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Important facts of the new Finance Services Sector Codes

What should you know about the new Finance Services Sector Codes?

The Finance Services Codes require all contributors to aggressively promote a competitive and transformed financial sector that mirrors the demographics of South Africa. The aim is to establish an equitable society by providing financial services to black individuals and directing investment into specific targeted sectors of the economy.

The *Finance Services Sector Code* contains 3 different scorecards for entities:

- a scorecard for **Financial Institutions**
- a scorecard for **Banks and Life Offices**,
- a scorecard for **Short-term Insurers**.

In addition to the Generic Code elements, Banks and Life offices have two unique elements called **Empowerment Financing** and **Access to Finance Services** as a catalyst for empowerment. "*The aim for empowerment financing is to ensure support for black-owned entities (including black Industrialists), black agriculture funding necessary to assist with the land reform process, transformational infrastructure financing (the emphasis here is on funding of previously neglected areas such as townships and rural areas) and low-cost housing funding*," as stated by Minister Rob Davies.

Short-term Insurers have one additional element, namely Access to Finance Services, while other financial institutions have exactly the same elements on their scorecards as those of the Generic Codes. The provisions for ARLs (EMEs and 51% and 100% black-owned QSEs) are exactly the same as those of the Generic or General Codes. Please take note that B-BBEE verification is optional for small enterprises.

Finance services targets include the following:

- A 25% Ownership target
- The alignment of Management control targets to the Generic Codes
- Skills Development targets (ranging from 2% for higher management levels to 8% for non-management employees)
- A customer training component in Socio-economic development (SED

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