

ABOUT NBFIRA

The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) was established as an independent regulatory agency for the non-bank financial institutions in April 2008. As outlined in section 4 of the NBFIRA ACT, the principal objective on NBFIRA is to regulate and supervise the non-bank financial institutions so as to foster the:

- a. Safety and soundness of non-bank financial institutions
- b. Highest standard of conduct of business by non-bank financial institutions
- c. Fairness, efficiency and orderliness of the non-bank financial sector
- d. Stability of the financial system
- e. Reduction and deterrence of financial crime.

VISION

To be an efficient and effective regulatory and supervisory Authority in line with International best practices.

MISSION

To regulate and supervise Non-Bank Financial Institutions for the purpose of contributing towards financial stability.

VALUES

- **Integrity** - we adhere to the highest ethical standards
- **Transparency** - we are open and frank in our operations
- **Fairness** - we consistently promote equal treatment in dealings with all stakeholders
- **Accountability** - we are responsible to our stakeholders
- **Diligence** - we are thorough and persistent in the execution of our duties

NBFIRA comprises of five (5) directorates being:

- Corporate Services Directorate
- Capital Markets Directorate
- Insurance Directorate
- Retirement Funds Directorate
- Lending Activities Directorate

Regulatory and Supervisory functions include activities such as licensing, Off-site monitoring, on-site inspections, enforcements and consumer complaints handling.

NBFIRA

Non-Bank Financial
Institutions Regulatory
Authority

INTRODUCTION

The Capital Market department is responsible for the regulation and supervision of securities businesses, collective investment undertakings and global businesses commonly known as International Financial Services Centre (IFSC) accredited company under the following Acts: the Securities Act (2014), Collective Investment Undertakings (CIU) Act Cap 56:09, Part VIII of the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) Act No. 3 of 2016 and Part XVI of the Income Tax Act.

The Authority is empowered under the above mentioned Acts to supervise and regulate the following sectors;

- i. Securities infrastructure businesses which comprise of a securities exchange, a central securities depository, a central counterparty and a clearance and settlement system other than the central securities depository. Currently there are only two (2) SIBs being supervised, i.e. the Botswana Stock Exchange and the Central Securities Depository Botswana.
- ii. Securities institutions which comprise of all the securities market intermediaries such as the transfer agent/ or transfer secretary, participant in a central securities depository of Botswana, a market maker, a securities broker/Dealer: four (4), an investment advisor: thirteen (13) and an asset manager: twelve (12)
- iii. collective investment undertakings (CIUs), management companies for CIUs: six (6), externally licensed CIU funds, trustees for CIUs: three (3), CIU custodians: three (3), private equity managers: two (2), investment companies with variable capital: two (2)
- iv. Global businesses (IFSC accredited entities): six (6).

LENDING ACTIVITIES

The directorate of lending activities at NBFIRA is charged with the implementation of provisions of the micro lending Regulations 2012 and the NBFIRA Act 2006 defined as Financial Services Law under NBFIRA.

“A micro lender”

means a person who advances loans to persons, where the loans do not exceed the prescribed amount, but does not include a person licensed in terms of the Banking Act or the Building Societies Act;

Be advised:

- In a cash loan transaction, the borrower has the right to information pertaining to their loan(s) ie;
 - The principal amount
 - The total amount payable over repayment period
 - The total cost of credit
 - The repayment period
 - The number of instalments and the amount of cash instalment
 - Total monthly cost of credit rate
 - Type of interest (fixed or variable)
 - Nature and amount of insurance
- A loan is not a source of income, but a debt. Do not rely on cash loans/pawn shops for a living or as a way of supplementing your income. Avoid borrowing money to pay other debts and buy food and/or other necessities.
- Make informed decisions by shopping around and compare the interest rates as well as the terms and conditions provided by Micro Lenders.
- Signing of any financial contract is legally binding. If you cannot read, seek assistance. Ignorance is no excuse. NBFIRA advises that customers abide by existing contracts that are financial.

In accordance with section 14(1) of NBFIRA Micro Lending Regulations, 2012: it is violation for any Micro Lender to:

- a. require disclosure of the borrowers personal identification number (PIN) used for a bank card:
and or
- b. take possession of a borrower's bankcard, national identity card (Omang) or any other official document.

NBFIRA hereby gives formal notice that all micro lenders immediately cease and desist from this practice and return any such above mentioned cards and documents they may be holding to their owners.

***Any continued retention of these documents or contravention of this section of the regulations shall attract civil penalties as prescribed in the NBFIRA Act.**

RETIREMENT FUNDS

The Pension fund industry is regulated and supervised in terms of the new NBFIRA Act (2016) and the new Retirement Funds Act (2014) and its Regulations. In terms of the above Acts, all Retirement Funds must be licensed by NBFIRA and must comply with the provisions of these Acts.

Frequently Asked Questions

What is an umbrella fund?

Umbrella funds are used by small employers to provide for retirement for their Staff. Umbrella funds facilitate cost savings, pooled investments and avail the services of independent professional trustees to small sized funds.

What is Pension or Provident Fund?

A pension or provident fund is a fund that provides an income for a member on retirement or an income to dependents if the member dies.

What is the difference between a Pension or Provident Fund?

Under a pension fund the member is entitled to receive up to a third of the benefits as a lump sum at retirement and the remaining balance is paid out as monthly pension over the member's lifetime. A Provident Fund pays out the benefit as a lump sum at retirement.

What is a defined benefit Pension Fund?

Under a defined benefit fund, the benefit at retirement is based on member's salary and years of service.

What is a defined Contribution Fund?

The contributions by the member and employer are defined in the rules of the fund and benefit at retirement is based on the accumulated contributions and investment earnings. There are no guarantees on the amount members can expect on retirement.

Who is a dependent?

Dependents are usually spouses or children of the member. However if one can prove that they were financially dependent on the deceased for everyday necessities, they may qualify as dependents.

What other benefits can members claim from a Pension or Provident Fund?

Individual members or dependents can claim certain kinds of benefits like disability, retrenchment, death and maintenance benefits.

Do government employees have their own Pension Fund?

Yes the Botswana Public Officers Pension Fund (BPOPF) was set up to provide pension benefits for government employees. Currently the fund is self-administered, which means it carries the function of fund administration in-house.

Who contributes to a Pension or Provident Fund?

Both the employer and employee may contribute to a fund. Usually, the employee and employer both contribute a percentage of the employee's salary.

Who manages the contribution to a fund?

Employers usually appoint a Fund Administrator to administer the Pension or Provident Fund. A Board of trustees, appointed in terms of the Fund rules and the Acts consisting of representatives of both employee and the employer, oversee the management of the fund.

Who are fund administrators?

Fund administrators are employed by Pension Fund Trustees to handle day to day operations of the fund. These include record keeping, contribution collection and benefit payments.

INSURANCE

The Directorate of Insurance at NBFIRA is charged with ensuring compliance with the provisions of the Insurance Industry Act and the International Insurance Act defined as part of the Financial Services Law under NBFIRA Act of 2016.

Insurance can be described as an agreement between a policyholder and an insurance company (insurer) in which an insurer undertakes to provide indemnity or compensation against a specified loss, damage, illness or death upon payment of premiums by the policyholder.

Short term insurance (also called general or non-life insurance) includes policies where the insured is entitled to be compensated by the insurer for the loss and or damage to assets of the insured or insured property caused by the event against which the policy holder is insured for. Long-term insurance (also called life insurance) includes life and assistance policies that pay a benefit to dependents in the event of death of the insured person, endowment (savings) policies payable at a determined date, disability policies, pensions and retirement policies, or even a combination of the policies.

In terms of the Insurance Industry Act, the International Insurance Act and the NBFIRA Act, all insurance companies, brokers and corporate agents must be duly incorporated in accordance with the Companies Act to be considered for licensing under these Acts.

MARKET COMPOSITION

Members of the insurance industry include - Reinsurers, Insurers, Brokers, Corporate Agents and Sub- Agents, Insurance Surveyor, Risk Manager, Loss Assessor, Loss Adjuster, Claims Settlement Agent, and also included medical aid schemes. However the only ones currently being regulated by NBFIRA are: Reinsurers, Insurers, Brokers, Corporate Agents and Sub-Agents, and the rest will be brought on board as and when their legislative frameworks are developed.

NBFIRA regulates and monitors different licensed insurance entities. In accordance with Section 42 of the NBFIRA Act, no person is allowed to carry out the business of insurance unless is licensed with the Authority. Table I.1 depicts the number of licensees as at 31st March 2013.

Members of the public are reminded to read and understand their policies before they sign.



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