

NON-BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY  
2020/21 DRAFT ANNUAL ESTIMATES AND 2020/21 SUPERVISORY LEVIES  
PROPOSAL

**A. INTRODUCTION**

**The Authority** hereby submits the draft 2020/21 Annual Estimates and the proposed 2021 Supervisory Levies, in accordance with the Section 23 (3) of the NBFIRA Act. **The Authority** continues to be funded by Government and the regulated entities through Government subvention and Supervisory levies. For the financial year 2019/20, the funding ratio reflects that Supervisory Levies account for 74% of **the Authority's** funding while Government Subvention accounts for 26%.

In line with Section 23 (3) of the NBFIRA Act, the Regulatory Authority has to publish the draft Annual Estimates and the Proposed Supervisory Levies for the following financial year, and has to call for submissions on the draft Annual Estimates.

**B. 2020/2021 BUDGET ESTIMATES**

**The Authority** is pleased to present the 2020/2021 Budget Estimates. Total Operating Expenditure Budget is estimated at **P85.8 million (2019/20: P78.6 million)**, while Total Income is **P90.2 million (2019/20: P78.4 million)**, resulting in a Surplus Budget of **P4.4 million (2019/20: Deficit P0.19 million)**. The proposed income estimates for the financial year 2020/20 is expected to increase by **P12 million** or 13%, while the expenditure estimate is expected to increase by **P7.1 million** or 9%. The income increase will be largely due to **10%** supervisory levy adjustment and AML funding of **P4 million** for risk based supervisory system.

The Total Budget estimates for **2020/21 for NBFIRA** is **P73.8 million**, represented by:

- Recurrent Budget: **P85.8 million;**
- Capital Budget: **P4.5 million** and

Total Income is estimated at **P90.2 million**, which is represented by:

- Supervisory Levies: **P60.2 million;**
- Government Subvention: **P23.6 million;**
- AML/CFT Subvention **P4.0 million**
- Other Income: **P2.4 million;**

Below is the analysis of **the Authority's** significant estimated expenditure;

**ANNUAL ESTIMATES ANALYSIS 2020/21:**

**1. STAFF COSTS [P60.5 million]:**

The Authority is currently operating at full capacity of 100 employees. A full staff complement is needed to be able to effectively roll out the 2016-2021 NBFIRA Strategic Plan, whose focal pillar is to create a safe, fair, stable and efficient NBFi sector.

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**2. RENTAL OFFICE [P3.6 million]:**

The rental charge for the financial year 2020/21 is expected to be P3.6 million, compared to P3.3 million in the financial year 2019/20, an increase of P0.3 million, which is in line with the lease agreement in place.

**3. SOFTWARE LICENSES & MAINTENANCE [P3.8 million]**

The total Software License and Maintenance costs for supporting the Integrated Management Information Systems, being the Risk Based Supervision System and Oracle ERP is P3.8 million for the financial year 2020/21. The Authority continues to enhance the use of the ICT to ensure that an improved service is rendered.

**4. TRAINING COSTS [P1.5 million]:**

A number of staff development and training initiatives are planned so as to allow staff to gain the necessary exposure and acquire the much needed regulatory skills. Furthermore, with the growth in staff, training initiatives are considered key in nurturing the requisite skills to allow *the Authority* to regulate effectively and efficiently.

**5. CONSULTING FEES [P1.9 million]:**

Consulting fees have been budgeted for at P1.9 million in financial year 2020/21. Through the consulting budget *the Authority* will be able to:

- Improve Business Processes;
- Implement Human Resource related consultancies; and
- Enhance capacity on supervising and regulating

**6. CAPITAL EXPENDITURE [P4.5 million]:**

*The Authority* has budgeted for the **P4.5 million** for capital expenditure during the year. This relates to the replacement of computer equipment and AML Risk Based System for the financial year 2020/21.

**7. NBFIRA STATUTORY RESERVE:**

Section 23 (2) of the NBFIRA Act states thus:

“An annual estimate of the Regulatory Authority’s expenditure for a financial year shall include provision for a reserve of not more than 10% of the total expenditure provided in the estimate.”

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In line with the requirement of the Act, the total estimate expenditure for the year is **P85.8 million**, currently the Statutory Reserve amounts to **P2.8 million**, which is in compliance to the NBFIRA Act.