

Appendix One:
**World Bank Template to Assess
Policy and Performance in the Financial Services:
Response from the Banking Industry**

Note: All information given for the latest year available (1999). Currency: South African Rand.

A. Market Access

Commercial presence

1. Are there policy restrictions on new entry of banks?				
Entry by any bank	If yes, total number of banks allowed	Entry by foreign banks	If yes, total number of foreign banks allowed	
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		
2. If entry is restricted, what are the reasons provided by the government? Not applicable				
<input type="checkbox"/> To give state-owned or national banks time to prepare for competition <input type="checkbox"/> To increase government revenue from privatization or license fees <input type="checkbox"/> Exclusive rights to allow the provision of universal service <input type="checkbox"/> To reduce potential systemic risk believed to arise from over-banking <input type="checkbox"/> Inadequate regulatory and supervisory capacity <input type="checkbox"/> No perceived economic need for new banks <input type="checkbox"/> Other: _____				
3. Which of the following legal forms of establishment are allowed for foreign banks?				
<input checked="" type="checkbox"/> Subsidiaries <input checked="" type="checkbox"/> Branches <input checked="" type="checkbox"/> Representative Office <input checked="" type="checkbox"/> All				
4. Are there restrictions on the number of foreign bank branches? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes				
If yes, what is the maximum number of foreign bank branches permitted? _____				
5. Are there restrictions on the number of foreign bank ATMs? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes				
If yes, what is the maximum number of foreign bank ATMs permitted? _____				
6. Are foreign banks allowed to raise capital domestically? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes				
7. Which of the following services are commercial banks permitted to provide domestically?				
	Domestic banks		Foreign banks	
Real estate lending	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Insurance services	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Securities services	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Foreign currency lending	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Foreign exchange services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	

Credit card services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Leasing services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Other (specify) _____	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes

Cross-border banking trade

<p>8. Are the following allowed to borrow cross-border from foreign banks? Not applicable – Exchange control issue Domestic banks <input type="checkbox"/> No <input type="checkbox"/> Yes Domestic corporations <input type="checkbox"/> No <input type="checkbox"/> Yes Domestic households <input type="checkbox"/> No <input type="checkbox"/> Yes</p> <p>If applicable, please specify borrowing limits: _____</p>
<p>9. Are the following allowed to make cross-border deposits with foreign banks? Not applicable – Exchange control issue Domestic banks <input type="checkbox"/> No <input type="checkbox"/> Yes Domestic corporations <input type="checkbox"/> No <input type="checkbox"/> Yes Domestic households <input type="checkbox"/> No <input type="checkbox"/> Yes</p> <p>If applicable, please specify deposit limits: _____</p>
<p>10. Are the following banks permitted to hold equity in non-financial firms? Not applicable – Exchange control issue Domestic banks <input type="checkbox"/> No <input type="checkbox"/> Yes Foreign banks <input type="checkbox"/> No <input type="checkbox"/> Yes</p>

B. Ownership

11. Is private ownership in the provision of services allowed?			
Existing banks	Maximum private equity permitted (%)	New banks	Maximum private equity permitted (%)
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	25% Threshold after which Ministerial approval required	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	25% Threshold after which Ministerial approval required
12. Is foreign ownership in the provision of services allowed?			
Existing banks	Maximum foreign equity permitted (%)	New entrants	Maximum foreign equity permitted (%)
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	None	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	None

C. Market Structure

13. Please list the characteristics of the 6 largest banks in the market for deposits: (As at December 2000)

Name of bank	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Market share in total deposits (%)
ABSA	1991	89%	11%	23.02%
Standard	1964	100%		18.1%
FirstRand	1998	100%		16.04%
NEDCOR	1966	100%		14.1%
BoE	1998	Owned by BoE Ltd. listed in 1987. Minority Shareholding		7.8%
Investec	1969	100%		5.98%

14. Please list the characteristics of the 6 largest banks in the market for loans:

Name of bank	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Market share in total deposits (%)
ABSA	1991	89%	11%	19.77%
Standard	1964	100%		18.9%
FirstRand	1998	100%		17.8%
NEDCOR	1966	100%		13.5%
BoE	1998	Owned by BoE Ltd. listed in 1987. Minority Shareholding		7.5%
Investec	1969	100%		5.18%

15. Please provide the following information on the actual number of banks:

Number of fully state-owned banks: 0
 Number of privatized banks: SA has never had State owned Banks
 Number of fully domestically owned¹ private banks: 34
 Number of foreign minority-owned² banks: 0
 Number of foreign majority-owned³ banks: 9

D. Regulation

16. Characteristics of regulator:

Name of regulator	Bank Supervision Department
Year of establishment	1985
% of Regulator's finances from:	
License and other fees	11%
Budgetary allocation	R34m (89%)

¹ Banks that are not state owned where the paid-up share capital is entirely held by domestic residents.

² Banks where foreigners hold under 50% of the paid-up share capital of the bank.

³ Banks where 50% or more of the paid-up share capital of the bank is held by foreigners.

Other (specify)	
Is the regulator independent of the ministry of finance/economy?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Number of professional regulatory and supervisory staff	94
<p>17. How are banking licenses allocated?</p> <p>a) If the number of providers is not restricted by policy, specify the main conditions new entrants must fulfill.</p> <ul style="list-style-type: none"> ✓ Payment of license fee <ul style="list-style-type: none"> • To establish a bank R 10260 • To establish a branch R 10260 • To establish a controlling company R10260 ✓ Presentation of detailed business plan. ✓ Other: <ul style="list-style-type: none"> • Minimum capital requirement R250m or 8% of risk weighted assets • Executives to adhere to fit and proper test and be sufficiently experienced • Establishment must be in public interest • Business should be conducted through a public company • Must be able to establish business successfully <p>b) If the number of providers is limited by policy, through what mechanism are licenses allocated?</p> <p>Not applicable</p> <ul style="list-style-type: none"> <input type="checkbox"/> First come, first served basis <input type="checkbox"/> Competitive bidding <input type="checkbox"/> Discretionary decision by the licensing authority <input type="checkbox"/> Other: _____ <p>c) Are foreign banks subject to different licensing requirements from domestic banks ?</p> <p>✓ No <input type="checkbox"/> Yes</p> <p>If yes, please specify what additional requirements have to be met by foreign banks.</p> <p>d) Are separate licenses required to establish branches in each state/province?</p> <p>✓ No <input type="checkbox"/> Yes</p>	

18. Please provide information on the following indicators of prudential regulation for the latest year available.

Category	Capital adequacy requirement	Loan classification requirement	Liquidity ratio	Single exposure limit (?)	Foreign exchange risk exposure limit	Required to join deposit insurance scheme?	Lender of last resort facility available?	Required frequency of publication of financial statements
State owned banks	N/A							
Nationally owned banks	8% (possibility of being increased to 10%)	As per provisioning matrix	5%	-Reporting limit of 10% and 25% -After 25% capital are impaired	10%	Yes	Yes	Annually
Foreign owned:								
Branches	8% (possibility of being increased to 10%)	As per provisioning matrix	5%	-Reporting limit of 10% and 25% -After 25% capital are impaired	10%	No ¹	No	Annually
Subsidiaries	8% (possibility of being increased to 10%)	As per provisioning matrix	5%	-Reporting limit of 10% and 25% -After 25% capital are impaired	10%	Yes	Yes	Annually

19. Is home country supervision of foreign banks recognized? No Yes

If yes, please list the countries whose bank supervisory systems are recognized.

The Bank Supervision department recognises and applies home and host supervisory principles on a daily basis in the process of supervising banks in its jurisdiction. However, there is no list of those countries that are recognised or not. As and when the department receives applications from foreign banks to establish a presence in SA, it enters into discussion with the regulator from that particular country. Based on the outcome of those discussions and the information exchange, the department will, or will not, authorise the particular bank in SA. That should also indicate if the SA regulator does not “accept” a jurisdiction as an “acceptable” home supervisor.

E. Regional Integration Agreements in Banking Services

20. Please indicate if there are any preferential arrangements affecting banking services, and list the preferential⁴ measures.

Name of Agreement	Partner country(s) in agreement	Date into force	Preferential measures
SADC Banking Association	All 14 SADC Countries except Tanzania, DRC, and Seychelles	July 1998	None yet. The association is mainly a mechanism to address common interests in a structured way. However, among other factors that motivated the formation of the association are the following: -A need exists for banks in the region to handle transactions effectively between member states -Banks in the region need to support each other in the maintenance of the BIS standards -Banks need to feed of the strategies implemented by other SADC banks in dealing with forces of globalisation internationally and with the forces of transformation domestically. -Training needs for the respective banking industries in SADC are fairly similar and could be addressed through a banking association.
SADC Finance and Investment Protocol	The protocol is still being developed. ⁱⁱ	Has not yet entered into force	The SADC Ministers of Finance and/or Investment have approved a Principles Framework document, which would form the basis of the protocol.

⁴ Please specify how the treatment of banks of member countries of the agreement differs from the treatment of banks of non-member countries.

F. Past and Future Changes in Policy

21. Please indicate major changes in market access policies, ownership rules, and regulation since 1985 (e.g., privatization of state-owned banks, introduction of competition, entry of foreign banks, creation of an independent regulatory agency).

Area of policy change	Year	Description of policy change
Rewrite Banks Act	1990	Risk-based approach to regulation and supervision adopted
Entry of foreign banks	1994	An amendment to the Banks Act allowed foreign banks to establish branches
Banks Act Amendment Bill	2000	<p>Amplifies and improves certain provisions of the Banks Act, 1990. Some aspects of the Amendment are;</p> <ul style="list-style-type: none"> -Inserting in the principal Act definitions of certain new expressions and to amend certain of the existing definitions -Provide for the designation by the Reserve Bank of more than one Deputy Registrar of Banks, but not exceeding four, from among its officers -Provide for the confidential treatment of the report drawn up in consequence of the conducting of a due diligence audit of the financial condition of a bank -Substitute a process of review for the existing process of appeal against decisions of the Registrar of Banks -Empower the Registrar of Banks to authorise a banking institution to use or refer to itself by a name other than the one under which it is registered -Further consolidate principles of good corporate governance with regard to the membership of the audit committee of a bank -Abolish judicial management of a bank that is in financial difficulties and, instead thereof, to render the process of curatorship of such a bank more comprehensive -Increase the minimum capital and unimpaired reserve funds required to be maintained by a bank and to provide for additional capital and reserve funds to be maintained by banks in respect of their trading in financial instruments -Provide for the maintenance of an aggregate of minimum capital and reserve funds in respect of banking group -Allow banks greater flexibility in the utilisation of their liquid assets -Introduce further safeguards in respect of large exposures constituting credit risks to banking institutions -Create, and prescribe penalties for, certain further offences
Amended regulations	2000	-Banks' trading and banking activities are distinguished clearly

relating to banks		<ul style="list-style-type: none"> -Reporting of consolidated information on group capital adequacy, group large exposures, intra-group exposures and group currency risk -Full compliance with the Core Principles for Effective Banking Supervision relating to large exposures -Introduction of provisioning matrix in respect of credit risk -Enhancement of corporate governance in banks -Improved public disclosure to strengthen the ability of market participants to encourage safe and sound banking practices -Net effective open position in foreign currency, expressed as a percentage of qualifying capital and reserves, reduced to 10 percent -Further reporting requirements for external auditors to provide various levels of assurance -Separate reporting of derivative instruments -Amended time intervals at which banks have to submit risk-based returns -Prudential requirements to be based on average daily balances and not month-end positions
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22. Please indicate announced or anticipated changes in the same, or other areas.

Area of policy change	Year	Description of policy change
Competition Amendment	2 nd 2001	<ul style="list-style-type: none"> -It deals with the issue of concurrent jurisdiction, which had created a degree of legislative uncertainty during the recent take-over battle between Stanbic and Nedcor -Specific provision has now been made for the banking sector to fall under the ambit and jurisdiction of the Competition Commission, but to allow the finance minister to exclude certain banking mergers in the public interest
SARB Amendment	Act 2001	Empowers the SARB Governor to determine what percentage of banks' holdings of Reserve Bank notes and subsidiary coin may be taken into account for the purposes of calculating the minimum reserve balances required to be maintained by banks in accounts with the Reserve Bank

23. Administered allocation of resources [Not applicable](#)

Category	Controls on deposit rates?	Ceilings on lending rates?	Subject to directed lending?	List of sectors benefiting from directed lending
State owned	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes	

banks				
Private nationally owned banks	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes	
Foreign banks	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes	

G. Employment

24. Main employment indicators

How many people are employed in the banking sector? **124 925**

What share of the total (employed) labor force is employed in this sector? **1.37%**

What share of banking labor force is employed by state-owned banks? **0%**

What share of banking labor force is employed by foreign banks? **0.57%**

If time series data on these employment indicators are available, please attach them separately.

H. Prices and Performance Indicators:

25. Please provide information on the following price indicators for the latest year available. For a comprehensive assessment of banking sector performance, it would be extremely useful to have historical data on these price measures. If time series data are available, please attach them separately (preferably electronically). **Information not available. Investigating other sources**

Category	Average monthly bank charges for a basic checking account	Average monthly ex – post spread ⁵ as a % of bank assets	Non-performing Loans as a % of total bank assets	Ratio of employees to number of checking and loan transactions
Nationally Owned banks			3.5 %	
Foreign owned:				
Branches				
Subsidiaries				

I. Quality and Access to Banking Services

26. Which of the following services have been introduced by foreign banks in the last 10 years?

Credit cards Debit cards Online banking ATM network other (specify)

⁵ The Ex-Post Spread of a bank is defined as the accounting value of the difference of the realized interest revenue and total interest cost of that bank and is also referred to as the Net Interest Margin.

<p>27. Do foreign banks participate in rural lending? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes</p> <p>If yes, what is the share of foreign banks in total rural loans? _____</p>
<p>28. Please indicate if the following banks make education loans to the poor:</p> <p>Domestic banks: <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes Foreign banks: <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes</p>
<p>29. Do spreads between lending and deposit rates differ between large business firms and low-income households? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes</p> <p>If yes, please give sample spreads for a large business firm and a poor household below. Not available Spread for large business: _____ % Spread for low-income household: _____ %</p>
<p>30. Indicate the following:</p> <p>Number of banks per 1000 of the population: 1:1023 Average wait time for loan approval: Not known Average wait time for credit card approval: Not Known No. of bank failures during 1990-2000: 9</p>

Please, provide the name and contact information of the respondent of this questionnaire, or of a specialist from whom we can obtain clarifications if necessary.

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ⁱ It is envisaged that all deposit-taking institutions will be required to join. However, if a branch of a foreign bank taking deposits can prove that its parent belongs to a similar scheme at home, it will not be required to join.

ⁱⁱ The protocol will need to be ratified by all 14 SADC countries.

Appendix Two :
**World Bank Template to Assess
Policy and Performance in the Financial Services:
Response from the Insurance Industry**

Note: All information given for the latest year available (1999). Currency: South African Rand.

A. Market Access

Commercial presence

1. Are there policy restrictions on new entry of insurance providers in the following segments?				
	Entry by any insurance providers	If yes, total number of firms allowed	Entry by foreign insurance providers	If yes, total number of foreign firms allowed
Direct life insurance	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Direct non-life insurance	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Re-insurance	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
2. If entry is restricted, what are the reasons provided by the government? Not applicable				
<input type="checkbox"/> To give incumbents time to prepare for competition <input type="checkbox"/> To increase government revenue from privatization or license fees <input type="checkbox"/> Exclusive rights to allow the provision of universal service <input type="checkbox"/> Excessive entry is believed to threaten financial stability <input type="checkbox"/> Perception of no economic need for new insurance companies <input type="checkbox"/> Other: _____				
3. Which of the following legal forms of establishment are allowed for foreign insurance companies?				
<input checked="" type="checkbox"/> Subsidiaries only <input type="checkbox"/> Branches <input type="checkbox"/> Representative Office <input type="checkbox"/> All Forthcoming legislation will allow branches in future				
4. Which of the following services are insurance companies permitted to provide domestically?				
	Domestic insurance companies		Foreign insurance companies	
Re-insurance	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Life insurance	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Property insurance	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Cargo insurance	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Medical insurance*	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Automobile insurance	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Export credit insurance	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Pension insurance	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Investment services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	
Other (specify) _____	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	

* Under the Medical Schemes Act, medical insurers must be registered separately

5. Do the assets of foreign insurance companies established in the domestic country have to be held locally? No Yes

If applicable, please indicate the share of assets required to be held locally: 85%

6. Underwriting associations

a) Do domestic underwriting associations¹ exist? No Yes (Nuclear pools)

b) If yes to a), are foreign insurance companies established in the domestic country given memberships in domestic underwriting associations? No Yes

Cross-border insurance trade

7. Can domestic residents purchase the following kinds of insurance cross-border from a foreign insurance company?

Life insurance No Only through resident intermediary Yes

Medical insurance No Only through resident intermediary Yes

Property insurance No Only through resident intermediary Yes

Cargo insurance No Only through resident intermediary Yes

But not through an intermediary – would have to be a direct purchase. No canvassing of insurance policies by foreign companies is permitted

8. Are cross-border foreign insurance suppliers allowed to solicit business through advertising in the domestic country? No Yes

9. Are insurers operating in the domestic country required to offer re-insurance business to nationally owned re-insurers before re-insuring abroad? No Yes

Financial relief in the calculation of reserves is offered, if locally approved re-insurers are used.

B. Ownership

10. Is private ownership in the provision of insurance services allowed?

	Existing providers		Maximum private equity permitted (%)	New entrants		Maximum private equity permitted (%)
Life insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25
Property insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25
Health/medical Insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25
Re-insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	25

¹ Some countries have underwriting associations whereby a large proportion of insurance contracts in one or more classes of insurance is placed with members of these associations.

11. Is foreign ownership in the provision of services allowed?						
	Existing operators		Maximum foreign equity permitted (%)	New entrants		Maximum foreign equity permitted (%)
Life insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	No restrictions, individual ownership 25%	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	No restrictions, individual ownership 25%
Property insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
Health/medical insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
Re-insurance	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	

C. Market Structure

12. Please list the characteristics of the 6 largest insurance companies in the market for life insurance:

Name	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Share in total life insurance premiums (%)
Old Mutual	> 1943 (Date of First Insurance Act)		Majority	26%
Sanlam	Not provided	Majority		16%
Liberty			Majority	9%
Forbes Life		Majority		8%
First Rand		Majority		8%
Fedsure		Majority		7%

13. Please list the characteristics of the 6 largest insurance companies in the market for non-life insurance:

Name	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Share in total non-life insurance premiums (%)
Santam		Majority		25%
Mutual and Federal		Majority		18%
SA Eagle			100%	6.4%
Hollard		Majority		4.6%
Lloyds		Majority		4.4%

14. Please list the characteristics of the insurance distribution/intermediary network. **Not applicable**

Distributor	Whether present?	Number of distributors
Tied Agents ²	<input type="checkbox"/> No <input type="checkbox"/> Yes	
Independent Agents	<input type="checkbox"/> No <input type="checkbox"/> Yes	
Brokers	<input type="checkbox"/> No <input type="checkbox"/> Yes	
Banks	<input type="checkbox"/> No <input type="checkbox"/> Yes	

15. Please provide the following information on the actual number of insurance companies:

Number of fully state-owned insurance companies: 3
Number of privatized insurance companies: 154
Number of fully domestically owned³ private insurance companies: 123
Number of foreign minority-owned⁴ insurance companies: N/A
Number of foreign majority-owned⁵ insurance companies: 31

D. Regulation

16. Characteristics of regulator

Name of insurance regulator	Financial Services Board
Year of establishment	1991
% of Regulator's finances from:	
License and other fees	10%
Budgetary allocation	0%
Other (specify)	Levies from industry 90%
Is the insurance regulator independent of the concerned ministry?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes CEO appointed by Minister
Number of professional regulatory and supervisory staff	160

17. How are insurance licenses allocated?

a) If the number of providers is not restricted by policy, specify the main conditions new entrants must fulfill:

- ✓ Payment of license fee (indicate amount in local currency: R17500)
- ✓ Presentation of a detailed business plan
- ✓ Other: Prudential and solvency requirements

b) If the number of providers is limited by policy, through what mechanism are licenses allocated? N/A

First come, first served basis

² Agents that sell insurance exclusively for one company. It is claimed that the predominance of tied agents and lack of independent agents and brokers in Japan and some European countries constitute a major structural barrier to entry.

³ Insurance companies that are not state owned where the paid-up share capital is entirely held by domestic residents.

⁴ Insurance companies where foreigners hold under 50% of the paid-up share capital of the company.

⁵ Insurance companies where 50% or more of the paid-up share capital of the company is held by foreigners.

Competitive bidding
 Discretionary decision by the licensing authority
 Other: _____

c) Are foreign companies subject to different licensing requirements from domestic insurance companies? No Yes

If yes, please specify what additional requirements have to be met by foreign insurance companies:

d) Are separate licenses required to establish (subsidiaries) branches in each state/province? No Yes
 No branches allowed

18. Administered allocation of resources

Category	Government controls on insurance prices?	Re-insurance that must be ceded to the state-owned re-insurers (as a % of gross premiums) ⁶	Value of government insurance contracted (\$)
State owned insurance companies	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	N/A	N/A
Private nationally owned insurance companies	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		
Foreign insurance companies	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		

⁶ Some countries mandate that companies must compulsorily re-insure either all or part of their portfolio with a state run insurance company. The requirement can also be imposed the other way, namely by requiring that only a certain percentage of gross premiums can be re-insured with private or foreign re-insurers

19. Please list the following indicators of prudential regulation based on the latest information available.

Category	Minimum capital requirement	Capital adequacy requirement ⁷	Liquidity reserve requirements	Covered by insolvency guarantee Scheme ⁸ ?
State-owned insurance companies	Short term insurers = R5m	ST= 15 % of premiums LT = Formula	Asset spread regulations i.t.o the Acts	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Private nationally owned insurance companies	Long Term insurers = R10m			
Foreign owned				
Branches	Not permitted			
Subsidiaries	Short term insurers = R5m Long Term insurers = R10m	ST= 15 % of premiums LT = Formula		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes

⁷ Capital Adequacy ratios for an insurance company are usually measured by the ratio of capital to risk-weighted assets. Sometimes, it is also posed as a solvency margin requirement. Solvency margins may be specified in absolute amounts or as a percentage of premiums.

⁸ The insurance sector's equivalent of bank deposit insurance.

⁹ Please indicate whether financial statements have to be published annually or quarterly.

E. Regional Integration Agreements in Insurance Services

20. Please indicate if there are any preferential arrangements affecting insurance services, and list the preferential¹⁰ measures.

Name of agreement	Partner country(s) in agreement	Date of entry into force	Preferential measures
Committee for Insurance, Securities and Non-Banking financial Authorities	SADC	Not yet	Strategic Plan for region

F. Past and Future Changes in Policy

21. Please indicate major changes in market access policies, ownership rules, and regulation since 1985 (e.g., privatization of state-owned insurance companies, introduction of competition, entry of foreign insurance, creation of an independent regulatory agency, changes in prudential regulation).

Area of policy change (market access, ownership or regulation)	Year of change	Description of change
Insurance Amendment Bill	2000	Consumer protection
Short Term and Long Term Insurance Acts	1998	New prudential and solvency requirements and guidelines on market conduct
Establishment of FSB	1991	Independent regulator

22. Please indicate announced or anticipated changes in the same, or other areas.

Area of policy change (market access, ownership or regulation)	Year of change	Description of change
Financial Advisories & Intermediaries Act	2001	Supervision and regulation of intermediaries
Access to domestic market	2002	Allowing of branch business – greater access for foreigners
Conglomerate supervision	2002	Regulations in line with international best practice

¹⁰ Please, specify how the treatment of insurance providers of member countries of the agreement differs from the treatment of insurance providers of non-member countries.

G. Employment

23. Main employment indicators

How many people are employed in the insurance sector? 64 000
 What share of the total (**employed**) labor force is employed in this sector? 0.7
 What share of insurance workers is employed by state-owned insurance providers? negligible
 What share of insurance workers is employed by foreign insurance providers? N/A

If time series data on these employment indicators are available, please attach them separately.

H. Prices and Performance Indicators

24. Please list the following price and performance indicators for the latest year available. For a comprehensive assessment of insurance sector performance, it would be extremely useful to have historical data on these measures. If time series data are available, please attach them separately (preferably electronically).

The regulator saw this as a badly constructed question. There are concerns with the term 'average'. The Loss ratio for the Short term insurance industry was the only information that was forthcoming: 75 per cent (This is an aggregate figure for all insurance companies)

Category	Average monthly Premium on a 10 year life insurance policy	Average monthly health insurance premium	Loss ratio ¹¹	Retention ratio ¹²
State owned insurance providers				
National Private Owned insurance providers				
Foreign Owned insurance providers				

I. Quality and Access to Insurance Services

25. Which of the following new services have been introduced by foreign insurance companies in the last 10 years?

Private health insurance Automobile insurance Private pension insurance

There are no foreigners providing either health or pension insurance

26. Please indicate the following:

- a) Share of adult population or households covered by life insurance contracts: **Not available**
- b) Share of household savings channeled through life insurance: 3.3% (1995)
- c) Total Premiums as a percentage of GDP: 2.2%
- b) If available, indicate average time (in days) for claims processing in the following segments:

¹¹ The Loss Ratio of an insurance company is defined as the ratio of losses incurred to premiums earned.

¹² Defined as the ratio of net premiums to gross premiums.

Life insurance: _____
Property insurance: _____
Automobile insurance: _____
Health insurance: _____

There is no information available here. There are no legal stipulations, although in order to ensure better consumer protection, future regulation is possible.

c) Do foreign insurance companies participate in insuring poor and rural households?

No Yes

If yes, what is the percentage of foreign insurance companies in the value of total rural insurance contracts? _____

Please, provide the name and contact information of the respondent of this questionnaire, or of a specialist from whom we can obtain clarifications if necessary.

Name ___Mr Deon Van Staden, REGISTRATION & POLICY, FSB
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Appendix Three:
World Bank Template to Assess
Policy and Performance in the Financial Services:
Response from the Securities Industry

Note: All information given for the latest year available (1999). Currency: South African Rand.

A. Market Access

Commercial presence

1. Are there policy restrictions on new entry of securities services providers in the following segments?				
	Entry by any providers	If yes, total number of providers allowed	Entry by foreign providers	If yes, number of foreign providers allowed
Investment banking	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Stock brokerage	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Mutual funds	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
2. If entry is restricted, what are the reasons provided by the government? Not applicable				
<input type="checkbox"/> To give incumbents time to prepare for competition <input type="checkbox"/> To increase government revenue from privatization or license fees <input type="checkbox"/> Excessive entry is believed to threaten financial stability <input type="checkbox"/> Perception of no economic need for new securities firms <input type="checkbox"/> Other: _____				
3. Which of the following legal forms of establishment are allowed for (all) foreign securities firms?				
<input checked="" type="checkbox"/> Subsidiaries <input type="checkbox"/> Branches <input type="checkbox"/> Representative Office <input type="checkbox"/> All				
4. Which of the following services are securities firms permitted to provide?				
	Domestic securities firms		Foreign securities firms	
Underwriting new issues	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input type="checkbox"/> Yes	
Securities dealing	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input type="checkbox"/> Yes	
Stock brokerage services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input type="checkbox"/> Yes	
Risk management	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input type="checkbox"/> Yes	
Mergers and acquisition advisory services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input type="checkbox"/> Yes	
Mutual funds (or unit trusts)*	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		<input type="checkbox"/> No <input type="checkbox"/> Yes	
Information services ¹	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No <input type="checkbox"/> Yes	

¹ Financial information services include the provision of trading information and credit rating services.

Mutual funds are separately registered by the FSB

5. Are foreign commercial or universal banks allowed to deal in domestic securities?			
Foreign commercial banks	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	(in both cases through the
Foreign universal banks ²	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	subsidiary)
6. Are foreign owned securities firms obliged to use the services of a domestic resident financial intermediary (broker-dealer) in the following segments: Only if they don't have a subsidiary registered in South Africa, for example, Goldman Sachs			
Inter-bank market	<input type="checkbox"/> No	<input type="checkbox"/> Yes	
Foreign exchange market	<input type="checkbox"/> No	<input type="checkbox"/> Yes	
Stock market	<input type="checkbox"/> No	<input type="checkbox"/> Yes	
Derivatives market	<input type="checkbox"/> No	<input type="checkbox"/> Yes	

Cross-border securities services trade

8. Are the following activities permitted?			
Purchase by domestic residents of securities issued abroad	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
Domestic companies raising capital abroad	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
If yes, please specify the restrictions.			
Subject to existing exchange controls			
9. Are foreign securities firms permitted to provide the following services cross-border to domestic companies and residents:			
Securities dealing in the domestic market	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
Mergers and acquisitions advisory services	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
Investment advisory services	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes	(Requires approval from FSB)
Credit rating services	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
10. Are cross-border foreign securities dealers permitted to use domestic settlement and clearance utilities without using the services of a domestic financial intermediary? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes			
The new STRATE system will facilitate transactions not on the JSE			

B. Ownership

11. Is private ownership in the provision of the following securities services allowed?				
	Existing operators	Maximum private equity permitted (%)	New entrants	Maximum private equity permitted (%)
Investment banking*	<input type="checkbox"/> No <input type="checkbox"/> Yes	None	<input type="checkbox"/> No <input type="checkbox"/> Yes	None

² Universal banks are banks which provide insurance and securities services in addition to traditional deposit taking and lending.

Stock brokerage	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes
Mutual funds)*	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes
<i>*Separately administered by FSB</i>		
12. Is foreign ownership in the provision of services allowed?		
	Existing operators	Maximum foreign equity permitted (%)
		New entrants
		Maximum foreign equity permitted (%)
Investment banking*	<input type="checkbox"/> No <input type="checkbox"/> Yes	<i>None</i>
Stock brokerage	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes
Mutual funds)*	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes
<i>*Separately administered by FSB</i>		

C. Market Structure

13. Please list the characteristics of the 6 largest mutual funds or investment trust funds (in terms value) in the market.³

Name of fund	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Value of fund as a % of total stock market capitalization
GENBEL	<i>Not available from Regulator</i>			43.3%
WIPHOLD				25.4%
CFC				19.8%
VELOCITY				8.5%
LONFIN				6.4%
YABENG				4.8%

14. Please list the characteristics of the 6 largest securities firms in the market for new equity issues.

Name	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Share in annual value of new issues underwritten
<i>BJM Securities</i>				<i>No league tables are published</i>
<i>Investec Securities</i>				
<i>Meryll Lynch (SA)</i>				
<i>JP Morgan</i>				
<i>HSBC Simpson McKie</i>				
<i>UBS Warburg Securities</i>				

15. Please list the characteristics of the 6 largest securities firms in the derivatives market:
Awaiting info from SAFEX, the warrants exchange

³ Investment trust funds are usually closed ended (have a limited size or number of units) and although they invest in a diversified portfolio of equities and other assets as mutual funds do, they are more like a regular company with a set number of shares in issue and their shares are usually listed on the stock exchange.

Name	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Share in annual value of derivatives traded

16. Please provide the following information on the actual number of operators:

Number of government-owned mutual funds: ___Awaiting info___
Number of domestically owned⁴ private mutual funds: ___ Awaiting info ___
Number of foreign owned mutual funds: _ Awaiting info _____
Number of fully domestically owned⁵ private investment banks: ___ Awaiting info ___
Number of foreign minority-owned⁶ investment banks: ___ Awaiting info ___
Number of foreign majority-owned⁷ investment banks: ___ Awaiting info ___

D. Regulation

17. Characteristics of regulator

Name of securities regulator	Financial Services Board
Year of establishment	1991
% of Regulator's finances from:	
License and other fees	10%
Budgetary allocation	0%
Other (specify)	90% Levies from industry
Is the regulator independent of the ministry of finance?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Number of professional regulatory and supervisory staff	160

18. How are licenses to securities firms allocated?

a) If number of providers is not restricted by policy, specify the main conditions new entrants must fulfill.

- ✓ Payment of license fee (indicate amount in local currency: _____)
- ✓ Presentation of a ~~detailed business plan~~ **risk management plan**
- ✓ Other: **Membership requirements, solvency and prudential requirements**

b) If the number of providers is limited by policy, through what mechanism are licenses allocated? **Not applicable**

⁴ Investment Banks where the paid-up share capital is entirely held by domestic residents.

⁵ Investment Banks that are not state owned where the paid-up share capital is entirely held by domestic residents.

⁶ Investment Banks where foreigners hold under 50% of the paid-up share capital of the bank.

⁷ Investment Banks where 50% or more of the paid-up share capital of the bank is held by foreigners.

- First come, first served basis
- Competitive bidding
- Discretionary decision by the licensing authority
- Other: _____

c) Are foreign securities firms subject to different licensing requirements from domestic securities firms?

No Yes

If yes, please specify what additional requirements have to be met by foreign securities firms:

19. Please list the following indicators of prudential regulation based on the latest information available.

Mutual funds and Investment Bank info not available from the JSE. Awaiting info from FSB.

Category	Minimum capital requirement	Capital adequacy ratio ⁸ (%)	Required frequency of publication of financial statements ⁹
Government owned mutual funds			
Domestic privately owned mutual funds			
Foreign owned mutual funds			
Investment banks			
Domestic			
Foreign			

20. Are the following mutual funds required to invest in shares of publicly held companies?

Government owned mutual funds	<input type="checkbox"/> No	<input type="checkbox"/> Yes	If yes, % of fund equity required to be invested in public company shares? _____
Domestic privately owned mutual funds	<input type="checkbox"/> No	<input type="checkbox"/> Yes	If yes, % of fund equity required to be invested in public company shares? _____
Foreign owned mutual funds	<input type="checkbox"/> No	<input type="checkbox"/> Yes	If yes, % of fund equity required to be invested in public company shares? _____

⁸ Capital Adequacy ratios are usually measured by the ratio of capital to risk-weighted assets.

⁹ Please indicate whether financial statements have to be published annually or quarterly.

E. Regional Integration Agreements in Financial Services

21. Please indicate if there are any preferential arrangements affecting securities services, and list the preferential¹⁰ measures. **None**

Name of agreement	Partner country(s) in agreement	Date of entry into force	Preferential measures

F. Past and Future Changes in Policy

22. Please indicate major changes in market access policies, ownership rules, and regulation since 1985 (e.g., introduction of competition, entry of foreign mutual funds and investment banks, creation of an independent regulatory agency, changes in prudential regulation).

Area of policy change (market access, ownership or regulation)	Year of policy change	Description of policy change
Change of rules governing brokerages,	1995	Making market more accessible

23. Please indicate announced or anticipated changes in the same, or other areas.

Area of policy change (market access, ownership or regulation)	Year of policy change	Description of policy change
STRATE guaranteed contractual settlement	End 2001	Electronic trading, clearing and settlement
Demutualisation	Within five years	Allows exchange to be run as company. Cuts umbilical cord between members and exchange

G. Employment

24. Main employment indicators

How many people are employed in the securities sector? _____ No idea _____
 What share of the total labor force is employed in this sector? _____
 What share of securities workers is employed by foreign securities firms? _____

If time series data on these employment indicators are available, please attach them separately.

¹⁰ Please, specify how the treatment of securities firms of member countries of the agreement differs from the treatment of securities firms of non-member countries.

H. Prices and Performance Indicators

25. Please list the following price and performance indicators for the latest year available. For a comprehensive assessment of securities services performance, it would be extremely useful to have historical data on these measures. If time series data are available, please attach them separately (preferably electronically).

Category	Average brokerage Commissions (%)	Average underwriting Commissions (%)	Securities Dealing fees	Average initial charge ¹¹ on a mutual fund	Subject to price fixing by regulator?
Domestic operators	Individuals 0.7 % of deal	1.7-2.5%, dependent on risk	Inclusive of brokerage fee	1-5 % average 3%	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Foreign operators	Wholesale 0.25% of deal				

I. Quality and Access to Securities Services

26. Which of the following services have been introduced in the last 10 years?

- Over the counter (OTC) markets
- Computerized stock exchange trading
- Online Investing (Through a member)
- Electronic settlement and clearance systems
- Derivatives trading
- Other: Formal Bond market, Exchange traded funds, Stock exchanges News Services

27. Indicate the following:

Number of stock exchanges in the country: 1 (Although also SAFEX and BESX)
 Total stock market capitalization: R1 704.4 billion
 Number of listed companies in the stock exchange: 615
 Number of foreign listed companies in the stock exchange: 24
 Share of foreign listed companies in total stock market capitalization: 38 %
 Number of domestic companies whose assets are rated: Not available
 Growth in the value of stocks traded in OTC markets: Not applicable
 Number of penalized insider-trading cases in the last 5 years: 9

Please, provide the name and contact information of the respondent of this questionnaire, or of a specialist from whom we can obtain clarifications if necessary.

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