

21 July 2010

Dear member

As you are by now aware, the FSB has increased the FSP FAIS levies' by 23% for 2010. As part of our mandate to protect the interest of intermediaries, the FIA recently met with the FSB to better understand the reasons for the substantial increase.

Whilst we may contest the increases and challenge their fairness, the FSB has the regulatory right to impose their position. They met with us out of courtesy as the increases had already been determined and promulgated.

Given the above the FIA's position was to point out the impact of the increase on FSP's vs inflation, to position the cost push being experienced by intermediaries generally and to try to get a commitment that future increases would be reasonable and would be discussed with the FIA before promulgation.

The reasons provided by the FSB for the above inflation increase are as follows:

- In the past, the running costs for regulation of the insurance industry were subsidised by other areas regulated by the FSB. This year is the first year where the FSB strictly applied its policy of no cross subsidization. This had a material impact on the cost.
- The number of FSP's has declined from 14 670 to 12 800, which has put pressure on the FSB's income budget.
- The FAIS department staffing had increased directly linked to monitoring function
- Outstanding levies owed to the FSB total R18 million, with 2250 FSP's currently in arrears. Each of these offending FSP's has received a letter with the intention to suspend unless corrective action occurs. Those that do not respond will receive a final letter of suspension which will be enforced after three months. The FIA will be provided with a list of all FSP's whose levies are outstanding.

While we are not totally satisfied with the explanation provided for the 2010 levy increase, the FSB has agreed to formally engage with the FIA before finalizing any future increases.

We also urge our members to ensure that their levies are paid timeously.

Yours sincerely



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CEO