

THE DTI GAZETTES THE LONG AWAITED AMENDED FINANCIAL SERVICES SECTOR CODE

On Friday, 01 December 2017, Minister Rob Davies gazetted the Amended Financial Services Sector Code (also referred to as the Amended FSC), effective from date of issue.

As per the DTI's Media Statement issued on Monday 04 December 2017, Minister Davies has been quoted saying that transformation for the Financial Services Sector is vital for our country as this sector manages over R8 trillion assets, contributing 21.6 per cent to the gross domestic product of the economy, annually.

Minister Davies further said that the Amended FSC has *"unique features and deviations that intend to address transformation peculiarities that exist in the sector"*.

As a catalyst for empowerment, the Amended FSC has two unique elements over and above the standard five elements of the 2013 Amended Codes, being:

- 1) **"Empowerment Financing"**, which aims to ensure support for:
 - a) Black Owned entities (including Black Industrialists),
 - b) Black Agriculture Funding necessary to assist with the land reform process,
 - c) Transformational Infrastructure Financing, with emphasis on the funding of previously neglected areas (i.e. townships and rural areas) and
 - d) Funding of Low-cost Housing; and
- 2) **"Access to Financial Services"**, which aims to ensure that marginalised people have access to

transaction, sales, and service points. This element includes the following aspects:

- a) Inclusive banking,
- b) Access to affordable and understandable long term insurance risk cover, and
- c) Access to affordable and understandable short term insurance risk cover.

It is important to note that Minister Davies has further stated that the latter, will be measured based on whether there is:

- 1) Penetration of products,
- 2) Development of appropriate products,
- 3) Densification of service points,
- 4) Electronic access, and
- 5) Geographic access amongst the above marginalised people also referred to as **"LSM 1 to 5 beneficiaries"**.

The term **"LSM"** refers to the Living Standards Measure which has been developed by the South African Advertising and Research Foundation (SAARF) and this itself is the most widely used segmentation tool in South Africa. It is a means of segmenting the South African market that cuts across Race, Gender, Age or any other variable used to categorise people. Instead, it groups people according to their living standards.

A person's **"LSM"** is calculated based on their ownership of household assets and a few other requirements, which add up to 29 variables.

The **"LSM"**s range from **"LSM 1"**, typically rural folk who do not have access to hot running water to **"LSM 10"**, typically someone who is well employed with a house and car.

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