publication of budget and estimates of expenditure, and levies and fees proposals comprising-

- an explanation of the budget, estimates of expenditure and the fees, levies and of the variation of the budget, estimates of expenditure and the fees and levies proposals against the budget, estimates of expenditure and the fees and levies proposals adopted for the previous financial year in terms of section 237(1)(a) of the Financial Sector Regulation Act (**Annexure A**).
- the budget and an estimate of expenditure of the FSCA for the 2024/2025 financial year, to be prepared in terms of section 248(4)(a) of the Financial Sector Regulation Act (**Annexure B**); and
- proposals for the levies that will be imposed (Levies Proposal, **Annexure C**) and the fees that will be charged by the FSCA (Fee Proposal, **Annexure D**) in terms of section 239(1)(b) of the Financial Sector Regulation Act.

3.2 The Annexures A to D of the Notice regarding the Publication of budget and estimates of expenditure, and levies and fees proposals were published for public comment on 19 September 2023. Section 98(2) of the Financial Sector Regulation Act requires that the comment period must be at least six weeks, and comments were therefore due to the FSCA on or before 2 November 2023.

3.3 The Notice regarding the Publication of budget and estimates of expenditure, and levies and fees proposals was published together with accompanying documents, in accordance with section 240 of the Financial Sector Regulation Act, and the FSCA invited submissions in relation to the budget and an estimate of expenditure, and levies and fees proposals in accordance with Part 1 of Chapter 7 that applies with the necessary changes when adopting of the budget and fees and levies proposals as provided for in section 239 of the Financial Sector Regulation Act.

3.4 At the close of the public consultation period, the FSCA received a total of 94 comments from 17 industry stakeholders (consisting of financial institutions and representative bodies) in respect of the different sections of the paragraph of the explanation of the proposals and budget, estimates of expenditure and levies and fee proposals. A list of the commentators and relevant contact persons, as well as all comments received through the public consultation process and the FSCA's responses thereto, are set out in the tables below.

4. General account of the issues raised in the submissions made during the consultation

4.1 All comments received as part of the public consultation process were considered and are set out in the table as per the Schedule below, together with the FSCA's response to the comments received.

4.2 The main issues raised during the public consultation for clarification purposes were as follows:

No.	Main issue	Response from FSCA
1.	Concerns were raised regarding the point in time used to determine the Consumer Price Index to be applied to determine the automatic increase in terms of section 10(4)(b) of the Levies Act.	Section 10(4)(b) of the Levies Act provides that the levies in the Schedules to that Act must be increased by the arithmetic mean of the Consumer Price Index (CPI) as published by Statistics South Africa in the preceding calendar year. Statistics South Africa published a CPI of 6.9% as the average CPI for the 2022 calendar year. The FSCA understands the requirement in section 10(4)(b) to mean the average CPI for the specific calendar year, which is. 6.9% for the 2022 calendar year.
2.	Although some commentators expressed appreciation for the proposed increase of 6% which is below the average CPI for the previous calendar year, other commentators highlighted the current poor economic conditions which impact the financial sector. The concern was expressed that a 6% increase is still above the level of income growth of smaller businesses and will result in additional financial pressure on smaller business.	The comment is well noted, and understood, However, it is also important that the regulator is appropriately and adequately funded to enable effective regulation and supervision of the financial sector. The operating expenses of the FSCA are aligned to the regulatory activities and the corresponding resources required. In individual financial hardship cases, an institution may be exempted from the payment of all or a part of the levy in accordance with section 11(1)(a) of the Levies Act.
3.	Some comments were directed at the levy formulae contained in Schedule 2 of the Levies Act.	The FSCA notes these comments. It is outside the scope of this consultation process to address legislative changes to the Schedules of the Levies Act. However, it is noted that further legislative reforms will take place pursuant to the introduction of the Conduct of Financial Institutions Bill. It is envisaged that schedule 2 of the Levies Act will be amended by the Minister of Finance to align with the licensing activities which will be included as a schedule to the Financial Sector Regulation Act through the consequential amendments of the CoFI Bill.

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SECTION A – LIST OF COMMENTATORS

No.	ORGANISATION/INDIVIDUAL	CONTACT PERSON
1.	Brantam Financial Services	Derek Sumption MD
2.	Tennant Administration Services (Pty) Ltd - Shelley Gaillard (Tennant Administration Services)	Shelley Gaillard Legal Services Manager
3.	Strate (Pty) Ltd (Strate)	Andrew Henderson Head of Legal
4.	Alexforbes	Fiona Rollason Head Legal & Group Insurance | Governance, Legal, Compliance & Sustainability
5.	Legal Practitioners Indemnity Insurance Fund NPC (LPPIIF)	Khoboso Tsike Head of Compliance
6.	A2X Markets	Luthfia Akbar/ Gary Clarke
7.	South African Non-Bank ODP Forum (SANBOF)	Sascha Graham - chairperson
8.	GT247.com (ODP43)	-
9.	First World Trader (Pty) Ltd t/a EasyEquities (ODP44) (EasyEquities)	-
10.	Banking Association South Africa (BASA)	Jacqueline Biddlecombe – Programme/Project Manager
11.	Sovereign Africa Ratings	Name: Rendani Designation: Compliance Officer
12.	South African Insurance Association (SAIA)	Shodine Schalkwyk Senior Legal Specialist
13.	Phindile Nelisiwe Chili	-
14.	IG Markets South Africa Limited (IGMSA)	Prishani Maheeph Moonsamy – Head of Compliance
15.	Masthead (Pty) Ltd (Masthead)	Anri Dippenaar – Head of Compliance
16.	The South African Institute of Stockbrokers (SAIS)	Erica Bruce: President Kashnie Naidoo: Regulatory Consultant
17.	S&P Global Ratings Europe South Africa Branch (S&P Global Ratings)	Betty Rateau Senior Compliance Officer

SECTION B - COMMENTS ON THE EXPLANATION OF THE PROPOSALS AND BUDGET, ESTIMATES OF EXPENDITURE AND LEVIES AND FEE PROPOSALS

No.	Paragraph	Commentator	Comment	Response
1. EXPLANATION OF BUDGET, ESTIMATES OF EXPENDITURE AND LEVIES AND FEE PROPOSALS (ANNEXURE A)				
1.	1. Introduction	Sovereign Africa Ratings	The introduction is clear and the respective sections of the FSR Act that pertains to the relevance of the document have been set out.	Noted.
2.		Phindile Nelisiwe Chili	Clear to understand	Noted.
3.		SAIS	No Additional Comments	Noted.
4.	2. Background	Sovereign Africa Ratings	The background offers comprehensive understanding of the role that levies play in funding the FSCA in a manner that is void of any conflict of interest.	Noted.
5.		Phindile Nelisiwe Chili	Clear to understand	Noted.
6.		SAIS	The SAIS recognises the "Levies Act," effective from 1 April 2023 and supports the principle established in the National Treasury's policy for a sound financial sector. The SAIS concurs that regulators require adequate funding to perform their duties without conflicts of interest and endorses the principle that the financial community should underwrite the operational budgets of regulatory bodies in a measured and transparent way to ensure a safer financial sector to serve South Africa better.	Noted.
7.	3. Funding Model	Strate (Pty) Ltd	It is not clear why December 2022 has been used as the inflation benchmark. The levy renewal date is in April every year and one would expect the inflation figures to be taken from near that anniversary date. By using December 2022, it gives the impression that the CPI data is being cherry-picked to justify a higher increase.	The Consumer Price Index (CPI) is in line with section 10(4)(b) of the Levies Act which provides that the levies in the Schedules to that Act must be increased by the arithmetic mean of the CPI as published by Statistics South Africa in the preceding calendar year. Statistics South Africa published a CPI of 6.9% in December 2022 which indicated the average CPI for the 2022 calendar year. The FSCA understands the requirement in section 10(4)(b) to mean the average CPI for the specific calendar year. The legislation does not refer to the financial year. There is therefore no basis to use the figures at April.

No.	Paragraph	Commentator	Comment	Response
8.		A2X Markets	In paragraph 3.9 the proposed CPI increase should be based the forecast inflation rate and note the historical inflation rate. It should be noted that the 6.9% quoted rate in December 2022 was a historically high rate and above the inflation band of between 3.2% and 6%. The latest Stats SA forecast inflation rate is 4.5% for the foreseeable future. We believe that this inflation rate is more appropriate to use for budgeting purposes notwithstanding the provisions of Section 10(4)(b) of the Levies Act.	Please see response directly above.
9.		Sovereign Africa Ratings	The funding model is clear, however, the overall 11% increase may negatively impact the new entrants that have, as indicated in the model, led to this increase. We do, however, welcome the fact that the 6% increase rate is lower than 6.9% Consumer Price Index that was reported in 2022.	Noted.
10.		Phindile Nelisiwe Chili	The funding models is as expected and no surprised structure around it, clear and understood.	Noted.
11.		SAIS	The SAIS acknowledges the critical role that regulated entities play in funding the financial sector's regulatory framework. However, the SAIS remains concerned about the opacity and complex layering of fees within the current funding model. The revenue composition and distribution across regulated sectors indicates that exchanges and other financial market infrastructures (FMIs), as Self-Regulatory Organisations (SROs) (a total of 8%), are apportioned a smaller share of the FSCA's income collection relative to their oversight responsibilities and the associated regulatory risk they manage. This weighted fee structure acknowledges the robust regulatory stance these entities maintain within the financial industry. Given that exchanges and FMIs embody a significant governance role, the fees levied upon them are calibrated to reflect the proportionate risk they contribute to the financial sector due to their inherent regulatory functions	The comments are noted but some are unfortunately not in the scope of this consultation process to address. It must be noted however that the Levies Act, which was promulgated in 2022, and chapter 16 of the Financial Sector Regulation Act commenced in April 2023 after yearslong public consultation process as part of the Twin Peaks reforms. The reforms are continuing with the draft Conduct of Financial Institutions Bill as well as the Financial Markets Amendment Bill. These Bills will change how the financial sector is licensed, regulated and supervised, and will accordingly change how financial institutions are levies by the FSCA. Further, as explained in the Explanation of the budget (annexure A), the FSCA's budget is based on its operational requirements. The Fees are modelled around the user-pay principle. Please note further that the FSCA proposed a levy increase of 6% which resulted in an overall 11% increase of budgeted levy income as a result of new entrants and fluctuations in the levy data which are used to calculate levies. The increase also includes the special levy at 7.5%. The effective increase to each supervised entity is 6%.

No.	Paragraph	Commentator	Comment	Response
			and the potential for introducing systemic risk. The FSCA, therefore, aligns its income collection strategy with the level of regulatory attention and oversight required by these organisations, which is essential for upholding the stability and integrity of the broader financial environment. While direct billing is commonplace for most regulated entities, the practice of indirect billing for Authorised Users via exchanges, financial market infrastructures (FMIs) and other regulated entities, results in a multifaceted fee structure that is not transparent and imposes multiple layers of fees. Such indirect billing practices conceal the true cost borne by each layer of the investment chain, from investors to advisors and from trading activities to settlement services, including insurance and custody services. This not only leads to a lack of candour in the fee imposition but also accumulates additional costs that investors ultimately bear. There is concern that this accumulation of fees and the resulting friction costs may deter investment decisions and negatively influence the national drive toward a robust savings culture. The cascading effect of these costs across the transactional spectrum could thus work counter to the government's savings enhancement initiatives. In light of these concerns, the SAIS strongly advocates for a re-evaluation of the fee and levy collection model employed by the FSCA. It is proposed that the following steps be taken in pursuit of a more transparent and equitable system: - Conduct an extensive review to discern the most transparent and fair levy collection points across the financial services spectrum; and	The FSCA has a digital transformation strategy in place to ensure alignment with the industry and our responsiveness and effectiveness in utilisation of our six capitals. The published FSCA budget includes the CAPEX expenditure of R141 million which is indicative of the FSCA commitment to strategic costs management which is aligned to our automation and digital transformation. It is of importance to note that the adoption and implementation of our digital transformation strategy will result in long term benefits in terms of operating costs and efficiencies which will reduce regulation costs over the long term. We agree that over the long term some jobs will become redundant as we are phasing in new technologies, new critical skills and hybrid methods of working in line with our new business operating model. The FSCA is aware of the economic landscape it operates in, hence the sustained below inflation levy increases over the past years. The FSCA is continuously reviewing the cost structure to ensure that we remain efficient, and effective and sustainable over the long-term.

No.	Paragraph	Commentator	Comment	Response
			- Ensure all fee structures and "put through costs" are declared in an understandable and detailed manner, reflecting the actual levies incurred at every stage of the financial process. Transparent billing practices are imperative to fostering a fair investment environment, allowing investors and all market participants the opportunity to fully comprehend the extent and purpose of the fees they are charged. Such clarity will not only support informed investment decisions but also reinforce confidence in the South African financial system's integrity. By addressing these structural issues, the SAIS is of the opinion that that a fee model can be created that supports the FSCA's regulatory effectiveness without compromising the market's competitiveness and the financial wellbeing of South African investors. **3.6** *"Staff expenses represent 71% of the total expenditure budget which is attributable to the FSCA being a service organisation with personnel costs being the main cost driver."* The SAIS fully supports the FSCA's endeavours to attract and retain skilled personnel, understanding that competitive compensation is key to ensuring that the FSCA is equipped with the requisite expertise to navigate the complex and changing financial landscape. However, it is our view that the current salary expenditure surpasses a balanced and sustainable threshold. In these turbulent financial times with limited resources at hand, it is crucial for the financial sector to navigate challenges efficiently. While investing in high-quality staff remains paramount, it is felt that this also presents the FSCA with a vital opportunity to reassess and optimise its financial structure and fund utilisation.	

No.	Paragraph	Commentator	Comment	Response
			The SAIS acknowledges that a substantial portion of the FSCA's resources are currently allocated to salaries which is crucial. A lack of resource allocation at this level may unintentionally hinder the organization's capacity to fulfil its multifaceted responsibilities effectively and efficiently. Ensuring a more balanced distribution of financial resources is imperative, particularly given the ever-evolving nature of the financial landscape, which demands a flexible and efficient approach to resource allocation. To enhance the FSCA's ability to navigate its diverse responsibilities now and in the future, a vigilant and ongoing assessment of financial allocations is recommended. This would ensure that adequate resources are available and can be strategically re-directed towards vital areas such as core activities, research and technological advancements. By making strategic adjustments, the FSCA can strengthen its ability to adapt to the changing financial landscape and enhance long-term sustainability, all without imposing additional strain on the financial sector. This is crucial, as any added costs are typically passed down to the investor, increasing the friction costs of investing. These adjustments have the potential to enhance the overall stability and vitality of the South African financial sector. The SAIS remains committed to supporting the FSCA in its critical role within our financial system and believes that through thoughtful reflection and strategic planning, it can collectively contribute to the financial well-being of our nation. **<u>3.8</u>** While the intention to moderate the levy increase to a rate below the December 2022 CPI of 6.9% is noted and appreciated, we are	

No.	Paragraph	Commentator	Comment	Response
			compelled to address the aggregate impact of an 11% increase to the FSCA levy from the previous year, 2023/2024. The proposed levy adjustment, augmented by the addition of new market participants and the dynamic nature of levy data, results in a significant budgetary increase. This elevation comes during a period marked by economic recovery and continuing financial pressure on the entities that contribute to this funding. Adopting the user-pay principle is indeed prudent. However, there is concern that the application of an 11% uplift in overall levies might be deemed excessive under the current economic constraints. Such an increase risks not only burdening the industry but also potentially undermining the affordability and accessibility of financial services for consumers. In recognition of these challenges, a re-evaluation of the projected increase is suggested. It is imperative that any fee augmentation considers the economic resilience of the regulated entities and the broader aim of financial inclusion and market stability.	
12.	4. Levies Proposal	Strate	An increase to the Proposed Base Amount and the Proposed Maximum Amount makes sense. An increase to the Proposed Variable Amount does not make sense and should be reconsidered. The variable amount is based on a formula with the underlying price of assets as the key driver. Since the price of assets is affected by the inflation rate – an asset price will rise in line with inflation to reflect the declining value of the currency – inflation has already been factored into the Proposed Variable Amount calculation. Adjusting the formula by a further inflationary increase amounts to a “double-dipping” of inflationary increases.	The variable amount is not in all instances based on underlying assets. It does not make sense to increase some amounts and not others. In all cases the overall increase remains at 6%.

No.	Paragraph	Commentator	Comment	Response
13.	3.4. 3.6 3.7. 3.8.	BASA	3.4. The Banking Association South Africa (BASA) notes that the current levy distribution is based on the types of licences issued by the Financial Sector Conduct Authority (FSCA) (for example: bank, insurance, Financial Advisory and Intermediary Services Act, 37 of 2002 (FAIS) etc). BASA would appreciate clarity on whether the basis will change once the Conduct of Financial Institutions Bill (COFI) is enacted and licenses are issued at entity level.	It is envisaged that schedule 2 will be amended by the Minister of Finance in line with the licensing activities which will be included as a schedule to the Financial Sector Regulation Act through the consequential amendments of the CoFI Bill.
14.		BASA	3.6. BASA would also appreciate receiving further information on when it is anticipated that the levy for the 2023/24 will be issued to our member banks, and when the special levy will be issued. Our member banks would also like to understand whether these levies will be pro-rated based on when they are issued.	It is anticipated that the assessments for levies, including the special levy, for the 2023/2024 financial year will be issued to banks before the end of 31 November 2023.. The levies are not pro-rated based on when they are issued but are apportioned according to when a supervised entity was licensed or when a licence is withdrawn as contemplated in s7(2) and (3) of the Levies Act.
15.		BASA	3.7. Read together with 2.3, 4.4, and 4.5 – BASA notes that the Levies Act was assented to in December 2022 and became effective in April 2023. BASA's members would like confirmation as to whether the proposed inflationary increase will apply only to the 2024/25 budget and levy year and onwards.	Correct. As indicated in the budget documents, the estimated budget and increase will apply for the 2024/2025 budget year.
16.		BASA	3.8. BASA notes an overall increase of 11%. Our members would appreciate receiving more detail on how this is constituted. For example, if the levy formula for each licensee type takes into account fluctuations in levy data (assets under management (AUM), number of representatives and key individuals etc) and factors that led to the inflationary increase.	The overall increase of budgeted levy income is of the result of new entrants and fluctuations in the levy data which are used to calculate levies. It also includes the special levies. As indicated the increase to levies to be paid only represents 6%. Please also refer to comment 11 above.
17.		Sovereign Africa Ratings	The funding model is clear, however, the overall 11% increase may negatively impact the new entrants that have, as indicated in the model, led to this increase. We do, however, welcome the fact that the 6% increase rate is lower than 6.9% Consumer Price Index that was reported in 2022.	Please see the last response above.

No.	Paragraph	Commentator	Comment	Response
18.		Sovereign Africa Ratings	We find that the proposed 6% levy increase is favourable in comparison to the 6.9%, and therefore welcome the proposed levy proposal.	Noted.
19.		Phindile Nelisiwe Chili	With openness of amendment of Section10(4) hereby with no opposition comment	Noted.
20.		SAIS	The SAIS notes the Levies Act's requirement for levies to align with the Consumer Price Index (CPI), which Statistics SA reported at 6.9% in December 2022. The SAIS appreciates the FSCA's efforts to temper the levy increase to below CPI, reflecting a sensitivity to the economic strain on regulated entities. The SAIS advocates for continuous evaluation of levy adjustments against market realities, ensuring they remain equitable and do not overburden the sector. Clear and transparent communication on levy changes is crucial for stakeholder preparedness and consensus. Transparency in levy implementation is also key to upholding market confidence and fairness, enabling the FSCA to maintain its regulatory duties while respecting the fiscal pressures within the financial industry. The SAIS acknowledges the foresight of the proposed Special Levies, aimed at fostering AI development and system improvements, which promise to augment monitoring efficiency and surveillance within the financial sector. However, a greater degree of transparency with respect to how these levies serve the long-term strategic objectives and specific targeted outcomes would greatly benefit market participants. The SAIS advocates for a detailed presentation of the strategy guiding the levy allocations to elucidate their direct impact on various FSCA activities, sectors and projects.	The comment is noted. The process for levy changes is prescribed in section 10 of the Levies Act and chapter 16 of the Financial Sector Regulation Act and informs this consultation process. In addition to this, the FSCA is enjoined to publish annual reports as well as a regulatory strategy to give general guidance on the achievement of its objective and the performance of its regulatory and supervisory functions. These documents and other reports regarding FSCA initiatives and projects are accessible on its website.
21.		S&P	For Credit Rating Agencies ("CRAs"), the formula for the determination of levies ("CRA Levies	These comments are noted. However, the levy formulae as determined in the Schedules are outside the scope of this consultation process. The FSCA is however

No.	Paragraph	Commentator	Comment	Response
			Formula") is set out in Schedule 2 of the Financial Sector and Deposit Insurance Levies Act 11 of 2022 ("Act 11 of 2022") and included in Annexure C, schedule 2, Table B of the Budget, Estimates of Expenditure and Levies and Fee Proposals. We understand that the calculation of the Revenue ('Rn') within the CRA Levies Formula is driven by the revenue recorded in the accounts of the registered CRA. This revenue therefore reflects the chosen legal entity structure and does not necessarily reflect the level of activity of that CRA in the South African market. To establish a consistent and fair allocation of levies, our view is that revenue should be defined as the revenue billed to customers domiciled in South Africa by the CRA. In addition, we believe that the Total Revenue in the CRA Levies Formula, should include revenue generated by all CRAs conducting credit rating services in South Africa, whether registered with the FSCA or not. In the interest of transparency, our view is that the total amount of costs to be recovered from all CRAs (defined as "A" in the CRA Levies Formula) should be disclosed each year by the FSCA. (Please see our comments in Section C on this matter.)	looking at the method of the calculation of the levies for CRAs and will engage with CRAs in this regard. Amendments to schedule 2 may be proposed in further legislative developments.
22.	5. Fee Proposal	Sovereign Africa Ratings	The contents under the fee proposal are agreeable and understandable.	Noted.
23.		Phindile Nelisiwe Chili	As accordance with Annexure D , the fee proposal is set fair and accommodating to FSPs	Noted.
24.		SAIS	There are no additional comments. The SAIS acknowledges and recognises the transformation in the regulatory fee framework ushered in by the Financial Sector Regulation	Noted.

No.	Paragraph	Commentator	Comment	Response
			(FSR) Act and the commencement of the Levies Act. Before the Levies Act's enforcement on April 1, 2023, sector-specific legislation empowered the FSCA and its predecessor to prescribe fees to support its functions. Section 301(8) of the FSR Act ensures continuity of previously determined fees, despite the repeal of enabling laws, allowing for fee amendments or revocations under new determinations. According to Annexure D's Fee Proposal, intended as the FSCA's new fee determination under FSR Act Section 237(1) and (2), all prior fee notices are to be replaced. The proposal includes the current fees, suggested fees for the 2024/2025 year and percentage increases, marking the first change since their initial establishment between 2006 and 2018. The fee proposal also accounts for the FSCA functions previously un-reflected in fee schedules, with new provisions emphasised in Annexure D. In line with FSR Act Section 239(7)(a), which took effect on June 1, 2023, for the preparation of the 2024/2025 year, the Minister is required to approve the proposed fees, encompassing all financial sector bodies except for the Corporation for Deposit Insurance. This step is part of the broader restructuring to enhance the regulation and oversight of financial sector activities.	
2. BUDGET FOR 2024/25 AND ESTIMATES OF EXPENDITURE FOR 2025/26 AND 2026/27 (ANNEXURE B)				
25.	1. Introduction	Sovereign Africa Ratings	The contents are understandable and clear.	Noted.
26.		Phindile Nelisiwe Chili	The five strategic objectives are considerate to all FSPs and growing license holders in long term of business	Noted.
27.		SAIS	The FSCA is tasked with a critical mission to boost the effectiveness and trustworthiness of financial markets, safeguard consumers, educate	Noted.

No.	Paragraph	Commentator	Comment	Response
			the public on finance and uphold stability within South Africa's financial system. The Financial Sector Regulation (FSR) Act has expanded the FSCA's oversight, including monitoring the banking sector's market conduct, prompting a pivotal transformation towards a forward-thinking, risk-aware, and result-oriented regulatory approach. Recognising the imperative of financial inclusion and sector transformation, the FSR Act has been instrumental in shaping the scope of the FSCA's role. It calls for comprehensive restructuring to adapt to the evolving demands of regulatory and supervisory practices, ensuring the FSCA's agility in fostering a diverse and inclusive financial landscape. As the financial ecosystem grows more complex, the FSCA's strategies and operations evolve to keep pace with new risks, technological advancements and the broad goal of financial democratization for all citizens. The FSCA is actively adapting to the challenges posed by a changing economic environment, with an emphasis on maintaining its supervisory efficacy. To navigate these waters, the FSCA has pinpointed five key strategic objectives: • Enhancing industry practices to ensure just outcomes for financial consumers. • Addressing misconduct to reinforce trust and integrity within the financial markets. • Advocating for a forward-looking, inclusive and environmentally conscious financial sector. • Equipping households and small businesses with the tools for financial resilience. • Transforming the FSCA into a proactive, efficient and community-minded regulator. The financial outline for 2023/24 is reflective of the goals set forth by various divisions within the	

No.	Paragraph	Commentator	Comment	Response
			FSCA, aligned with its overarching long-term strategic vision. With the enforcement of the Levies Act as of April 1, 2023, the FSCA has revised its funding model, excluding the financing of the FAIS Ombud, the Pension Funds Adjudicator (PFA) and the Financial Sector Tribunal, in accordance with chapter 16 of the FSR Act. This adjustment represents a key stride towards self-sufficiency and a commitment to enhancing the sector's integrity and public trust.	
28.	2. FSCA Budget 2024/25	SAIS	The SAIS notes that the FSCA's revenue boost of 11% would appear to be linked to levies collected from new participants in the market and adjustments in the levy calculation formula, which reflects the 'user-pay' principle and an expected increase in financial sector activity. Additionally, a significant 54% hike in interest income is credited to the prevailing high-interest rates. While this increase in revenue appears to cover the rise in expenses, the SAIS advises caution against depending on these trends for future financial planning, suggesting that such reliance may not be sustainable in the long term. It is vital for the FSCA to enact cost management strategies considering that its current salary outlay may exceed sustainable levels. The SAIS recognises that while competitive wages are critical for acquiring skilled personnel necessary for the FSCA's complex mandate, financial prudence is necessary to keep the FSCA agile and financially sound. This may add great financial burden to participants. With staff expenses accounting for a substantial part of the budget (roughly 70%) and an actual increase in staff costs by 10%, exceeding the projected salary increase rate, fiscal monitoring and realignment become even more critical. Such fiscal oversight will ensure the organisation does	The FSCA is fully funded by levies and fees. Interest and other income revenue is negligible to the funding model of the FSCA and fluctuates over time. We have for completeness included them in the budget. As indicated above, the FSCA has a digital transformation strategy in place to ensure our alignment with the industry and our responsiveness and effectiveness in utilisation of our six capitals. The published FSCA budget includes the CAPEX expenditure of R141 million which is indicative of the FSCA's commitment to strategic costs management which is aligned to our automation and digital transformation. It is of importance to note that the adoption and implementation of our digital transformation strategy will result in long term benefits in terms of operating costs and efficiencies which will reduce regulation costs over the long term.. We agree that over the long term some jobs will become redundant as we are phasing in new technologies, new critical skills and hybrid methods of working in line with our new business operating model. The FSCA is aware of the economic landscape it operates in and hence the sustained below inflation levy increases over the past years. The FSCA is continuously reviewing the cost structure to ensure that we remain efficient, and effective and sustainable over the long-term.

No.	Paragraph	Commentator	Comment	Response
			not compromise its operational efficiency or burden consumers with increased costs. While fee proposals are kept below inflation to mitigate the impact on the sector, the cumulative effect across the entire market eco system (FSCA, Exchanges, FMI's, Service Providers etc…) of such increases amidst market constraints, such as decreased savings rates, lower assets under management for asset managers, and reduced commission rates, poses a significant challenge to the market. Increasing fees that are ultimately borne by investors might detract from the market's attractiveness and competitiveness. As the financial sector grapples with volatile times and a potential contraction in investment pools, the importance of a coordinated approach becomes paramount. A focus on long-term, strategic planning is necessary to navigate current transformations without endangering the sector's long-term health. This strategy should be inclusive of market absorption capacity, fostering an equitable financial environment and should consider broader impacts, such as market competitiveness and investor confidence. The need for innovation and a comprehensive, forward-looking response is crucial to address the sector's challenges. Strategic planning, including a keen analysis of regulatory impacts, cost management and market dynamics, will be essential in steering the South African financial sector towards stability and growth.	
29.	2.1 Principal Budget Assumptions	A2X Markets	2.1.3 FSCA to clarify the position of renting office space and why the FSCA is budgeting for the cost of rates and taxes, which costs are typically borne by the landlord.	It is not clear whether the commentator objects to the FSCA renting office space. If so, it must be noted that there are borrowing restrictions for public entities listed under schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999). Post Covid-19 pandemic the office rentals have been reducing which has resulted in reduced office accommodation for tenants.

No.	Paragraph	Commentator	Comment	Response
				The rates and taxes are as per negotiations with the landlord inclusive of square metre rates. It must be noted that there are trade-offs between the rates and taxes and square metre rates between the landlord and tenants.
30.		Sovereign Africa Ratings	The principal budget assumptions allow for a comprehensive understanding of the overall contents of Annexure B, and we appreciate the inclusion of these assumptions.	Noted.
31.		Phindile Nelisiwe Chili	No opposition comment	Noted.
32.		SAIS	No additional comment	Noted.
33.	2.2 Abridged Budget Income Statement for the 2024/25 financial year	Sovereign Africa Ratings	The abridged budget income statement is clearly set out.	Noted.
34.		Phindile Nelisiwe Chili	No opposition comment	Noted.
35.		SAIS	Once again, the SAIS expresses concern over the FSCA's forecasted 11% revenue increase, which seemingly arises from additional levies on new market entrants and updated levy calculation methods tied to a 'user-pay' system and an expected uptick in market activity. This is alongside a notable 54% anticipated rise in interest income due to current high-interest rates. Despite these developments providing a temporary financial buffer, the SAIS cautions against relying on such income growth for future budgeting, stressing the potential risks of unsustainability. Given the heavy reliance on salary expenses, which constitute approximately 70% of the FSCA's budget, the SAIS underscores the	Please see response on item 11 above.

No.	Paragraph	Commentator	Comment	Response
			urgency for the FSCA to implement stringent cost control measures. The organisation's spending on salaries exceeds the anticipated increase, growing by an actual 10% versus the forecasted rate, underscoring a need for prudent fiscal management. The SAIS recognises the critical role of the FSCA in ensuring the proper functioning of financial markets, upholding fair treatment for consumers, educating the public and contributing to the stability of the financial system. Despite this, the SAIS advises that the FSCA undertake a review of its current spending practices, particularly in terms of its staff-related expenses, which are significant. The SAIS supports competitive remuneration for FSCA staff to secure high-calibre professionals essential for the agency's complex duties. Nonetheless, it emphasises the importance of fiscal restraint and budget realignment to maintain economic viability and prevent placing undue financial pressure on the sector. To preserve the FSCA's operational efficacy and protect consumers from escalating costs, the SAIS calls for continuous and stringent fiscal oversight. Effective financial governance is critical to balance the FSCA's spending with its revenues in a sustainable manner. By doing so, the FSCA can continue to fulfil its mandate without contributing to higher costs for market participants, thus safeguarding the health and stability of South Africa's financial environment.	
36.	2.3 Operational Budget	Strate	This budget appears out of touch with the current economic climate. Private sector companies are being forced to become lean and efficient and to cut wasteful expenditure in order to survive. There does not appear to be any such undertaking on the part of the regulator	The FSCA is aware and responsive to the operating environment and continuously benchmarks the salary structures with the industry. The FSCA competes with the private sector for the recruitment and retention of specialised/scarce skills in the financial services industry. The FSCA salaries costs are total Costs to Employer (CTE) and excludes other long-term benefits like share incentive schemes offered by the private sector. The FSCA is not in a position to

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			The FSCA 2023 Integrated Report states that the FSCA has 614 employees. Salaries are being budgeted at R690,231,681. This is an average of R1,124,155 per employee. This is nearly 300% higher than the average financial sector wage in South Africa of R400,000. There are many items that can be classified as luxuries or "nice-to-haves" rather than necessities. The travel budget in particular seems well padded. Video conferencing facilities means that remote attendance is available for most events.	match the packages offered by the private sector and we continuously lose our critical skills to the private sector. Please note that the FSCA's travel budget substantially decreased when the COVID pandemic occurred in 2020 and alternative methods such as video conferencing were used. Although video conferencing is still being utilised, recently there has been a shift in in-person meetings. From a travel budget perspective there are mainly two focus areas that inform travelling by FSCA staff. Both these focus areas are critical functions and cannot be regarded as "nice-to-haves": • The biggest part of local travel is for on-site inspections which is core to the function of the FSCA. • With regards to international travel, the FSCA is a member of a number of international organisations and standard-setting bodies. This membership is important for the status of South Africa as an investment designation and South Africa's role in the global economy. Further, attendance of these engagements is critically important to ensure that the FSCA contributes to international standard development, e.g., to ensure that international standards are not developed in such a way that it does not take into account the South African and/or emerging markets context. Similar to what was mentioned above, international standard setting bodies did facilitate virtual attendance of these engagements since the occurrence of the COVID pandemic, but most international standard setting bodies are now moving into a hybrid model which entails a combination of virtual and in person meetings.
37.		A2X Markets	2.3.2.1 FSCA to expand on why there has been a steady increase in the cost of relief staff over the years. 2.3.1.5 – FSCA to expand on Prudential Authority "cost recoveries" 2.3.3. – General Expenditure Budget – there is no explanation for the 123% variance in the budget for "security" General comment: Despite the muted economic environment in which various market participants	2.3.2.1 There is a minimal budget of R80 000 for relief staff which may be applied for example maternity leave. Relief staff is only used where it is necessary for continuation of services. 2.3.1.5 Cost recoveries from the Prudential Authority (PA) is due to a delegation by the PA to the FSCA in terms of section 48(4) of the Financial Sector Regulation Act of investigations of contraventions of section 11 of the Banks Act, 1990 (Act No 94 of 1990) and the supervision and regulation of sections 5(1) and 67(1) of the Insurance Act, 2017 (Act No. 18 of 2017). 2.3.3 A recent security assessment recommended improved security measures with regards to the physical security of the FSCA building as well as personal protection. It stands to reason that due to nature of investigations and enforcement action taken by the FSCA in some cases that personnel are exposed to security risks.

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			operate in there seems to be a lack of appreciation of this reality in the budget presented. There has been no meaningful cost cutting across the various line items in general expenditure and where costs have been cut i.e., office rental, this saving has simply been reallocated to other expenditure line items and added to a bloated cost base of which market participants must fund. There has been no noticeable change in service levels which justify these cost increases.	
38.		Sovereign Africa Ratings	The budget for 2023/24 has been meticulously outlined, offering clear insights into the financial allocations. Comparative data from the previous budget facilitates the identification of increases. Additionally, detailed explanations accompanying each line item contribute significantly to a more comprehensive understanding of the budget	Noted.
39.		Phindile Nelisiwe Chili	No opposition comment	Noted.
40.		SAIS	The FSCA ‘s operational expenditure is under scrutiny with significant budget increases in various domains, marked by a hefty commitment to salary expenses and investment in technology, legal services and workforce development. Concerns regarding the FSCA operational budget emphasise the delicate balance between maintaining a skilled workforce and ensuring financial prudence. Salaries as a proportion of Total Expenditure are concerning. The FSCA's budget is heavily weighted towards salaries, which consume almost 70% of total expenses. Despite the salary increase being aligned with inflation, there is an inherent risk in dedicating a substantial budget portion to wages that may limit financial agility. The FSCA must be careful to avoid an inflexible budget structure, which could impair its capacity	Please see response on items 11 and 36 above.

No.	Paragraph	Commentator	Comment	Response
			to manage sudden fiscal demands or invest in other strategic areas. With salaries constituting such a large part of the budget, the organisation may face challenges in reallocating funds if priorities shift. With respect to Training and Development expenditure there is a concern with respect to a sharp rise in the training budget. It indicates a strong focus on skill development, but the effectiveness of this training must be assessed against enhanced performance and strategic fit. The FSCA should establish clear metrics for evaluating the return-on-investment of training programs to ensure that the increase in spending directly contributes to improved service delivery and regulatory compliance. With respect to Contractor Expenses, there is concern that a significant increase in contractor expenses may point to a need for project-specific expertise or highlight a shortfall in in-house capabilities, which could raise questions about staff adequacy or internal efficiency. The FSCA needs to justify the expansion in contractor use by demonstrating that it results in valuable outcomes and does not become a long-term crutch that sidesteps addressing skill gaps within the current workforce. With respect to Operational Efficiencies in Memberships and Other Costs, it is acknowledged that cost reductions in membership fees and other expenses could signal improved operational efficiency or possibly, cost-cutting that might affect the organisation's operational capacity. However, it is critical to ensure that the potential for such large budgetary cuts do not undermine the FSCA's capability to stay connected with industry standards or provide comprehensive support and development opportunities to its staff.	

No.	Paragraph	Commentator	Comment	Response
			With respect to Cost Management the concern is raised that with an overall increase in personnel-related expenditures, there is a need for vigilant oversight to prevent these costs from becoming a burden on the financial sector and by extension, the end consumer. The FSCA's leadership must strike a balance between investing in its workforce, retaining suitably experienced staff and controlling expenses to maintain a stable financial structure that does not over-leverage the sector it regulates. Across the board, including advertising and recruitment (23% increase), computer support (31% increase), legal fees (22% increase) and outsourcing costs (climbing by 23%), the organization's outlays suggest a strategy aiming to strengthen capabilities and presence in a dynamic financial sector. Promotion budgets have almost tripled, warranting a critical evaluation of their effectiveness relative to the costs incurred. Travel expenditure for local and international events have seen approximately a 29% rise, with expectations that the benefits of such engagements justify the costs. Moreover, a significant 31% uptick in computer licenses and service fees necessitates a review to ensure that these technology investments are prudent and contribute to operational efficiency. Investment in publications and security services has grown, highlighting the need for ongoing vigilance to maintain access to quality information and robust security without excess spending. The FSCA faces the complex task of structuring an operational budget that is both dynamic and prudent. The current budget scrutiny reveals the need for flexibility to accommodate shifts in the regulatory environment and unexpected needs. While prioritising the development and	

No.	Paragraph	Commentator	Comment	Response
			maintenance of a proficient workforce and the latest technological advancements, the FSCA must also ensure these investments do not overextend financial resources. Effective fiscal oversight is critical to prevent operational costs from becoming excessive, ensuring they contribute meaningfully to regulatory goals and the wider financial sector's health. Therefore, a balance is required between robust spending on personnel and technology and stringent cost management. The FSCA's financial strategy, by necessity, must focus on a budget framework that is not just responsive to immediate demands but is also sustainable long-term, supporting strategic objectives without compromising financial sector stability.	
41.	2.4 Capital Expenditure Budget	Sovereign Africa Ratings	The Capex budget is clear.	Noted.
42.		Phindile Nelisiwe Chili	No opposition comment	Noted.
43.		SAIS	No further comment. It is noted that the Capex budget is mainly to refresh and upgrade ICT infrastructure, in line with the digital strategy.	Noted.
3. LEVIES PROPOSAL (ANNEXURE C)				
44.	Table B	LPIIF	In the context of the current economic hardship brought about current macro and micro economic factors, does the regulator not consider that an increase in levies is prohibitive and additional burden over and above the current compliance costs faced by relatively small insurers, one of which the LPIIF is and further a Non-profit company? Further, in certain instances there are increases of 100%. All costs are ultimately passed on to the already squeezed consumers who in reality can ill afford them.	The operating expenses of the FSCA are aligned to the regulatory activities and the corresponding resources required. To cover the budgeted operational expenditure (which include the capex expenditure) the FSCA is proposing to increase the levy variables and fees by inflation adjustments of 6%. The 6% proposed increase for the levy and fee income is below the last reported CPI of 6.9% as at December 2022, to reduce the impact of levy increase to regulated entities. The only “increase” of 100% for fees are for functions which are new or functions for which a fee were not previously charged.

<table>
<tr><th>No.</th><th>Paragraph</th><th>Commentator</th><th colspan="5">Comment</th><th colspan="8">Response</th></tr>
<tr><td rowspan="3">45.</td><td rowspan="3"></td><td rowspan="3">A2X Markets</td><td>Type of supervised entity</td><td>Number of payments per levy year</td><td>Base Amount (Rands)</td><td>Proposed Base Amount (Rands)</td><td>% Change</td><td>Variable Amount(s) (Rands)</td><td>Proposed Variable Amount (s) (Rands)</td><td>% Change</td><td>Description of Variable</td><td>Formula</td><td>Maximum (Rands)</td><td>Proposed Maximum (Rands)</td><td>% Change</td></tr>
<tr><td>Exchange</td><td>Four</td><td>125 000</td><td>132 500</td><td>6%</td><td>0.00011 % x F</td><td>0.0001166% x F</td><td>6%</td><td>F = turnover value of trades for the quarter pre-ceding the levy period</td><td>Levy = Base amount + Variable amount</td><td>11 000 000</td><td>11 660 000</td><td>6%</td></tr>
<tr><td colspan="5">A2X is opposed to the increase in both the proposed base amount and in the variable amount of the levy. Firstly a 6% increase is excessive based on the view of Stats SA that forecast inflation will be 4.5%. It is our view that in principle the forecast rate should be used and not the historical inflation rate as this is the rate that will likely prevail in the budgeted period. This point is further made clearer in that 6.9% was a historically high inflationary period and FSCA should in no way use that figure as a base to justify further cost increases.

FSCA should also explain and justify with reasons why there has been an increase in the base fee in particular. FSCA should be aware that not all costs increases can be passed onto our customers.</td><td colspan="8">Please see response in item 7 above. The increase of the levies is based on the provisions of the Levies Act.

Regarding the increase of fees as set out in paragraph 5 of Annexure, the Fee Notices currently applicable were determined between the years 2006 and 2018 and the fees determined in the Notices have not been increased since the promulgation of the Notices.</td></tr>
<tr><td>46.</td><td></td><td>SANBOF</td><td colspan="5">The South African Non-Bank ODP Forum (“SANBOF”) is an association which represents non-bank ODPs in the South African ODP market. SANBOF members represent 63% of the licensed non-bank ODPs in South Africa.</td><td colspan="8">The comment is noted. However the lump sum has been determined in the Levies Act and cannot be addressed through this consultation process. However, as explained above, during further legislative reforms through the Conduct of Financial Institutions Bill, the method of calculating levies would be reconsidered. For completeness it is noted that the comparison to the base amount of banks is not</td></tr>
</table>

No.	Paragraph	Commentator	Comment	Response
			SANBOF is of the view that it is unreasonable and inappropriate to impose a lump sum levy on all ODPs on the basis that the size and complexity of ODPs and extent of ODP related activities differs considerably across ODPs and in particular between bank and non-bank ODPs. The lump sum levy payable is also unreasonably large when compared to the base amount charged to more complex institutions such as banks and life insurers who are only charged a base levy amount of R50 000 (proposed increase to R53 000). A non-bank ODP with a significantly simpler business is required to pay double this amount. The proposed lump sum amount is more closely aligned to that payable by an exchange and other market infrastructures, being R125 000 (proposed increase to R132 500), however SANBOF respectfully submits that the business of an ODP, specifically a non-bank ODP, is far less complex than those of these market infrastructures and the levy payable should reflect this. We propose that it is more appropriate to impose a levy that comprises a lower, basic levy, plus a component that is based on the value of OTC derivatives originated, issued, sold and/or for which a market has been made, up to a maximum levy (possibly the R53,000 which is aligned with the increased base amount payable by banks and life insurers). This proposal is aligned with the levies imposed on other types of financial institutions, such as Financial services providers (FSPs), managers of collective investment schemes (CIS managers), and Retirement fund administrators. SANBOF further requests that the Authority provide guidance on the basis for the calculation	analogous as the base amount for banks is but one aspect of the applicable levy formula.

No.	Paragraph	Commentator	Comment	Response
			of the lump sum amount so that this can be understood better by the industry players.	
47.		GT247.com (ODP43)	GT247.com is of the view that it is unreasonable and inappropriate to impose a lump sum levy on all ODPs on the basis that the size and complexity of ODPs and extent of ODP related activities differs considerably across ODPs and in particular between bank and non-bank ODPs. The lump sum levy payable is also unreasonably large when compared to the base amount charged to more complex institutions such as banks and life insurers who are only charged a base levy amount of R50 000 (proposed increase to R53 000). A non-bank ODP with a significantly simpler business is required to pay double this amount. The proposed lump sum amount is more closely aligned to that payable by an exchange and other market infrastructures, being R125 000 (proposed increase to R132 500), however GT247.com respectfully submits that the business of an ODP, specifically a non-bank ODP, is far less complex than those of these market infrastructures and the levy payable should reflect this. We propose that it is more appropriate to impose a levy that comprises a lower, basic levy, plus a component that is based on the value of OTC derivatives originated, issued, sold and/or for which a market has been made, up to a maximum levy (possibly the R53,000 which is aligned with the increased base amount payable by banks and life insurers). This proposal is aligned with the levies imposed on other types of financial institutions, such as Financial services providers (FSPs), managers of collective investment schemes (CIS managers), and Retirement fund administrators.	Please see response above.

No.	Paragraph	Commentator	Comment	Response
			GT247.com further requests that the Authority provide guidance on the basis for the calculation of the lump sum amount so that this can be understood better by the industry players.	
48.		EasyEquities	EasyEquities is of the view that it is unreasonable and inappropriate to impose a lump sum levy on all ODPs on the basis that the size and complexity of ODPs and extent of ODP related activities differs considerably across ODPs and in particular between bank and non-bank ODPs. The lump sum levy payable is also unreasonably large when compared to the base amount charged to more complex institutions such as banks and life insurers who are only charged a base levy amount of R50 000 (proposed increase to R53 000). A non-bank ODP with a significantly simpler business is required to pay double this amount. The proposed lump sum amount is more closely aligned to that payable by an exchange and other market infrastructures, being R125 000 (proposed increase to R132 500), however EasyEquities respectfully submits that the business of an ODP, specifically a non-bank ODP, is far less complex than those of these market infrastructures and the levy payable should reflect this. We propose that it is more appropriate to impose a levy that comprises a lower, basic levy, plus a component that is based on the value of OTC derivatives originated, issued, sold and/or for which a market has been made, up to a maximum levy (possibly the R53,000 which is aligned with the increased base amount payable by banks and life insurers). This proposal is aligned with the levies imposed on other types of financial institutions, such as Financial services providers (FSPs), managers of collective investment	Please see response above.

No.	Paragraph	Commentator	Comment	Response
			schemes (CIS managers), and Retirement fund administrators. EasyEquities further requests that the Authority provide guidance on the basis for the calculation of the lump sum amount so that this can be understood better by the industry players.	
49.		Sovereign Africa Ratings	As a credit rating agency, we welcome the calculation of the levies to be paid by CRAs.	Noted.
50.		Phindile Nelisiwe Chili	No opposition comment	Noted.
51.		IGMSA	Given that ODPs differ in size and complexity, it would appear to be unreasonable to impose a lump sum levy on all ODPs. Furthermore, the lump sum levy payable is also unreasonably large when compared to the base amount charged to more complex institutions such as banks and life insurers who are only charged a base levy amount of R50 000. A non-bank ODP, which in some cases, is a significantly simpler business is required to pay double this amount. We propose that it is more appropriate to impose a levy that comprises a lower, basic levy, plus a component that is based on the value of OTC derivatives originated, issued, sold and/or for which a market has been made, up to a maximum levy (possibly the newly proposed R53,000 which is aligned with the increased base amount payable by banks and life insurers). This proposal is aligned with the levies imposed on other types of financial institutions, such as Financial services providers (FSPs), managers of collective investment schemes (CIS managers), and Retirement fund administrators. A reduction in levy would also allow for more market entrants thereby increasing competition within the industry which benefits financial customers.	Please see response above.

No.	Paragraph	Commentator	Comment	Response
52.	Category I or IV financial services provider	Masthead	We recognise and commend the Regulator's approach in wanting to limit the increase percentages for 2024/2025 to 6%. However, we remain concerned that 6% is still above the level of income growth of smaller businesses and will result in additional financial pressure on smaller FSPs, and FSPs in general. A base fee of R3 816 is still a considerable amount for small and start-up FSPs. We have many of these FSPs as our members. The Regulator is aware that there has been severe and ongoing economic impact on the income of FSPs due to various environmental factors, including recovering from the impacts of COVID-19. Therefore, while 6% would seem to be a reasonable increase and is lower than the inflation rate (6.9%) which is the rate by which the FSCA is entitled to increase the levies as provided for in the Levies Act, the last year has not alleviated financial pressures. Much like the challenges in the past few years leading into 2022, 2023 has not been a typical business environment, with small businesses in all industries continuing to operate under significant financial and environmental pressure. These types of FSPs are entirely reliant on the client market and have faced the consequences of natural disasters, such as in KZN, the challenges of running a small business in ongoing rolling power cuts resulting from load shedding and indirect negative impacts as a result of the challenges that clients face in a struggling economy. In terms of the FSCA Annual reports, the total number of authorised FSPs decreased overall year-on-year from 12,028 in 2019 to 10, 883 in 2023 and market entry and sustainability remain a challenge.	The comment is well noted, and understood, However it is also important that the regulator is appropriately and adequately funded to enable effective regulation and supervision of the financial sector. In individual financial hardship cases, an institution may be exempted from the payment of all or a part of the levy in accordance with section 11(1)(a) of the Levies Act.

No.	Paragraph	Commentator	Comment	Response
			FSPs have also continued to have limited interactions with clients. In terms of investment and insurance product trends, client saving elements did not increase significantly during this period. Also noteworthy is the decline in funds available due to decreased client income, resulting in clients scaling down to reduce costs. The feedback that we have received from FSPs indicates that clients are still requesting to reduce premiums on their retirement products, endowments and other investments, and are taking up reduced benefits for lower premium options on risk cover and retirement products. The immediate and more severe impact experienced was due to the large number of South African businesses closing down. In terms of the World Bank Overview of South Africa and Statistics SA, South Africa has recovered its pre-pandemic GDP but employment levels have not yet returned to a pre-pandemic level. At the end of the second half of 2023, there were still fewer jobs than at the end of 2019, with a far-reaching impact across the entire economy as clients are unable to afford financial products and services, which directly impacts the income of financial service providers. In addition, these FSPs are also operating in an environment where the “cost of staying in business” has become a harsh reality when running a small FSP. This is especially true in the face of the increased prices of consumer goods, fuel, information technology, electronics and other business services. Many small businesses have had to undergo unplanned additional capital expenditure in securing alternative power sources in the wake of ongoing service delivery interruptions by Eskom. There is also the pressure of increased and changing regulatory requirements which require attention and take time away from the FSP's production (income-	

No.	Paragraph	Commentator	Comment	Response
			generating activities) and have resulted in more onerous compliance requirements (such as enhanced FICA requirements) that lead to longer engagements with clients but do not result in more income. Our view is informed by our engagement with our +- 1850 independent FSPs. The overall sentiment and feedback indicate that FSPs are still struggling to achieve strong income growth, and when considering the factors discussed above, are earning less than before. We note that the proposed increase to base and variable levies payable to the FSCA is accompanied by an additional special levy of 7.5% of the FSCA invoice amount, which is payable for another year and that financial impact must also be considered in addition to the other increases proposed. Given the above, we strongly urge the regulator to consider a further reduction of the proposed increase on levies for FSPs. Therefore, we propose that base and variable levies are not increased by more than 5% from those set last year. A reduction of levies will provide financial relief and assist in ensuring that existing and new small independent FSPs can continue to provide services to clients in a tough business environment and will also encourage job creation through new representatives entering the market, as this is more affordable for the FSP. We agree with the approach to increase the maximum amount in relation to the levies by 6%, in a practical sense, the cap only applies to those larger FSPs that can most afford to pay. Therefore, we feel that this is an appropriate measure to balance the scales between large and smaller FSPs.	
53.	Category II, IIA or III	Masthead	The comments above in relation to the ongoing economic impacts of COVID-19 and client factors	Please see response above.

No.	Paragraph	Commentator	Comment	Response
	financial services provider		are equally applicable in the investment environment. We urge the regulator to apply the same consideration to these Cat II and Cat IIA FSPs and that levies are not increased by more than 5% from those set last year. As mentioned above, to provide for balance between larger and smaller FSPs, we agree with the proposal that the maximum levy be increased by 6%.	
54.	Category I or Category IV financial services provider in respect of only the following financial products sub-categories: Long-term insurance Subcategory A or Friendly Society Benefits	Masthead	Given the ongoing financial constraints and challenges placed on these types of FSPs as a result of COVID-19 and other factors discussed above in addition to financial challenges which may be faced in 'normal' circumstances, we commend the Regulators' proposal to not apply an increase to the variable amount for Representatives and Key Individuals so that this remains unchanged from last year. In addition, we propose that the Regulator consider a further reduction of the base levy by 50%. These types of businesses have already encountered difficulties during the last few years in staying in the industry, and we strongly believe that the current environment with unique challenges, and additional financial relief will greatly benefit these types of FSPs. These Category IV FSPs and their client market are particularly vulnerable due to a lack of financial support and resources and are struggling to stay in business. The FSCA's 2019/2020 Annual Report indicated that there were 104 Category IV FSPs and in 2022/2023 the number of approved Category IV FSPs was 105, an increase of only 1 Category IV financial services provider. We believe that the regulator should, on a case-by-case basis, apply a unique approach to these	Please see response above.

No.	Paragraph	Commentator	Comment	Response
			FSPs who service clients falling within the lower income bracket and who will be most severely impacted by their inability to continue with services. By reducing the prescribed base levy on a blanket basis, it will avoid to some extent, the need for the regulator to suspend and possibly withdraw licences, which will avoid a knock-on effect on financial services customers. This outcome will be contrary to the FSCA's strategic objectives of promoting an inclusive, customer-centric, and competitive financial sector wherein financial customers have access to innovative and appropriate products and services and a financial market that functions fairly, effectively, and efficiently.	
55.		SAIS	The SAIS has previously raised substantive concerns about the FSCA proposals for budget, levies and fees, especially those related to Authorised Users. Unlike other supervised financial entities which are billed directly, Authorised Users are subjected to an indirect, multi-tiered fee accumulation process through exchanges, FMIs and others. Despite the detailed information provided in the FSCA's Table B, the SAIS points out the complexity and opacity resulting from the indirect fee imposition on Authorised Users through various market intermediaries like exchanges and FMIs. The SAIS is not in favour of this method, as it clouds fee transparency and potentially inflates the final costs borne by investors. The indirect fee structure, as indicated by the SAIS, contrasts sharply with the direct billing system applied to other financial entities, complicating the cost assessment and resulting in "friction costs" that escalate as they filter through the investment chain. This situation is concerning for the SAIS because it can negatively impact investment by obscuring the fees charged and	Please refer to response above in item 11.

No.	Paragraph	Commentator	Comment	Response
			might deter saving and investment efforts nationally. To combat these issues, the SAIS has suggested a set of improvements to ensure fairness and transparency in fee collection: **Transparent and Proportional Fees:** Revision of the fee collection process is advocated to ensure levies are equitably aligned with the regulatory services provided and the associated risks for each market participant. **Full Disclosure of Indirect Costs:** The SAIS calls for obligatory, detailed reporting on all indirect "pass-through" costs to facilitate a full understanding of the charges incurred by investors and Authorised Users. **Legislative and Regulatory Enhancements:** Legislative review and action is suggested to refine the regulatory cost framework, aiming to prevent redundant fees and enable clear comprehension of the financial levies imposed. **Review and Justification of SRO Charges:** A thorough review of the Self-Regulatory Organisations (SROs) fees is required to ensure that charges are essential and do not overlap, adding to the investor's burden. By urging for these changes, the SAIS emphasises its commitment to a marketplace that operates transparently and equitably, reflecting the institute's dedication to protecting the market participants' interests and boosting investor confidence—a cornerstone for South Africa's economic resilience and market soundness. Moreover, the SAIS stresses the importance of continued, collaborative efforts to reform the FSCA's fee structure, to dispel the current	

No.	Paragraph	Commentator	Comment	Response
			complexities, improve cost transparency and foster the financial sector's growth in South Africa.	
4. FEE PROPOSAL (ANNEXURE D)				
56.	1. Interpretation	Sovereign Africa Ratings	The interpretation provided allowed for firm understanding of the contents of Annexure D and clarified items that would otherwise not be easily grasped.	Noted.
57.		Phindile Nelisiwe Chili	Due to o	Comment not clear.
58.		SAIS	Although the SAIS has no comments on the interpretations, the SAIS advocates for the harmonisation of legal definitions across various pieces of financial legislation to prevent ambiguity and confusion. This initiative is part of its broader effort to enhance transparency and improve the clarity of the legislation. Uniform legal terminology will help create a more transparent and efficient regulatory framework, fostering a better understanding of the financial market's governance among all participants. The SAIS's proactive recommendations aim to facilitate fair practices and bolster investor confidence, contributing to the overall stability and growth of South African financial markets.	The definitions contained in the Fee Proposal reference the definitions in the different financial sector laws, regulations and standards for consistency and alignment.
59.	2. Determination of Fees	Sovereign Africa Ratings	It is understood that the table provided includes fees per financial institution where applicable fees per the function of the financial institution are stated.	Noted.
60.		SAIA	The industry is experiencing sales and costs pressure due to fee increases that are resultant of inflation. A lower increase would have been more welcome. Below is a comment from the OECD economic outlook note on South Africa issued in June 2023: "GDP growth is projected to slow to 0.3% in 2023 before picking up to 1% in 2024. Investment will become a much-needed driver of growth as the	The comment is noted. However it is also important that the regulator is appropriately and adequately funded to enable effective regulation and supervision of the financial sector. In individual financial hardship cases, an institution may be exempted from the payment of all or a part of the levy in accordance with section 11(1)(a) of the Levies Act.

No.	Paragraph	Commentator	Comment	Response
			energy crisis requires additional power generation capacity. Higher interest rates and inflation are denting consumption, while electricity outages and lower global growth are weighing on exports." The FSCA needs to monitor the effect of these adjustments and their effect as a barrier to entry. 6% is aligned to inflation and the FSCA further needs to consider productivity gains in order to ease the pressure on industry participants.	
61.		SAIS	No additional Comments	Noted.
62.	Table of Fees	Tennant	2.12, 2.13, 2.14 and 3.17	Refer to response above.
63.		Alexforbes	Table of Fees [Pension Funds Act] Section 2 and Sections 3.17 to 3.23 refer to fees that were not previously charged for by the Authority. The Funds and Participating Employers that no longer have active members or receive contributions and are in the process of termination/ liquidation or whose bank accounts have already been closed have not budgeted for these fees and therefore cannot afford to pay them. Will these funds be exempt from these fees? Eg. A fund that has applied for deregistration may require a further valuation exemption application while waiting for the fund to be deregistered. How will the fund pay for this application? For Active Funds, these additional fees will make running a Fund more expensive and will ultimately impact members of these funds which is in contradiction to the "Customer First" value.	Funds should be aware if there are outstanding statutory returns .e.g. financials, valuations etc. and budget accordingly. Usually in the financials there are provisions for the costs. Note that the increases and the new fees are applied prospectively; there should accordingly be sufficient time for budgeting or provisioning at fund level. Furthermore persons may apply to be exempted from the payment of a fee for sound reasons in terms of section 245 of the Financial Sector Regulation Act.
64.		LPIIF	As in the comment above, the regulator seems to be seeking avenues to increase revenue without due consideration to the current cost of compliance, in particular for a small insurer.	Please see response above.
65.		A2X Markets	From a principle perspective, it seems to be counter intuitive to 1) regulate an industry, 2) charge a levy for the regulation thereof and 3)	The Financial Sector Regulation Act provides for the financial sector bodies to be funded by both fees and levies – see section 237(1) of this Act. It must be further noted that fees comprise only 3% of the FSCA's revenue budget composition. Fees

No.	Paragraph	Commentator	Comment	Response
			impose fee costs for matters incidental to such regulatory oversight. Matters incidental to the regulation of an industry should already be included in the FSCA budget (which in this case includes staff, contractors, and relief staff). A2X is unable to identify a reasonable justification for additional costs which are either integral to or incidental to the regulation of it as an Exchange. It is the responsibility of the FSCA to regulate an industry through the employment of adequate and effective resources to without the continuous introduction of new fees and higher levies year on year. This is particularly relevant in the stressed economic conditions that exist in financial markets specifically and South Africa in general. The international travel budget of R10m which has increased form 28% from the previous budget A2X specifically has concerns with the introduction of the following **new "fees"** which all cover functions and responsibilities which are integral to its role as regulator: **FINANCIAL MARKETS ACT** 1.3 R53000 payable to FSCA for "Application for recognition of foreign jurisdictions in terms of section 6A." 3.7 **R1000 payable to FSCA for** "*Notification* of an appointment of a member of the controlling body of a market infrastructure in terms of section 66(3) (fee payable per appointment)" 3.8 **R1000 payabale to FSCA for** "Application for an amendment to the exchange listing requirements in terms of section 11(6)(b)." 3.9 **R1000 payabale to FSCA for** "Application for amendments to the market infrastructure rules in terms of	are charged in addition to levies for functions, that, although they may be integral to the FSCA's mandate, are not performed on a regular or pre-determined basis. It is well understood that a fee is an amount charged for a specific function (or service) whilst levies are intended to cover regular day-to-day expenses. The fees are payable in advance before any work commences and are modelled around the user-pay principle. (i.e., supervised entities that do not request specific functions will not pay any fee(s)). For this reason a fee is not viewed as a tax and may be imposed through a regulatory instrument and not a money bill, which the Levies Act is. The concern with new fees is noted, but it must be borne in mind that some (and in the case of the Financial Sector Regulation Act, all) of the new fees are in relation to functions under new legislation for which no fee was previously determined. It goes without saying that a fee determination will follow functions prescribed under newly promulgated legislation. The section requiring applications for the recognition of foreign jurisdictions (s6A) referred to in paragraph 1.3 under the Financial Market Act, 2012 were inserted into the Act on 9 February 2018 whilst the Board Notice with Fees under the Financial Markets Act was promulgated in April 2015. The other functions listed under this Act are specific functions for which fees were previously not charged. But reconsidering and aligning the approach across the sectors, fees will be charged going forward because the specific functions are performed for these applications or notification similar to functions performed for which fees were charged historically.

No.	Paragraph	Commentator	Comment	Response
			section 71(3)(a).” **FINANCIAL SECTOR REGULATION ACT** 1. **R53000 payabale to FSCA for** “Application for a licence in terms of section 111(2). “ 2. **R12317 payabale to FSCA for** “Application for approval to become a significant owner of a financial institution in terms of section 158(2). “ 3. **R12317 payabale to FSCA for** “Application to increase or decrease extent of significant ownership in terms of section 158(4)(a). “ 4. **R1000 payabale to FSCA for** “Application in terms of section 173 to remit an administrative penalty. “ 5. **R1000 payabale to FSCA for** “Application in terms of section 245(1) to be exempted from the payment of a fee, or a part of a fee. “ 6. **R1000 payabale to FSCA for** “Application for consent to apply to a company, body, business or undertaking a name or description that “reasonably signifies or implies some connection between the company, body, business or undertaking and the Authority as contemplated in section 275 “ 7. **R641 payabale to FSCA for** “Application for an extension of a period for compliance with, or a period prescribed by, a provision of a financial sector law, “ 8. **R1856 payabale to FSCA for** “Application for an exemption in terms of section 281(1).” **FINANCIAL SECTOR LEVIES ACT** 1. **10% of the Levy Assessment (max R1500) payabale to FSCA for** “Application by a supervised entity to be	

No.	Paragraph	Commentator	Comment	Response
			exempted from the payment of all or a part of the financial sector levy specified in Schedules 2 to 5, or the special levy referred to in section 8(2)(a), in respect of a levy year or a part of a levy year. " FSCA is requested to provide reasons **and** the rationale behind the introduction of these fees. A2X would like to understand the calculation of the above fees as well.	
66.		BASA	BASA notes a R53 000 fee for a licence application in terms of the Financial Sector Regulation Act, 9 of 2017 (FSRA) Section 111(2). Our members would like to understand whether this fee applies to all licence applications at entity licence or if it applies per product and service type under the licence (Section 2 and 3 of the FSRA which refers to designation of products and services in terms of the Regulations products and service will apply in terms of these designated products and services). We have quoted an extract from the FSRA below: Section 111(2): " *A person may not provide, as a business or part of a business, a financial product designated in terms Of section 2, or a financial service designated in terms of section 3, except in accordance with a licence in terms of this Chapter."*	The fee for section 111(2) is applicable for licence applications for a product or a service which has been designated in terms of either section 2(2) or section 3(3) of the Financial Sector Regulation Act. This designation will be for a specific product or service and the fee is payable when an application is made to provide that specific designated product or service.
67.		Sovereign Africa Ratings	The table of fees is clear and the differing proposed fees per function are also understood. We acknowledge the proposed fees increase of 6% throughout the various functions that are highlighted under the CRS Act which are applicable to SAR.	Noted.
68.		SAIA	A long-term analysis would be better to evaluate the merits of the increases.	It is not clear what type of long-term analysis is intended. In terms of the Financial Sector Regulation Act, a financial sector body is required to make estimates of expenditures for the next two financial years.
69.		Phindile Nelisiwe Chili	Due to objectives of FSCA in accordance to their strategy to growth and regulate accordingly, I have no objection as to the 6% increase of all fees as to	Noted.

No.	Paragraph	Commentator	Comment	Response
			Annexure B. The increase has impact of businesses but its well enough to accommodate.	
70.	Table of Fees	Masthead	The comments above in relation to the ongoing economic impacts of COVID-19 and client factors are equally applicable in terms of the fees payable. We urge the regulator to apply the same consideration to these fees and propose that fees for financial services providers are not increased by more than 5% from those set in 2018.	Please see response above.
71.	Table of Fees FAIS Act 1.11 Application for Phase II approval by a compliance officer	Masthead (Pty) Ltd	In terms of the fee under 1.11 Application for Phase II approval by a compliance officer. We note that the proposed fee increases for the approval of compliance officers (individuals) do not propose any changes to the criteria for Phase 2 Approval of a Compliance Practice. We request that the Regulator reconsider this position as we feel that there is a need for new requirements to adapt to how the industry has evolved. Our request relates specifically with regard to the criteria for Phase 2 approval of a Compliance Practice and propose that a new item (item no. 1.12) be inserted on the *'Application of Phase II approval by a Compliance Practice*'. In respect of the functioning and practical aspects of larger Compliance Practices, we propose that provision is made for the Compliance Practice itself to be appointed as compliance officer to render compliance services to a specific financial services provider, as opposed to only an individual compliance officer that acts on behalf of the Compliance Practice. We believe that such a development would negate the need for ongoing profile changes and lead to a more streamlined process both for the FSP, Compliance Practice and the FSCA and reduce the cost and time burden of linking and delinking individuals based on movements within	The overall scheme of the Financial Advisory and Intermediary Services Act 37 of 2002 (section 17 of the Act and applicable Board Notices or Standards) does not currently permit compliance practices to offer compliance services. The comments are noted however and will be considered as part of the broader legislative reform under the Conduct of Financial Institutions Bill.

No.	Paragraph	Commentator	Comment	Response
			the business and/or changing and expanding FSP needs.	
72.		SAIS	The SAIS has acknowledged an overall increase in fees of 6% set by the FSCA along with the addition and introduction of multiple new fees related to various application processes including extensions, exemptions, changes and withdrawals. Despite the general rise in fees, the SAIS deems the rates for these new applications to be fair, indicating that the charges are considered appropriate for the administrative efforts involved in processing these specific requests.	Noted.
73.	3. Payment of Fees	Sovereign Africa Ratings	The prescribed manner of payment is understood and will be applied.	Noted.
74.		Phindile Nelisiwe Chili	No opposition comment	Noted.
75.		SAIS	No further Comment	Noted.
76.	4. Short title and commencement	Sovereign Africa Ratings	It is understood that the Determination of Fees, 2024 will commence on its publication date or on a date determined by the Authority.	Noted.
77.		Phindile Nelisiwe Chili	No opposition comment	Noted.
78.		SAIS	No further Comment	Noted.

SECTION C - GENERAL COMMENTS

No.	Issue	Commentator	Comment/input	Response
1. FORMAT OF EXPLANATION OF PROPOSALS AND BUDGET, ESTIMATES OF EXPENDITURE AND LEVIES AND FEE PROPOSALS				
79.	Do you find the format of the Explanation of Proposals and Budget, estimates of expenditure and Levies and Fee Proposals user friendly and simple to understand? If no, please provide suggestions for improvement.	Sovereign Africa Ratings	I found the format to be user friendly and the language used was simple enough to provide a clear understanding of what the document entailed. I appreciated the structure and "interpretation" sections that were included as these two elements further improved the readability of the document.	Noted.
80.		Phindile Nelisiwe Chili	The format of explanation of Proposals and Budget estimations is fairly easy to understand and gives clear clarity as to the message sent across. I would like to thank FSCA for the amount of work they put to make sure all operations are run smoothly and regulation are friendly.	Noted.
81.		Masthead	Yes, user friendly. Thank you for the effort of including tables and calculations, this makes the process of review easier.	Noted.
82.		SAIS	The format was easily understandable. However, all stakeholders should continue engaging the relevant role players to ensure that the protocols, processes, and desired outcomes are obtained. In finalising the Levy and Fee proposals, a practical view of the impact on all market participants should continually be analysed through a collective collaborative dialogue. This will enable the industry participants, who are practioners, be included in the development of the processes and systems, potentially creating a more transparent environment for the collection of data, in the correct format, which is not tainted and easily accessible, increasing the ease of regulation. There are substantial areas in which the industry can contribute, through	Noted. The FSCA will continue to engage with the financial sector industry in an open and transparent manner.

			their expertise, to the structure for maximum efficiency. The industry can assist the regulator in building a robust and cost-effective regulatory framework that is needed by South Africa. This is especially important given the effects of the global pandemic.	

No.	Issue	Commentator	Comment/input	Response
			2. ANY OTHER GENERAL COMMENTS	
83.	Over charging	Brantam Financial Services	I've read through your documentation, but I wasn't able to establish if multiple charging is still happening or if it's been addressed. For example, assume I have a client who invests R 1 million in a retirement fund (category P,Q or R), there's a levy charged on this retirement fund. However, within the retirement fund, the money is invested in multiple unit trust funds (category T), there's a levy charged on these unit trusts. Lastly, as a Cat 2 institution (category Z), a levy is charged on our assets under management, which is the same asset in the retirement fund and is the same asset in the unit trust. In other words, the clients R 1 million is being levied three times, does this seem fair under the "treating clients fairly"?	It is noted that this comment relates to the levy formula in the Levies Act which cannot be addressed through this process. However for completeness, it is noted that for retirement funds, the levy formula is not based on assets under management but on the number of members among other things.
84.	2.12, 2.13, 2.14 of Fee proposal	Tennant Administration Services	**Section 14 Extensions** With regard to the extra costs for section 14 extensions, we feel that charging for the extensions is unfair to members, in particular, members who DO have their tax affairs in order. For a transfer, the Fund requests tax numbers from the employer and members. Where a transfer includes members who have tax numbers, but who have outstanding tax issues, a tax directive for these members is not received, which causes a delay in the transfer of benefits. It could be that in a transfer of 1000 members, 900 have tax directives, but 100 members have tax problems. Who would be responsible for paying the FSCA fee for an extension? Furthermore, should a Transferor or Transferee Fund delay in providing information and thus delay the application and an extension has to be requested, there would be disagreement	It is understood that the South African Revenue Service has made concessions to assist with a code for members with tax problems and in terms of the new section 13A conduct standard, it is a requirement for employers to share members' tax numbers with funds/administrators. The fund applying for extension is responsible for payment of fees. It is the fund's responsible to hold its administrator to account.

			as to which party would be responsible for paying the FSCA fee. Large administrators often refuse to accept responsibility for their own delays. We often come across issues with delays from other administrators and it can take months to get any response. We even have cases where we have sent extension forms but never receive them back from some administrators. If the FSCA does implement these fees it should come with clear guidelines as to who pays the fees.	
85.	3.17	Tennant Administration Services	**Termination of a Participating Employer** We feel that the termination fee in principal is against the tenets of Treating Customers Fairly and also should be reported to the Competition Commission as it is a dis-incentive for Participating Employers to opt for the best Umbrella Fund for their members. Furthermore, it should be noted that the National Consumer Commission has hit Vodacom with a R1 million fine for charging a 75% cancellation penalty on sim-only contracts. Vodacom refused to cancel the contract unless the 75% penalty was paid. We believe that these fees are similar to those proposed by the FSCA and would also be deemed to be in contravention of the Consumer Protection Act.	A financial institution is a regulated entity and not a customer of the FSCA, a regulator performing statutory functions. This fee is payment for the exercise of a statutorily imposed function as explained under item 47 above and not a penalty for the termination of a contract.
86.	Lack of Services	LPIIF	Various levies and fees are paid for processing of applications, however the turnaround by the regulators is extremely slow to the point that it compromises the efficiencies and costs the business. The LPIIF currently has various applications pending approval since 2022, however payments were made and applications submitted timeously. While those regulated are subject to strict submission timetables, and subject to fines for not achieving those timetables, there are no consequences for the regulator not dealing with relatively simple tasks within reasonable time frames.	The comment is noted, and the commentator will be approached to ascertain further details regarding the mentioned applications. A response will be provided directly to the commentator.
87.		A2X Markets	A2X is in principle opposed to the implementation of additional fees of the nature being proposed. It is counterintuitive that a regulator that imposes substantial regulatory levies (including a special levy) on the industry then also imposes individual fees for attending to the ongoing regulation of statutory obligations that its regulated entities are required to comply with – this is in our view double billing. This is remarkable in the context of the Twin Peaks Model which has introduced a second regulator with a large degree of duplication where the FSCA is no longer responsible for prudential regulation.	The comment is noted. Please see the response in item 65 above. The perceived problems with the Twin Peaks model can unfortunately not be addressed in this process.

88.		A2X Markets	That said, it is the A2X submission that should the FSCA proceed to implement the proposed additional fees, then the service levels of FSCA need to radically improve to reflect the service levels which are reflective of the proposed additional fees.	The comment is noted.
89.		A2X Markets	This proposed implementation of the new fees proposed is particularly insensitive in the context of the stressed economic conditions that currently exist in South African financial markets specifically and South Africa in general where all market participants are cutting back on costs. FSCA should be looking to reduce costs as opposed to increasing fees payable by participants and this is particularly relevant to the international travel budget of R13m for 2023/2024 which has increased form 28% from the previous years budget. We strongly urge the FSCA to take into account the objections of its stakeholders (on whom it relies to fund its operations) to the proposed fees. The South African financial markets are under intense financial pressure and the imposition of further punitive fees by FSCA will have a negative impact on the industry as a whole.	The comment is noted. Please see the response in item 11. It must be noted that the increase in the travel budget is due to the restrictions placed on travel during the Covid pandemic and accordingly less travelling that could take place during that period.
90.		SAIA	There seems to be an error on the line showing the variable portion of the levy for a life insurer. The increase from 0.0025 to 0.0028 is 8%. To be in line with inflation of 6% the increase should be 0.00265.	The variable portion of the levy for a life insurer is increased from 0.0025 to 0.0027 (not 0.0028), which represents an increase of 6%.
91.	Unintended Consequences	SAIS	The SAIS is of the opinion that there should be more engagement and analysis of empirical evidence to determine the friction cost caused by implementing fees and costs. A significant increase in the cost of regulatory oversight could lead to unintended consequences for the South African capital markets. The SAIS is of the strong view that well-regulated financial markets are essential, however, the benefits should be balanced with the cost of the reforms. The SAIS looks forward to a closer and more collaborative working relationship with the FSCA to find optimal solutions for the industry.	Please see response above.
92.	Cost of Dual Regulation	SAIS	It is imperative that due consideration is given to the complex landscape of dual regulation imposed by both the FSCA and the Prudential Authority (PA), alongside SRO's. A critical	Please see response above.

			aspect of this consideration lies in the continual examination of the Fees and Levies that financial institutions are expected to bear across the entire eco system and value chain, which in turn, may have a detrimental impact on business growth and the end investor's financial prospects. The compounding costs of adhering to multiple regulatory frameworks can be overwhelming for financial institutions, hindering their capacity to invest in innovation, expand their services and cater to their clients' evolving needs. In essence, these burgeoning regulatory expenses not only create a burdensome financial environment but also undermine the industry's growth potential. It is paramount that a comprehensive view of the total regulatory costs is taken into account to safeguard the vitality of the financial market. This includes a reassessment of the fee structures and levies imposed by multiple regulatory bodies to ensure they align with the overarching objectives of fostering a robust, competitive, and investor-friendly marketplace. The SAIS would also like to appeal to ALL regulatory authorities to come together in creating an overarching collective blueprint for the way forward. The strategic recognition across regulators seeks to align understanding among all relevant parties with respect to changes in the legislative landscape, which, if not clearly communicated, may lead to unintended consequences and the imposition of unrealistic and unnecessary additional fees. Such alignment is crucial to prevent the financial and administrative burden that can arise from a fragmented or opaque regulatory approach. The goal is to create a regulatory environment where all changes are made with a transparent strategic purpose, understood and anticipated by market participants, to ensure that new legislation supports rather than complicates the financial sector's operation. The intention is that with better insight into the charging system for applications, the likelihood of project duplication, often leading to unnecessary expenses and unintended consequences, will be reduced. This understanding could contribute to a more streamlined and cost-effective approach to compliance and regulation in the financial sector, avoiding the accumulation of costs that lack clear justification and benefit. The SAIS firmly	

			believes that a balanced approach to regulation and cost containment is imperative for sustained business growth and the ultimate benefit of the investing public.	
93.	Downward cost of Fees and Levies and overall market conditions.	SAIS	The SAIS is of the view that there is a prevailing and deep-rooted anxiety surrounding the current state of our financial markets. The industry, it seems, is caught in the grip of a perfect storm. The SAIS is of the opinion that industry must come together, as a cohesive unit and introspectively assess the challenges that the financial markets face from various quarters. The South African Institute of Stockbrokers (SAIS) is expressing concern with respect to the potential consequences of rising fees throughout the financial industry. This trend touches all aspects of the market, including regulatory bodies, exchanges, clearinghouses, financial market infrastructures (FMIs) and service providers. Despite fee hikes corresponding with inflation rates, the SAIS expresses concern about the capacity of its members to withstand these increases, highlighting the shrinkage in the country's retail savings, asset managers' assets under management and the stress of falling product and commission rates. The higher costs are inevitably passed to investors, which undermines the attractiveness of South Africa's equity and bond markets. The reduced market appeal is reflected in the lowered trading volumes, indicating a declining interest in stock market investment and an overall diminishing investment pool. Decreased trading activity not only leads to volatility in stock prices but also presents challenges in maintaining and attracting new listings, critical for economic growth. The situation is stark, with capital outflows from both foreign and domestic investors, declining trade volumes, and adverse liquidity trends. These are exacerbated by a variety of factors including geopolitical instability, fewer new listings and more delisting's, the FATF greylisting, FIC, CIPC and regulatory changes such as Regulation 28, the two-pot system, employment equity laws, amendments to the Company Act and General Laws Amendments Act. Such changes bring	

			unforeseen consequences that threaten the stability and future of South Africa's financial markets. The SAIS points to the necessity of unified industry action to address these widespread challenges. There is a call for introspection and a collective strategic response that moves away from short-term, siloed survival tactics to foster innovation, collaboration and a focus on the long-term health of South Africa's financial ecosystem. The institute underscores the urgency for all market participants to engage in this dialogue, as the ongoing trends raise significant concerns for the enduring strength and viability of the country's financial market.	
94.		S&P Global Ratings	No, additional detail should be provided in our view. The FSCA provides the total amount of budgeted levies accompanied by the percentages that each of the largest regulated sectors represents. For smaller sectors such as CRAs, however, no budgeted percentages or amounts are provided. Act 11 of 2022 does not set a maximum amount of levies for CRAs. Regulated CRAs therefore currently have no means of knowing how their invoiced levies relate to the total amount of levies budgeted for the CRA sector. By comparison, the European Securities and Markets Authority which is the supervisor of S&P Global Ratings Europe (the Ireland-based parent of the South Africa branch), publishes the amount of supervisory levies for each regulated sector in their budget and actual accounts. In previous years, the FSCA published the total amounts of levies imposed on CRAs (see for example the 'General Notice 1258 of 2022 on Levies for Financial Institutions' and 'General Notice 465 of 2021 on Levies for Financial Institutions' – which were published before the commencement of Act 11 of 2022 when a different CRA Levies Formula was in effect). Therefore, we respectfully request that the FSCA publishes each year, in the interest of transparency, the budgeted amounts of levies for CRAs.	Agreed. Please see revised figure 2 under paragraph 3.4 of Annexure A. The total amount for CRAs was previously included under "Exchanges and others" but are now shown separately.