Simeka

Retirement Fund Update

September 2018

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1. Twin Peaks regulatory model effective 1 April 2018

On 1 April 2018 the Twin Peaks regulatory model came into operation with the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA) at the helm. This was effected by the commencement of a number of sections in the new Financial Sector Regulation Act, 2017.

The old FSB has effectively been transformed into the Financial Sector Conduct Authority (FSCA). The powers of the Prudential Authority to supervise the safety and soundness of retirement funds have been delegated to the FSCA for a period of three years. Similarly the functions of the Prudential Authority in relation to medical schemes have been delegated to the Council for Medical Schemes until 31 March 2021.

1.1 FSCA Commissioner appoints Divisional Executives

During July the FSCA announced that the following persons were appointed as operational Divisional Executives:

- Mrs Caroline da Silva, Divisional Executive: Regulatory Policy;
- Mr Jurgen Boyd, Divisional Executive: Market Integrity;
- Mr Marius du Toit, Divisional Executive: Specialist Support;
- Mr Olano Makhubela, Divisional Executive: Retirement Funds.

***Comment**: The appointed individuals will form part of the leadership which will be led by the Commissioner and the Deputy Commissioners, to be appointed by the Minister of Finance.*

1.2 Three year transition process

Over the next couple of years some provisions of the Pension Funds Act will probably be replaced by the Conduct of Financial Institutions (CoFI) Act. This Act will incorporate a number of aspects such as the principles of Treating Customers Fairly, the Retail Distribution Review, the Policyholder Protection Rules, the provisions of the FAIS Act and the new fit and proper requirements.

***Comment**: During the last quarter the following significant developments took place in the roll out process.*

2. The new Insurance Act, 2017

2.1 Joint Communication 1 of 2018 of FSCA and PA: Status of instruments issued under Long-term and Short-term Insurance Acts

The Long-term Insurance (LTI) and Short-term Insurance (STI) Acts used to provide for both the prudential and conduct of business frameworks for insurers.

From 1 July 2018, the new Insurance Act, 2017 provides for the prudential legislative framework for insurers. The new Insurance Act repealed all the prudential requirements provided for in the LTI Act and STI Act.

The remaining sections of the LTI Act and STI Act provides the conduct of business legal framework for insurers pending the enactment and implementation of the envisaged Conduct of Financial Institutions Act.

As from 1 July 2018, the Financial Sector Conduct Authority is the responsible authority for the LTI Act and STI Act and the Prudential Authority is the responsible authority for the Insurance Act.

The Annexure to the Communication, sets out which of the instruments issued under the LTI Act and STI Act remains in force, which are withdrawn and which are no longer relevant.

2.2 Communication 2 of 2018: Conversion of registrations under Long-term Insurance Act and Short-term Insurance Act to licenses under Insurance Act

As from the effective date of the Insurance Act, 1 July 2018, every insurer that was registered immediately before the effective date continues as if it had been licensed under the Insurance Act. It may continue to conduct the insurance business for which it was registered until its registration is converted to a license under the Insurance Act.

The PA must within two years after the effective date convert the registration of all previously registered insurers to a license in accordance with the Insurance Act.

***Comment**: One of the governance requirements of retirement funds will be to ensure that their insurers are licensed in terms of the new Insurance Act by the end of June 2020.*

3. RDR Status Update June 2018

This document, recently issued by the FSCA, summarises the current implementation status of the 55 RDR regulatory proposals initially published in 2014 and planned RDR developments for the remainder of 2018.

The background and purpose of the Status Update is described as follows:

"The former Financial Services Board (FSB) published its Retail Distribution Review (RDR) in November 2014.

The RDR proposed a number of regulatory reforms related to the distribution of financial products and the provision of financial advice. The RDR was informed by the FSB's Treating Customers Fairly (TCF) initiative, targeted at ensuring that the financial sector delivers clearly articulated fair outcomes for financial customers.

The RDR reforms were expressed as a set of 55 inter-related regulatory proposals, to be implemented through a multi-year regulatory reform process. Since the publication of the initial RDR proposals the FSB has published a number of RDR progress reports, updated proposals, and various specific regulatory measures through different regulatory instruments. …

The FSCA will continue to implement the RDR proposals in a phased manner, aligning the development of regulatory instruments to broader legislative and regulatory developments giving effect to the Twin Peaks model of financial sector regulation. The RDR proposals will therefore be implemented using an appropriate combination of instruments under existing financial sector laws and standards under the Financial Sector Regulation Act (FSR Act) and the planned future Conduct of Financial Institutions Act (CoFI Act)."

The Status Update contains a table setting out the current status of all the proposals contained in the initial RDR document published by the FSB in November 2014.

The next steps envisaged by June 2018 include:

Publication of a discussion paper on RDR Proposals relating to Investment Management and Investment Advisers (not received yet).

The purpose of the paper will be to elicit stakeholder input on:

- *possible regulatory proposals to define the activity of "investment management";*
- *considering the extent to which investment management needs to be demarcated from other forms of discretionary investment mandates;*
- *clarifying the nature of the legal and business relationships between different types of entities in the investments sector; and*
- *resulting fee and remuneration implications.*

The next steps envisaged for the remainder of 2018:

- *finalising the RDR related changes to the FAIS General Code of Conduct;*
- *ongoing technical work on intermediary activity segmentation;*
- *completion of the actuarial model for testing new life risk commission model impacts, and commencement of the testing process;*
- *research into current tied adviser remuneration practices in the long-term insurance sector, to inform next steps on the proposal to strengthen the principle of Equivalence of Reward (RDR Proposal RR);*
- *publication of a discussion paper on Adviser Categorisation. The paper will present updated proposals on:*
    - *practical aspects of the previously proposed two-tier adviser categorisation model;*
    - *possibly allowing product supplier agents to advise on products of another product provider in respect of different classes of financial products;*

- *product supplier responsibility in relation to different categories of adviser;*
- *use of referrals and leads to meet "gap filling" needs in tied advice models;*
- *conditions for using the descriptors "independent" or "financial planning" to describe advice; and*
- *implications for juristic representatives and group structures.*

- *consumer testing of an RDR communication brochure and levels of consumer understanding of different terms used to describe different types of advisers.*
- *publication of a discussion paper on an RDR Remuneration Dispensation for the Low Income Market (RDR Proposal TT). The paper will take into account the FSCA's broader financial inclusion and transformation priorities, including the proposed micro-insurance conduct standards being introduced through the LTIA and STIA PPRs."*

***Comment**: Although the retail distribution review is primarily focused on retail business, the measures implemented to restructure the retail industry will inevitably have an impact on the retirement fund industry. As benefit and investment consultants we are particularly interested in the proposed intermediary activity segmentation, adviser categorisation (independents v agents) and the demarcation of "investment management". Once finalised these measures will be contained in the proposed new* Conduct of Financial Institutions (CoFI) Act.

Retirement Funds: New Regulatory Requirements

4. Default Regulations: Additional guidelines and requirements

Thus far we have only received a draft notice containing proposed conditions for smoothed bonus policies in order to be eligible as a default investment portfolio in terms of the Default Regulations.

***Observation:** This is problematic. The default regulations make provision for many more such guidance notes and conditions. Rolling out the default regulations is a complex matter and in the absence of the required guidelines, the boards of funds may tend to postpone making a final decision on products and services related to the regulations. We are also concerned that the FSCA will find it very difficult to cope with all the rule amendments that will be submitted early in 2019.*

5. Guidance Notice 2 of 2018: Quarterly updates of information on unclaimed benefits

Information Circular 4 of 2015 which was issued during 2015 requested funds to provide information relating to their unclaimed benefits. The data provided by funds has been captured on the Financial Sector Conduct Authority (FSCA) database which forms the basis for the Unclaimed Benefit Fund Search Engine provided for on the FSCA website.

In terms of the Guidance Notice retirement funds must submit updated unclaimed benefits data before or on 30 September 2018 and at least once every three months thereafter to ensure that the data remains valid and current. Similar to the previous request, funds are requested to provide updated details regarding unclaimed benefits electronically on the FSCA website.

Annexure A to the Guidance Notice provides information for the completion of the spreadsheet to be imported, as well as guidance on how to update previously uploaded unclaimed benefit information on the FSCA's database.

The FSCA reiterated that in order to prevent fraud and to comply with the Protection of Personal Information Act, no personal information of any individuals will be disclosed on the FSCA website.

***Observation**: Retirement fund administrators should have arrangements in place to provide the information to the FSCA in bulk on a regular basis. Funds are encouraged to confirm the existence of such an arrangement with their administrators or should take steps to ensure compliance. (SEB Core confirmed that they will perform this function for Sanlam Employee Benefits funds.)*

6. Guidance Notice 3 of 2018: Cancellation of fund registration and termination of participation of employers in umbrella funds

The Guidance Notice states that the FSCA's systems for the cancellation of the registration of a fund are being finalised and will be implemented shortly. The termination of the participation of an employer in an umbrella fund continues to be subject to the process outlined in Information Circular PF 2 of 2017.

The Notice also states that where the FSCA has received an application for the cancellation of a fund's registration accompanied by the relevant documentation as set out in Information Circular PF 2 of 2017, the fund will not be required to submit statutory returns or to pay FSCA levies after the date of the submission.

***Comment**: The delays experienced in the termination or liquidation of funds or sub-funds (participating employers) generate a number of secondary problems and complexities. We would support less cumbersome processes and procedures. As long as a clear audit trail is established, many of the time consuming procedures do not appear necessary.*

7. Levies for financial institutions (including retirement funds)

The annual levies for financial institutions (including retirement funds) for the levy year 1 April 2018 to 31 March 2019 have been published.

7.1 Levy on retirement funds

(a) The levy on retirement funds (excluding a retirement annuity fund, pension preservation fund, provident preservation fund and a commercial umbrella fund) is an amount of:

- R1 206.28 plus an additional amount of R14.27 per fund member and in respect of every other person who receives regular periodic payments from the fund (excluding any member or such person whose benefit in the fund remained unclaimed and beneficiaries); or
- R2 764 018,

whichever total amount is the lesser.

(b) The levy in respect of a commercial umbrella fund, pension preservation fund and provident preservation fund is an amount of R1 206.28, plus an additional amount of R14.27 per member of such fund and in respect of every other person who receives regular periodic payments from such fund (excluding any member or such person whose benefit in the fund remained unclaimed and beneficiaries).

7.2 Levy on fund administrators

The levy in respect of an administrator approved in terms of section 13B of the Pension Funds Act, is an amount of R7 700.31, plus an additional amount of R600.29 per retirement fund (as referred to in 5.1) under its administration and an amount of R0.73 per member and in respect of every other person who receives regular periodic payments from such fund, but excluding any member or such person whose benefit in the fund remained unclaimed, or a beneficiary in a beneficiary fund.

7.3 Levy for Pension Funds Adjudicator

The levy for the Pension Funds Adjudicator in respect of a retirement fund registered in terms of the Pension Funds Act, including a pension preservation fund, provident preservation fund, retirement annuity fund and commercial umbrella fund, is an amount of R6.05 per member of such fund and any other person who receives regular periodic payments from such fund, but excluding any member or such person, whose benefit in the fund remained unclaimed.

***Comment**: The increase seeks to make an inflationary adjustment. Based on our calculations the total levies payable by a large umbrella fund amounts to R33.10 per member per annum.*

8. The Constitutional Court ruled against Rosemary Hunter

Rosemary Hunter's campaign to force the Financial Services Sector Authority to investigate irregularities surrounding the cancellation of 4 600 pension funds was rejected in the Constitutional Court on 20 September 2018.

Justice Sisi Khampepe said: "The danger with the approach adopted by Ms Hunter is that it is very likely to yield a never-ending investigation. Investigations would be difficult to bring to finality as long as, in her view, something might just be uncovered. This observation must be understood in the context of the several credible investigations already conducted by people whose capacity to address actual or perceived irregularities is beyond doubt."

The court majority found there were other judicial remedies available to her, such as the review process as outlined in the Promotion of Access to Justice Act. A minority disagreed with this, adding that if cancellations were not investigated, mistakes may remain undetected and the resulting prejudice would not be addressed.

9. Pension Funds Adjudicator determinations can now be appealed to the new Financial Services Tribunal

The Pension Funds Adjudicator issued a note on 3 September 2018 to advice that in terms of the Financial Sector Regulation Act, 9 of 2017 ("FSR Act") the Pension Funds Adjudicator is considered as a „decision-maker‟ and his/her decisions are „decisions‟ as respectively defined in paragraphs (e) and (d) of section 218 thereof.

The Tribunal is now in a position to entertain appeals of determinations handed down by the OPFA in terms of section 30M of the Pension Funds Act, 24 of 1956 with immediate effect.

Therefore, anyone who is aggrieved with the outcome of the determination, is entitled to lodge an application for the reconsideration of the determination within 30 days of the date of the determination to the Financial Services Tribunal ("Tribunal").

The contact details of the Tribunal Secretariat are:

Telephone: +27 (0) 12 428 8012 / +27 (0)12 367 7259

Facsimile: +27 (0) 12 346 6481

Email: LEG.Tribunal@fsca.co.za

Comment: *This measure is greatly welcomed, not only by the adjudicator but also by the industry as it will offer a less expensive alternative than to lodge an appeal to the High Court which can be prohibitively expensive.*

10. Reduction in the period within which to submit quarterly asset allocation reports

During August last year the Financial Surveillance Department of the South African Reserve Bank (FinSurv) notified the industry that the current three month reporting period to submit quarterly asset allocation reports (QAARs) will be reduced to two months after the respective quarter end.

In a letter dated 22 August 2018 FinSurv advised that the shorter submission period in respect of QAARs (two months after quarter end instead of three months) applies with effect from 30 September 2018. The letter is addressed to all investment managers, collective investment scheme management companies, linked and non-linked insurance companies, retirement funds and their administrators and other stakeholders. The QAARs for the third quarter of this year must, for example, be based on the September 2018 quarter end data and be submitted to FinSurv by no later than 30 November 2018.

In view of the above, the period within which managing institutions that manage assets on behalf of institutional investors (e.g. retirement funds) must report the asset allocation to originating institutions as at the end of each quarter has also been reduced - from 30 days to 15 days. This information is necessary to enable the originating institution to “look-through” to the underlying assets in compiling its quarterly reports.

In terms of Exchange Control Circular No. 13/2018 issued on 20 August 2018 the “Currency and Exchanges Manual for Authorised Dealers” and the “Currency and Exchanges Guidelines for Business Entities” have been amended accordingly.

The amended manual and guidelines may be accessed on www.reservebank.co.za by following the links: Home>Regulation and supervision>Financial surveillance and exchange controls>Currency and exchanges documents.

Observation: *This task is typically outsourced to the retirement fund administrator. Funds need to make sure that proper arrangements are in place to comply with the shorter reporting period.*

11. Compulsory participation in Private Security Sector Provident Fund

In terms of a sectoral determination issued by the Minister of Labour in 2001 any employee who falls within the definition of eligible employee as contained in the rules of the Private Security Sector Provident Fund (PSSPF) must become a member of the PSSPF.

The attorneys for the PSSPF addressed a letter to all retirement fund administrators stating that “it has come to our attention that a few umbrella funds within the Republic, continue to house employers from the private security sector, in flagrant breach of the legislation and Rules”.

The letter among others contains the following statements:

- "It is unlawful for employers in the private security industry to unilaterally decline/cease participation in the PSSPF. If the employer has not been granted an exemption from the PSSPF, alternatively, is not wholly compliant with the rules of the PSSPF, it cannot be a participant in your fund, and accordingly you may be held liable for said employer's non-compliance, in terms of Section 37 of the Pension Funds Act, 24 of 1956."
- "Should you fail to attend to the above request, or respond to this letter, within 14 days from the date hereof, and it is subsequently discovered that you are administering benefits on behalf of non-compliant private security employers, our instructions are to join you to all civil and criminal proceedings against the non-compliant employer, which legal costs will be for your account, on scale as between Attorney and Own Client."
- "We have informed the Financial Services Conduct Authority of this compliance initiative, and we will be providing them with a list of all Section 13 B administrators who failed to co-operate in this exercise despite being in receipt of this correspondence."

Observation: *Funds and employers are required to determine whether their employees/members are compelled to belong to a bargaining council fund and if so make arrangements to apply for an exemption or transfer members to that fund.*

New Taxation requirements

12. Draft Taxation Laws Amendment Bill ("TLAB")

National Treasury published the draft Taxation Laws Amendment Bill, 2018 (TLAB) for comment. It includes the following tax proposals announced in the 2018 Budget Review that are relevant to the retirement fund industry.

12.1 Annuitisation of retirement benefits from a provident fund

The media statement issued by National Treasury describes the position of the annuitisation of retirement benefits from a provident fund as follows:

"The draft TLAB does not contain amendments related to annuitisation for provident fund members. The legislation that is currently in effect states that from 1 March 2019 provident fund members may be required to purchase an annuity from contributions made to their provident fund after 1 March 2019. Provident fund members who are over the age of 55 on 1 March 2019 or who make additional contributions to their provident fund after 1 March 2019 that do not exceed R247 500 at the time of their retirement will not be affected in any way.

The process of consultation within NEDLAC is taking longer than anticipated following the release of the paper on comprehensive social security on 25 November 2016. Government may introduce further legislative amendments related to the start-date of 1 March 2019 once the NEDLAC process is completed or provides any recommendation, expected to be no later than end-October."

Comment: *National* Treasury *seems to prepare the industry for another postponement.*

12.2 Transfer of retirement benefit to preservation fund

Currently the only permissible transfer from a pension fund or provident fund to another retirement fund upon or after retirement is a transfer to a retirement annuity fund. With effect from 1 March 2019 a transfer of a retirement benefit to a pension preservation or provident preservation fund will also be allowed. The single allowable withdrawal applicable to preservation funds will however not apply to these transferred amounts.

Observation: *While we welcome this measure we remain concerned that transfers to other pension or provident funds are not allowed. Retirement annuity and preservation funds operate in the retail space and tend to have retail commission and costs structures.*

12.3 Emigration

Currently a person who emigrates can terminate membership of his/her retirement annuity fund by making a full withdrawal of his/her benefit. From 1 March 2019 a member of a pension preservation fund or a provident preservation fund will also be able to access and withdraw the full value of their post-tax retirement benefits upon emigration. Such emigration must be recognised by the South African Reserve Bank for the purposes of exchange control.

Observation: *Members who wish to have access to their retirement savings when emigrating will have to transfer their benefits to a retirement annuity or a presentation fund.*

12.4 Tax treatment of transfers of actuarial surplus between retirement funds

It is proposed that amendments be made to the Income Tax Act to allow for transfers of actuarial surplus as contemplated in section 15E(1)(b) of the Pension Funds Act between or within retirements funds of the same employer not to create a taxable fringe benefit in the employee's hands, as is apparently currently the case. The proposed amendments will be deemed to have come into operation on 1 March 2017.

Observation: *Section 15E(1)(b) of the Pension Funds Act deals with use of actuarial surplus for the payment of pensions. The reference to this could possibly be incorrect. It is not clear what the intention is – should this cater for post medical aid contributions made by the employer, or all transfers between employer surplus accounts between funds? If it is the latter, the reference should instead be to section 15E(1)(e) of the Pension Funds Act, which deals with the transfer of the employer surplus account in one fund to the employer surplus account in another fund in which the employer participates.*

13. Binding Class Ruling: BCR 065: Employer Surplus: Post-retirement medical aid benefits

This Binding Class Ruling (BCR) was published by SARS on 14 August 2018 for general information. According to the BCR it “does not constitute a practice generally prevailing” and is binding only as between SARS and the person(s) who applied for the ruling and the “class members”. The class members referred to in the BCR are the affected members of a particular defined contribution provident fund. Their employer was one of the applicants for the ruling.

The members of the relevant fund are entitled to a post-retirement medical aid lump sum benefit on retirement (including ill-health retirement) or death. The issue submitted to SARS for a ruling is the allocation of an amount from the employer surplus account in the fund to the fund credit of each affected member, in lieu of the benefit that would have been payable by the employer as at retirement (or death). Therefore, in return for a certain amount allocated to each member’s fund credit, the affected member will give up his or her right to claim the benefit from his/her employer.

SARS ruled that the intra-fund allocation of an amount from the employer surplus account to a member’s fund credit will trigger a taxable fringe benefit for the members.

Comment: *It is debatable whether the ruling is correct, i.e. whether a taxable fringe benefit is indeed triggered in the aforesaid circumstances.*

Medical Schemes: New Regulatory Requirements

14. Medical Schemes

On 21 June 2018 Health Minister Aaron Motsoaledi held a press conference on the Medical Schemes Amendment Bill and the National Health Insurance (NHI) Bill released for public comment.

14.1 Medical Schemes Amendment Bill

The Bill seeks to amend the Medical Schemes Act in order to align with the National Health Insurance White Paper and the National Health Insurance Bill.

The Minister said that the first reason for the amendment bill is that the implementation of NHI is not going to be a once-off event but it will take place in a phased-in approach. He said that “while this is happening the population of medical schemes beneficiaries need immediate relief from serious challenges experienced in the current medical scheme regime”. The second reason for the amendment is to align the medical scheme environment to that which will exist under NHI so that there is a smooth, harmonious transition that does not unduly disrupt access to health care.

The Minister highlighted ten amendments envisaged by the Bill:

a) To abolish what has come to be known as co-payments. Co-payments means that the scheme pays a portion of the bill that a provider (hospital or private doctor) charges to a patient and the patient pays the balance;

b) To abolish the practice of using brokers within the medical scheme environment;

The Minister said: *"Almost two thirds of principal members of medical aid schemes pay monthly to a broker as part of their premium. Many of these members do not even know that they are paying this money which in 2018 is R90.00 per month. The total amount paid to brokers in 2017 was R2,2 billion. We want this money to be made available to pay for direct health expenses of members rather than serving brokers who are actually not needed in the healthcare system. We are aware that most of the work supposedly done by brokers is actually done by the Council for Medical Schemes - the statutory body."*

c) To abolish the practice of Prescribed Minimum Benefits (PMBs) and replace it with comprehensive service benefits;

d) To address the various unequal and even unfair benefit options which medical schemes are subjecting their members to. The amendment prevents any medical scheme from implementing any benefit option unless approved by the Registrar of the Council for Medical Schemes;

e) To declare the carrying on of the business of a medical scheme by a person not registered as a medical scheme to be a specific offence;

f) The creation of a central beneficiary and provider registry and the management thereof by the Registrar of the Council for Medical Schemes;

g) To introduce an income cross-subsidisation model;

The Minister said: *"The essence of NHI which must start now even with the present medical aid schemes is that the rich must subsidise the poor, the young must subsidise the old and the healthy must subsidise the sick. The present contribution table charges the same rate for a lower income earner and a high income earner for the same benefits. This practice completely negates the principles of income cross-subsidisation."*

h) To compel medical aid schemes to pass back savings if a member uses a designated service provider according to the rules of the scheme;

i) To effect amendments with regard to the cancellation of membership and waiting periods between joining a scheme and accessing benefits. This is because under NHI there will be no penalty related to late joining or age;

j) To make amendments relating to the governance of medical schemes. There will be minimum educational requirements and expertise in order to be a member of a Board of Trustees or a CEO of a Medical Aid Scheme.

14.2 The National Health Insurance Bill

The Minister said: *"NHI is a health financing system that pools funds to provide access to quality health services for all South Africans based on their health needs and irrespective of their socio-economic status. It will need a massive reorganisation of the current health system, both public and private."*

"The objective of this Act is to establish a Fund that aims to achieve sustainable and affordable universal access to health care service by –

a) *establishing and maintaining an efficient Fund through the consolidation of revenue so as to protect users against financial risk;*
b) *serving as the single public purchaser of health services in terms of the Act so as to ensure the equitable and fair distribution and use of health care services;*
c) *ensuring the sustainability of funding for health care services; and*
d) *providing for equity and efficiency in funding by actively purchasing health care services, medicines, health goods and health related products from certified, accredited and contracted service providers."*

The Minister stated that in the massive reorganisation of the healthcare system twelve Acts have been identified as requiring amendment for the smooth running of the healthcare system and to impose quality.

15. CMS Circular 25 of 2018: Demarcation exemption system

The Exemption Framework for providers of indemnity products that are conducting the business of a medical scheme and require exemption from certain provisions of the Medical Schemes Act was concluded and published on the CMS website during March 2017 in Circular 19 of 2017. The exemption is applicable for two years, with effect from 1 April 2017 to 31 March 2019, subject to certain conditions. The Exemption Framework is a transitional arrangement while the Department of Health leads the development of a Low Cost Benefit Option (LCBO) type of product to medical schemes. In terms of the Exemption Framework, entities providing products that fall within the ambit of the business of a medical scheme were given an opportunity to apply to be exempted from the provisions of the Medical Schemes Act.

In October 2017 the CMS met to consider all demarcation exemption applications submitted in terms of clause 7.2 (Stage 2) of the Exemption Framework. Entities that submitted exemption applications were individually notified of the decision of the CMS regarding exemption applications, as well as applicable exemption conditions on qualifying products that fall within the ambit of doing the business of a medical scheme.

In terms of Circular 25 of 2018, insurers and their respective financial service providers who were granted Stage 2 exemption were required to submit information via the CMS website relating to exemption conditions on the Demarcation Exemption System by 29 June 2018.

With recognition to the major contributions made by Anton Swanepoel and Sanlam Employee Benefits: Law Services