

NBFIRA

Newsletter

Issue: 1 volume: 2

Working towards financial stability

INSIDE STORIES

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The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) was established as an independent regulatory agency for the non-bank financial institutions in April 2008. As outlined in section 8 of the NBFIRA ACT, the principal objective of NBFIRA is to regulate and supervise the non-bank financial institutions so as to foster the:

- Safety and soundness of non-bank financial institutions;
- Highest standard of conduct of business by non-bank financial institutions;
- Fairness, efficiency and orderliness of the non-bank financial sector;
- Stability of the financial system;
- Reduction and deterrence of financial crime.

VISION

To be an efficient and effective regulatory and supervisory Authority in line with International best practices.

MISSION

To regulate and supervise Non-Bank Financial Institutions for the purpose of contributing towards financial stability.

VALUES

- Integrity - we adhere to the highest ethical standards.
- Transparency - we are open and frank in our operations.
- Fairness - we consistently promote equal treatment in dealings with all stakeholders.
- Accountability - we are responsible to our stakeholders.
- Diligence - we are thorough and persistent in the execution of our duties.

NBFIRA comprises of five (5) directorates being:

CORPORATE SERVICES DIRECTORATE

The directorate provides strategic leadership in the designing and implementation of ICT, finance, accounting, human resources, strategies, policies, and other programs for the Authority. The divisions are:

- Finance
- Human Resources
- Information Technology
- Communications

CAPITAL MARKETS DIRECTORATE

Capital markets directorate leads in the development and review of the regulatory framework for Capital Markets and ensures that all regulated activities in the sector are conducted in strict compliance with the governing laws.

INSURANCE DIRECTORATE

The Department of Insurance at NBFIRA is charged with the implementation of provisions of the Insurance Industry Act and the International Insurance Act defined as the Financial Services Law under NBFIRA Act of 2006.

PENSIONS DIRECTORATE

The Pension Funds Industry is regulated in terms of the NBFIRA Act (No. 2 of 2006) and the Pension and Provident Funds Act and Regulations (Cap 27:03). In terms of the above Acts, all Pension and Provident Funds must be licensed by NBFIRA and must comply with the provisions of these Acts.

LENDING ACTIVITIES DEPARTMENT

The Department of Lending Activities at NBFIRA is charged with the implementation of provisions of the lending Regulations and the NBFIRA Act defined as Financial Services Law under NBFIRA.



What You Should Know When Buying an Insurance Policy

Licensing of an Insurance Company-Do not enter into any insurance business transaction with an insurer, insurance broker or agent that is not licensed with the Non-Bank Financial Institutions Regulatory Authority (“NBFIRA”). If you are unsure, call NBFIRA to verify the licensing status of the insurance company or representative (individual).

Shop Around - Do shop around for the best insurance policy that suits your insurance needs- Different insurers offer similar insurance policies (covers) but at different prices and benefits. Choose the insurance policy that best suits your needs and is affordable.

Affordability-Make sure that you can afford an insurance policy premium before you commit yourself financially. An insurance policy will not commence insuring you before you pay your insurance premium and depending on the type of insurance policy that you have bought or purchased, you may not get your money back (full premium refund) for the period of time the insurer was insuring you.

Lapsed Policy- When the insurance policy premium is not paid on time or before cover commences, all benefits of the insurance policy stops and any future insurance claims will be declined by the insurer .In other terms the insurance policy may become Lapsed (end).Therefore the insurance policy premium needs to be paid on the due date or within the grace period at maximum.

The Importance of Disclosures- Provide truthful information at all times when filling in insurance application forms to buy or purchase an insurance policy. Your insurance claim may not be paid if you have given false, incorrect or incomplete information to the insurer. Some type of insurance policies

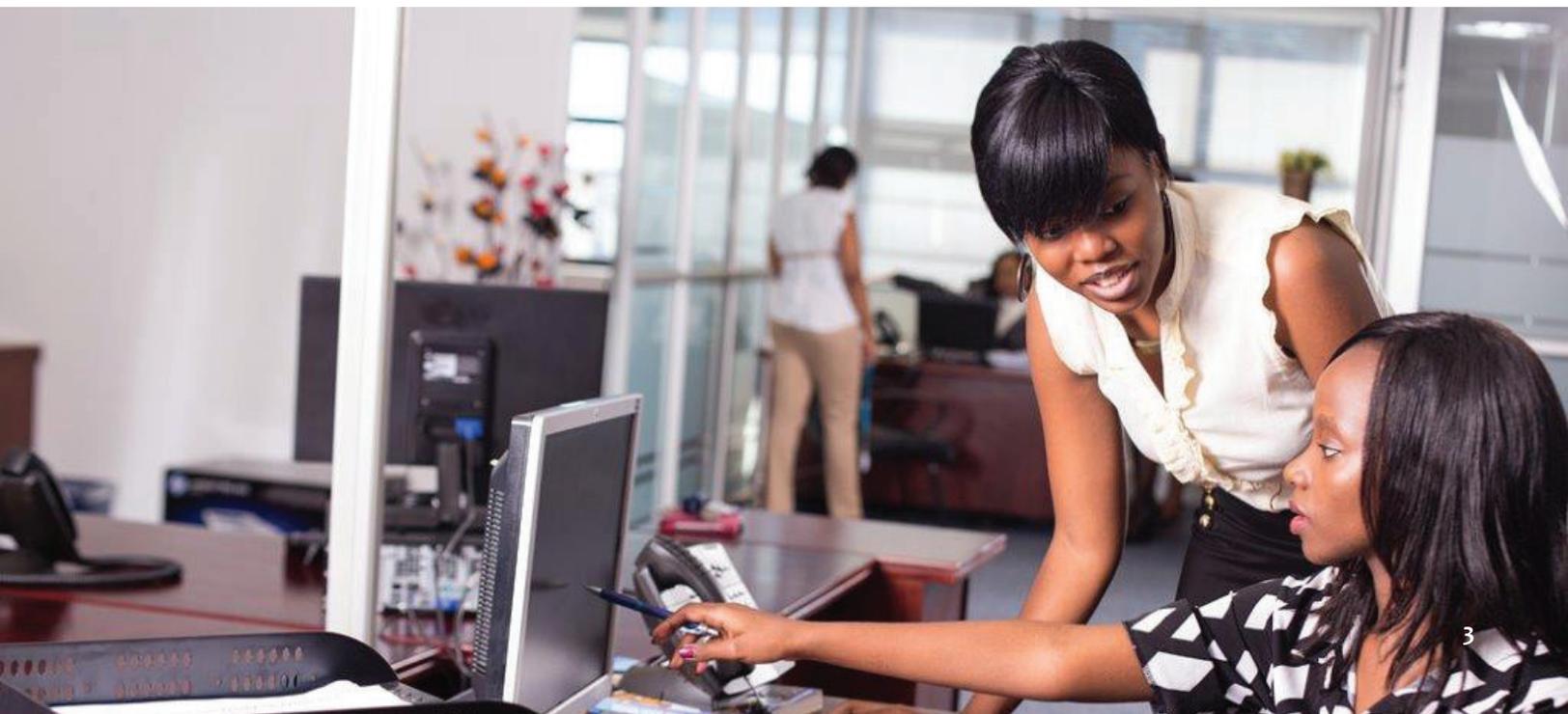
require “**Disclosure**” on certain information about you as the prospective insured, it may be about your past experience, history or about your age and health. Please take such request for information seriously when you are asked for it.

Insurance Policy Documents- Make sure that you read and understand the policy before you commit yourself into an insurance contract. Ensure that you receive the entire insurance policy documents. Do not sign blank insurance policy documents. If you have misplaced or lost the Original insurance policy document, you are entitled to request a copy of the documents from your insurer. Always keep the insurance policy documents in a safe place!

Cooling Period- Some type of insurance policies may be cancelled within 30 days after you have purchased and received the insurance policy document. This 30-day period is termed the “**cooling-off period**” and refers to the period after taking out an insurance policy within which you may cancel the policy without losing any premium you may have paid. If you decide not to cancel your policy after the cooling-off period, you may forfeit the full premiums (refund) that you paid to the insurer.

Complaints-You have the right to lodge a complaint if you are not satisfied with the service provided by any insurer, insurance broker or agent. Contact the relevant insurer or intermediary whose conduct you want to complain about. Ask for the Complaints Handling Procedure and follow it. If you still dissatisfied with the said entity’s course of action or complaint resolution, you can then approach NBFIRA on condition that you provide documental proof that you have exhausted all the channels within the said entity.

Always ensure that you get a copy of the insurance policy document once you have signed the insurance proposal or application form.



Pension and Provident Funds

What is a Pension or Provident Fund?

A pension or provident fund is a fund that provides an income for a member on retirement or an income to dependants if the member dies.

What is the main difference between a Pension and Provident Fund?

Under a Pension Fund, the member is entitled to receive a up to a third of the benefit as a lump sum at retirement and the remaining balance is paid out as a monthly pension over the members' lifetime. A Provident Fund pays out the benefit as a lump sum at retirement.

What is a Defined Contribution Fund?

Under a Defined Contribution Fund, the contributions by the member and employer are defined in the rules of the fund and the benefit at retirement is based on the accumulated contributions and the investment earnings.

What is a Defined Benefit Pension Fund?

Under a Defined Benefit Fund, the benefit at retirement is based on member's salary and years of service.

What other benefits can members claim from a Pension or Provident Fund? Individual members or dependants can claim certain kinds of benefits like disability, retrenchment, death and maintenance benefits.

What is an Umbrella Fund?

Umbrella funds are used by small employers as an important vehicle towards pension provision. Umbrella funds are usually set up by Pension Fund administrators to cater for employers who have a small number of employees. The contributions from each employer are pooled together and an investment manager appointed to invest the pooled funds. The umbrella fund thus facilitates cost savings and avails the services of independent professional trustees to these small sized funds.

Who contributes to a Pension or Provident fund?

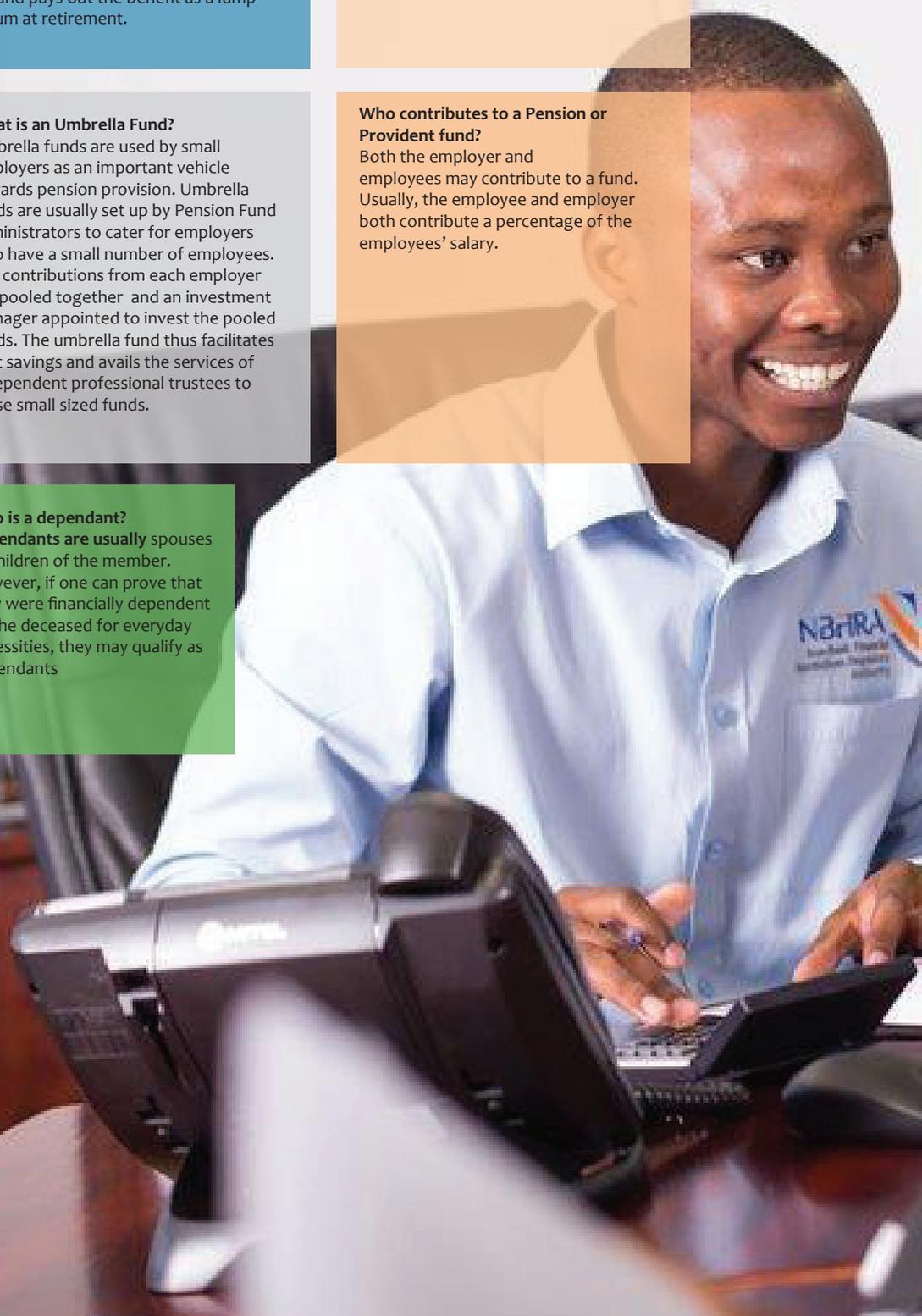
Both the employer and employees may contribute to a fund. Usually, the employee and employer both contribute a percentage of the employees' salary.

Do government employees have their own fund?

Yes. The Botswana Public Officers Pension Fund (BPOPF) was set up to provide pension benefits for Government employees.

Who is a dependant?

Dependants are usually spouses or children of the member. However, if one can prove that they were financially dependent on the deceased for everyday necessities, they may qualify as dependants



Ponzi scheme

warning signs you should look for

No one who invests money expects to be caught in a Ponzi scheme. Still, many investors are now finding themselves at a loss because they were duped by investments that appeared to be legitimate.

Here are some basic tips and warning signs, so will not be taken advantage of or caught up in a Ponzi scheme.

What is a Ponzi scheme?

A Ponzi scheme is a type of investment fraud that involves payment of false “returns” from monies contributed by other investors or new investors.

Where does the name come from?

Ponzi schemes are named after Charles Ponzi who was one of the most famous con men in American History. He invented the scam that pays initial investors with proceeds from new investors under the guise that they are making an actual business investment, when in fact the underlying business is non-existent or unsuccessful. Eventually, there are not enough newcomers to pay the existing investors, and the scheme falls apart.

Signs of Ponzi Schemes

Ponzi schemes occur under many different labels and guises, but there are a few common characteristics they may share. Investors should be cautious if they observe any of the following signs:

Unclear Information:
Always read an investment’s prospectus or disclosure statement carefully before you invest. Excuses about missing paperwork, account errors, or complex, secretive strategies are red flags.

Consistent High Returns (In Contrast to Market):
Investments with high returns tend to carry more “risk,” and thus are more volatile. Be extremely cautious of any investment generating consistent high returns that seems unaffected by economic factors.

Unlicensed Sellers:
The law requires that investment professionals and their firms be licensed and registered. Many Ponzi schemes involve unregistered firms and/or unlicensed individuals.

Pressure to Reinvest:
Ponzi schemes collapse without regular income or when too many investors cash out. Propagators often will try to dissuade investors from cashing out, offering even higher returns as an incentive.



LOGGING OF A COMPLAINT WITH NBFIRA

A person wishing to lodge a complaint with NBFIRA should follow the procedure outlined below:

STEP	PROCEDURE
1.	The person must lodge a complaint with the regulated &/licensed entity stating the exact nature of the problem and request for resolution of the complaint.
2.	If Step 1 fails, the complainant should request an appointment with the Principal Officer of the regulated /licensed entity to escalate the complaint for his/her attention and request for a resolution.
3.	If the complainant receives unsatisfactory response or the complaint is not attended to at all by the regulated / licensed entity (in Step 2), the complainant must lodge a written complaint with the Principal Officer of the regulated/licensed entity and request for a written response within 5 working days. The complainant should request for written acknowledgement of receipt of the complaint within 5 working days and in the advent of the complaint not being resolved, the complainant shall ensure that it notifies the Regulatory Authority within 5 calendar days of the unresolved complaint.
	Please note that: NBFIRA will only attend to complaints after all the above attempts to settle complaints have failed and the complainant is not satisfied with the outcome.
4.	If the regulated/licensed entity through its Principal Officer fails to respond to the complainant in writing and within stipulated timeframe (as per Step 3) which shall not exceed 5 working days, or the complainant is still aggrieved by the written response given by the regulated/licensed entity, the complainant must lodge a complaint with NBFIRA providing a full written statement of events relating to the problem and enclosing a written response (in step 4) from the regulated/licensed entity. To lodge a complaint with NBFIRA, please visit www.nbfira.org.bw and click on the 'Complaint Lodging' tab which will direct you to a site automated to receiving complaints or call 3102595 for further assistance. The minimum turnaround time during which NBFIRA will acknowledge, investigate and respond to the complainant on the complaint raised, as per step 4 will be within 30 working days.
5.	All correspondence must be addressed to: The Chief Executive Officer Non-Bank Financial Institutions Regulatory Authority, P/Bag 00314, Gaborone Tel: (+267) 310 2595 / 368 6100 Fax: (+267) 310 2376 / 310 2353

Guidelines to lodge a complaint

The complaint should be in relation to either of the following issues:

1. The regulate/licensed entity has made a decision outside its powers;
 2. The complainant has been prejudiced as a result of maladministration by the entity concerned;
 3. A dispute of fact or law has arisen in relation to an entity, between the entity or any person and the complainant; or
 4. The management or board of the entity has not fulfilled its duties in terms of rules or agreements.
5. Complaints lodged with NBFIRA must at least contain the following minimum information:
 - a. Full personal details, including name, postal address, identification number, phone and fax numbers and e-mail addresses;
 - b. The history of membership with the fund, or insurer, or entity concerned, commencement date of membership or effective date of contract;
 - c. Full contact details of the entity concerned and the person complainant dealt with in particular;
 - d. Full particulars of the complaint with particular reference to the definition of a complaint as set out in point 6 above;
 - e. Full particulars of the relief the complainant wants NBFIRA to order;
 6. Please note that NBFIRA has no legal power to adjudicate a contractual agreement between the licensed entity and the complainant. Contracts can only be adjudicated in a court of law. In this instance, NBFIRA can only attempt to mediate the process to reach an amicable solution, but will not be able to rule on the matter.
- f. Proof that the complaint has been submitted to the entity concerned; and
 - g. A copy of the complaint sent to the entity concerned, together with a copy of any reply received from them, should also be sent to the NBFIRA.

Saving tips

It is usually a portion of disposable income not spent on consumption of consumer goods but accumulated or invested for future use.

- It is advisable to try save a little money every month.
- We have been told ‘always pay yourself first.’ This means DO NOT save what is left after spending, BUT spend what is left after saving.
- Try and have an emergency fund to avoid taking loans to pay unexpected purchases. It will come in handy. The only way you will ever permanently take control of your financial life is to dig deep and fix the root problem. Try these tips.

Cancel unused club memberships

Are you paying dues at a club that you never use? Like a gym membership, if you're not using them very often, cancel them.

Cut down on your vacation spending

Instead of going to your home village every month or every holiday, plan for the most important holidays and save up for the traveling costs

Look for a cheaper place to live

You may find that a move could mean the difference between having plenty of money and barely scraping by.

Invite friends over instead of going out and don't spend a lot of money entertaining your children

Going out to eat or “out on the town” can dent the budget. Play cards or watch movies with your guests. You'll all save money

Quit smoking

If you're still a smoker, you have to know by now that your habit is not only expensive, but potentially deadly as well. P35 x 4(weeks) = P140 x 12 months = P1,680 annually.

Buy staples in bulk

Buy items you use a lot in bulk, especially those that don't perish. For example trash bags, soap and diapers.

Create a visual reminder of your debt

Make a progress chart that starts with the amount of debt you have and ends with zero. Each time you pay down a little bit, show the amount on the chart. Keep this reminder in a place where you'll see it often.

Write a list before you go shopping and stick to it

The easiest way to save money is to only shop when you have a list and stick to it, without one, you end up making impulse purchases. Avoid malls, they always have temptations.

Avoid fast food

Instead of eating fast food try making some simple and healthy replacements that you can take with you to work.

Start a garden

Gardening can be an inexpensive hobby if you have a yard and you'll have a very inexpensive hobby that produces healthy food for your family.

Try generic brands for items you buy regularly

Instead of just picking up the ordinary brand of an item you buy, try out the store brand. You'll save a few cents and you'll find your regular grocery bill getting smaller and smaller.

NBFIRA

Non-Bank Financial
Institutions Regulatory
Authority



WE ALSO HAVE A MASCOT, A PIGGYBANK.

Why a piggy bank? During The Middle Ages, 15th century, metal was expensive and seldom used for household wares. Instead, dishes and pots were made of an economical clay called "PYGG". Whenever people could save an extra coin, they dropped it into one of their clay jars. They called this their pygg bank or their piggy bank.

Please contact the Communications department at NBFIRA for financial education presentations and any other enquiries on

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