



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Explanation of the budget, estimates of expenditure, fees, and levies proposals by the Prudential Authority for the 2025/26 financial year*

August 2024

(DRAFT - FOR PUBLIC CONSULTATION)

*This document is prepared and published in accordance with and fulfilment of the requirements under section 240 read with section 98 of the Financial Sector Regulation Act, No. 9 of 2017

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1. INTRODUCTION

- 1.1 The Financial Sector Regulation Act 9 of 2017 (FSR Act) introduced important changes to the regulation and supervision of the South African financial sector. It created a prudential regulator, the Prudential Authority (PA), which is responsible for regulating banks, insurers, financial conglomerates, co-operative banks and co-operative financial institutions, as well as certain market infrastructures. The FSR Act also established a market conduct regulator, the Financial Sector Conduct Authority (FSCA).
- 1.2 One of the fundamental principles, as set out in the government's policy document on the regulation and supervision of the financial sector, is that regulators should be appropriately and adequately funded to enable them to effectively execute their mandates. According to this policy document, the regulated entities should ideally fund the operational budgets of regulators in a way that eliminates conflict of interest.
- 1.3 The Basel Committee on Banking Supervision Core Principles for Effective Bank Supervision, as well as the International Association of Insurance Supervisors Insurance Core Principles, require regulators (and supervisors) to have operational independence. This includes the availability of budgetary processes that do not undermine autonomy and the availability of adequate resources to execute their mandate.
- 1.4 Against this background, the operations of the PA and other bodies specified in the FSR Act will be funded by levies imposed on the supervised entities, as well as through fees that may be charged in relation to specific functions or services they may perform.
- 1.5 Chapter 16 of the FSR Act, read with the Financial Sector and Deposit Insurance Levies Act 11 of 2022 (Levies Act) and the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022 (Levies Administration Act), provides for the imposition and collection of levies from the supervised entities for the funding of the PA. In addition, the FSR Act enables the PA to determine fees to fund the performance of specific functions in terms of the FSR Act and other financial sector laws.
- 1.6 In terms of section 240 read with section 98 of the FSR Act, the PA must publish the budget, estimates of expenditure and the fees and levies proposals for public consultation. Together with the aforementioned documents, the FSR Act also requires the PA to publish an explanation of the budget, estimates of expenditure and the fees and levies proposals.
- 1.7 This document seeks to provide an explanation of the budget, fees, and levies as required in terms of the FSR Act and is published together with the PA budget, estimates of expenditure as well as the fees and levies proposals for public consultation for six weeks.

2. GOVERNANCE AND STRUCTURE OF THE PA

- 2.1 The PA is a juristic person operating within the administration of the South African Reserve Bank (SARB).

- 2.2 The PA is required to publish a three-year regulatory strategy¹ in terms of section 47 of the FSR Act. The Regulatory Strategy gives general guidance to the PA in the achievement of its objective and performance of its regulatory and supervisory functions. The regulatory strategy provides the approach of the PA to regulation and supervision as well as cooperation and collaboration with other domestic regulators, regional and international bodies. The regulatory strategy must be reviewed and updated at least annually.
- 2.3 As a key governance structure, the Prudential Committee (PruCo) established in terms of section 41 of the FSR Act generally oversees the management and administration of the PA to ensure that the PA is efficient and effective consists of the Governor, the Chief Executive Officer (CEO) of the PA, and the other Deputy Governors of the SARB.
- 2.4 The PA established the PA Management Committee (PA Manco), which consists of the CEO of the PA and the four heads of department² and is a structure that supports the CEO of the PA in the day-to-day running of the organisation.
- 2.5 The FSR Act imposes financial management duties of the CEO under section 53, which also includes ensuring that the PA has effective, efficient, and transparent systems of financial risk, taking appropriate and cost-effective steps to collect revenue due to the PA as well as managing and safeguard the assets, revenue, expenditure, and liabilities of the PA.

Department	Headcount*
Financial Conglomerate Supervision Department	116
Banking and Insurance Supervision Department	92
Risk Support Department	105
Policy, Statistics, and Industry Support Department	85
Total	398

* Inclusive of vacancies

- 2.6 The total staff complement of the PA (including current vacancies) is 398, which is 14% of the SARB Head Office headcount of 2782. The staff complement for the BSD (before Twin Peaks implementation) was 139. The increase in the staff complement following the implementation of the Twin Peaks represents an increase of 177% in the number of personnel overseeing the mandate for prudential regulation and supervision within the SARB.

3. THE BUDGET AT A GLANCE

- 3.1 According to section 239(1) of the FSR Act, for each financial year, the PA must prepare and adopt: a budget that includes an estimate of its expenditure; and projected estimates of expenditure for the next two financial years. The PA must take into account submissions made in respect of the budget as well as the fees and levies proposals, which it receives in terms of section 240.

¹ Available at: <https://www.resbank.co.za/content/dam/sarb/what-we-do/prudential-regulation/PA%20Regulatory%20and%20Supervisory%20Strategy%202021.pdf>

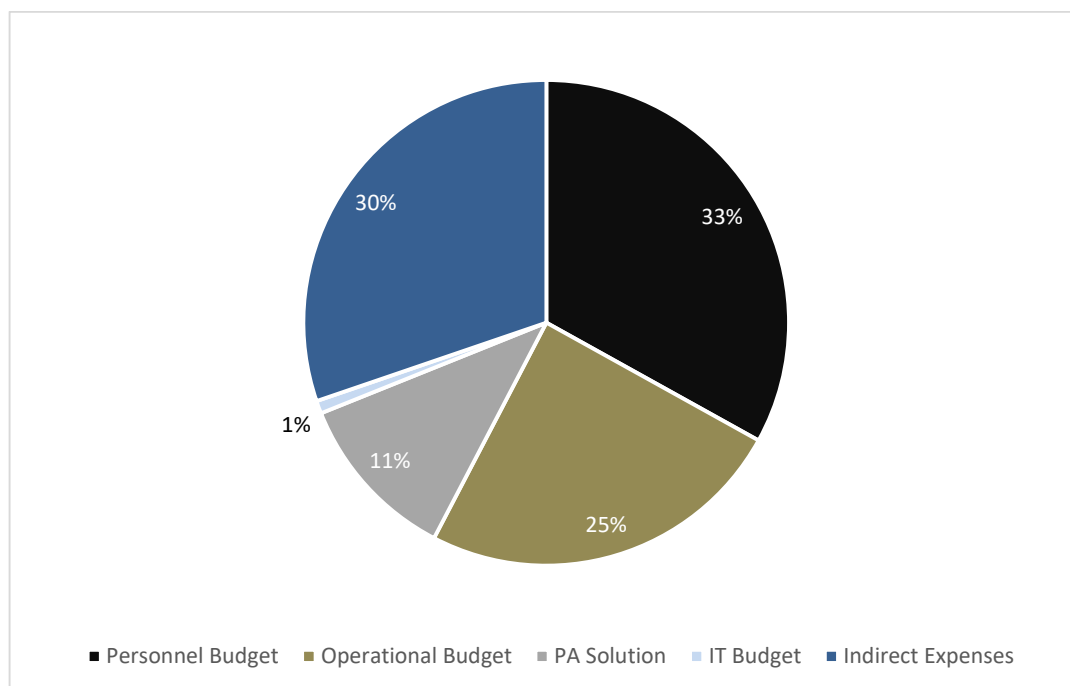
² These are the (1) Policy, Statistics and Industry Support Department (2) Risk Support Department (3) Financial Conglomerate Supervision Department; and (4) Banking, Insurance, Co-operative Financial Institutions (CFIs), Market Infrastructure (MI) Supervision Department.

3.2 The consolidated budget for the 2025/26 financial year as well as the projected estimates of expenditure for 2026/27 and 2027/28, as presented, is drawn from the business objectives of the various departments within the PA derived from the broader longer-term Strategic Objectives.

3.3 The budget will be inclusive of personnel costs, operational costs, capital expenditure, information technology expenditure as well as indirect costs.

The graph below depicts the different types of expenditure:

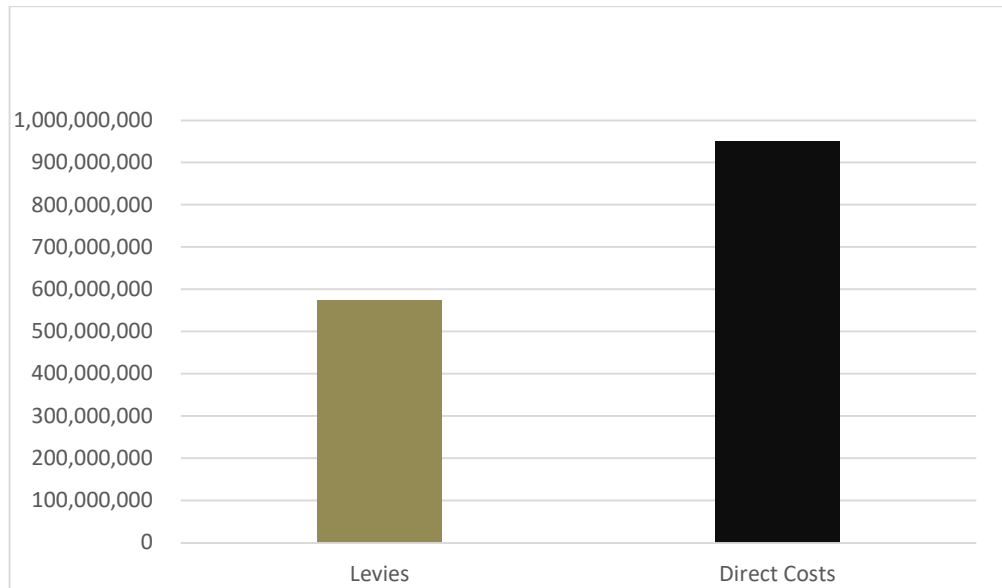
Graph 1:



3.4 The estimated total cost (direct, indirect and IT costs) for running the PA for the 2025/26 financial year, is estimated at R1,846 billion. Out of this total amount, the SARB's contribution is estimated at R1,272 billion. The direct costs, amounting to R937 million, will be partially recovered (61%) through the levies and fees that the PA will charge on the regulated sector.

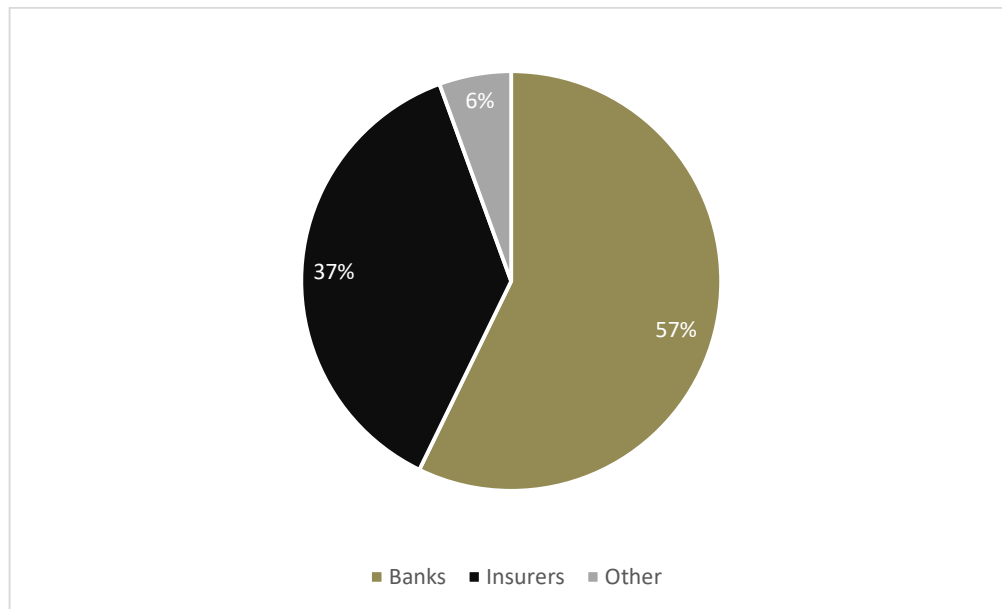
The graph below depicts the levy distribution against the operational expenditure (direct costs):

Graph 2:



The graph below depicts the distribution of the 2025/26 expected levies revenue between the different revenue streams:

Graph 3:



4. LEVIES PROPOSAL

4.1 Schedule 1 of the Levies Act outlines the formulas to be used by the PA to calculate and impose levies on the supervised entities. Section 10(4) of the Levies Act provides for an increase in the levies imposed on supervised entities. For the 2025/26 financial year, the PA proposes a 4.9% increase on the formulas that were

used for the 2024/25 financial year (Annexure B). The 4.9% is the projected average CPI announced by the SARB Monetary Policy Committee on 18 July 2024.

- 4.2 The levy proposal for the 2025/2026 financial year as per Annexure B illustrates the proposed increase in the base amount for each supervised entity in the column “Proposed Base Amount”, the proposed change to the variable amount in the column “Proposed Variable Amount” and the proposed increase in the maximum amount applicable to each supervised entity as contemplated in section 4(2) and (3) of the Levies Act in the column “Proposed Maximum”. The percentage increase for each of these items is shown in the column directly next to the mentioned columns and represents a 4.9% increase.
- 4.3 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% in December 2023 and an average CPI for 2024 is projected to be 4.9%.
- 4.4 The levy variables for 2025/2026 must therefore automatically increase by 4.9%. The PA propose to apply 4.9% increase in line with its projected expenditure. The Minister may, in terms of section 10(4)(b) of the Levies Act, by notice in the Gazette, determine that there must be no increase or an increase less than the reported CPI increase.
- 4.5 Section 10(4)(a) of the Levies Act provides that a Schedule may be amended by the Minister by notice in the Gazette to give effect to an increase referred to in paragraph 4.4, and does not require submission to Parliament for approval, but a copy of the notice must be tabled in Parliament for information purpose. An amended Schedule takes effect on the date of publication of the notice in the Gazette.
- 4.6 The PA anticipates collecting levies amounting to R568 million from the industry for the 2025/26 financial year.
- 4.7 The current Schedule 1 of the Levies Act does not provide for the imposition of levies by the PA on retirement funds, friendly societies, and collective investment schemes (CISs). The commencement date for retirement funds, friendly societies and CISs is envisaged for 1 April 2026. In preparation for the 2026/2027 financial year, Schedule 1 of the Levies Act will be adjusted accordingly to empower the PA to impose levies on these additional types of supervised entities.

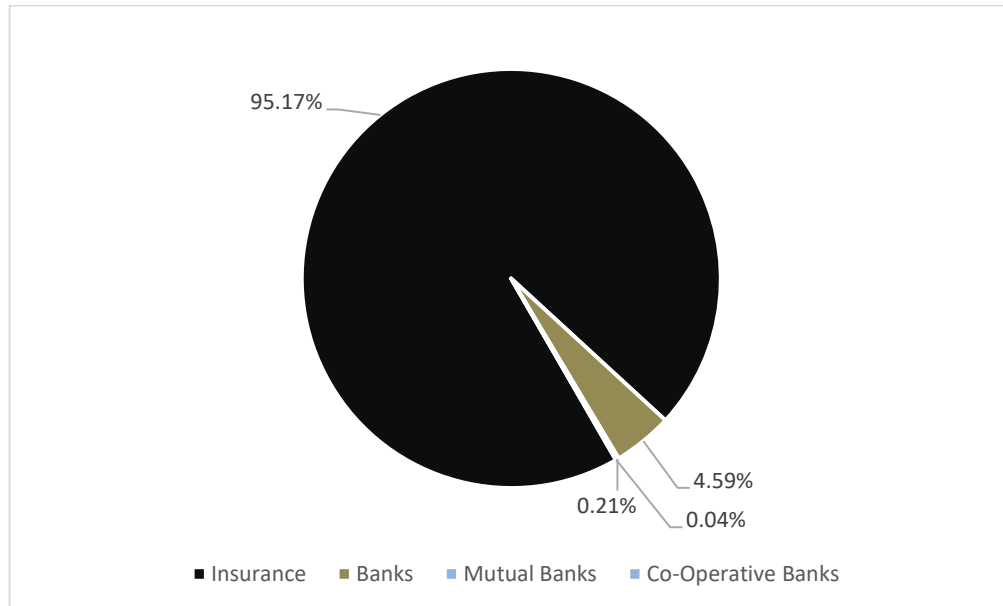
5. FEES PROPOSAL

- 5.1 Prudential Authority Fees Determination is made by the Prudential Committee. A determination of fees is defined by the FSR Act as a ‘regulatory instrument’ and is subject to Part 1 of Chapter 7 of the Act, being the making of a regulatory instrument.
- 5.2 Under section 237(1)(a) of the FSR Act, fees may be charged by the PA to fund the performance of specific functions under the FSR Act and the relevant financial sector laws. The fees prescribed to date in terms of the relevant financial sector laws will be repealed and replaced by the fees determined in terms of the process outlined in Chapter 16 of the FSR Act.

- 5.3 The PA proposes to make adjustments to the fees prescribed under the proposed PA Fees Determination that was consulted with the industry together with the 2024/25 proposed budget documents. The PA Fees Determination will come into effect once it has been tabled in Parliament and the 2024/2025 budget, fees and levies parliamentary and ministerial process has been finalised.
- 5.4 The PA's fees proposals for the 2025/26 financial year are as outlined in the PA Fees Determination attached as Annexure D. The PA Fees Determination will be increased by CPI of 4,9%. The PA Fees Determination is as contemplated by section 237(1) and (2) of the FSR Act and the regulatory instrument will also be used to repeal in some cases as well as replace the existing fees instruments.
- 5.5 The principle of proportionality was applied in the determination of the proposed fees for the different types of entities supervised by the PA. This is aimed at supporting financial inclusion and financial sector transformation objectives, as required in terms of the FSR Act.
- 5.6 The fees received during the 2023/2024 financial year was approximately R304 900 from the commercial banks, R13,960 for mutual banks, R2 391 for the co-operative banks and R6.3 million from the insurers. The fees are inclusive of annual licence fees for representative offices of foreign banks and co-operative banks.

The graph below depicts the fees by category of financial institutions:

Graph 4:



- 5.7 Based on the fees collected in the previous financial year, banks contributed about 4.6% and the insurance sector contributed about 95%. Co-operative banks and mutual banks account for less than 1% of the total fees collected by the PA.
- 5.8 Anticipating the same level of fee collection, exclusive of annual licence fees, for the 2025/2026 financial year, but only adjusting the fees by inflation, the fees that banks pay constitute a small fraction of the total funding of the PA. When compared

to the total operating costs of the supervised entities, these account for between 0.01% and 0.03% of the total operating costs of the different categories of the supervised entities. The fees that the PA proposes to charge are insignificant when compared to the total operating costs of the supervised entities.

- 5.9 The overall fees for banks and mutual banks decreased in 2024 because of the newly enacted Levies Administration Act, which repealed the requirement for banks and mutual banks to pay an annual licensing fee. This reduced the overall fees payable by banks and mutual banks by approximately 97%.
- 5.10 The charging of fees is modelled around the user-pay principle. Supervised entities that do not request the PA to undertake specific functions will not pay any fee(s) to the PA. The costs associated with the ongoing supervision and regulation of the financial sector by the PA will be funded from the levies and not the fees.
- 5.11 Fees only account for 2% of the total PA revenue collected by the PA and levies account for 98%.

6. PA BUDGET FOR 2025/26 AND EXPLANATION

6.1 Principle Budget Assumptions

- 6.1.1 General budget assumptions applied.

The budget for the 2024/25 financial year, approved by the Governor’s Executive Committee, was used as a base to calculate the 2025/26 budget. The 2024/25 figures were inflated with the projected CPI inflation % to calculate the 2025/26 budget as well as the projected expenditure for the two consecutive financial years. The financial year of the PA starts on 1 April and ends on 31 March of each year.

- 6.1.2 CPI Inflation Projection

Percentage change	2023	2024	2025	2026
CPI Inflation*	6%	4.9%	4.6%	4.6%

*Based on the latest MPC assumptions

- 6.1.3 Personnel Costs

Expense account	Information / Explanation
Total Package	Average salary increases of CPI from July each forecasted financial year
Employer Contribution	Contributions made on behalf of staff to retirement fund, medical scheme, group risk benefits, etc
UIF	1% of the Total Package, for employees earning up to R212 544 per annum. Maximum for employees earning up to R212 544 per annum is R177.12
New Appointments	Budget using salaries related to SARB Career Ladder Broad Bands
Long Service Gift	On completion of 10 years, 20 years and thereafter every 5 years of unbroken service, employees will receive a gift to the value of 4% of annual pensionable remuneration

Performance Bonus	Annual performance bonuses will be awarded to qualifying staff, payable in July. Projected performance bonuses are calculated at 9.5% of the total package
Contractors	Individuals who are not permanent employees are reimbursed at a rate per hour.
SETA Levy	1% of taxable remuneration
Social Functions	Departmental social events, at a fixed cost per staff member e.g. team building

6.1.4 Operational Costs

Expense account	Information / Explanation
Local Travel	Based on known and envisaged travel to supervised entities
Foreign Travel	Attendance of international meetings and working groups as well as supervisory visits to foreign branches
Telecommunication Costs	Telephone, cell phone and data costs are accounted for in these accounts, based on actual expenses
Communication Costs	Notifications in the Government Gazette
Official Functions	Hosting of international business meetings, supervisory colleges and training workshops
Professional Fees	Budgeted according to current investigations in progress, historical information and probabilities
Fixed Asset Costs	Assets purchased for up to R7 000, including art and furniture
Training (local & foreign)	To participate in various conferences and seminars to keep abreast with local, regional, and international regulatory trends and standards as per Individual Development Plans (IDPs)
Foreign Training	Due to the unique scope of work done by the PA, most training is only available abroad (e.g., BIS & FSI)
Stationery, Printing & Publishing	Office running expenses are accounted for in these accounts
Membership Fees	All membership fees, corporate and individual, to professional bodies, are accounted for in this account
Books, Periodicals & Newspapers	Subscription to financial magazines and newspapers, as well as purchasing of supervisory-related books
Strategic Management Expenses	Annual departmental strategic sessions are held by management, followed by review sessions later in the year
External Information Services	Subscription to information platforms and third-party risk screening platforms
Awards	Recognition for staff for their contribution to the department, the PA and the SARB

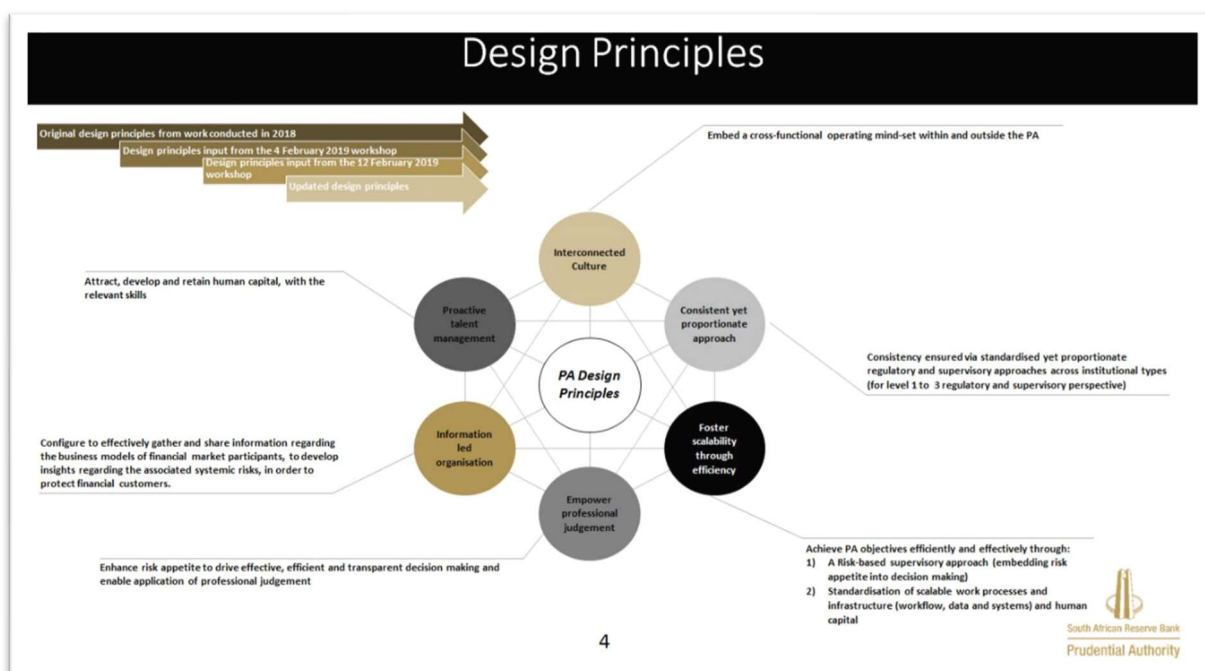
6.1.5 Information Technology Expenses

The Information Technology Budget consists of two parts: The budgeted amounts relating to the annual renewal of ICT licenses for existing and new software packages, and the development of the new PA Information Technology Solution (PA IT Solution).

The new PA IT Solution will replace the current systems used by the PA to supervise regulated institutions which have become obsolete in light of the evolving technological environment. The solution aims to foster effective and efficient collaboration and information sharing between the PA and supervised regulated institutions in a more seamless manner.

The exchange of information in a secure manner is extremely crucial in fulfilling the PA's statutory obligations. Using information effectively, and sharing it appropriately, can assist the PA to focus its activities according to risk, and in turn to allow information acquired that would assist in administering, supervising, and enforcing financial sector laws, subsequently promoting mutual cooperating and collaboration between the regulators as well as minimising duplication of effort. This system will enable better and streamlined ways of work for the PA through implementation of technologies that enable the PA's business capabilities as defined in the PA target operating model.

The figure below shows the key design principles which have guided the design of the PA's operating model:



6.1.6 Capital Expenditure

The capital expenditure is included as part of the PA Strategic Solution budget.

6.2 Abridged Budget Income Statement for the 2025/26 financial year

The table below depicts the Abridged Budget Income Statement for the year ending 31 March 2026; the detailed Budget Income Statement is contained in Annexure A.

Abridged Budget Income Statement for the 2025/26 financial year

Abridged Budget Income Statement	Notes	2025/26 Budget
Gross Revenue		
Levies	6.3.1	R567,674,729
Special Levies	6.3.2	R0
Fees	6.3.3	R7,054,770
Other Income		R0
Operating Expenditure		
Personnel Expenses	6.4.1	R537,050,674
Operational Expenses	6.4.2	R399,950,521
Information Technology Expenditure	6.5	R60,215,821
Capital Expenditure	6.6	R136,706,224
Indirect Expenditure	6.7	R491,292,204
Reserve – FSRA Section 239 (3)	6.8	R221,107,780
Operating Deficit / Surplus		-R1,271,593,725

6.3 Gross Revenue Budget

6.3.1 Estimated Levy Budget by Sector for 2025/26

Institution	Levy*
Deposit-taking institutions	R324,892,446
Banks	R324,686,432
Mutual Banks	R190,269
Co-Operative Banks	R15,745
Insurance	R211,238,610
Life Insurance	R97,450,610
Non-Life Insurance	R112,978,907
Micro Insurance	R809,093
Other	R31,543,673
Co-operative Financial Institutions (CFIs)	Exempt
Financial Market Infrastructures (FMIs)	R31,543,673

*Based on June 2023 submissions

Under section 237(1)(b) of the FSR Act and the Levies Act, the PA must impose levies to fund its operations. Levies will be charged on regulated entities according to the formula contained in Schedule 1, per financial institution type. Levies became payable with effect from 1 April 2023.

The PA is expected to raise sufficient levies to cover its operational requirements and does not, as a rule, budget for a surplus/deficit unless necessary.

Banks will contribute about 57% of the total industry levies to be charged by the PA. Insurers will contribute about 37% and the other supervised entities will contribute the balance of about 6%. The levies are determined in a manner that ensures proportional contributions based on the size of the supervised entity.

6.3.2 Special Levy

A Special levy must be charged in accordance with the Levies Act to provide for the initial costs associated with the establishment of the PA. The FSR Act allowed for the imposition of a special levy only in the first two financial years (FY) i.e., 2023/2024 FY and 2024/2025 FY. Going forward the PA will not be charging any special levy.

6.3.3 Estimated Fees Budget per Sector

PA Expected Fees Revenue	Notes	2025/26 Budget
Deposit-taking institutions	6.3.3.1	R416,222
Fees*		R260,570
Annual licence Fees		R155,652
Insurance	6.3.3.2	R6,638,548
Co-Operative Financial Institutions (CFIs)	6.3.3.1	R0
Other	6.3.3.3	R0
Penalties and Fines		R0

*Based on the revenue received in 2023/24

6.3.3.1 Fees for Banks and CFIs

Fees for Banks, Mutual Banks and Co-operative Banks have been adjusted with compound CPI inflation.

The requirement for the payment of the annual licence fees by banks, branches of foreign banks and mutual banks has been repealed by the Levies Admin Act. The requirement for the payment of the annual licence fees by representative offices and cooperative banks still applies as the Levies Act does not currently provide for the imposition of levies on representative offices. Representative offices will be catered for under the Levies Act in subsequent financial years.

6.3.3.2 Fees for Insurance

The Insurance Application Fees Prudential Standard IAF prescribes the fees payable for applications made under the Insurance Act, 2017 (Act no. 18 of 2017) and came into effect on 1 January 2020. The Prudential Standard IAF was an interim measure pending the commencement of Chapter 16 of the FSR Act. The PA will determine fees in terms of Chapter 16 of the FSR Act, which will replace the Prudential Standard IAF on the date and the manner to be determined by the PA. The current fee structure has been adjusted with CPI inflation of 4.9%.

6.3.3.3 Penalties and Fines

Penalties imposed in terms of Chapter 13 (section 171) of the FSR Act should be transferred to the National Revenue Fund after the reduction of actual expenses incurred, such as legal costs. Penalties imposed in terms of section 68 of the Insurance Act, section 49 of the Co-operative Banks Act, section 74(3) of the Banks

Act and section 52(3) of the Mutual Banks Act, are considered revenue in the PA's income statement.

6.4 Operational Expenditure Budget

6.4.1 Personnel Costs

Expenditure	Note	2025/26 Budget* R'000	Variance %	2024/23 Budget* R'000
Total Package	6.4.1.1	R397,721	6.00%	R375,208
Employer Contribution	6.4.1.1	R84,956	6.00%	R80,147
Performance Bonus		R32,687	4.50%	R31,279
Contractors	6.4.1.2	R10,978	67.89%	R6,539
Long Service Gifts	6.4.1.3	R706	88.79%	R374
UIF		R2,277	6.00%	R2,149
SETA Levy		R4,010	4.50%	R3,837
Appointment Costs		R3,229	4.50%	R3,090
Social Events	6.4.1.4	R469	6.19%	R442
Other	6.4.1.5	R18	7.14%	R17
Total		R537,051	6.75%	R503,082

*Budget approved by GEC

6.4.1.1 Salaries (inclusive of Employer Contribution)

Salaries represent about 90% of the personnel expenditure budget and 52% of the total expenditure budget. The high ratio of salaries to total expenditure is attributed to the PA being a service organisation with personnel costs being the main cost driver.

Salary increases are aligned to the forecasted SA consumer price index. Forty-seven new positions were factored into the 2024/25 salary budget. The total staff complement of the PA (including vacancies) is 398, which is 14% of the SARB headcount of 2,782.

This budget does not include the salaries of the CEO of the PA and the two executive assistants.

6.4.1.2 Contractors

The budget for 2025/26 for contractors comprises of R10, 978 million for two Project Managers, two Change Managers and two Project Administrators in the Project Team. The Project Team is responsible for establishing and embedding the PA. In addition, provision was made for three contractors to assist with the implementation of the Target Operating Model (TOM) for the PA. These contracts will be for two years and will expire in 2025 and 2026, respectively.

6.4.1.3 Long Service Gifts

Long Service Gifts are paid according to a policy of the SARB on completion of 10 years, 20 years and thereafter every 5 years of unbroken actual services. All

employees will be entitled to a gift to the value of 4% of their annual pensionable remuneration. A cash payment will also be made to all employees who retire from the service of the Bank as a farewell gift.

6.4.1.4 Social Events

Social Events are budgeted per staff member at a rate determined by the SARB to provide for events such as team building to create a positive work culture.

6.4.1.5 Other Staff expenses

Other staff expenses comprise, inter alia, coffee & tea expenses, flowers & wreaths, and SETA Levy.

6.4.2 Operational Costs

Expenditure	Note	2025/26 Budget R'000	Variance %	2024/25 Budget* R'000
Travel Expenses - Local	6.4.2.1	R4,542	4.09%	R4,363
Travel Expenses - Foreign	6.4.2.1	R48,004	10.14%	R43,585
Telecommunication Costs	6.4.2.2	R2,272	4.04%	R2,184
Communication Costs	6.4.2.3	R1,154	-17.73%	R1,402
Official Functions	6.4.2.4	R20,210	-26.49%	R27,693
Professional Fees	6.4.2.5	R289,734	6.50%	R272,059
Fixed Asset Costs		R2,102	-6.88%	R2,257
Municipal Services		R2,429	4.50%	R2,324
Training – Local	6.4.2.6	R3,174	-25.06%	R4,236
Training - Foreign	6.4.2.6	R6,384	28.56%	R4,966
Stationery & Printing	6.4.2.7	R201	199.24%	R67
Other Operational Costs	6.4.2.8	R6,039	9.31%	R5,525
Information Services	6.4.2.9	R13,353	594.97%	R1,921
HOD Awards		R352	388.89%	R72
Transitional Arrangements	6.4.2.10	R0	0%	R0
Total		R399 950	7.38%	R372,654

*Budget approved by GEC

6.4.2.1 Travel Expenses

Local Travel:

This budget is based on the approved budget for 2024/25 as the PA normally keeps the same annual routine when visiting supervised financial institutions, as set out in the Supervisory Calendar.

The local travel budget includes all travel-related expenses for onsite visits by the Financial Conglomerates Supervisions Department (R1, 955 million), Banking and Insurance Supervision Department (R1, 146 million), and the balance is travel by Support Departments (R829 883). The PA is required by law, FSRA 9 of 2017, Section 132, to conduct supervisory on-site inspections.

Foreign Travel:

The foreign travel budget includes all travel-related expenses for international visits by the Financial Conglomerates Supervisions Department (R19, 020 million), Banking and Insurance Supervision Department (R13, 767 million), Risk Support Department (R4, 991 million) and the Policy, Statistic, and Industry Support Department (R10, 226 million).

The foreign travel budget provides for the following:

- Representation on various international working groups.
- Annual visits to countries where we have SA Banks under their jurisdiction including AML/CFT compliance visits.
- Benchmarking visits to similar institutions like the PA.
- FATF Review Group meetings to discuss grey listing progress.

6.4.2.2 Telecommunication Costs

This budget relates to Postages, Telephone, Cell phone and Cell phone Allowances. Part of the Cell phone budget is data usage.

6.4.2.3 Communication Costs

Media Placements:

This budget provides for the placement of notices in the Government Gazette relating to PA supervised entities, as well as the printing of amendments to Regulations. This budget also makes provision for the publication of relevant legislation on Sabinet, an online legal information service provider.

6.4.2.4 Official Functions

This budget relates to External- and Internal entertainment, Farewell functions, Special functions and Business, Forums and Meetings.

Business, Forums & Meetings:

The PA is responsible for hosting various events. Part of our annual supervisory programme is the hosting of industry workshops for Banks, Insurance Companies and Financial Market Infrastructures. We also host Supervisory Colleges with selected financial institutions and provide workshops to SADC Countries.

Upon request, the PA also hosts international meetings on behalf of the groups we serve. These meetings are hosted in Cape Town, South Africa.

Special Functions:

The South African Reserve Bank (SARB) Head Office building is approximately 30 years old. Various upgrade and renovation projects are currently being implemented to ensure a safe and healthy working environment as well as functional office space that is fit for purpose. Currently, staff are not permitted to enter the SARB head office building until 2025. This resulted in a need to provide for face-to-face interactions. As part of the SARB's way-of-work implementation for the PA, provision for face-to-face interactions was added to the budget.

Once-off Functions:

Upon request, the PA will host international events on behalf of the groups we serve. These meetings are hosted in Cape Town, South Africa. The main event, planned for 2025/26, is the hosting of the next meeting for the South Africa grey listing removal (+/- 200 delegates expected).

6.4.2.5 Professional Fees

Legal Costs and Consultants:

The South African Reserve Bank Act empowers the Governor to direct the PA to investigate the activities of unregistered entities (illegal deposit-taking schemes) through the appointment of temporary inspectors.

The budget for professional fees was determined by the schemes currently under investigation. The budget for professional fees is difficult to determine due to the unpredictability of the schemes.

Schemes under investigation normally have various phases, an investigation is launched which is more consultancy-orientated and as the investigation progresses, it becomes more of a legal matter. Costs will always fluctuate between these accounts.

This budget also makes provision for the investigation into PA supervised financial institutions and as well as for the consultation services of the Financial Integrity Network to assist the PA to achieve its objectives of enhancing the effectiveness of its AML/CFT supervision, including remediating deficiencies identified by the FATF (R30 million).

Tribunal Costs:

The 2024/25 budget makes provision for tribunal fees upon application by aggrieved persons or Financial Services, the Financial Services Tribunal reconsiders decisions of decision-makers as defined in terms of the FSR Act.

6.4.2.6 Training Expenses (Local and Foreign)

The PA encourages staff to keep abreast with developments within their fields of expertise and to address identified gaps in individual staff performance through relevant training. Departments are required to submit their training requirements in accordance with their Independent Development Plans. The budget is to participate in various conferences and seminars to keep abreast with local, regional, and international regulatory trends and standards.

The training budget must be limited to 2% of the total remuneration budget of the department (2%: R8, 105 million). R1, 720 million (21%) will be used for local training and R6, 384 million (79%) for foreign training.

The annual licence fee payable to the Bank for International Settlements (BIS) for FSI Connect also forms part of this budget (€18 450). FSI Connect is the BIS's web-based information resource and learning tool available exclusively to central banks, supervisory authorities, deposit insurers and eligible public sector authorities. It covers primarily international financial regulatory standards and sound supervisory practices, including the latest prudential standards, key guidance on banking and insurance supervision, and relevant accounting and deposit insurance topics.

An amount of R1 million in additional funds was added for the Financial Conglomerates Supervisions Department to do deep dive training on supervision/AML/CFT technical training. This R1 million does not form part of the 2% limit of the total remuneration budget.

6.4.2.7 Stationery and Printing

This budget relates to stationery, printing, and photocopying costs. Part of the printing budget is the PA Annual Report and in-house information pamphlets.

6.4.2.8 Other Operational Costs

Membership Fees:

All membership fees, corporate and individual, to professional bodies, are accounted for in this account.

Corporate Membership

Professional Body	Membership Fees*
Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA)	\$5,747
Insurance Supervisory Authorities (AAISA)	\$1,000
International Association of Insurance Supervisors (IAIS)	CHF48,200
International Credit Unions Regulators Network (ICURN)	\$1,500
The International Organization of Securities Commissions (IOSCO)	€23,737
Alliance for Financial Inclusion (AFI)	\$45,000
Asset & Liability Management Association (ALMA)	£200
The Global Platform for Intellectual Property	R3,795
International Compliance Association	£725
BD Live	R1,440

*For 2024

Strategic Management Expenses:

This budget provides for the annual strategic planning session for the management team of the PA, the annual review session of the strategic focus areas as well as departmental and divisional strategic planning sessions, as recommended by the SARB.

Electronic Information:

This budget provides for online subscriptions to digital newspapers, financial magazines, law platforms and regulatory platforms.

6.4.2.9 Information Services

External Information Services

This budget relates to online subscriptions to information platforms such as Bloomberg and LSEG, a third-party risk screening platform.

The PA is obligated to independently conduct criminal checks (CC), Know Your Customer (KYC) verification, anti-money laundering (AML) and third-party screening.

Application Software Support

The PA is in the process of developing data literacy program as part of the Change Management and Stakeholder Engagement Intervention.

6.4.2.10 Transitional Arrangements

The PA is expected to assume responsibility for prudential regulation and supervision of pension funds, friendly societies and CISs from 1 April 2026. To be able to determine the funding model for the PA, the FSCA and the PA (the Authorities) will need to jointly assess and determine the resource requirements for the prudential regulation and supervision of these institutions by the PA. Such resources would mostly be composed of personnel costs for the prudential regulation and supervision as well as other required support services such as risk, policy and legal support. This is an important component in the determination of levies given that the funding model of the PA is based on cost recovery. An assessment of the current expenses incurred by the FSCA on the prudential regulation and supervision will also need to be considered.

Once the resource requirements have been determined, including the organisational structure/design, the cost will need to be quantified accordingly. A budget will need to be drawn up for the prudential regulation of these institutions, including the estimates of expenditure for a subsequent period of two years. The budget must be drawn bearing in mind the fact that some support structures will remain at the FSCA, and the PA will need to build new capacity to support the prudential regulation team.

Levies

Currently, Schedule 1 of the Levies Act excludes levies for these three institution types. The Authorities will need to make the proposed adjustments and amendments to Schedules 1 and 2, considering the budget and the current levies as well as the impact of the proposed levies on the industry. Once the proposed adjustments and amendments have been made to Schedules 1 and 2 of the Levies Act, the Authorities will consult the industry and any other interested stakeholders on the levies proposals together with the budget proposal and other relevant documents required in terms of Chapter 16 of the FSR Act.

Fees

The Authorities will have to assess the current fee schedule used by the FSCA to identify the functions and the corresponding fees charged for applications related to the prudential aspects. The Authorities will need to identify any additional functions that the PA may need to charge fees. The PA Fee Determination will need to be

amended and consulted on, together with the proposed budget and levies proposals.

Budget

Breakdown of current FSCA support functions and quantification of the cost of the resource requirements by the Authorities will assist in the calculation of a 3-5 year budget, to be taken over or provided by the PA/ SARB ahead of the transition.

6.5 Information Technology Budget

The Information Technology Budget consists of two parts: The budgeted amounts relating to the annual renewal of ICT licenses for existing and new software packages, and the development of the new PA IT Solution. The largest part of the Information Technology Expense budget is the PA IT Solution.

6.5.1 The Prudential Authority Strategic Technology Solution

The integrated solution toolset will enable efficient data management which includes collection, validation, storage, analysis, and dissemination of data. The expected costs for the PA IT Solution are R1,248 billion, over a ten (10) year period from 2020 to 2030.

6.6 Capital Expenditure Budget

The Capital expenditure included in the 2025/26 budget is for the Information Technology budget. R137 million (69%) of the R197 million is for capital expenditure.

6.7 Indirect Expenditure Budget

Section 51 of the FSR Act requires the SARB to provide the PA with personnel, accommodation, facilities, use of assets, resources and other services that may be determined by the PA and agreed to by the SARB. In line with the provisions of the FSR Act, the SARB will be contributing towards indirect costs of running the PA while the industry will contribute on direct costs.

The PA make use of the following departments for services rendered

Department	Service Provided
Corporate Services Department	Security Services
Corporate Services Department	Switch Board Services
Legal Services Department	Contracts and legal advice
Business, Systems and Technology Department	IT Services
Human Resources Department	Staff related matters
Executive Management Department	Office of the CEO of the PA
Group Strategy and Communication	Strategic Management
Financial Services Department	Payments, Procurement, Payroll, Budgets, Financial statements
National Payments Department	Foreign Payments
SARB Academy	Internal Training
Risk Management and Compliance Department	Compliance Universe

6.8 Reserve

In terms of FSR Act, Section 239 (3), an estimate of expenditure for a financial year may include provision for one or more reserves, but the total accumulated reserves, included in the estimate of expenditure, may not exceed 15% of the total estimated expenditure, excluding the reserves. This reserve can compensate for unbudgeted items because of the timeline that the PA has to follow to prepare the budget.

6.9 Expenditure forecast for two consecutive financial years

Assumptions made on the budget forecast.

6.9.1 Remuneration budget:

- Actual salaries were used for existing employees.
- An average salary increase of 6% was used for each forecasted financial year.
- Midpoint salaries were used for vacant positions.
- PA headcount of 398.
- Total SARB headcount of 2,782 as per GEC-approved organisational structures.
- Vacancy headcount of 52 was used versus the total of 242 for the entire SARB.
- Projected performance bonuses are calculated at 9.5% of the total package.

6.9.2 Operational Budget

- Normal operational expenses were increased by projected CPI inflation %.
- Consulting and Legal fees for illegal deposit-taking and similar investigations was based on a three-year average.

7. CONCLUSION

7.1 The PA's budget is based on the principle of cost recovery and is drawn from the business objectives of the various departments within the PA derived from the broader longer-term Strategic Objectives. The PA will only collect enough levies to run its operations adequately and effectively – bearing in mind that the SARB will also be contributing to the total costs of running the PA, from its resources.

7.2 The contribution by the SARB towards the costs of running the PA has the effect of reducing the amount that the SARB ultimately pays to the Government from its profits/surplus. The reduced profits will result in less funds being paid over to the fiscus. Consequently, the reduction in income to the fiscus has an ultimate impact on taxpayers who will invariably carry the cost of regulation and supervision, particularly for the entities that fall under the purview of the PA.

ANNEXURE A – DETAILED BUDGET INCOME STATEMENT FOR THE YEAR ENDING 31 MARCH 2026

	2024/2025 Budget	2025/2026 Budget	Variance %	2026/2027 Forecast	2027/2028 Forecast
REVENUE					
Levies					
Banks	309,716,346	324,892,446	4.90%	339,837,499	355,470,024
Insurers	201,371,411	211,238,610	4.90%	220,955,586	231,119,543
FMs	30,070,231	31,543,673	4.90%	32,994,681	34,512,437
Special Levies*					
Banks	23,228,726	0	-100.00%	0	0
Insurers	15,102,856	0	-100.00%	0	0
FMs	2,255,267	0	-100.00%	0	0
Fee Income					
Banks	165,599	260,570	57.35%	260,570	260,570
Insurers	6,328,454	6,638,548	4.90%	6,638,548	6,638,548
Co-operative Financial Institutions (CFIs)	0	0	0.00%	0	0
Other Income					
Penalties & Fines*	1,000,000	0	-100.00%	0	0
Annual licence Fees - Banks	155,652	155,652	0.00%	155,652	155,652
Other Cost Recoveries					
Sundry income*	2,411,638	0	-100.00%	0	0
Professional Fees recovered*	0	0	0.00%	0	0
TOTAL REVENUE*	591,806,179	574,729,499	-2.89%	600,842,536	628,156,774
EXPENDITURE					
PERSONNEL COSTS					
Remuneration					
Total Package	375,208,141	397,720,629	6.00%	421,583,867	446,878,899
Employer Contributions	80,147,327	84,956,167	6.00%	90,053,537	95,456,749
Performance Bonuses	31,279,411	32,686,985	4.50%	34,157,899	35,695,004
Contractors					
Contractors	6,538,617	10,977,958	67.89%	8,812,231	2,792,663
Allowances					
Long Service Gift	373,835	705,758	88.79%	424,250	570,538
Statutory Levies					
Unemployment Insurance Fund	2,148,600	2,277,516	6.00%	2,414,167	2,559,017
Skills Development Levy	3,837,242	4,009,918	4.50%	4,190,364	4,378,930
Other Employment Costs					
Teambuilding	441,720	469,061	6.19%	488,750	509,663
Flowers and Wreaths	16,800	18,000	7.14%	19,200	20,400
Appointment Costs					
Advertisements for Staff	2,378,905	2,485,955	4.50%	2,597,823	2,714,725
Assessment	710,744	742,727	4.50%	776,150	811,077
PERSONNEL COSTS	503,081,341	537,050,674	6.75%	565,518,238	592,387,666

	2024/2025 Budget	2025/2026 Budget	Variance %	2026/2027 Forecast	2027/2028 Forecast
OPERATIONAL COSTS					
Travel And Accommodation - Local					
Local - Accommodation	1,219,063	1,262,260	3.54%	1,027,444	1,074,706
Local - Travelling Expenses	2,036,598	2,118,320	4.01%	1,943,771	2,033,185
Travel - Private Vehicles	228,840	239,352	4.59%	250,362	261,878
Local - Subsistence Allowance	342,454	356,189	4.01%	326,686	341,713
Local - Subsistence meals	312,210	333,115	6.70%	348,438	364,466
Local - Sundry Travelling Costs	17,792	18,672	4.95%	19,531	20,430
Local - Outsource Travel Service Fee	206,115	213,826	3.74%	222,420	231,410
Travel And Accommodation - Foreign					
Foreign - Accommodation	7,244,461	8,947,249	23.50%	9,358,822	9,789,328
Foreign - Travelling Expenses	27,463,396	29,618,966	7.85%	30,981,438	32,406,585
Foreign - Subsistence Allowance	7,598,193	8,086,137	6.42%	8,458,100	8,847,172
Foreign - Sundry Travel Costs	855,828	895,111	4.59%	936,286	979,355
Foreign - Conference fees	118,800	155,800	31.14%	162,967	170,463
Foreign - Outsource Travel Service Fee	303,954	301,054	-0.95%	314,902	329,388
Telecommunication, Postages/Freight Costs					
Postages & Freight	450,492	470,764	4.50%	491,948	514,086
Telephones	10,560	30,750	191.19%	45,030	51,463
Cellphone Allowance	82,800	154,800	86.96%	154,800	154,800
Cellphones	1,640,190	1,615,961	-1.48%	1,689,338	1,766,089
Communication Costs					
Marketing / Promotions	790,040	540,000	-31.65%	557,940	576,705
Media Placements	612,000	613,440	0.24%	13,440	13,440
Official Functions					
HOD and Branch Managers Awards	219,670	211,135	-3.89%	248,362	259,020
Farewell Functions - Retirees	128,040	252,789	97.43%	264,418	414,871
Once-off functions	12,000,000	5,450,000	-54.58%	1,500,000	1,500,000
Special Functions	6,955,620	4,968,868	-28.56%	4,968,868	4,968,868
External Entertainment	33,000	158,000	378.79%	163,750	169,765
Internal Entertainment	419,935	341,075	-18.78%	312,625	364,705
Business forums & meetings	7,936,520	8,828,054	11.23%	7,209,220	7,245,307
Professional Fees					
Tribunal Costs	150,000	175,000	16.67%	175,000	175,000
Panel Fees and Expenses	1,030,000	1,030,000	0.00%	0	0
Legal Costs	139,740,000	187,940,000	34.49%	187,940,000	187,940,000
Consultants	131,138,820	100,588,820	-23.30%	80,988,820	65,988,820
Fixed Asset Costs					
Repairs and Maintenance	923,211	964,756	4.50%	1,008,170	1,053,537
Maintenance, Contracts & Services	602,513	629,626	4.50%	657,959	687,567
Building Rental - Irene	360,913	125,718	-65.17%	0	0
Workstation Alterations	177,613	185,606	4.50%	193,958	202,686
Cleaning charges and costs - external	161,174	168,427	4.50%	176,006	183,926
Minor Assets	32,000	28,000	-12.50%	28,000	28,000
Municipal Services					
Rates and Taxes	561,565	586,836	4.50%	613,243	640,839
Lights, Water and Sanitation	1,640,266	1,714,078	4.50%	1,791,212	1,871,816
Refuse Removal	122,427	127,936	4.50%	133,693	139,709
Training Foreign					
Training Foreign Accommodation	978,010	919,760	-5.96%	962,069	1,006,324
Training Foreign Travelling Expenses	1,902,800	1,459,833	-23.28%	1,526,986	1,597,227
Training Foreign Subsistence Allowance	762,658	799,657	4.85%	836,441	874,918
Training Foreign Sundry Travelling Costs	61,000	99,652	63.36%	104,236	109,031
Training Foreign Training Costs	1,236,857	3,081,297	149.12%	3,223,037	3,371,297
Training Foreign - Outsource Travel Service Fee	24,550	24,170	-1.55%	25,282	26,445
Training Costs					
External Training and Seminars	1,159,704	1,078,357	-7.01%	1,127,961	1,179,847
Accommodation - Training	110,500	110,500	0.00%	115,583	120,900
Travelling Expenses-Training	67,500	67,500	0.00%	70,605	73,852
Subsistence Allowance Training	33,060	33,060	0.00%	34,580	36,171
Training Material	401,243	421,000	4.92%	440,400	460,600
Training Consultants	2,463,703	1,463,703	-40.59%	485,033	485,033

Explanation of the PA budget, estimates of expenditure, fees, and levies proposals for the 2025/26 financial year

	2024/2025 Budget	2025/2026 Budget	Variance %	2026/2027 Forecast	2027/2028 Forecast
Stationery, Printing And Publishing					
Internal Printing	21,055	68,146	223.66%	68,146	68,146
Stationery	19,500	48,660	149.54%	56,770	64,880
Photocopying Costs	26,700	84,447	216.28%	98,521	112,596
Other Operational Costs					
Strategic Management Expenses	817,201	819,672	0.30%	931,748	970,035
Books, Periodicals & Newspapers	785,022	823,488	4.90%	861,369	900,992
Membership Fees	2,460,170	2,904,589	18.06%	2,945,767	3,030,389
Membership Fees - Individuals	777,320	928,757	19.48%	970,552	1,019,078
Recreational Costs					
Clothing and Equipment	191,360	164,700	-13.93%	172,276	180,200
Miscellaneous	257,200	200,000	-22.24%	200,000	200,000
Awards	236,400	197,800	-16.33%	197,800	197,800
Information Services					
External Information Services	1,797,271	1,789,972	-0.41%	1,794,241	1,798,542
Electronic Communication Services	124,150	63,310	-49.01%	64,420	65,582
Appliance Software Support	0	11,500,000	100.00%	3,000,000	0
HOD Awards					
Monthly HOD Awards	72,000	352,000	388.89%	352,000	352,000
OPERATIONAL COSTS	372,654,007	399,950,520	7.32%	366,342,791	352,062,984
TOTAL DIRECT COSTS	875,735,348	937,001,194	7.00%	931,861,029	944,450,650
	2024/2025 Budget	2025/2026 Budget	Variance %	2026/2027 Forecast	2027/2028 Forecast
INFORMATION TECHNOLOGY (IT Budget)					
Operational expenditure (OPEX)	55,075,356	60,215,821	9.33%	58,914,557	49,883,376
Capital expenditure (CAPEX)	165,647,654	136,706,224	-17.47%	89,690,465	31,236,037
INDIRECT COSTS	470,136,081	491,292,204	4.50%	513,891,646	537,530,661
National Revenue Fund	1,000,000	0	-100.00%		
RESERVE - FSRA section 239 (3)	0	221,107,780	100.00%	224,605,366	230,525,747
TOTAL COSTS	1,567,594,439	1,846,323,223	17.78%	1,818,963,063	1,793,626,471
OPERATING (DEFECIT) SURPLUS*	-324,516,018	-362,271,695	11.63%	-331,018,493	-316,293,876
ALL-INCLUSIVE (DEFECIT) SURPLUS	-1,016,375,109	-1,271,593,724	25.11%	-1,218,120,527	-1,165,469,698

*Once-off income excluded