

PUBLIC NOTICE

**NON - BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY
(DRAFT ANNUAL ESTIMATE AND SUPERVISORY LEVIES FEES PROPOSAL 2018/19)**

CALL FOR SUBMISSION OF COMMENTS

The *Non-Bank Financial Institutions Regulatory Authority (NBFIRA)* wish to inform non-bank financial Institutions and the public in general to submit comments on the draft annual estimates and proposed supervisory levies for the Financial Year ending 31st March 2019.

The draft annual estimates and proposed supervisory levies for the financial year ending 31st March 2019 can be found on www.nbfira.org.bw

All submissions and comments should be submitted to ppheko@nbfira.org.bw, msegage@nbfira.org.bw and wbungile@nbfira.org.bw not later than **31st December 2017**.

Whilst the revised Budget Estimates are being presented now, the proposed increases in Supervisory Levies for the financial years 2017/18, 2018/19, and 2019/20 had already previously been discussed with the industry in the financial year 2016/17.

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A. EXECUTIVE SUMMARY

The Authority hereby submits the draft 2018/19 Annual Estimates and the proposed 2018 Supervisory Levies, in accordance with the section 23 (4) of the NBFIRA Act. The financial year 2018/19 marks eleven (11) years of existence by **the Authority**. Previously **the Authority** was funded by Government in full. With the introduction of the Supervisory Levies in 2012 this broadened the funding base, resulting in a dual funding model. For the financial year 2017/18, the funding ratio reflects that Supervisory Levies account for 72% of **the Authority's** funding while Government Subvention accounts for 28%. Through the Financial Sustainability Strategy, a gradual decline on the reliance on Government funding is expected, which will ultimately result in financial independence of **the Authority**.

In line with Section 23 (3) of the NBFIRA Act, the Regulatory Authority has to publish the draft annual estimates and the proposed supervisory levies for the following financial year, and has to call for submissions on the draft annual estimates.

The Authority carried out consultations with the industry during the year ended 31st March 2017. The consultations were for a three (3) year period covering the financial years 2017/18, 2018/19 and 2019/20. The three (3) year time horizon was meant to allow the **Authority** and the Non-Bank Financial Institutions (NBFIs) sufficient time to make alignments to their various strategies.

B. 2018/2019 BUDGET ESTIMATES

The Authority is pleased to present the 2018/2019 Budget Estimates. Total Operating Expenditure Budget is estimated at **P71.1 million (2017/18: P66.1 million)**, while Total Income is **P70.8 million (2017/18: P66.9 million)**, resulting in a Deficit Budget of **P0.2 million (2017/18: Surplus P0.6 million)**. The proposed income estimates for the financial year 2018/19 is expected to increase by **P4 million** or 6%, while the expenditure estimates is expected to increase by **P5 million** or 8%.

The Total Budget estimates for **2018/19 for NBFIRA** is **P73.8 million**, represented by:

- Recurrent Budget: **P71.1.8 million;**
- Capital Budget: **P0.35 million** and
- Statutory Reserve **P2.4 Million**

Total Income is estimated at **P70.8 million**, which is represented by:

- Supervisory Levies: **P52.8 million;**
- Government Subvention: **P16.8 million;**
- Other Income: **P1.2 million;**

Below is the analysis of **the Authority's** significant estimated expenditure;

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ANNUAL ESTIMATES ANALYSIS 2018/19:

1. STAFF COSTS [P49.5 million]:

The current strength is ninety-one (91), excluding the Graduate and BICA Internship Program of which two (2) members have been recruited, while as per the approved structure there are ninety-four (94) positions. Thus the *the Authority* currently has three (3) vacant positions which are expected to be filled in the financial year 2017/18.

A full staff complement is needed to be able to effectively roll out the 2016-2021 NBFIRA Strategic Plan, whose focal pillar is to **create a safe, fair, stable and efficient NBF sector**.

2. RENTAL OFFICE [P3.5 million]:

The rental charge for the financial year 2018/19 is expected to be P3.5 million, compared to P3.4 million in the financial year 2016/17, an increase of P0.1 million, which is in line with the lease agreement in place.

3. SOFTWARE LICENSES & MAINTENANCE [P3.4 million]

The total Software License and Maintenance costs for supporting the Integrated Management Information Systems, being the Risk Based Supervision System and Oracle is P3.5 million for the financial year 2018/19. Whereas there were teething problems experienced, the systems have largely resulted in improved efficiencies as the automation has provided a platform for processing large volume of data within a relatively short timeframe.

4. TRAINING COSTS [P2.1 million]:

A number of staff development and training initiatives are planned so as to allow staff to gain the necessary exposure and acquire the much needed regulatory skills. Furthermore, with the growth in staff, training initiatives are considered key in nurturing the requisite skills to allow *the Authority* to regulate effectively and efficiently.

5. TRAVEL COSTS [P1.8 million]:

NBFIRA is an integral part of some renowned Supervisory and Regulatory organisations both within the region and internationally. Such organisations include, but are not limited to, the following:

- Committee of Insurance, Securities and Non-Banking Regulators (CISNA);
- International Organisation of Pension Supervisors (IOPS);
- International Organization of Securities Commissions (IOSCO);
- International Association of Insurance Supervisors (IAIS); and

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- Eastern & Southern Africa Anti-Money Laundering Group (ESAAMLG).

Botswana through NBFIRA continues to contribute significantly in determining standards for the future. Staff members have to travel regionally and internationally to attend various conferences, summits, and other similar gatherings so as to benchmark with other leading regulatory bodies in other jurisdictions in order to equip them with the vital skills required for them to carry out their roles. This budget request will allow the staff and the board members to attend the much needed training in various disciplines.

6. CONSULTING FEES [P1.7 million]:

Consulting fees have been budgeted for at P1.7 million in financial year 2018/19. Through the consulting budget *the Authority* will be able to:

- Improve Business Processes;
- Develop policies on internet trading;
- Implement Human Resource related consultancies; and
- Enhance capacity on supervising and regulating the retirement fund administrator sector.

7. CAPITAL EXPENDITURE [P0.35 million]:

The Authority has budgeted for the P350,000.00 for capital expenditure during the year. This relates to the replacement and acquisition of computer equipment for the financial year 2018/19.

8. NBFIRA STATUTORY RESERVE:

Section 23 (2) of the NBFIRA Act states thus:

“An annual estimate of the Regulatory Authority’s expenditure for a financial year shall include provision for a reserve of not more than 10% of the total expenditure provided in the estimate.”

In line with the requirement of the Act, the total estimate expenditure for the year is **P71.1 million**, currently the Statutory Reserve amounts to **P3.6 million**, which is in compliance to the NBFIRA Act. This has been assessed as insufficient for the operations of *the Authority*. *The Authority* has provided for a Statutory Reserve top of **P2.4 million** in the annual estimates. The reserves are meant to safeguard *the Authority* against any unforeseen critical expenditure that may arise during the year and any going concern matters which may arise. Refer to **Annexure 1** for the 2017/18 Budget Estimates.

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C. 2018 SUPERVISORY LEVIES PROPOSAL

Refer to attached **Annexure 2**.

ANNEXURE 1

NON-BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY

TWO-YEAR BUDGET PROPOSAL 2017/2018 AND 2018/2019

No.	DETAILS	BUDGET	BUDGET
		2018/2019	2017/2018
		BWP	BWP
	Income		
1	Supervisory Levies	52,800,816	48,889,645
2	Government Subvention - Recurrent	16,807,700	16,807,700
3	Other Income	1,226,597	1,168,188
4	Total Income	70,835,114	66,865,533
	Operating Expenditure		
5	Consulting Fees	1,787,927	1,702,788
6	Directors' Cost	667,373	667,373
7	Internet Leased Lines	628,429	571,299
8	Insurance	629,540	617,197
9	Printing & Stationery	675,678	662,429
10	Public Relations & Promotions	846,041	846,041
11	Rental Office	4,006,187	3,516,156
12	Software Licenses & Maintenance	3,382,023	3,220,974
13	Staff Salaries & Allowances	49,467,066	46,667,044
14	Subscriptions	886,862	844,630
15	Training	2,101,545	2,001,471
16	Travel	1,806,029	1,720,027
17	Other	4,190,172	4,004,302
18	Total Operating Expenditure	71,074,872	66,091,984
19	Budget (Deficit)/Surplus	(239,758)	773,549
	Capital Expenditure		
21	Computer Equipment	350,000	494,810
22	Total Capital Expenditure	350,000	494,810
23	Total Operating & Capital Expenditure	71,424,872	66,586,793
24	Statutory Reserve Top Up	2,375,000	-
25	Total Expenditure and Statutory Reserve	73,799,872	66,586,793

Annexure 2

DRAFT SUPERVISORY LEVIES FEES PROPOSAL

FOR FINANCIAL YEAR 2018

First Column	Second Column
<i>Non-Bank Financial institution</i>	<i>Supervisory Levies</i>
1.Asset Managers (excluding International Financial services Centre Asset Managers)	P30,320 and 0.019% per annum of the total values of investments managed by an Asset Manager at the end of each month of the financial year.
2.Central Securities Depositories	P181,910
3.Securities Exchanges	P181,910
4.Custodians of Collective Investment undertakings	P60,640
5.Insurance Brokers	P12, 130 and 0.1450% of the gross commissions received as reported in their most recently audited financial statements.
6.Insurance Companies	P60, 640 and 0.1450% of the gross premiums written, as reported in their most recently audited financial statements.
7.Corporate Insurance Agents	P6,060
8.International Financial Services Centre companies	P33,350
9.Management Companies of Collective Investment Undertaking	P30, 320 and 0.0190% per annum of the total value of the Assets controlled by a management company in respect of each scheme at the end of each month of the financial year.

10. Micro lenders	
10.a. Average loan book values above P1,000,000	0.580% per annum of a micro lender's total loan book at the end of each month of the

	financial year
10.b. Average loan book values up to P1,000,000	P5,800 per annum
11. Retirement Funds	P240 and P16.00 in respect of each Member, at the end of the financial year.
12. Trustees of Collective Investment Undertakings	P60,640
13. Central Counter Party	P181,910
14. Securities Brokers/Dealers	P55,125
15. Transfer Agents/Transfer Secretaries	P55,125 and P3,310 per counter
16. Participant/ Market Maker	P27,565
17. Retirement Funds Administrator	P6,065 and P550 per fund.
18. Medical Aid Funds	P6,060 and P16.00 in respect of each member, at the end of the financial year.
19. Finance & Leasing Companies	
19.a. Average loan book values above P1,000,000	0.580% per annum of a finance & leasing company's total loan book at the end of each month of the financial year
19.b. Average loan book values up to P1,000,000	P5,800 per annum
20. Pawnshops	
20.a. Average loan book values above P1,000,000	0.580% per annum of a pawnshop's total loan book at the end of each month of the financial year
20.b. Average loan book values up to P1,000,000	P5,800 per annum
21. Investment Advisors	P6,825 per annum