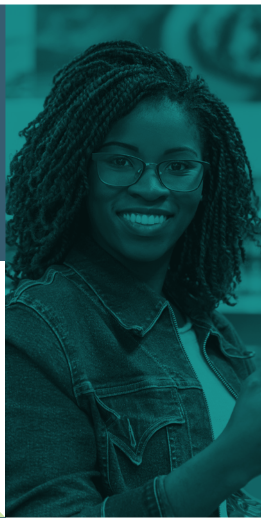
FSCA

Financial Sector
Conduct Authority

ANNUAL REPORT
2021/2022



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PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name:	Financial Sector Conduct Authority
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	0002
Postal Address:	PO Box 35655
	Menlo Park
	0102
Telephone Number:	+27 12 428 8000
Email Address:	Info@fsca.co.za
Website Address:	www.fsca.co.za
External Auditors:	Auditor-General of South Africa
Banker's Information:	First National Bank [RMB Corporate Banking, Johannesburg]

LIST OF ABBREVIATIONS/ACRONYMS

AFU	Asset Forfeiture Unit
AGSA	Auditor-General of South Africa
AML	Anti-Money Laundering
ASISA	Association for Savings and Investments South Africa
BATSETA	Council of Retirement Funds for South Africa
BASA	Banking Association of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BBF	Black Broker's Forum
BCT	Business Continuity Team
CAAT	Computer-Assisted Audit Tool
CAR WG	Crypto Assets Regulatory Working Group
CBI	Contingent Business Interruption
CBR	Conduct of Business Return
CCMA	Commission for Conciliation, Mediation and Arbitration
CCP	Central Counterparty
CED	Consumer Education Department
CEO	Chief Executive Officer
CFD	Contract-for-Difference
CFI	Co-operative Financial Institution
CFO	Chief Financial Officer
CFT	Counter Financing of Terrorists
CIS	Collective Investment Schemes
CISA	Compliance Institute of South Africa
CISCA	Collective Investment Schemes Control Act
CISNA	Committee of Insurance, Securities and Non-banking Financial Authorities
CMS	Council for Medical Schemes
COBS	Conduct of Business Supervision
CoFI	Conduct of Financial Institutions
CPD	Continuous Professional Development
CRA	Credit Rating Agency
COVID -19	Coronavirus Disease of 2019
DDD	Data-Driven Digital
ERP	Enterprise Resource Planning
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EU	European Union

EVP	Employee Value Proposition
EXCO	Executive Committee
FAIS	Financial and Advisory Intermediary Services
FATF	Financial Action Task Force
FIA	Financial Intermediaries Association
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FMA	Financial Markets Act
FSAP	Financial Sector Assessment Programme
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
FSP	Financial Services Provider
FSR	Financial Sector Regulation
FSTC	Financial Sector Transformation Council
GCR	Global Credit Ratings
GRAP	Generally Recognised Accounting Practice
HoD	Head of Department
IA	Innovation Accelerator
IAF	Internal Audit Function
IAIS	International Association of Insurance Supervisors
ICT	Information and Communication Technology
IFWG	Intergovernmental Fintech Work Group
IMF	International Monetary Fund
INFE	International Network on Financial Education
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation of Securities Commissions
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
IT	Information Technology
JSE	Johannesburg Stock Exchange
KI	Key Individual
LISP	Linked Investment Provider
MEC	Member of Executive Council
M&E	Monitoring and Evaluation
MSWSA	Money Smart Week South Africa

MTEF	Medium-Term Expenditure Framework
NAV	Net Asset Valuation
NCFEC	National Consumer Financial Education Committee
NPA	National Prosecuting Authority
NCR	National Credit Regulator
NT	National Treasury
ODP	Over-the-Counter Derivative Provider
OECD	Organisation for Economic Co-operation and Development
OGC	Office of the General Counsel
OHS	Occupational Health and Safety
OTC	Over-the-Counter
PA	Prudential Authority
PAA	Public Audit Act
PFA	Pension Funds Act
PFA	Pension Funds Adjudicator
PFMA	Public Finance Management Act
PPR	Policyholder Protection Rules
RDR	Retail Distribution Review
RE	Regulatory Examinations
RBS	Risk-Based Supervision
RMCP	Risk Management and Compliance Plans
SAIA	South African Insurance Association
SAICA	South African Institute of Chartered Accountants
SADC	Southern African Development Community
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCM	Supply Chain Management
SFT	Securities Financing Transaction
SLC	Service-Level Commitment
SMME	Small, Medium and Micro-Enterprises
SRO	Self-Regulatory Organisations
TCF	Treating Customers Fairly
TMC	Transitional Management Committee
TR	Trading Repository
TR	Treasury Regulations

FOREWORD BY THE MINISTER OF FINANCE

"National Treasury and the financial regulators under its leadership are working around the clock to implement reforms to legislation and regulatory apparatus that will manifest the vision of a fair, efficient, and resilient financial system that supports inclusive and sustainable economic growth in South Africa."

INTRODUCTION

South Africa continued to face serious socio-economic challenges in the period under review, such as rising inflation, high unemployment and slow economic growth. The country was also beset by unprecedented riots which resulted in looting and serious damage to commercial infrastructure.

Within this context, the FSCA published its latest regulatory strategy, which outlines its approach to financial conduct regulation in South Africa. This is intended to improve consumer protection and create a more resilient and stable financial system for the benefit of all working and living in South Africa.

STRATEGIC PRIORITIES AND PROGRESS

It was another excellent year for the FSCA as it continued in the execution of its mandate, ensuring that financial customers were treated fairly and that the industry played its part in helping to address the national imperative of reducing poverty, inequality and underdevelopment.

During 2021/22, the FSCA met most of its performance targets, as can be seen in the performance section of this annual report. These targets included publishing the new Regulatory strategy (2021-2025) in December 2021, which redefines the strategic priorities that have been aligned with the Strategic Plan (2020-2025) and will take effect in 2022/23.

Several significant Conduct Standards were drafted or published in the period, allowing the FSCA to work more effectively in new areas that have been brought into its regulatory net.

The ushering in of the new governance structure in the year under review coincided with the institution moving into a new phase, building on the important foundational work done to establish the new regulator.

The decision-making body of the FSCA, consisting of the Commissioner and Deputy Commissioners, was duly appointed during the year under review. This, as the Transitional Management Committee (TMC), which had been performing the role of the FSCA Executive Committee during the transitional period in terms of the FSR Act Regulations, came to an end on 30 September 2021.

MEDIUM TO LONG-TERM VIEW

The medium to long-term goals remains unchanged as Government continues to focus on the imperatives of growth, investment and employment, guided by the Economic Recovery and Reconstruction Plan tabled in Parliament in 2020 and the priorities announced by President Ramaphosa in the 2022 State of the Nation Address.

The FSCA's work contributes to the seven national priorities of South Africa as identified in the revised Medium Term Strategic Framework (MTSF), whether directly or indirectly.

The Conduct of Financial Institutions (COFI) Bill and the amendments to the FSR Act will have a significant impact on the way the FSCA approaches market conduct regulation in the financial sector and will also clearly delineate the responsibilities of the various regulatory authorities.

For example, the FSR Act amendments envisage a split in the responsibilities for market infrastructures, with the Prudential Authority having responsibility for the post-trade infrastructures, while the FSCA will remain responsible for marketplaces.

The FSCA has developed a Regulatory Framework Transition Plan that will define the approach to the transition of all conduct regulatory instruments within existing legislation to the CoFI Bill framework. This work is ongoing as refinement of the COFI Bill continues despite setbacks and delays caused by COVID-19 waves.

ACKNOWLEDGMENTS

I would like to welcome the newly appointed Commissioner and Deputy Commissioners of the FSCA, all of whom were appointed during the year under review.

I commend the Commissioner, the Deputy Commissioners, and all members of staff and officials at the FSCA for their dedicated efforts and the achievement of excellent results in the execution of the mandate of the institution in the face of many challenges.

Mr Enoch Godongwana

Minister of Finance

FOREWORD BY THE COMMISSIONER

"It is exciting to reflect on how South Africa's financial system is evolving to improve the lives of every person that calls South Africa home."

INTRODUCTION

I am pleased to present this annual report of the FSCA as the first statutory appointed Commissioner. This report covers the period 1 April 2021 to 31 March 2022.

High level overview of the FSCA's performance

Despite a number of challenges during this period, including the unfolding of the COVID-19 pandemic, the FSCA achieved many of the outcomes set in the inaugural Regulatory Strategy.

The new Regulatory Strategy (2021-2025) redefines the strategic priorities that have been aligned with the Strategic Plan (2020-2025) and take effect in 2022/23. The year under review is therefore the last year which will be measured in terms of the six current strategic priorities (and corresponding output indicators).

The FSCA obtained its fourth consecutive clean audit opinion from the Auditor-General (see PART E of this report).

Comprehensive details on key achievements are set out in Part B of this report. Some key achievements that do not fall within the scope of this annual report are covered at length in the new (2021-2025) Regulatory Strategy document, which is freely available on the FSCA website.

Some of the highlights (in terms of each of the six current strategic objectives) are set out below.

Strategic Priority 1: Building a new organisation

A new operating model was devised to enable the shift from a sector-based structure to a functional structure with new roles, skills and competencies designed and implemented.

The competency framework was revised in order to align to the new operating model. All role profiles were updated to align to strategic focus of the organisation, and a skills audit was conducted to gain insights into skills base available to the FSCA.

Change initiatives aimed at embedding new organisational values and improving employee performance and engagement were implemented. These included targeted training interventions, the establishment of the Talent Council and Talent Management Forum, and the adoption of a data-driven digital strategy that enabled remote work (and underpins the business intelligence and analytics platform).

Strategic Priority 2: An inclusive and transformed financial sector

The FSCA entered into an MoU with the Financial Sector Transformation Council and advocated for amendments to the provisions of the draft CoFI Bill to enable it to advance the targets set out in the BBBEE Financial Sector Code.

Regulatory and supervisory frameworks were reviewed to support financial inclusion; including a draft conduct standard for third-party cell captive insurers and co-operative financial institutions, amendments to microinsurance product standards, defining regulatory approaches and the framework for the funeral parlour market, and designing and implementing Conduct of Business Returns.

A Financial Inclusion Strategy was also developed and published to guide FSCA operations and to support National Treasury's National Financial Inclusion Policy.

Strategic Priority 3: A robust regulatory framework that promotes fair customer treatment

Work continues in order to embed *Treating Customers Fairly* principles in sector laws and to change the manner in which the FSCA performs its supervisory function to become increasingly pro-active, pre-emptive, intensive, and inclusive.

Harmonisation projects, to identify themes and developing regulatory frameworks applicable across the entire financial sector, are behind schedule, but on track.

Conduct Standards and Joint Standards have been developed. These include a Conduct Standard for Banks, a Conduct Standard on Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolios, as well as Requirements for Delegation of administration functions by a manager of a Collective Investment Scheme.

Conditions for Smoothed Bonus Policies to form part of Default Investment Portfolios and minimum skills and training requirements for board members of Pension Funds were developed.

A Joint Standard on fitness, propriety and other matters related to Significant Owners was produced, and the development of an enterprise-wide risk-based supervisory framework nears completion, while a draft Conduct of Business return is ready to be published for consultation.

Strategic Priority 4: Informed financial customers

The FSCA has drafted conduct standards for consumer education, and has co-ordinated its consumer awareness activities with national consumer protection forums and committees.

Internally, communications with FSCA staff and key stakeholders have been intensified in order to better co-ordinate messaging and to improve messaging outcomes.

Externally, the FSCA conducted research on consumer behaviour, and continued to support initiatives such as the National Speech Competition, Youth Campaign, Expanded Public Works Programme, and Money Smart Week.

Strategic Priority 5: Strengthening the efficiency and integrity of our financial markets

Conduct Standards and Joint Standards were developed to strengthen the efficiency and integrity of our financial markets.

These include a Conduct Standard for Authorised OTC Derivative Providers, a Joint Standard on Margin requirements for non-centrally cleared OTC derivative transactions, a Joint Standard on Requirements relating to Central Counterparty Licence Applications, and a Conduct Standard for exchanges to address issues of interoperability (which has been published for consultation).

The Local CCP regime was introduced, and applications are being assessed. An exemption criteria framework for external market infrastructures is being drafted alongside a determination and equivalence framework.

Strategic Priority 6: Understanding new ways of doing business

The FSCA with the IFWG launched a Regulatory Guidance Unit, a Regulatory Sandbox, and an Internal Innovation Hub .

Joint papers and reports were published with the IFWG (SA FinTech Landscape Report; Crypto Assets Working Paper; Non-Traditional Data Report; Suptech report).

A discussion paper on Short Selling and a report on Open Finance were published.

STRATEGIC RELATIONSHIPS

Locally, the FSCA interacts closely with the Prudential Authority as its regulatory "twin", and the SARB which has the primary responsibility for financial stability.

It also maintains co-operative and collaborative relationships with the National Credit Regulator, the Financial Intelligence Centre, the Council for Medical Schemes, and other local regulators in the performance of its regulatory and supervisory duties. Regular co-ordination engagements with other regulatory institutions and the financial sector ombuds help to strength information exchange and alignment between the institutions.

The Commissioner of the FSCA serves on the Financial System Council of Regulators, a body established under the FSR Act to foster greater co-ordination among regulators involved in the financial sector.

Although the Prudential Authority and the FSCA have co-ordinated supervisory plans and engagements to the extent possible, care needs to be taken not to duplicate data collection, licensing processes and supervisory engagements. The authorities have therefore been considering ways in which data collection could be co-ordinated through a shared service, which could potentially include the Prudential Authority, the SARB, the National Credit Regulator and the Financial Intelligence Centre.

The FSCA's participation in the following international and regional forums remained a core part of its work:

- International Organisation of Securities Commissions
- International Association of Insurance Supervisors
- International Financial Consumer Protection Organisation
- International Network on Financial Education
- International Actuarial Association
- International Organisation of Pension Supervisors
- Committee of Insurance, Securities and Non-Banking Financial Authorities
- Financial Action Task Force
- The Organisation for Economic Cooperation and Development
- Participation in "Global Legal Entity Identifier Foundation" meetings.

As a supervisory body in terms of the FIC Act, the FSCA was an integral part of the Financial Action Task Force (FATF) Mutual Evaluation of South Africa, which took place during February 2020 and was interrupted by the outbreak of COVID-19. The final findings and results of the assessment were published in October last year.

CHALLENGES FACED BY THE EXECUTIVE COMMITTEE

The Exco was formally established on 1 October 2021 in terms of the FSR Act. Its meetings were held twice a month, where one meeting considered policy and supervision matters, and the other focused on licensing matters.

Given that the Commissioner and three Deputy Commissioners had been appointed, the Minister gazetted a notice for the disestablishment of the Transitional Management Committee (TMC), effective 30 September 2021.

The appointment of Ms Farzana Badat and Ms Katherine Gibson as Deputy Commissioners followed my appointment as the Commissioner, and that of Ms Astrid Ludin as one of the Deputy Commissioners of the FSCA by the former Minister of Finance, Mr Tito Mboweni, as announced on 22 April 2021.

STRATEGIC FOCUS OVER THE MEDIUM TO LONG TERM

The strategic focus over the medium to long term remains unchanged, as the FSCA continues to develop its efficacy and efficiency in terms of the "twin peaks" financial regulatory framework envisaged in the FSR Act.

The new Regulatory Strategy was adopted in December last year. It charts the course to implementing and embedding our newly established approaches to policy development, regulation, supervision and enforcement until we reach the close of the 2024/25 financial year.

In summary, these approaches include implementing a new operating model, sustaining a data-driven digital strategy, reviewing regulatory and supervisory frameworks to support financial inclusion, working to embed Treating Customers Fairly (TCF) principles in law, undertaking conduct supervision in an increasingly proactive, pre-emptive manner – and sustaining the traction of the IFWG Regulatory Sandbox, the Regulatory Guidance Unit, and the Innovation Hub, following their launches in 2020/21.

The COFI Bill provides for a comprehensive market conduct framework to ensure a consistent and complete approach to governing the conduct of financial institutions across the financial sector.

It provides for the repeal of a number of financial sector laws and consequential amendments to the Financial Sector Regulation Act. This directly affects the work of the FSCA in developing its regulatory framework Transition Plan.

The COFI Bill process has been subject to various delays, which have had knock-on effects in terms of the development of the Transition Plan – which could not be implemented in the year under review.

In line with Exco strategic planning discussions relating to rationalising the work programme in order to increase efficiencies and effectiveness, this work will be undertaken in the 2022/23 financial year.

ACKNOWLEDGMENTS

I would like to thank every member of staff for their unfailing commitment to a fair financial system for all, and working tirelessly to create an organisation up to the task.

I would also like to thank the new Deputy Commissioners, Ms Astrid Ludin, Ms Katherine Gibson, and Ms Farzana Badat. We have our work cut out for us.

A special word of thanks to the Minister of Finance, Mr Enoch Godongwana.

It is inspiring to bear witness to the resilience of my fellow South Africans as we emerge from a period of deep crisis.

It is encouraging to be able to report that the organisation I now lead is moving from strength to strength while overcoming setbacks.

Unathi Kamlana

Commissioner

Financial Sector Conduct Authority

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by the National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the SA standards of GRAP applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2022.

Yours faithfully

Unathi Kamlana

Commissioner

Financial Sector Conduct Authority

STRATEGIC OVERVIEW

1. VISION

To foster a fair, efficient and resilient financial system that supports inclusive and sustainable economic growth in South Africa.

2. MISSION

To promote an inclusive, customer-centric and competitive financial sector wherein:

- **Financial customers** have access to innovative and appropriate products and services, and are empowered to make financially capable and informed decisions;
- **Financial markets** function fairly, effectively and efficiently; and
- Pro-active and responsive regulation, supervision and enforcement results in accountable **financial institutions.**

3. VALUES

Our actions and decisions are informed by our values, which drive the culture of our organisation. Our values are:

- **Excellence:** We set high standards for ourselves and strive to perform our functions with professionalism.
- **Integrity and Accountability:** We are transparent, honest, fair and consistent in our actions and decisions.
- **Collaboration:** We work together in a spirit of consultation, cooperation, mutual respect and trust.
- **Agility:** We respond promptly, innovatively and smartly to changing needs and circumstances.
- **Sustainability:** We meet the needs of the present without compromising the ability of future generations to meet their own needs by adopting socially responsible practices.

LEGISLATIVE AND OTHER MANDATES

The FSCA was created by the Financial Sector Regulation Act, Act 9 of 2017 (FSR Act) from which it derives its legislative mandate. In terms of the FSR Act, the FSCA is responsible to

- enhance and support the efficiency and integrity of the financial system, and
- protect financial customers by -
  - » promoting fair treatment of financial customers by financial institutions; and
  - » providing financial customers and potential financial customers with financial education programs, and otherwise promoting financial literacy and the ability of financial customers and potential financial customers to make sound financial decisions; and
  - » assist in maintaining financial stability.

The FSCA fulfils its responsibilities, amongst others, by

a) **regulating and supervising** the conduct of financial institutions;

b) **co-operating with (and assisting)** the Reserve Bank, the Financial Stability Oversight Committee, the Prudential Authority, the National Credit Regulator, the Financial Intelligence Centre, the Council for Medical Schemes, the Competition Commission and its counterparts in other jurisdictions;

c) promoting **sustainable competition** in the provision of financial products and financial services and **financial inclusion**;

d) reviewing the **perimeter and scope** of financial sector regulation;

e) conducting and publishing relevant **research** and **monitoring** the extent to which the financial system is delivering **fair outcomes** for financial customers, with a focus on the fairness and appropriateness of financial products and financial services and the extent to which they meet the needs and reasonable expectations of financial customers; and

f) formulating and implementing strategies and programs for **financial education** for the general public.

The FSR Act enjoins the FSCA to perform its functions without fear, favour or prejudice, and in the exercise of its function, to take into account:

a) the National Credit Act and regulatory requirements for financial institutions that are authorised and regulated under that Act;

b) the need for a primary pre-emptive, outcomes-focussed and risk-based approach and prioritise the use of its resources in accordance with the significance of risks to the achievement of its objective; and

c) international regulatory and supervisory standards.

In addition to its specific mandate under the FSR Act, the FSCA responsible for administering the following sectoral financial legislation:

i. Collective Investment Schemes Control Act 45 of 2002;

ii. Credit Rating Services Act 24of 2012;

iii. Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act);

iv. Financial Markets Act 19 of 2012;

v. Friendly Societies Act 25 of 1956;

vi. Pension Funds Act 24 of 1956;

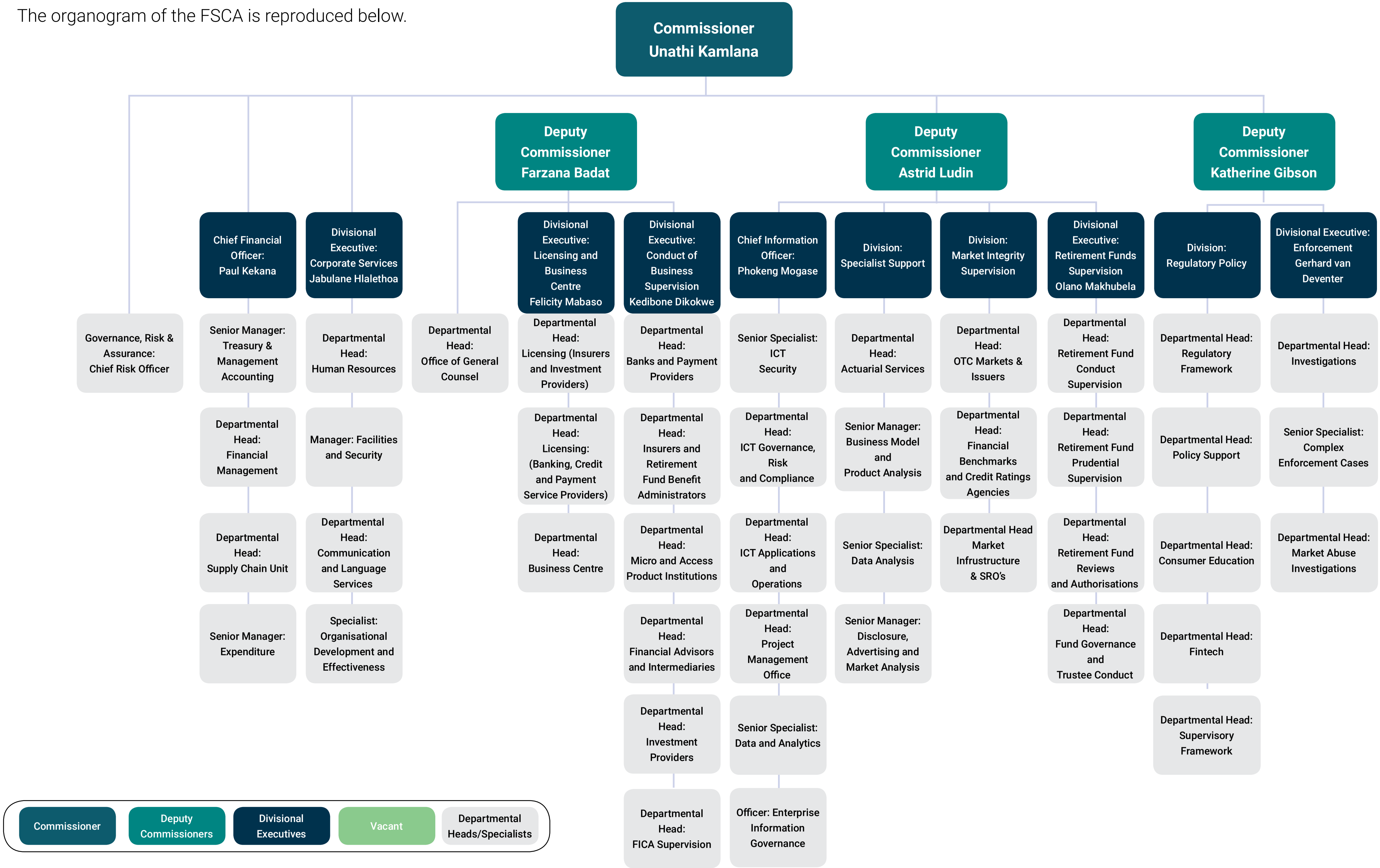
vii. Long-term Insurance Act 52 of 1998 (for matters within the objectives of the FSCA); and

viii. Short-term Insurance Act 53 of 1998 (for matters within the objectives of the FSCA).

Much of this legislation is set to change over the coming period. The Conduct of Financial Institutions (COFI) Bill and the amendments to the FSR Act will have a significant impact on the way the FSCA approaches regulation of market conduct in the financial sector and will also clearly delineate the responsibilities of the various regulatory authorities. For example, the FSR Act amendments envisage a split in the responsibilities for market infrastructures, with the Prudential Authority having responsibility for the post-trade infrastructures, while the FSCA will remain responsible for the marketplaces.

ORGANISATIONAL STRUCTURE

The organogram of the FSCA is reproduced below.



PART B
PERFORMANCE INFORMATION

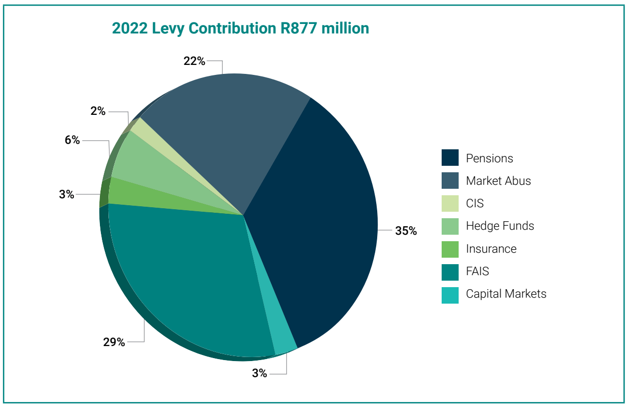
CHIEF FINANCIAL OFFICER REPORT

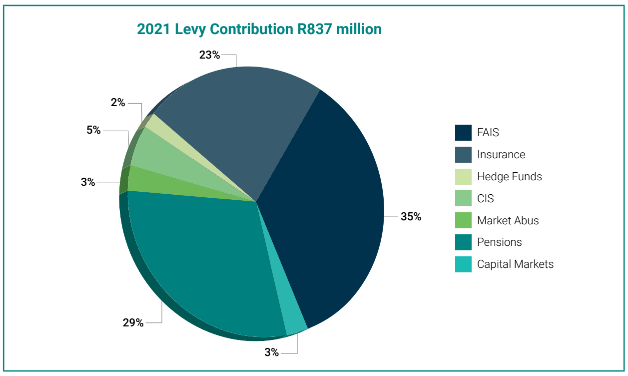
OVERVIEW

South Africa's economic conditions remain a challenge with muted economic growth, a high unemployment rate and an increasing year on year consumer price index. The FSCA remains agile by continuously realigning the strategic focus to remain sustainable over the long term and deliver on its mandate.

Despite the tough economic conditions, we remain financially sound with net assets at R491 million (2021: R496 million) and cash and cash equivalents at R559 million (2021: R601 million). The working capital ratio remains favourable at 2.9:1 (2021: 2.4:1) enabling us to meet our financial obligations when they fall due.

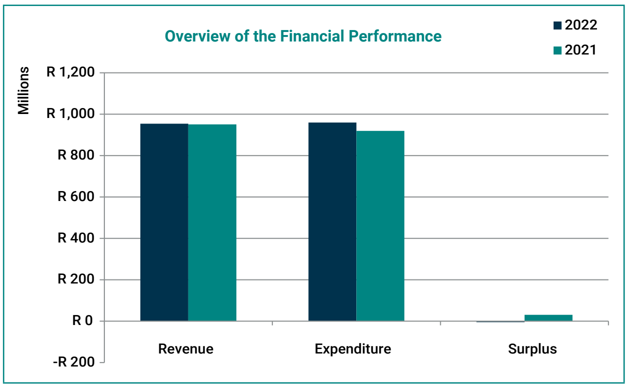
LEVIES BY INDUSTRY





The Financial Advisory and Intermediary Services (FAIS), Pensions and Insurance industries continued to be the major contributors to the levy income, accounting for 86% (2021: 87%) respectively.

FINANCIAL PERFORMANCE



REVENUE

The FSCA recorded R949 million revenue for the year (2021: R927 million) against a budget of R1.019 billion. The unfavourable variance is mainly due to the industry levy increases being lower than budget as well as fees to the banking sector that did not materialise pending the Levies Bill implementation.

OPERATING COSTS

The FSCA recorded operating costs of R953 million for the year (2021: R914 million) against a budget of R1.018 million. The favourable variance is a result of strategic cost management measures to remain efficient and sustainable.

The FSCA contributes to the funding of the FAIS Ombud for Financial Services Providers, the Pension Fund Adjudicator and the Financial Services Tribunal offices which are included in the operating costs.

SURPLUS

The FSCA recorded a deficit of R5 million for the year (2021: surplus R31 million) against a budgeted surplus of R0.567 million. This resulted in the accumulated surplus decreasing to R355 million (2021: R361 million). In terms of section 53(3) of the Public Finance Management Act (PFMA), the FSCA will be requesting approval from National Treasury to retain the cash surplus for planned capital expenditure infrastructure projects.

The FSCA maintains two reserve accounts: the contingency and discretionary reserves, currently at R91 million (2021: R87 million) and R45 million (2021: R48 million), respectively. The contingency reserve is maintained at a maximum of 10% of levy and fee income which is held to protect the FSCA against the risk of unforeseen events. The discretionary reserve is a depository for fines and penalty income for funding consumer education-related expenses.

The FSCA made a request to National Treasury to retain the fines and penalty income for consumer education transitional funding pending the implementation of the Levies Bill.

CAPITAL INVESTMENTS

Capital investments comprise of property, plant and equipment (PPE) and intangible assets amounting to R50 million (2021: R61 million). These investments are managed through an asset management policy that is applied uniformly throughout the FSCA as prescribed by the PFMA and Treasury Regulations.

WORKING CAPITAL MANAGEMENT

The FSCA effectively manages working capital to meet financial obligations when they fall due. Cash flow is closely managed, and surplus funds are invested in the Corporation for Public Deposits with the South African Reserve Bank (SARB). The net current assets maintained for the financial year remained favourable at R433 million (2021: R430 million).

TRADE AND OTHER PAYABLES

The FSCA targets to settle trade payables within 30 days of receiving suppliers' invoices in line with National Treasury Regulations. In this regard, we have achieved an average of 29 days for the year (2021: 29 days) which is well within the 30 days as prescribed by National Treasury. At the financial year-end, trade payables amounted to R7 million (2021: R13 million).

TRADE RECEIVABLES

At the financial year-end, the levy trade receivables amounted to R27 million (2021: R24 million), representing 3.09% of the levies income (2021: 2.87%). Levy trade receivables collection declined as a result of delayed receipts as at year-end.

The penalty and inspection receivables increased to R203 million (2021: R175 million) partly as a result of increased regulatory enforcements. Penalty and inspection receivables collection remains a challenge as these debts by their nature are not planned for and are often appealed, resulting in collection uncertainties and delays.

FINANCIAL OUTLOOK

The digital technology transformation remains our key strategic focus for a more agile and capable workforce. We continue to invest in our personnel to address the digital skills gap and accelerated capital expenditure targeting at improving efficiencies and resilience over the long term.

We subscribe to the highest ethical business practices and standards to meet the needs of our key diverse stakeholders.

Paul Kekana

Chief Financial Officer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GAUTENG PROVINCE
FPI
EASTERN CAPE
EDUCATION

PERFORMANCE INFORMATION BY DIVISIONS

The Financial Sector Conduct Authority (FSCA) comprises of the following divisions, namely:

- Governance Risk and Assurance
- Licensing and Business Centre Division
- Regulatory Policy Division
- Conduct of Business Supervision Division
- Market Integrity Supervision Division
- Retirement Funds Supervision Division
- Enforcement Division
- Specialist Support Division
- Corporate Services Division
- Information and Communication Technology Division
- Office of General Counsel

Performance information for all divisions follow below, except that for Office of General Counsel (This report will be found on pages 71 - 78)

LICENSING AND BUSINESS CENTRE DIVISION

PURPOSE

The division is responsible for the licensing of financial institutions, management of complaints, handling of queries and optimisation of business processes.

STRATEGIC OBJECTIVES

- To build an effective and efficient division that is fully capacitated to ensure execution of the mandate of the FSCA.
- To develop a licensing transformation framework to ensure an inclusive and transformed financial sector.
- To develop a licensing risk model to ensure a robust and common approach to licensing across all sectors.
- Business process improvement and optimisation.

DEPARTMENTS

The division consists of the following three departments;

DEPARTMENT	RESPONSIBILITIES
Licensing Department	The Licensing Department performs a critical gate-keeper function and is responsible for the licensing of financial institutions and persons in terms of the various financial sector laws, for which the FSCA is the responsible Authority.
Business Centre	The Business Centre is the FSCA's information hub and 'point of entry' for all external stakeholder inputs to the FSCA including inter alia, queries and complaints, statutory submissions and various applications for financial services activities. It is also responsible for the oversight of the outsourced call centre activities.
Business Process Improvements	The Business Process Improvements Department is responsible for the review, standardisation, and optimisation of business processes.

LICENSING DEPARTMENT

The FSCA licenses financial institutions under the following sectoral laws:

- Financial Advisory and Intermediary Services Act No. 37 of 2002
- Financial Intelligence Centre Act No. 38 of 2001
- Pension Funds Act No. 24 of 1956
- Financial Sector Regulation Act No. 9 of 2017
- Collective Investment Schemes Act No. 42 of 2002
- Financial Markets Act No. 19 of 2012
- Friendly Societies Act No. 25 of 1956

Institutions licensed by the FSCA in terms of the various financial sector laws as indicated below:

COLLECTIVE INVESTMENT SCHEMES CONTROL ACT

Approved CIS Managers

Local CIS Managers	52

Approved Schemes

Local schemes				Foreign schemes	
CIS in Securities	CIS Property	CIS Participation Bonds	CIS in Hedge Funds	CIS in Securities	CIS in Hedge Funds
49	1	2	24	134	12

The total number of approved local CIS Managers in Securities has reduced from 51 in the previous period to 49 in the current period with a total number of 77 schemes combined. This is attributed to the winding down of two management companies during the review period. The number of CIS Managers in Property and Participation Bonds remained unchanged at one and two respectively. The Foreign CIS in Securities increased by three from 131 in 2021 to 134 in 2022.

Financial Advisory and Intermediary Services Act

Financial Services Providers					
Category I	Category II	Category IIA	Category III	Category IV	Total
10 145	760	119	30	101	11 156

The table above reflects the total number of the different categories of authorised FSPs as at 31 March 2022. The FSCA licenses five different categories of financial services providers (FSPs) as outlined below:

- Category I FSPs render financial services on a non-discretionary basis.
- Category II FSPs (also referred to as Discretionary FSPs) render intermediary services of a discretionary nature as regards the choice of a particular financial product, but without implementing bulking.
- Category IIA FSPs represent hedge fund managers.
- Category III FSPs represent linked investment administrators specialising mainly in bulking of collective investments and other products on behalf of clients (linked investment services providers).

- Category IV FSPs are assistance business administrators who render intermediary services in relation to the administration of assistance policies on behalf of the insurer, to the extent agreed upon in terms of a written mandate between the insurer and the assistance business FSP.

The total number of FSPs approved during the period is 766 compared to 662 reported in the previous year. The largest contributor to the aggregate increase in the number of FSPs authorised is the Category I FSPs with 691 FSPs approved for the period. Four (4) Category IIA, and one (1) Category III were approved during the period. No Category IV was approved during the year.

Despite the increase in number of authorised FSPs during the period, the total number of authorised FSPs as at 31 March 2022 has overall reduced from 11 283 in the previous reporting period to 11 156 in the current reporting period. The total population of authorised FSPs has reduced due to licence withdrawals and lapses.

Financial Advisory and Intermediary Services Act

Compliance Practices (Juristic persons)	Compliance Officers (Natural persons both in-house and external)
187	3 727

The number of approved compliance practices and compliance officers as of 31 March 2022 was 187 and 3 727 respectively.

Pension Funds Act

Retirement Fund Administrators		
Employer Administrators	Professional Administrators	Benefits and Investment Administrators
14	100	9

There has been no change in the number of approved pension fund administrators.

Financial Markets Act (FMA)

Over-the-Counter Derivative Providers (ODPs) - Licence Applications		
Status	Banks	Non-banks
Received	3	1
Authorised	7	10
Declined	0	1

During the reporting period, a total of 17 licenses were granted comprising of 7 banks and 10 non-bank entities taking a total number of ODPs licences granted to date to 24. A total of 25 licence applications, 6 of which are banks and 19 non-banks are still under consideration. A total of 11 licence applications were withdrawn during the period under review.

Nominee companies

Approved Nominee Companies	
Approved during the year	3
Approved Nominee Companies as at 31 March 2022	105

As at 31 March 2022, a total of 105 nominee companies were approved, down from 127 in the previous reporting period.

Friendly Societies Act

Friendly Societies	
Approved during the year	1
Approved Friendly Societies in 2022	197

Only one Friendly Society was registered during the reporting period, taking the total number of registered Friendly Societies to 197.

VARIATION OF LICENCE APPLICATIONS

A total of 26 151 of licence applications were received and 25 272 were finalised across all sectors.

CONCURRENCE ON VARIOUS LICENSING MATTERS

In terms of section 126 of the Financial Sector Regulation Act, No. 9 of 2017, a financial sector regulator may not issue, vary, suspend or revoke a licence of a financial institution, unless the other financial sector regulator with a common regulatory interest in the entity concerned has concurred.

CONCURRENCE BY THE FSCA

During the reporting period, the FSCA concurred with the Prudential Authority's decision to grant approval in respect of the following financial institutions:

Co-operative financial institutions (CFIs)

- Registration of 2 new CFIs
- Cancellation of registration of 2 CFIs
- Variation of a licence of 1 CFI requesting to increase its common bond

MUTUAL BANKS

- Authorisation of 2 applications for establishment of a mutual bank

BANKS

- Licensing of a controlling company of 1 local commercial bank

REPRESENTATIVE OFFICE

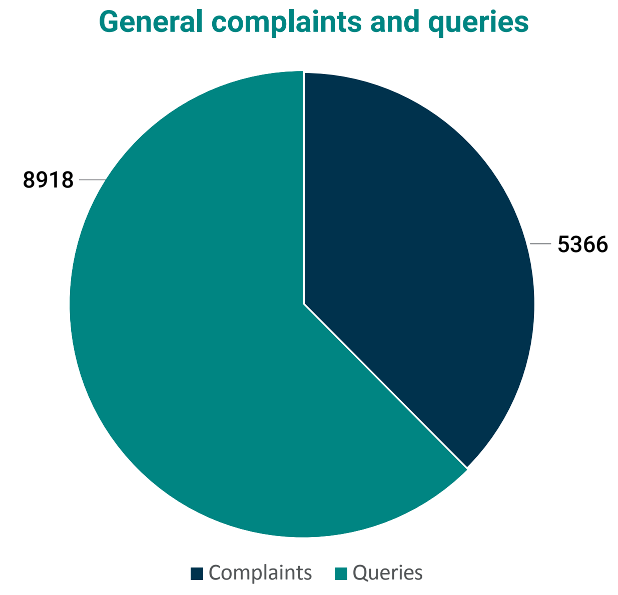
- Withdrawal of authorisation of 1 representative office

INSURERS

- Authorisation of 8 insurers seeking approval to conduct micro-insurance business
- Authorisation of 12 applications for variation of an insurance licence

BUSINESS CENTRE

The Business Centre is the FSCA's information hub and 'point of entry' for all external stakeholder inputs to the FSCA including inter alia, queries and complaints, statutory submissions and various applications for financial services activities. It is also responsible for the oversight of the outsources call centre activities.



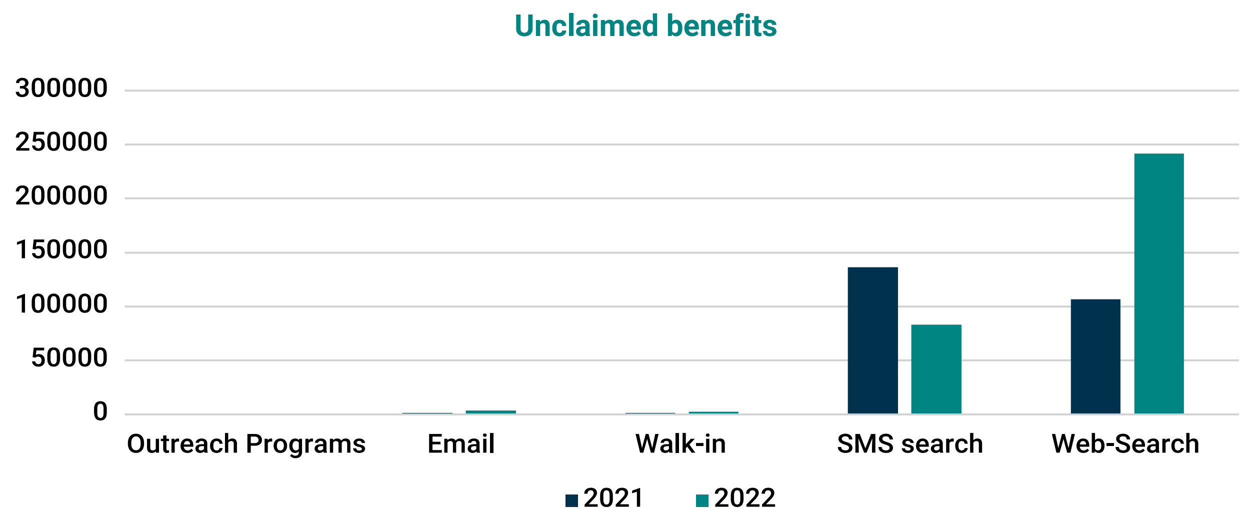
Complaints	5366
Queries	8918
Total	14 284

During the reporting period, a total of 14 284 complaints and queries were received by the Business Centre. Matters considered include complaints against authorised financial institutions, complaints against entities conducting unregistered businesses in respect regulated activities, as well as general queries. Complaints represented 38% of the matters received whilst queries represented 62%. Over 90% of complaints and queries received were finalised during the reporting period. Complaints and queries that fall outside of the jurisdiction of the FSCA constituted 12% of matters considered and were referred to the relevant authorities.

UNCLAIMED BENEFITS

The FSCA has developed a platform to assist prospective members and beneficiaries of retirement funds to access their benefits through a cost-effective process. This is an initiative by FSCA to act against a high number of unscrupulous tracing agents that are taking advantage of vulnerable members of society by charging exorbitant fees for services that are available at no cost.

Through the FSCA online platforms (i.e. web-search and SMS search), members of the public can conduct searches to enquire whether they have any benefits due to them. The online search platforms afford prospective members and beneficiaries of retirement funds an automated search process and directly links them to the relevant pension funds or pension fund administrators.



Online searches		
Channel	2021	2022
Web-Search	106 771	241 890
SMS	136 282	83 218
Total	243 053	325 108

Queries		
Channel	2021	2022
Outreach Programs	21	187
Email	1 466	3 522
Walk-in	1 182	2 491
Total	2 669	6 200

During the reporting period, the number of searches conducted through the online platforms amounted to 325 108 representing a 34% increase from 243 053 online searches conducted in 2021. The unclaimed benefits queries considered during the reporting period includes queries made through outreach programmes conducted by the FSCA, walk-ins and email queries. The said queries increased by 132% from 2 669 (2021) to 6 200 (2022). The year-on-year increase in the unclaimed benefits queries can be attributable to the awareness initiatives that were conducted through various media platforms such as radio and television interviews, as well as social media.

Sixty-four percent of the queries received were finalised whilst the remaining 36% is still under consideration.

The FSCA also had several engagements with various stakeholders representing former mine workers, including members of the public and regulated entities in efforts to increase awareness and assist prospective members and beneficiaries with the relevant information pertaining to the unclaimed benefits claims process.

REGULATORY DEVELOPMENTS:

Online trading platforms

We have observed in some instances elements of ODP activity in the new Category I FSP licence applications received which require authorisation in terms of the FMA. The observation emanated from the interrogation of the applicants' business models/ plans. The affected applicants were engaged on their respective business models and the concerns were addressed.

Crypto assets and related activities

The Licensing Department continued to deal with enquiries pertaining to the licensing requirements for the rendering of financial services relating to crypto assets. The enquiries revolved mainly around the following:

- The provision of crypto asset trading platform/ exchange services.
- Discretionary crypto fund management.
- Non-discretionary financial services in relation to crypto assets.

REGULATORY POLICY DIVISION

PURPOSE

The Regulatory Policy Division is responsible for developing the regulatory and supervisory frameworks for the financial sector activities under the FSCA's jurisdiction. The division is also responsible for the FSCA's consumer education mandate and drives the organisation's approach to promoting financial inclusion and sector transformation. It conducts research on market conduct and customer risks and trends, including technological innovations, and ensures that the organization remains abreast of relevant domestic and international trends and developments. As such, the division's research and Fintech departments inform and support the work of other FSCA divisions and departments, including regulatory and supervisory frameworks.

DEPARTMENTS

The division comprises six departments as outlined below:

DEPARTMENT	RESPONSIBILITIES
Regulatory Framework	The Regulatory Framework Department carries out ongoing legislative review and development of the conduct regulatory framework falling under the financial sector laws that are within the FSCA jurisdiction, to effectively support the FSCA's customer protection, market integrity and efficiency, and financial stability objectives. The regulatory framework refers to the body of laws and supporting instruments, for which the FSCA is responsible, that govern the conduct regulation of financial institutions. It comprises primary laws, subordinate legislation, documents that impose legally enforceable requirements and documents that support the interpretation and implementation of financial sector laws, such as interpretation rulings, guidance notices, and general directives. The department also provides support in the drafting, interpretation and application of regulatory instruments, interpretation rulings, guidance notices and legal notices (including exemptions).
Market, Customer and Inclusion Research	The Market, Customer and Inclusion Research Department carries out ongoing proactive research into and monitoring of financial sector trends and emerging market conduct and customer risks. It also carries out specific research projects to support the work of other FSCA divisions. In addition, the department ensures that the work of the FSCA appropriately supports and promotes financial inclusion and transformation of the financial sector[1].
Regulatory Liaison	The Regulatory Liaison Department facilitates domestic and international cooperation and collaboration for the FSCA, including on matters of regulation and enforcement. Given the integrated and globalised nature of financial sector activities, cooperation and collaboration is critical in contributing to the protection of South African customers and the integrity of South Africa's financial markets. The department therefore works closely with the FSCA's domestic and international counterparts and policy forums to ensure the FSCA remains abreast of regulatory developments and can influence international and regional regulatory policy.

[1] During the period under review, the mandate of the department was reviewed to determine how it could better support the overall mandate and objectives of the FSCA. In the next reporting period, the department will be renamed to Policy Support, with the aim of providing policy, research and liaison support across the FSCA.

DEPARTMENT	RESPONSIBILITIES
Supervisory Framework[2]	The Supervisory Framework Department supports internal stakeholders by developing approaches to supervision and supervision methodologies; conducting research into supervisory frameworks and approaches; monitoring the effective implementation of the FSCA's supervisory framework; and managing the emerging and overarching risk register. The department is further responsible for ensuring that the FSCA's supervisory and competency frameworks support the FSCA's objectives and strategic priorities by – (a) developing and maintaining a supervisory framework that is outcomes-based, pre-emptive and pro-active, risk-based and proportional, intensive and intrusive, transparent and consultative, comprehensive and consistent and a credible deterrent; and (b) supporting a competency framework that ensures that financial customers deal with financial services providers that have adequate, appropriate and relevant skills, knowledge and expertise.
Consumer Education	The activities of the Consumer Education Department are mandated through section 57 of the Financial Sector Regulation Act of 2017, which directs the FSCA "to protect financial customers by providing financial customers and potential financial customers with financial education programmes, and otherwise promoting financial literacy and the ability of financial customers and potential financial customers to make sound financial decisions."
Financial Technology (Fintech)	The Financial Technology (FinTech) department was established to assist the FSCA in mitigating the risks associated with technology in financial services, while encouraging innovation that can deliver efficiencies and promote financial inclusion.

PERFORMANCE

ROBUST REGULATORY, SUPERVISORY AND COMPETENCY FRAMEWORKS

The FSCA takes its policy direction from the National Treasury whose objectives are, in turn, informed by broader government strategic and development plans. The FSCA plays a supportive role in assisting the National Treasury to formulate policy positions which are ultimately translated into primary legislation. Three critical pieces of primary legislation are currently under development by NT, with support of the FSCA:

- Conduct of Financial Institutions (CoFI) Bill
- Financial Markets Act Review
- Financial Sector Levies and Deposit Insurance Premiums Bill, 2021 (Levies Bill) and Financial Sector Levies (Administration) Bill (FSL Bill)

The FSCA regularly reviews its regulatory and supervisory frameworks to ensure they remain robust, effective, aligned with international standards and support and enable the FSCA to fulfil its legislated objectives and functions.

Gaps and emerging risks relating to undesirable practices or recurring poor outcomes are identified in a variety of ways, including through supervision (including the tracking of key indicators), research and local and international developments. A key project of the division over the reporting period was the development of the Financial Sector Outlook study, to identify key trends and highlighting risks affecting the South African financial sector over the medium-term, such as the impact of COVID-19 pandemic.

[2] Note that the Supervisory Framework Department was operationally integrated into the Regulatory Policy Division over this reporting period; this was formally effected on 1 April 2022.

Risks are also identified through the FSCA's Emerging and Overarching Risk Committee, responsible for prioritizing and monitoring risks and directing resources accordingly. Supported by the division, an approach providing for the identification, reporting, prioritisation, analysis and monitoring of risk mitigation measures at a holistic and overarching level is under development.

In the period under review, the FSCA's Conduct Supervisory Framework was developed by the division with the assistance of the World Bank Group and adopted by the Executive Committee in November 2021. The framework sets out the FSCA's approach to risk-based supervision and provides for a systematic approach to identifying those areas of risk that require supervisory attention and remediation within a financial institution. This forward-looking approach supports early intervention by supervisors, allows them to assess the effectiveness of their interventions, and to adjust these if necessary.

In support of the supervisory framework, the FSCA participated in a pilot research project undertaken by the Consultative Group to Assist the Poor (CGAP) to test a framework for measuring customer outcomes in South Africa. The pilot study provided a valuable source of information to support the FSCA's supervisory approach.

The division continued work on the development of an unclaimed assets framework to ensure a coordinated approach to unclaimed assets across all sectors in the financial industry.

In support of a strong competency framework, the division provided support and guidance to internal and external stakeholders regarding competency requirements, responding to 414 competency related queries in the period under review. The division also reviewed 94 applications for recognition of qualifications in accordance with section 24 of the Determination of Fit and Proper Requirements for Financial Services Providers, 2017 (Board Notice 194 of 2017), and 84 qualifications were recognised.

The FSCA is reviewing and re-developing the Trustee Training Toolkit (Training Toolkit), developed in 2013 to assist pension fund board members in better understanding their duties and responsibilities and what is required of them to be regarded as fit and proper. The review aims to expand content and enhance the learning experience. In the period under review, the division finalised the development of the body of knowledge and assessment questions for all proposed 22 modules of the Training Toolkit. The aim is to implement these modules in tranches by 31 March 2024.

Specific developments related to the regulatory framework in the period under review are listed below:

Harmonisation and transitioning to the COFI Bill: consolidated cross-sector legal frameworks are being developed for identified themes,[3] likely to ultimately be issued as Conduct Standards under the COFI Act. The FSCA also continued work on transitioning existing financial sector laws into the COFI Bill framework once effective.

Various instruments and/or developments were pended during the reporting period and further assessed to determine the nature and extent of the potential overlap between the instruments and the harmonisation project.

Co-operative Financial Institutions: Draft Conduct Standard for Co-operative Financial Institutions[4]

Collective Investment Schemes: Conduct Standard - Securities that may be included in a CIS in Securities and the manner of such inclusion; Development of an accounting framework for CIS Managers and their portfolios; Draft Conduct Standard for Advertising, Marketing and Information Disclosure Requirements for Collective Investment Schemes;[5] Conduct Standard – Governance and fit and proper requirements for Collective Investment Schemes;[6] Review of Board Notices 910 (Fit and Proper Requirements and Conditions for CIS Managers) and 911 (Application form for registration as a CIS Manager); Guidance Notice on the Net Asset Valuation Calculation and Pricing Best Practice Guideline for Collective Investment Scheme Portfolios; Guidance Notice on Permissible deductions in terms of Section 93 of the Collective Investment Schemes Control Act.

Advisors and intermediaries: Draft Declaration of crypto assets as a financial product under the FAIS Act; and draft amendments to the FAIS General Code of Conduct and the Notice on Qualifications, Experience and Criteria for the Approval as a Compliance Officers

Insurance: Conduct related requirements for Cell Captive Insurance Business in relation to third party risks; Joint Standard on outsourcing by insurers; Draft amendments to the Policyholder Protection Rules under the Long- and Short-term Insurance Acts;[7] Joint Guidance Notice on the application of Section 5 of the Insurance Act, 2017 (Act No. 18 of 2017) in respect of foreign entities insuring first party risks.

[3] Such as culture and governance, risk management, compliance management, fit and proper requirements, outsourcing, IT & cyber risk, product design, advertising, disclosure, complaint management, conflicts of interest, custody and nominees.
[4] Conduct Standard held in abeyance because of overlap with COFI Bill and harmonisation work.
[5] Conduct Standard held in abeyance because of overlap with COFI Bill and harmonisation work.
[6] Conduct Standard held in abeyance because of overlap with COFI Bill and harmonisation work.
[7] Amendments will rather be inspirated as part of the COFI Bill transition work.

Retirement funds: Proposed Conduct Standard - Requirement related to the Payment of Pension Fund Contributions; Proposed Conduct Standard – Conditions for Living Annuities in an Annuity Strategy; Proposed Conduct Standard - Communication of Benefit Projections to Members of Pension Funds; Proposed Conduct Standard - Conditions for Securities Lending for Pension Funds;[8] Proposed Conduct Standard - Conditions for Investment in Derivative Instruments for Pension Funds; Proposed Conduct Standard - Conditions for Investment in Hedge Funds;[9] Proposed Conduct Standard - Financial Statements and Regulatory Reporting Requirements; Conduct Standard – Conditions for pension fund benefit administrators.[10]

Regulatory framework for Central Clearing in South Africa: On 8 February 2022, the FSCA and PA published a Joint Roadmap outlining a phased approach in developing a regulatory framework for central clearing in South Africa. The Joint Roadmap outlines three phases in the development of the regulatory framework:

Phase 1: Establishing a licensing framework for local central counterparties;[11]

- Phase 2: Developing an equivalence framework that will be accompanied by a licensing framework and an exemption framework for external central counterparties and external trade repositories, and to establish external central securities depository links that may want to operate in South Africa; and
- Phase 3: Determining eligibility criteria for certain OTC derivative transactions to be subject to mandatory clearing.

Market integrity: The FSCA is taking steps to promote competition through the draft exchange conduct standard that will support interoperability, support investor protection (e.g. expanding the law to cover specific market activities like benchmarks and securities financing), and the promotion of financial stability through strengthening the resolution framework and recovery plans.

Cross-cutting developments: various cross-cutting/sector developments were progressed during the reporting period, some of which were published for public comment whilst others were only subject to further technical work, including

- Discussion Document – Ensuring appropriate financial consumer education initiatives
- Proposed Joint Standard on Governance
- Proposed Joint Standard on IT Risk Governance and Management Framework
- Proposed Joint Standard on Cyber security and Cyber Resilience Requirements for financial institutions

[8] Conduct Standard held in abeyance because of overlap with broader securities financing work.
[9] A decision was taken not to proceed with this development, see FSCA Communication 21 of 2021 (RF) that was published on 11 November 2021.
[10] Conduct Standard held in abeyance because of overlap with COFI Bill and harmonisation work.
[11] Phase 1 was completed with the publication of Joint Standard 1 of 2021 - Requirements relating to Central Counterparty Licence Applications, which came into effect on 31 March 2021.

TRANSFORMATION AND FINANCIAL INCLUSION

The Division coordinated the FSCA's approach to promoting financial inclusion and financial sector transformation. The FSCA achieved the implementation of 82% of the targets set out in its approved financial inclusion implementation plan. This included the development of a research paper on digital banking; conducting workshops and webinars on small business regulatory education and support; and work regarding a suitable regulatory approach to the funeral insurance industry. A draft FSCA transformation strategy was also published for public comment, setting out the proposed strengthened role for the FSCA in supporting the transformation of the financial sector. The draft strategy proposes that the FSCA will require all financial institutions to implement transformation plans aligned with achieving the targets set out in the Financial Sector Code, and will supervise institutions on their effective implementation of such plans.

FINTECH AND FINANCIAL INNOVATION

In delivering on the FSCA's Fintech strategic roadmap, several key milestones were achieved over the past financial year:

- The Intergovernmental Fintech Working Group (IFWGs) Supervisory Technology (SupTech) Hackathon saw fintech participants present on solutions addressing: Automated Data Collection, Artificial Intelligence for Fraud Detection, Forecasting and Predictive Analytics, Crypto Assets Risk Management and Financial Crime Surveillance.
- Published research findings on Alternative Finance trends in South Africa, supported by presentation and panel session
- Second sandbox case for "Notto" concluded, focused on testing whether rental payment frequency can be used as a proxy to determine home loan creditworthiness. Case failed because provider could not prove rental payment data a sufficient proxy[12].
- Research on Digital Banking trends in South Africa published, supported by presentation and panel session.
- In collaboration with GTAC and World Bank Group hosted the government-to-person (G2P) Payment Hackathon, aiming to assist Government access best-in-class FinTech innovations to solve the Government-2-Citizen Payments challenge.
- Development and migration of the current IFWG Innovation Hub web portal to the FSCA's architecture, in support of cost savings and shorter lead times for technical changes and IFWG contents uploading.

[12] As determined by the NCR, as the primary regulator in this case.

INFORMED FINANCIAL CUSTOMERS

The FSCA's mandate to promote financial literacy through financial education is implemented through the FSCA's strategic objective to assist consumers in making informed financial decisions. The intended outcomes of the objectives are to:

- Broaden consumer protection;
- Integrate financial education with regulatory functions;
- Coordinate industry financial education activities;
- Improve data on consumer behaviour; and
- Attempt to positively change consumer behaviour when it comes to personal financial management.

Unfortunately, findings of the FSCA-commissioned HSRC survey shows a declining trend in South Africans' financial literacy and capability which underscores the need for an even more concerted effort regarding financial education.

South Africans' Financial Literacy and Capability Index Scores

DOMAIN	2012	2013	2015	2017	2020	TREND
Financial control	61	62	63	62	59	Decrease
Financial planning	50	48	48	47	47	Decrease
Product choice	48	48	48	46	44	Decrease
Financial knowledge	57	56	60	58	51	Decrease
Overall financial literacy	55	54	55	54	52	Decrease

Source: HSRC, South African Social Attitude Survey, Baseline survey, 2020

The division leverages varied and innovative methodologies to engage with consumers, supported by online resources through a dedicated consumer website (https://www.fscamymoney.co.za) and various social media platforms. Monitoring and evaluation frameworks are implemented for each campaign and project.

The table below shows achievements for the 2021/22 financial year:

Strategic Priority 4: Informed financial customers				
Strategic Outcome/Objective: To ensure informed financial customers.				
Strategic goal	Performance indicators (Number of interventions)	Target for 2021/22	Achievement 2021/22	Comments
Provide financial customers and potential financial customers with financial education programmes to promote financial literacy and capability.	Research/ monitoring and evaluation	5 reports	6 reports	Reports: ***Money Smart Week Monitoring and Evaluation, Money Smart Week Public Relations and Media, Tertiary student Monitoring and Evaluation, Investor Education Monitoring and Evaluation, HSRC Draft Report*** (see results in table on 'South Africans' Financial Literacy and Capability Index Scores' above)
	Resource development	3 resources	4 resources	Resources were developed, included: ***Start your Money Journey; Smart Money Guide for Tomorrow's Leaders; the FSCA's Investor Guide; and the Medical Aid versus Medical Insurance brochure.***
	Workshops, presentations and edutainment	55 events	238 events (13 866 consumers)	Some events (Workshops/Webinars/ Presentations) were part of the following projects: *Financial Literacy for Students in Tertiary Institutions, Workshops for participants of the Expanded Public Works Programme, Investor Education Workshops and Consumer Protection Forum partnership programmes.*
	Media Activities	15 activities	759 activities (39 732 95 listeners) *	A target media campaign on *Managing Your Money during the Covid-19* campaign was implemented during lockdown.
		* Statistics as received from radio and television stations.		
	Money Smart Week	1 event	0 events	The Money Smart Week (MSW) Steering Committee, postponed MSW to August 2022 to give additional time for planning.
	Speech Competition activities	83 events	86 events (1400 Learners, 617 on-line attendees at final, +5000 on-line viewers for final)	The National Financial Literacy Speech Competition was implemented digitally for grade 11 learners from quintile 1 to 3 "no-fee" schools to mitigate against potential COVID-19 risks. The final was livestreamed on www.fscaspeechcomp.co.za and various social media platforms.
	Exhibitions	16 exhibitions	18 exhibitions (2233 consumers)	The FSCA outreach programme was re-ignited after the relaxation of lockdown measures and exhibitions resumed.
	Online activities	187 content uploads	17 601 site visitors 768 000 social media impressions	Site visitors on the FSCA's consumer education website, www.fscamymoney.co.za , increased by 10%. Additional postings were done on the social media platforms, Facebook, Instagram, LinkedIn, and YouTube.

STAKEHOLDER ENGAGEMENT, COOPERATION AND COLLABORATION

The FSCA is an integral part of South Africa's broader regulatory framework and of the country's financial sector. A significant part of the FSCA's work involves close engagement, cooperation and collaboration with international and domestic stakeholders in the performance of its functions. The division facilitates, where necessary, the FSCA's liaison with domestic and international regulators and other stakeholders, to promote the prevention of financial crime and customer abuse, ensure consistent regulatory strategies and effective supervision and enforcement, and minimise the duplication of effort and expense.

During the reporting period, the division facilitated 373 requests for information or assistance, received pursuant to a Memorandum of Understanding (MoU). The division also facilitated a further 283 responses to general requests for information or assistance. The number of requests received by the division during the reporting period increased by 37% compared to the previous reporting period, from 479 requests to 656 requests. Of these, 220 requests involved foreign authorities. The division also facilitated responses to 75 surveys of International Standard Setting Bodies, regulatory authorities and other stakeholders.

Domestic engagements

The division liaised regularly during the year under review with domestic counterparts, industry ombuds, representative bodies of regulated entities, intermediary associations, and auditing and actuarial professions.

The division coordinates the activities of the Market Conduct Regulatory Framework (MCRF) Steering Committee and other consultation processes in relation to regulatory framework developments. The MCRF Steering Committee comprises representatives from financial sector industry associations, ombud schemes and professional bodies. It acts as a consultation forum and technical advisory panel for key conduct of business regulatory reforms proposed by the FSCA.

The division participated in engagements with the National Treasury, South African Reserve Bank and Prudential Authority on how to improve coordination of activities, cross-organisational collaboration and alignment of views at various forums.

Significant stakeholder engagements for 2021/22 were undertaken in relation to the National Consumer Financial Education Committee (NCFEC) and it's Money Smart Week South Africa's Steering Committee (MSWSA SteerCo) and sub-committees, as well as the active participation in the Consumer Protection Forum. Other collaborative activities included workshops and exhibitions during World Consumer Rights Day during the month of March. Unfortunately, the 2022 iteration of the Money Smart Week initiative was deferred from 29 August to 4 September 2022 to allow the SteerCo more time to plan the event.

The division received 37 reports of reportable irregularities from the Independent Regulatory Board for Auditors, representing a 185% increase from the previous reporting period (13 reports).

The division facilitated the conclusion of an MoU between the FSCA and the South African Revenue Services (SARS).

International engagements

Members of the division (and of other FSCA divisions) continue to participate in numerous working group and committee meetings of the international and regional associations, bodies and forums of which the FSCA is a member. The FSCA is also regularly invited to speak on international platforms to provide thought leadership inputs and guidance on various matters, such as financial education matters. In the period under review, the division facilitated a comprehensive review of the FSCA's participation across all international forums, to ensure their objectives and FSCA participation remain relevant to the FSCA's mandate.

The FSCA further became a signatory to the IOSCO Administrative Agreement and applied to become a signatory to the IOSCO Enhanced Multilateral Memorandum of Understanding.

Regional support and collaboration

The FSCA is a member of the Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA) and participates in its various sub-committees.

During the reporting period the division continued to provide secretariat support to CISNA, including the management of the CISNA website (until mid-September 2021). This role concludes in April 2022 with the establishment of the Office of the Permanent CISNA Secretariat.

Financial Sector Assessment Programme (FSAP)

During the reporting period, South Africa was subject to a Financial Sector Assessment Programme (FSAP), a comprehensive and in-depth analysis of a country's financial sector. The FSAP is the joint responsibility of the International Monetary Fund (IMF) and the World Bank in developing economies and emerging markets.

The Financial Stability Assessment Report based on the FSAP, was published in February 2022[13]. Key recommendations in the Report include the need to:

- promote fintech while balancing risks it may pose to financial stability;
- improve the implementation of the risk-based approach to AML/CFT supervision, and bringing all sectors covered by the FATF standards under the AML/CFT framework;
- address the challenges related to climate risk and;
- embrace the new opportunities of sustainable finance.

The report also considered the impact of competition, efficiency, financial inclusion and market development, and recommends steps that can be taken by the Authorities to ensure positive outcomes for financial customers and the financial system. The division, in collaboration with the National Treasury and other relevant regulatory authorities, is developing a process for the monitoring of the implementation of the recommendations.

[13] https://www.imf.org/en/Publications/CR/Issues/2022/02/11/South-Africa-Financial-Sector-Assessment-Program-Financial-System-Stability-Assessment-513014

CONDUCT OF BUSINESS SUPERVISION DIVISION

PURPOSE

The Conduct of Business Supervision (COBS) Division is responsible for the ongoing conduct supervision of all supervised entities in South Africa, with an emphasis on promoting the fair treatment of financial customers, other than Retirement Funds and Market Infrastructures, Over-the-Counter Derivatives Providers, Credit Rating Agencies and Financial Benchmarks Providers.

The COBS Division is also responsible for supervision of relevant accountable institutions in respect of anti-money laundering and combating the financing of terrorism (AML/CFT).

The COBS Division consist of six departments with the following functions:

Department	Function Description
Banks & Payment Providers	Responsible for supervising the conduct of entities licensed to issue banking products and entities authorised to provide payment services.
Insurers & Retirement Fund Benefit Administrators	Responsible for supervising the conduct of entities licensed for issuing insurance products and entities authorised for retirement fund benefit administration (13B Administrators). The two areas of focus are combined in the same Department to ensure consistency, as many large retirement fund benefit administrators are also insurers.
Micro and Access Product Institutions	Responsible for supervising the conduct of micro-insurers and financial services entities operating in the "micro" or "access product" space. For these purposes, "access products" includes micro-insurance policies, funeral policies (including funeral policies sold by traditional insurers), and products offered by Friendly Societies, Co-operative Banks and Co-operative Financial Institutions. The department is also responsible for providing capacity building to smaller financial institutions.
Financial Advisers & Intermediaries	Responsible for supervising the conduct of entities licensed to render financial advisory and intermediary services, and entities who are authorised for the activity of product sales and execution on a non-advice basis, where the entity is not also authorised for the actual issue of the products concerned.
Investment Providers	Responsible for supervising the conduct of a range of financial institutions authorised for various activities in relation to investments. The activities concerned include: Providing a pooled investment (CIS Managers and schemes, as well as Alternative Investment Funds) Discretionary investment management (currently FAIS Category II and IIA Intermediaries) Investment platform administration (LISPs with bulking – currently FAIS Category III Intermediaries) Investment administrators.
FICA Supervision	Responsible for supervision of relevant accountable institutions in respect of the AML/CFT. The Department ensures that any referrals relating to AML / CFT matters received from the Financial Intelligence Centre are appropriately dealt with within the FSCA. As per the MOU with the Prudential Authority (PA), the FSCA's Financial Intelligence Centre Act (FICA) responsibilities in respect of insurers and the banks have been delegated to the PA.

STRATEGIC OBJECTIVES

The COBS Division's priorities are aligned with the following overall objectives of the FSCA:

1. To build an effective and efficient division fully capacitated to ensure execution of the mandate of the FSCA.
2. An inclusive and transformed financial sector.
3. A robust supervisory framework that promotes fair outcomes for financial customers.

IMPACT OF COVID-19 AND THE RESPONSE THERETO

During the period, the life insurance companies providing funeral products were impacted by death claims resulting from the second and third COVID-19 waves. Most insurers remained resilient however there was a significant increase in premiums. The FSCA is working closely with the PA to monitor the situation.

The COB Division continued to hold numerous engagements with the non-life insurance industry regarding the business interruption insurance cover and associated claims. The final way on dealing with the claims was determined by the courts and the progress on finalising all claims is being monitored by the Insurance Supervisory team. During the consultations with insurers and re-insurers, as well as the expectations of certain re-insurers for insurers to increase premiums drastically, the need for a market conduct supervisory framework for re-insurers became evident. It was also clear that the mandate to which the Policyholder Protection Rules under the Long-term Insurance Act, No.52 of 1998 (LTIA) and the Short-term Insurance Act, No.53 of 1998 (STIA) applies, need to be increased to provide more protection to sole proprietors and smaller businesses.

The COBS Division continued issuing communication and guidance notices to various industries in support to the Government's lockdown regulation and to further support its supervisory activities. The following communication and guidance notices were published:

Date/ number of Notice	Authority	Sectors	Summary
FSCA Communication 4 of 2022 (FAIS) **28 February 2022**	FSCA	FAIS	Publication of Notice of Exemption of FSPs, Key Individuals and Representatives from Compliance with certain Competency Requirements
FSCA FAIS Communication 6 of 2021 **15 April 2021**	FSCA & CMS	FAIS	Explanation of the qualification requirements imposed by the CMS, and how this affects all FSPs, Key Individuals and representatives authorised, approved and appointed for subcategory 1.16, Health care Benefits
FSCA FAIS Communication 12 of 2021	FSCA	FAIS	Use of Electronic Signatures and Prepopulated Documents
FSCA Communication 16 of 2021 (FAIS)	FSCA	FAIS	Submission of compliance reports and handover reports for Financial Services Providers ("FSPs") for 2021

Date/ number of Notice	Authority	Sectors	Summary
FSCA Communication 17 of 2021	FSCA	Insurance	The FSCA's expectations regarding premium increases on funeral Policies
FSCA Communication 18 of 2021	FSCA	Banking	The FSCA's expectations regarding bank branch closures and Automated Teller Machine (ATM) removals
FSCA Guidance Notice 1 of 2021 (CIS) 30 April 2021	FSCA	CIS	Guidance Notice on the Net Asset Valuation Calculation and Pricing Best Practice Guideline for Collective Investment Scheme Portfolios
FSCA Guidance Notice 2 of 2021 (CIS) 25 June 2021	FSCA	CIS	Guidance Notice on Permissible Deductions in terms of section 93 of the Collective Investment Schemes Control Act

JULY 2021 UNREST

In July 2021, the country was plunged into riots, which caused massive damage to infrastructure and disrupted business activity in Gauteng and KwaZulu-Natal. This had an impact to the non-life insurance sector, resulted in billions unrest related claims to the South African Special Risks Insurance Association (SASRIA).

The FSCA and PA had discussions with SASRIA on the processing of claims to affected businesses. The FSCA also engaged extensively with SASRIA regarding premium increases that it has implemented. Thus far, a handful of complaints have been received and the FSCA is tracking those matters closely with the insurer.

NUMBER OF SUPERVISED ENTITIES

Banks			
	2019/20	2020/21	2021/22
CISs in Securities	51	50	49
CISs in Property	1	1	1
CISs in Participation Bonds	2	2	2
Foreign Collective Investment Schemes	119	131	134
Collective investment Schemes in Hedge Funds Managers:			
CISs in Hedge Funds	15	14	13
Foreign Hedge Fund Schemes	6	6	8
Investment providers (FSPs)			
Category II (Discretionary) FSPs	702	737	765
Category IIA (Hedge Fund Manager FSPs)	126	124	119
Category III (Administrative FSPs)	28	30	30

Banks			
	2019/20	2020/21	2021/22
Banks			
Locally controlled banks	n/a	17	17
Branches of foreign banks	n/a	16	14
Mutual banks	n/a	4	3

Insurers			
Number of insurers – as per a list from the Prudential Authority	175	174	159
Number of licenses withdrawn after conversion (include insurers in run-off, liquidation and dormant licenses)	n/a	n/a	23
Number of operational insurers	175	174	159
Life – excluding re-insurers and micro insurers	68	67	69
Non-life: excluding reinsurers and micro insurers	75	75	75
Composite (all re-insurers)	5	5	5
Re-insurers (including the composite insurers)	10	9	8

Micro and Access Products Institutions			
Insurers providing funeral policies		45	45
Micro-insurers		7	10
Friendly Societies		196	197
Co-operative Financial Institutions		25	25
Co-operative Banks		5	5

Financial Advisers and Intermediaries			
Authorised Cat I and IV FSPs	10 534	10 130	10 157
Retirement Fund Benefit Administrators (13B Administrators)	159	123	123

COBS DIVISION'S SUPERVISORY ACTIVITIES FOR 2021/2022

Summary of activities

The table below contains an overview of the supervisory activities conducted by each department during the period under review.

Activity	Banks and Payment Providers	Insurers	13B Administrators	Micro	Investment Providers	FSCA	Financial Advisory and Intermediary Services
Supervisory Inspections							
General		4			32	12	1
Thematic	31			21			40
Desktop Reviews							
General			6				
Thematic							
Statutory Returns		179	109		3518		
Financial Statements				17	1014		8903
Complaints and queries	48	124		205	2		276
Compliance reports (these compliance reports were outstanding however during the reporting period there were no compliance reports required)							92
Extension requests					267		1555
Material irregularity reports					18		78
Supervisory Meetings							
Chairperson of the Board	10	3					
Board of Directors (individually or collectively)	29	7			18		
CEO/Executive Committee	185	3					
Management		128			28		
Audit/Risk/Compliance/ Claims/Customer Forum		39					

Activity	Banks and Payment Providers	Insurers	13B Administrators	Micro	Investment Providers	FSCA	Financial Advisory and Intermediary Services
Awareness programmes/ Capacity building	2			82			
Webinars							6
	APPLICATIONS						
Section 50 transfers		11					
Section 8 (2)(d) of STIA		435					
MPI		89					
Section 5(9) of Insurance Act		69					
Exemption and Extension Notices and Concurrence matters processed		43					
	NOTIFICATIONS						
Binder cancellations and new Binder Agreements		334					
Notices in terms of Outsourcing		83					
Group Scheme termination Notices		700					
New product notifications		4					
Direct Premium Collection Notifications		7					

STAKEHOLDER ENGAGEMENTS

During the period under review, the COBS Division held various virtual engagements with the stakeholders. This forms part of the COBS Division's stakeholder engagement plan. The discussions focused on sharing information and update on key market conduct issues identified as per the table below:

Stakeholders	Level of Engagement	Number of Meetings Held
Banks and Payment Providers		
Prudential Authority (PA)	Share information and update on key market conduct issues identified to foster stronger relations	12
Banking Association South Africa (BASA)	Share information, identify areas of mutual concern, and foster stronger relations	6
Payments Association South Africa (PASA)	Share information, identify areas of mutual concern, and foster stronger relations	9

Stakeholders	Level of Engagement	Number of Meetings Held
National Credit Regulator	Share information, identify areas of mutual concern, and foster stronger relations	1
National Payments Systems Department (NPSD)	Share information, identify areas of mutual concern, and foster stronger relations	4
BASA/FSCA/NT/SARB	The objective of the meeting is to foster strong relationships, share information, identify trends and areas of mutual concern	4
International Banking Representatives	The objective of the meeting is to foster strong relationships, share best practices and provide guidance on the Conduct Standard for Banks and Licensing	1
South African Reserve Bank	Survey on data frameworks and cross-border payments for completion	1
Ombudsman for Banking Services (OBS)	Share information, update in identified trends through complaints statistics and to foster stronger relations.	1
Insurers and Micro & Access Product Institutions		
SAIA/National Treasury/FSCA/Prudential Authority Quarterly Meetings	The objective is to foster stronger relationships create strategic alignment between the different regulators	4
Long and Short-Term Ombudsman bi-annual meetings	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.	2
Quarterly IRF meetings with Prudential Authority	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.	4
CISA Insurance Group bi-annual Meetings	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.	2
FICA Quarterly meetings	The objectives are to foster stronger relationships; create strategic alignment between the offices and to identify systemic and conduct risks.	34
FSCA/PA/CBDA Quarterly meetings	Share information and identify areas of concern	4
FSCA/PA Monthly Operational meetings	Share information, identify areas of concern and industry trends	12
13B Stakeholder Engagements & Administrator Liaisons		
Institute of Retirement Funds Africa's legal and tax committee	Various matters pertaining to the retirement funds industry from a regulatory, legal and tax perspective.	3
Benefit administrators	Various matters pertaining to the conduct of benefit administrators.	44
Financial Advisers and Intermediaries		

Stakeholders	Level of Engagement	Number of Meetings Held
Compliance Institute	The objective is to foster stronger relationships and to discuss legislative developments, general application of legislation and compliance officers matters of interest.	4
Financial Planning Institute (FPI)	Various matters pertaining to the FAIS industry	2
Financial Intermediaries Association (FIA)	Various matters pertaining to the conduct of intermediaries	2
Financial Sector Intermediaries Network (FSIN)	Various matters pertaining to the Intermediaries network	2
Investment Providers		
ASISA	The objective is to foster stronger relationships and discuss current pertinent issues.	4
Trustees	The objective is to foster stronger relationships and discuss current pertinent issues.	4
FICA		
Financial Sector Regulators Forum (Prudential Authority (PA)	Share information and identify areas of mutual concern	4
Financial Intelligence Centre	Share information and identify areas of mutual concern	14
FIC Act Enforcement Forum	Share information and identify areas of mutual concern	4
Monitoring and Review Committee	Implementation of Memorandum of Understanding	1
National Risk Assessment Inter-Departmental Working Group	Development of the National Risk Assessment	5
Mutual Evaluation Inter-Departmental Working Group	Remediation of FATF Mutual Evaluation findings	6
Immediate Outcomes 3 & 4 Working Group	Remediation of FATF Mutual Evaluation Immediate Outcomes 3 and 4 findings	4
National Treasury	ICRG follow-up	9
Association for Savings and Investment South Africa	Share information and identify areas of mutual concern	2
Compliance Institute South Africa	Share information and identify areas of mutual concern	3
Financial Services Intermediary Network	Share information and identify areas of mutual concern	2
Financial Intermediaries Association Southern Africa	Share information and identify areas of mutual concern	2
Financial Planning Institute	Share information and identify areas of mutual concern	1
Financial Action Task Force	Plenary	4
Inter-agency Working Group: Illicit Flow of Funds	Share information and identify areas of mutual concern	4
Eastern and Southern African Anti-Money Laundering Group	Plenary	3

Stakeholders	Level of Engagement	Number of Meetings Held
Inter-Departmental Committee on AML / CFT (including sub-committees)	Share information and identify areas of mutual concern	5
Independent Regulatory Board for Auditors	Share information and identify areas of mutual concern	1
Consultative Committee	Share information and identify areas of mutual concern	1
Non-life insurance Working Group	Consider ML / TF risk in the non-life sector	1
Exchanges	Share information and identify areas of mutual concern	6
Prudential Authority	Share information and identify areas of mutual concern on an ad hoc basis	7

HIGHLIGHTS FOR THE PERIOD

Voice of Customer Survey

The Banking and Payment department conducted a Banking Survey from 30 July 2021 to 31 August 2021. The objective was to determine the challenges that customers are facing when dealing with the banks. 1121 banking customers responded.

The following overall outcomes were observed:

- Majority of customers do not know how to lodge complaints.
- Majority of customers are of the view that there is no value for money on the fees charged and are expensive.
- Customers usually queue for more than an hour at the branch.
- Advertisements are not clear, fair and are potentially misleading.
- ATMs are not always functional.
- Some products do not perform as customers have been led to expect.

Mystery Shopping

Mystery shopping is one of the key supervisory tools to determine whether products and services promote fair customer outcomes. The Banking and Payment Providers department conducted a mystery shopping exercise which ran over a period of 2 months during the financial year. The mystery shopping exercise was targeted at specific banks with specific focus on distribution channels (Branches, Call Centres and Digital platforms) and below are the findings:

a) Call Centres

» Full needs analysis is not conducted by consultants across all banks

» Customer service is a challenge across.

» Complaint's management call centres not easily accessible by customers

» Call centres not fully equipped to handle customer queries and complaints. There is referral of customers to branches.

» Disclosures were found to be incomplete and inconsistent, as it relates to fees/ charges as well as terms and conditions.

» Inconsistent information provided to customers from one consultant to another

b) **Branches**

- The long queues in branches and ATMs are currently a challenge.
- Customer experience is not the same when comparing branches in the affluent areas and those in the rural or townships.
- Inconsistent information provided from one branch to another.

c) **Digital Platforms**

- System downtime is a major challenge faced by banks occasionally during the month, however more prominent over month end.
- Customers not informed timeously of system downtime
- Ease of navigation inconsistent across all digital platforms
- Limited functionality on the USSD (Unstructured Supplementary Service Data) string.
- Websites not updated timeously with current information

Complaint Management Review

Banking and Payment Providers department conducted a thematic review on complaints management as part of its supervisory plan for 2021/2022. This was to determine how banks deal with customer complaints. A report is currently under review for publication.

Communication with the FSPs

Some financial services providers (FSPs) did not have compliance officers. Their access to credible information regarding their compliance responsibilities in terms of the legislation was limited. The COBS Division hosted 6 webinars, aimed at small FSPs and Accountable Institutions, to guide them through the requirements of the legislations, and to understand the broader landscape of financial services. The webinars were hosted on the FSCA's YouTube channel.

The topics covered are:

1. How to establish a FAIS compliance function: https://www.youtube.com/watch?v=QlnMYmwlj1Y
2. How the FSCA complies to PAIA: https://youtu.be/TdUUOEckfB0
3. Financial soundness requirements for small FSPs: https://youtu.be/cSm0nMpXgrg
4. Debarments: https://youtu.be/tkqzfuMfT9w
5. Premium collections: Practical implication: https://youtu.be/VAv2sxxd720
6. Premium collections: Legal implications: https://youtu.be/3TyL7W3oswE

Development of Omni - Conduct of Business Returns (Omni-CBR)

COBS Division has embarked on a project to develop an Omni-CBR for the entire Division. The Omni-CBR is intended to facilitate streamlined cross-sectoral statutory reporting and sets out the types of conduct indicators to be reported on in future by various financial institutions, including Banks, Insurers and Micro insurers, Investment Providers, Co-operative Financial Institutions (CFIs), Financial Services Providers (FSPs), and Retirement Fund Benefit Administrators. It forms the cornerstone of the FSCA's off-site supervisory toolkit and reflects the FSCA's increasing focus on embedding an evidence-based and data-driven approach to regulation and supervision. The Omni-CBR will be published for public comments.

Financial Action Task Force (FATF) Mutual Evaluation

The FATF Plenary adopted South Africa's mutual evaluation report in June 2021. The mutual evaluation report was published on 7 October 2021. The mutual evaluation report reflects outcomes of the assessment of the South African AML/CFT regime from an effectiveness and technical compliance perspective. The most appropriate outcomes for the FSCA were

Immediate Outcome (IO) 3 and IO 4 which relates to supervision and the preventive measures in place by the accountable institutions such as FSPs and CIS managers.

The FICA Supervision department is coordinating efforts to remediate the findings set out in the mutual evaluation report. Remediation efforts include engagements with supervised institutions to promote compliance with the FIC Act requirements and understanding of ML/TF risks. The FSCA is required to submit a progress report on its remedial actions to South Africa's Interdepartmental Working Group during 2022.

Sector Risk Assessments

The FICA Supervision department conducted and published the Securities Sector Risk Assessment on 22 February 2022. Awareness was also created around the outcomes of the Sector Risk Assessment.

ENFORCEMENT

The COBS Division considers appropriate regulatory actions and administrative sanctions to impose on supervised entities, accountable institutions and persons for non-compliance with the relevant sectoral laws, the FSR Act and the FIC Act.

During the period under review, the COBS Division considered 65 referrals for regulatory action for FSPs compared to 113 referrals in the previous year.

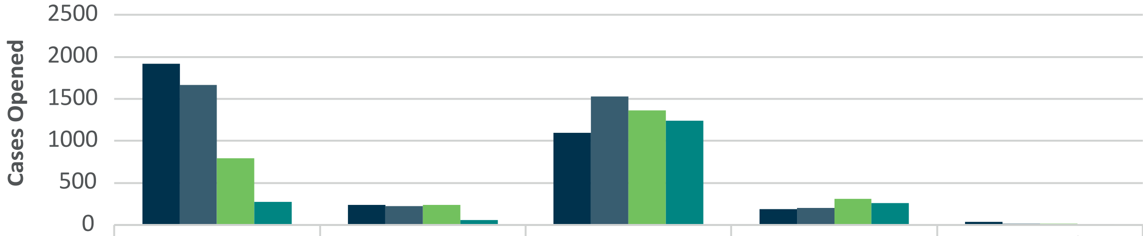
Enforcement of Compliance with legislation

The FSR Act and all sectoral laws provide a range of tools to deal effectively with non-compliance. The COBS Division must ensure that all supervised institutions are held to a high degree of compliance. In that regard, the FAI department considered complaints referred by the Business Centre about contraventions of the FSR Act and sector laws by supervised FSPs and off-site and on-site inspection findings of non-compliance. It also considered the FAIS Ombud's Determinations to determine whether there is a need for further regulatory action to be taken.

The table below depicts the FAI departmental activities in relation to enforcement of compliance with legislation.

Enforcement of compliance with legislation activities				
	Frequency			
Activity	2019	2020	2021	2022
Complaints	1915	1 664	793	276
Anonymous tip-offs	240	222	236	56
Regulatory action	1 095	1 531	1 362	1243
Debarments	187	203	314	261
FAIS Ombud	36	14	16	11

FAI Enforcement Activities



	Complaints	Tip offs	Regulatory Action	Debarments	Ombud's Determinations
2019	1915	240	1095	187	36
2020	1664	222	1531	203	14
2021	793	236	1362	314	16
2022	276	56	1243	261	11

Regulatory action

Regulatory action in this regard refers to a suspension or withdrawal of a licence in terms of section 9 of the FAIS Act. The FAIS Act empowers the FSCA to suspend or withdraw a license if the licensee:

» no longer meets the Fit and Proper requirements applicable to the licensee, if the licensee is a partnership, trust, corporate or unincorporated body, that the licensee or any key individual of the licensee does not meet or no longer meets the Fit and Proper requirements applicable to the licensee or key individual;

» did not, when applying for the licence, make a full disclosure of all the relevant information to the FSCA, or furnished false or misleading information;

» has failed to comply with any other provision of the FAIS Act or any requirement under the FSR Act, including conduct standard, a prudential standard or a joined standard;

» has failed to pay a levy, an administrative penalty, or any interest thereof;

» does not have an approved key individual;

» has failed to comply with the regulators' directive; or

» has failed to comply with any condition or restriction imposed under the FAIS Act.

A license is suspended for non-compliance that can be rectified within the period of suspension, and gets withdrawn for serious non-compliance, such as lack of character qualities of honesty and integrity, or the failure to comply with the conditions for the lifting of a suspension within the suspension period.

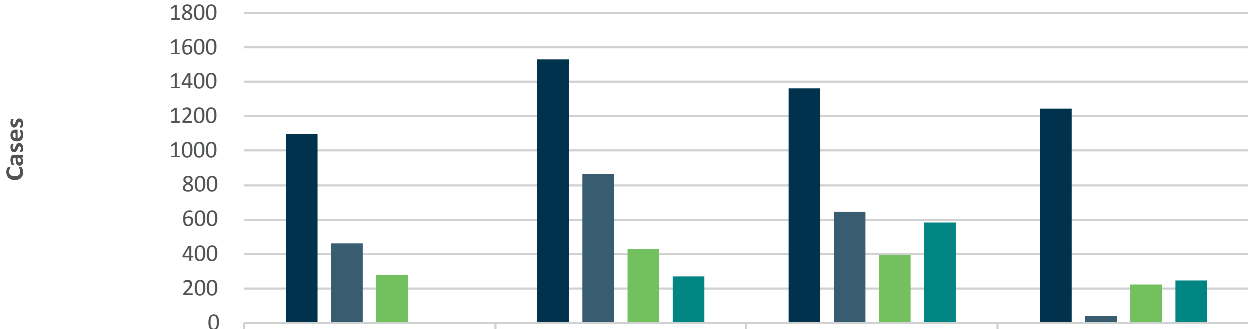
Not all the regulatory action cases opened, end up with a suspension or withdrawal, as most FSPs rectify the situation as soon as notices of intention to suspend are issued.

The table below provides some details of regulatory actions:

Regulatory Action				
Activity	Year			
	2019	2020	2021	2022
Regulatory actions cases opened	1 095	1 531	1 362	1243
Suspensions	461	863	644	40[14]
Lifting of suspensions	277	431	397	225[15]
Withdrawals	6	269	583	246

14 714 of opened cases were suspended in April 2022
15 This mainly include licenses suspended in the previous financial year

Regulatory Action



	2019	2020	2021	2023
Regulatory Action	1095	1531	1362	1243
Suspensions	461	863	644	40
Lifting of suspensions	277	431	337	225
Withdrawals	6	369	583	246

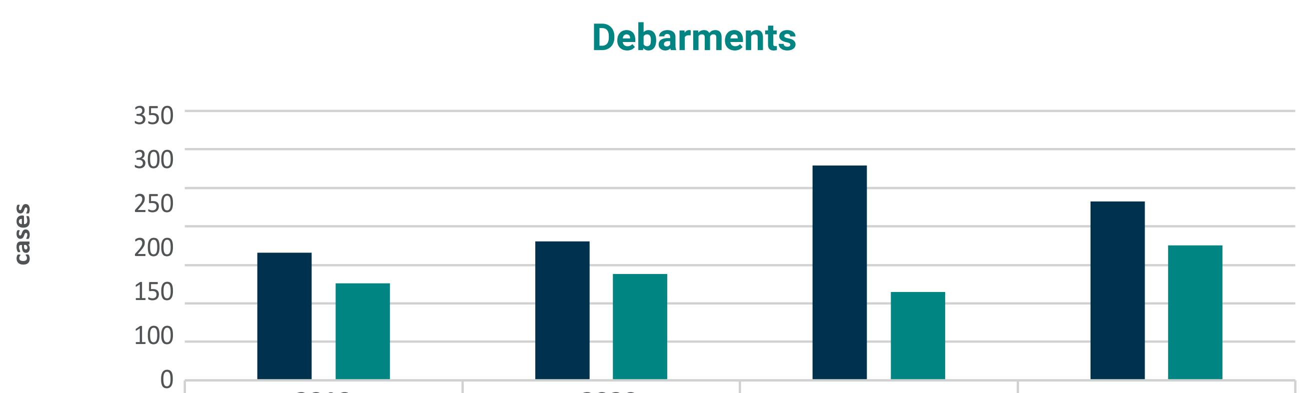
Debarments

The FSCA can make a debarment order in terms of section 153 of the FSR Act in respect of a natural person, if that person has:

- contravened a sector law in a material way;
- contravened in a material way an enforceable undertaking that was accepted by the responsible authority in terms of section 151(1);
- attempted, or conspired with, aided, abetted, induced, incited, or procured another person to contravene a financial sector law in a material way, or
- contravened in a material way a law of a foreign country that correspond to a sector law.

The FAI department opened 261 cases and issued 197 debarment orders under the period under review.

Debarments				
Details	2019	2020	2021	2022
Opened cases	187	203	314	261
Debarment orders issued	142	155	129	197



	2019	2020	2021	2023
Cases opened	187	203	314	261
Orders issued	142	155	129	197

Details of the sanctions imposed in terms of the FIC Act

	Name of entity	Non-compliance	Sanction imposed
1	WDB Growth Fund (Pty) Ltd	Defective Risk Management and Compliance Programme (RMCP), failure to conduct Customer Due Diligence (CDD), failure to register/ updated details with the FIC within prescribed period.	Financial penalty: R20 000
2	Momentum Wealth (Pty) Ltd	Failure to risk rate clients and conduct CDD, failure to file Cash Threshold Reports (CTRs) with the FIC.	Financial Penalty: R4.8m
3	Momentum Collective Investment (RF) (Pty) Ltd	Failure to risk rate clients and conduct CDD, failure to file CTRs with the FIC.	Financial Penalty: R6,3m
4	Worldwide Advisory Services (Pty) Ltd	Failure to conduct ongoing CDD, defective RMCP.	Financial penalty: R20 000
5	KFS Finserv (Pty) Ltd	Failure to CDD	Financial penalty: R230 000
6	Foremost Finance (Pty) Ltd	Defective RMCP, failure to CDD.	Financial penalty: R60 000
7	Ravensberg Advisory and Consulting Services (Pty) Ltd	Defective RMCP, Failure to risk rate clients and conduct CDD, failure to file CTRs with the FIC, failure to keep transaction records.	Financial penalty: R480 000

RETIREMENT FUNDS SUPERVISION DIVISION

PURPOSE

Our mission is to promote a safe and stable environment for members of retirement funds so that obligations of all stakeholders are met when due. The Retirement Funds Supervision Division of the FSCA is mandated by the Pension Funds Act (PFA), 1956 (Act No.24 of 1956) to register, license and supervise retirement funds and beneficiary funds (excluding a few funds established in terms of specific provisions in other statutes).

STRATEGIC OBJECTIVES

The division's priorities are aligned with the following overall objectives of the FSCA:

1. Transformed and inclusive retirement funds industry.
2. A robust regulatory framework that promotes fair treatment of retirement fund members and beneficiaries.
3. Informed retirement fund members.
4. Proactive retirement fund industry stakeholder management.

DEPARTMENTS

The division comprises four departments as outlined below:

DEPARTMENT	RESPONSIBILITIES
Conduct Supervision	This department is responsible for the supervision of retirement funds, including oversight of compliance with fund rules, conducting supervisory onsite inspections of funds and assisting with oversight of conduct of trustees and other aspects of fund governance.
Prudential Supervision	This department established four teams and is responsible for: Transfers and Terminations This team is accountable for the oversight of retirement fund conversions, amalgamations, transfers and liquidations. Investments and Fund Performance This team is accountable for the oversight of the conduct and performance of funds in relation to their investment policies and processes. This will include a focus on monitoring funds' compliance with the investment allocation requirements of Regulation 28 to the Pension Funds Act, through analysis of quarterly Regulation 28 asset allocation reports. Financial Statements This team is accountable for analysing and monitoring annual financial returns submitted by retirement funds, with a view of overseeing the ongoing financial soundness of retirement funds. Special Projects This team is accountable for various special projects relating to the prudential supervision of retirement funds including basic research, data compilation and analytics, costs and charging structures.

DEPARTMENT	RESPONSIBILITIES
Reviews and Authorisations	This department established three teams and is responsible for the following: • Registering retirement funds. • Approvals or rejection of rule amendments, revisions and consolidations to the rules of registered funds in terms of section 12 of the Pension Fund Act. • Receipt and consideration of applications for the termination of participating employers and cancellation of the registration of funds that have ceased to exist as contemplated in section 27 of the Pension Fund Act. • Consideration and approval of individual fund exemptions in terms of the PFA. • Consideration and approval of extension of periods in terms of the Financial Sector Regulation (FSR) Act, 2017 (Act No.9 of 2017). • Implementation of section 8(5)(2) of the PFA with regards to principal officers. Implementation of PFA Determinations, where applicable.
Fund Governance and Trustee Conduct	The department is responsible for the following: • Overseeing the governance and conduct of retirement funds and coordinating a Retirement Funds Conference bi-annually. • Strategic monitoring of trustee training as well as implementing and overseeing the FSCA's "Trustee Training Toolkit" and related trustee training matters. • Overseeing the conduct of trustees especially in relation to their obligations to deliver on the six Treating Customers Fairly (TCF) outcomes. This includes, but is not limited to, overseeing the communications to members and compliance with the Default Regulations. • Overseeing the processing and evaluation of Default Regulations exemption and extension applications. • Overseeing trustees' compliance with the provisions of the Pension Funds Act, other relevant legislation, Regulations to the Pension Funds Act, Directives and Conduct Standards. • Overseeing and/or drafting of governance conduct standard for retirement funds. Drafting and strategic monitoring of fund governance returns. Proposing and drafting Guidance Notices and Conduct Standards in terms of the FSR Act. • Evaluating, considering and implementing appropriate sanctions for trustees in cases where trustee conduct issues are detected. • Assisting the Retirement Funds Supervision Division with the implementation of appropriate enforcement actions provided for in Chapter 10 of the FSR Act. • Providing support to the Retirement Funds Supervision Division in their work by providing opinions and guidance on matters. • Providing support to the Retirement Funds Supervision Division with the presentation of cases to the Regulatory Action Forum. • Providing support where required to the Office of the General Counsel in litigation matters affecting the Retirement Funds Supervision Division. Providing the Retirement Funds Supervision Division's inputs in respect of various legislative enactments flowing from the Twin Peaks regulation, sub-ordinate legislation and guidance for retirement funds.

PERFORMANCE

SERVICE DELIVERY OBJECTIVES, INDICATORS AND OUTPUTS

STAKEHOLDER ENGAGEMENTS

Engagements with various professional industry bodies such as SAICA, IRBA, IRFA, BATSETA, Pension Lawyers Association, meetings with boards of trustees representing various funds as well as various fund principal officers, auditors, valuators, asset managers and benefit administrators were maintained in terms of the division's stakeholder engagement plan, as seen below:

Stakeholders	Level of Engagement	Method of Engagement	Frequency	Purpose
IRFA Legal and Technical Committee	Workgroup	Meeting	Quarterly	Industry workgroup
IRFA Audit Committee	Workgroup	Meeting	Quarterly	Industry workgroup
SAICA Retirement Funds Project Group (RFPG)	Workgroup	Meeting	Quarterly	Industry workgroup
OECD/IOPS	Meeting and conference	Meeting	Quarterly	International liaison
IRBA CFAS (Committee for Auditing Standards)	Technical advisor to FSCA representative Marius du Toit	Meeting	Quarterly	Audit standard setting
XBRL SA	Meeting	Meeting	Quarterly	Data harmonisation
IRFA Audit Committee workgroup	Meeting	Meeting	Quarterly	Industry workgroup
SAICA Retirement Funds Project group	Meeting	Meeting	Quarterly	Industry workgroup on accounting guidelines
Various meetings with funds, boards, principal officers, curators, liquidators, statutory managers, members, participating employers, unions, etc.	Ad hoc meetings	Ad hoc meetings	On request	Ad hoc meetings
Various meetings with industry bodies such as BATSETA, ASISA and National Treasury, SARS and SARB	Scheduled and ad hoc Meetings	Scheduled and ad hoc meetings	On request	Scheduled and ad hoc meetings

CONDUCT SUPERVISION MATTERS

The Conduct Supervision Department is taking a more active approach in assessing the conduct of trustees and other officers of retirement funds.

Acting under section 25 of the PFA, read together with section 132 of the FSR Act, the division's current risk-based supervisory plan, 266 onsite inspections were conducted on funds. Significant supervisory issues were identified during the conduct of these onsite inspections in respect of the following:

- Vacancies on boards were not filled within 90 days.
- Failure by boards members to complete the Trustee Training Toolkit.
- Failure by boards to monitor compliance with provisions of the PFA, specifically section 13A of the PFA and Regulation 33.
- Funds are being managed in terms of unregistered rules.
- Failure by boards to timeously submit annual financial statements and valuation reports.
- Failure by principal officers to comply with their fiduciary duties in terms of applicable legislation.

Enforceable undertakings

All enforceable undertakings given and accepted are published on the FSCA website. Ten enforceable undertakings were given and accepted by the Retirement Funds Supervision Division during the period 1 April 2020 to 31 March 2021.

The enforceable undertakings given and accepted relate to:

- Compliance with the fund rules insofar as it relates to eligibility of membership.
- Avoiding conflicts of interest in terms of section 7C(2)(c) of the Pension Funds Act, 1956 and compliance with Directive PF No.8

Compliance with fiduciary duties in terms of section 7C and 7D of the Pension Funds Act, 1956 compliance with section 2 of the Financial Institutions (Protection of Funds) Act, 2001 (FI Act).

Statutory manager appointments:

- The FSCA appointed a statutory manager to the Hospitality and General Provident Fund in terms of section 5A of the FI Act, 2001. The statutory manager was tasked with, inter alia, assisting the board to comply with its fiduciary duties in terms of section 7C and 7D of the Pension Funds Act, 1956.
- The Conduct Supervision Department is also monitoring the Private Security Sector Provident Fund, following the appointment of one statutory manager to assist the fund in its compliance with the Pension Funds Act and other relevant legislation.

Funds under curatorship:

The Conduct Supervision Department has been actively monitoring funds under curatorship to ensure that curators act within their mandate and any non-compliances identified are resolved.

The division works closely with the Office of the General Counsel on all curatorship matters.

Two funds were also identified for terminating their curatorship, viz. Municipal Councilors Pension Fund and Vrystaat Munisipale Pensioenfonds.

SPECIAL SUPERVISORY MATTERS

To assist the division to fulfil the FSCA's approach of pro-active, pre-emptive, intrusive and intensive regulation the following returns are being developed:

- A Conduct of Business Return ("the Return"), incorporating a Fund Governance Return, has been drafted to be issued for comment to the industry during the first quarter of 2022. It is anticipated that industry workshops will be held in the first quarter of 2022 in order to familiarise the role players with the Return. The aim is to issue the final Return in April 2022. It addresses an array of issues from, inter alia, board composition (compliance with rules and sections 7A or 7B of the PFA), compliance with Default Regulations, the Trustee Training Toolkit, pursuant to Conduct Standard 4 of 2020, payment of contributions, transformation and ESG.

The department also supports the Enforcement Division in identifying priority enforcement cases.

AUTHORISATION AND REVIEW MATTERS

The Reviews & Authorisation Department processed a number of cases relating to the impact of the State of Disaster presented by the COVID-19 pandemic requested by employers who were still recovering. Some of these employers were requesting extension of the period to suspend contributions.

PRUDENTIAL SUPERVISION MATTERS

The Prudential department is working in collaboration with the Regulatory Framework department in finalising various standards such as the derivatives, the draft standard on the accounting framework for retirement funds and revised annual financial statements. The department is also considering the submission of cashflow statements; and quarterly asset allocation reports irrespective of whether there are breaches or not. This will allow the department to proactively assess the asset spreading of funds.

The department is working on various publication of aggregate data based on various submissions.

FUND GOVERNANCE AND TRUSTEE CONDUCT MATTERS

The Fund Governance and Trustee Conduct Department engaged in the following activities:

Legislative input:

Participated in the technical team responsible for the alignment of the Pension Funds Act and the Conduct of Financial Institution Bill (CoFI Bill) and provided input in respect of various amendments to the provisions of the Pension Funds Act, which is to form part of the consequential amendments to the CoFI Bill. Provided input on proposed changes to the CoFI Bill insofar as it related to retirement funds.

Governance return (work in progress):

A draft Governance Conduct Standard has been developed; the draft of a governance return is in process, which will be incorporated in the conduct of business return in collaboration with other departments in the division. Participated in the Financial Sector Harmonisation Project on the Fit and Proper Requirements.

Participated in the working group responsible for the Joint Governance Conduct Standard with the SARB.

LITIGATION

The division is working in collaboration with the Office of the General Counsel on all litigation matters pertaining to retirement funds.

FINANCIAL SERVICES TRIBUNAL MATTERS

The division is also working in collaboration with the Office of the General Counsel on tribunal cases relating to retirement funds.

POLICY AND REGULATION MATTERS

The division works in collaboration with the Regulatory Framework department on conduct standards, guidance notices, interpretation rulings and industry communication.

COMMUNICATIONS

Various Communications were issued by the RFSD during the period under review:

- FSCA Communication 2 of 2022 (RF): Draft Conduct Standard related to the requirements for the payment of Pension Fund contributions
- FSCA RF Notice 1 of 2022: Exemption of certain funds in relation to specific participating employers from the requirements of Section 28 of the Pension Funds Act, 1956
- FSCA RF Notice 2 of 2022: Exemptions granted ito sec 7B(1) of PFA
- FSCA RF Notice 3 of 2022: Exemption of certain funds from the requirements of sec 9A & 16 of PFA
- FSCA Communication 7 of 2022 (RF): Withdrawal of Request for information 2 of 2022
- FSCA Communication 8 of 2022 (RF): Increased foreign portfolio investment limits
- FSCA RF Notice 4 of 2022: Exemption of certain funds from the requirements of section 15(1) of the PFA
- FSCA RF Notice 5 of 2022: Exemption of funds from using certain prescribed formats for preparing financial statements under Section 15 of the Pension Funds Act, 1956
- FSCA Communication 12 of 2022 (RF): : Exemption of funds from using certain prescribed formats for preparing financial statements under Section 15 of the Pension Funds Act, 1956
- FSCA RF Notice 6 of 2022: Exemption of certain funds from the requirements in Regulation 28(3) (a) and (b) of the Pension Funds Act, 1956
- FSCA RF Notice 7 of 2022: Exemption of certain funds in relation to specific participating employers from the requirements of Section 28 of the Pension Funds Act, 1956 (Act No. 24 of 1956)
- FSCA RF Notice 8 of 2022: Notice of intention to cancel registration of a fund in terms of Section 27(1) of the Pension Funds Act, 1956 (Act No. 24 of 1956)
- FSCA RF Notice 9 of 2022: Exemption of certain funds from the requirements of sec 9A & 16 of PFA
- FSCA Communication 14 of 2022 (RF): Further clarification of the use of certain prescribed formats for preparing financials statements under section 15 of the PFA
  - FSCA Communication 16 of 2022 (General): FSCA Communication 16 of 2022 (GENERAL) - Publication of Roadmap for roll-out and implementation of cross-sectoral Conduct of Business Return (Omni-CBR)
  - Draft Notice * of 2022: Notice regarding the publication of the draft Notice * of 2021 - Levies on Financial Institutions
- FSCA Communication 17 of 2022 (RF): Arrear contributions: An alert to retirement funds and employers
- FSCA RF Notice 10 of 2022: Notice of intention to cancel registration of a fund ito s27(1) of the PFA
  - FSCA Information Request 5 of 2022 (RF): Request for information on paid-up members of retirement funds
  - FSCA Communication 18 of 2022 (RF): Request for information related to retirement funds paid-up members
- FSCA Press Release: Press Release on the publication of its Regulation Plan for the next three years (2022 – 2025
- Notice – Publication of draft Guidance Notice: Draft Guidance Notice on the Application of section 14(7) of Pension Funds Act, 1956
- FSCA Communication 19 of 2022 (RF): Draft Guidance Notice on the Application of section 14(7) of the Pension Funds Act, 1956

- FSCA RF Notice 11 of 2022: Exemption of certain funds from the requirements of sec 9A & 16 of PFA
- Notice – Draft Amendment of exemption by FSCA of certain persons from Joint Standard 1 of 2020
- FSCA Conduct Standard 1 of 2022 (RF): Requirements related to the payment of pension fund contributions
- FSCA Communication 23 of 2022: Requirements related to the payment of pension fund contributions

INFORMATION REQUESTS

UNCLAIMED BENEFIT MATTERS

The division also collaborates with the Business Centre and the Supervisory Framework Department on matters pertaining to unclaimed benefits.

INTERNATIONAL RELATIONS

In collaboration with the Regulatory Liaison Department, the division continues to fulfil its role in the activities of the IOPS and currently represents the FSCA on the Executive Committee of IOPS, OECD Working Party on Private Pensions and the SADC Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA).

OUTLOOK

Impact of COVID-19 on the future of retirement funds.

In June 2020, a survey by the FSCA showed that in nearly 40% of active retirement funds, the employer was in some form of financial distress because either they or/and employees approached the fund to ask for a temporary suspension or reduction of retirement contributions due to COVID-19 lockdowns. A number of employers have also gone through liquidations, thereby impacting funds and members. The termination of funds is of concern as it places fund members in precarious future financial positions. A system proposed by government that will enable some form of mandatory participation in retirement funds, like auto-enrolment, will be an important and urgent consideration to ensure good coverage and that members are continuously saving for their retirement.

Environmental, Social and Governance (ESG)

Decent retirement benefits are important, but there is little point retiring in a dysfunctional society or wasteland. Responsible, Sustainable and Impact Investing continues to be a major focus point for governments, supervisors and asset owners internationally and locally. As a member country and executive committee member of the International Organisation of Pension Supervisors (IOPS), South Africa continues to be one of the leading countries in this area. Governments are also looking at infrastructure (investment) to kickstart their economic growths following the effects of COVID-19. The recent proposed amendments to Regulation 28 by government are supported by the FSCA and should encourage funds to play a larger role in boosting economic growth locally and in Africa. Trustees are reminded of their fiduciary duties and should be the sole decision-makers when it comes to where the funds invest.

Enhancing Governance and Trustee Conduct

The South African system, as with certain other systems internationally, enables workers to be represented by trustees on a fund. The FSCA appreciates the importance of fund members having a voice on how their hard-earned savings and funds are run, managed and invested. The fitness and propriety of elected and appointed trustees and principal officers should be of a high level, given their statutory and fiduciary duty to always act in the best interest of the fund and its members.

The governance of commercial umbrella funds will continue to be enhanced, and options will be considered on how best to represent workers' views on the boards of such funds, without creating excessive administration for employers, funds and the regulator. This process will entail engagements with government, labour unions and industry to find the most suitable model of representation. A number of commercial umbrella funds are already embracing the FSCA's guideline to appoint 50% of independent trustees. The appointment of employees of a sponsor as principal officers on umbrella funds remains an undesirable practice and is therefore not supported by the FSCA, including also the undesirable practice of having independent trustees who also render services to a fund.

Unclaimed benefits

Legislation has now been formally prepared and presented to the public on consolidating various unclaimed benefits into a single fund and registry under the supervision of the FSCA. The governance model will be refined to ensure that the fund is run and managed properly, efficiently and effectively. The use of some of the unclaimed benefits for social upliftment is worth considering, noting the limited probabilities of tracing some, if not many, of the members.

A dedicated governance standard for the retirement industry, incorporating also PF Circular 130, is currently being developed.

Termination of funds

A system with many dormant funds detracts the regulator from effective supervision, given the limited resources. Around two-thirds of currently registered funds are either without trustees, members, assets or are in the process of terminating. However, this has to be done in such a way that the probability of compromising members is limited as far as possible. Hence, as part of enhancing the process to deregister funds, a Factual Findings Report was finalised with industry and implemented with effect from January 2021.

A commitment from certain administrators has also been reached to provide surety in instances where members approach them after the fund has been deregistered.

Administrators are again urged to come forward and approach the courts to reinstate funds found to be incorrectly deregistered.

Supervision

The following supervisory activities took place during the period under review:

ACTIVITY	NUMBER
Registrations of new funds	12
Umbrella schemes:	
• Recording new participating employers and registration of revised special rules	6 528
• Recording of termination of participation of employers	1 349
Approving rule amendments, revised or consolidated rules	1 128
Approving schemes to transfer assets and/or liabilities between funds and other entities	2 050
Annual Financial Statements	4 687
Section 14 transfers	
Supervising fund liquidation: • Liquidation exemption section 28(17) completed • Liquidation section 28(15)(a) and (b)	 214 917
Onsite visits	119
Complaints	38

Note: The table excludes applications received but not yet decided, extensions and exemptions.

RETIREMENT FUNDS INDUSTRY STATISTICAL OVERVIEW

As at 31 March 2022, there were 5 070 (31 March 2021: 5 090) registered retirement funds in South Africa of which 1 332 (31 March 2021: 1 449) funds are active (a fund with members for whom it receives contributions and/or pays benefits).

Regulated entities supervised at 31 March 2022

Retirement funds	
Privately administered (with assets other than policies of insurance)	2 920
Wholly underwritten (only assets being policies of insurance)	2 150
Total	5 070

Note: As at 31 March 2022 there were 1 332 active funds.

A number of retirement funds are not subject to regulation and supervision under the PFA, such as the Government Employees Pension Fund (GEPF), because they were established by separate statutes. All other funds must be registered in terms of the PFA and are thus regulated and supervised by the division.

The following statistics are the latest available for retirement funds:

RETIREMENT FUNDS: FINANCIAL YEAR ENDING 31 DECEMBER 2020						
Financial year ending	2018	Change %	2019	Change %	2020	Change %
Number of funds	5 124	(0.7)	5 140	0.3	5 090	(1.0)
Membership ('000)	17 522	3.4	17 610	0.3	17 702	0.5
Contributions (R'm)	257,523	7.3	271,050	5.3	280,554	3.5
Benefits paid (R'm)	367,078	13.8	331,786	(9.6)	362,144	9.1
Assets (R'm)	4,490,617	5.4	4,632,304	3.2	4,346,163	(6.2)

RETIREMENT FUNDS: NUMBER OF FUNDS BY ADMINISTRATOR AT 31 MARCH 2022

Administrator	Active funds*	Other funds	Total funds
Liberty Group	80	1039	1 119
MMI Group	42	732	774
Alexander Forbes Financial Services	251	491	742
Sanlam Life Insurance**	188	426	614
Old Mutual Life Assurance Company (South Africa)	18	162	180
NBC Fund Administration Services	66	62	128
NMG Consultants and Actuaries Administrators	42	71	113
Own administrator	33	62	95
All other administrators	612	693	1 305
Total	1 332	3 738	5 070

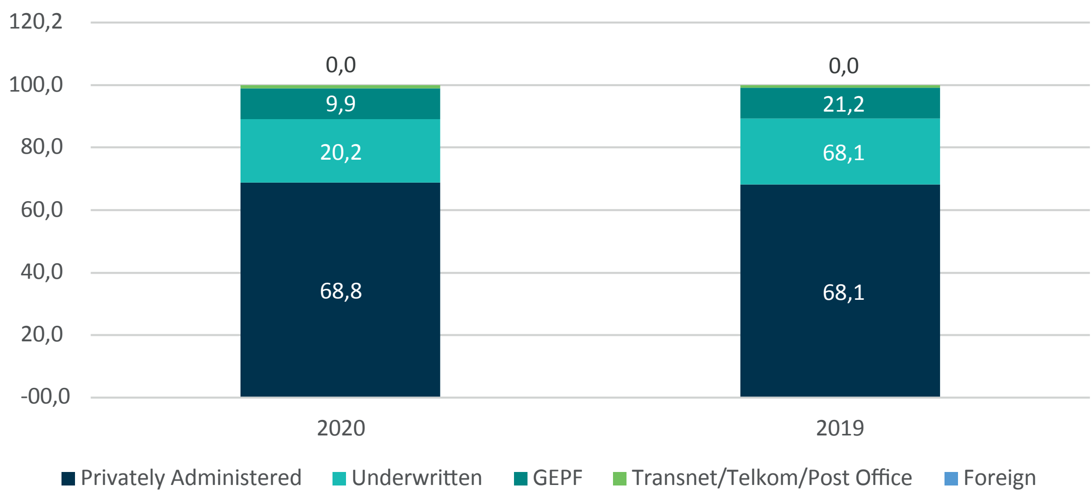
*Includes funds that have informed the FSCA that they intend to stop conducting business after their liquidations, transfer their assets and liabilities to other funds or other entities, such as insurers.

** Absa Consultants and Actuaries sold their EB business to Sanlam Life Insurance.

Membership

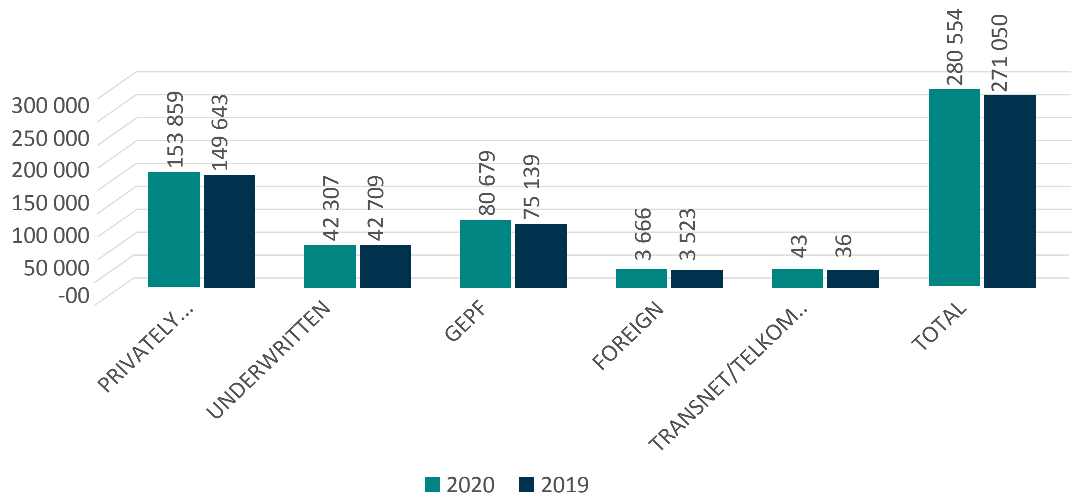
Total membership of retirement funds in South Africa at 31 December 2020 stood at 17 701 713, of which 11 528 080 were active members and 6 173 633 were pensioners, deferred pensioners, dependents and unclaimed benefit members. Some double counting is unavoidable, as some individuals are members of more than one fund.

Membership (%)



Contributions

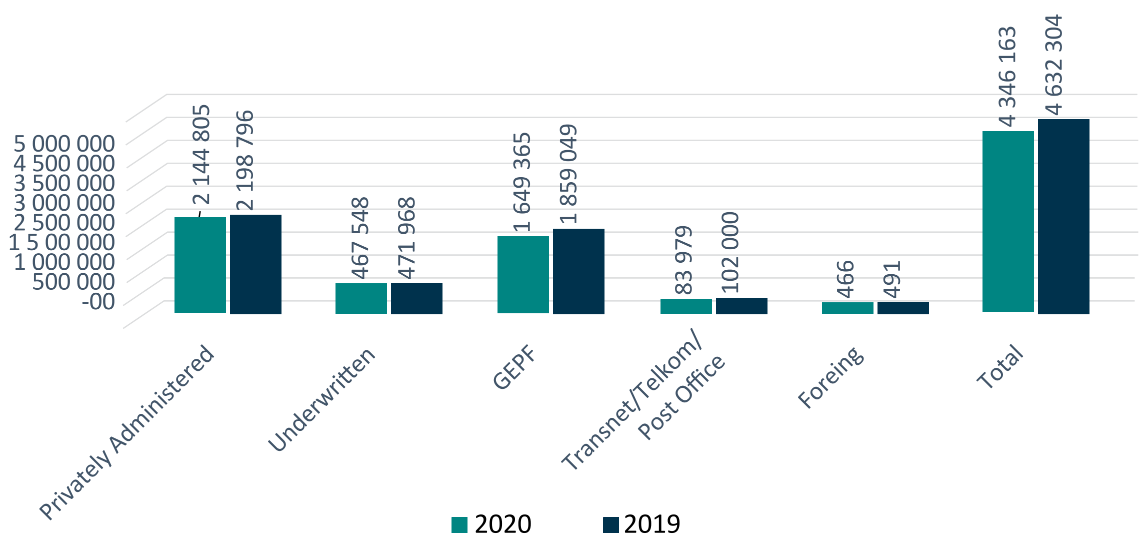
Total contributions received by retirement funds in South Africa increased by 3.3% from R271 billion in 2019 to R280 billion in 2020.



Assets

Retirement funds industry assets decreased by 6.2%, from R4.6 trillion in 2019 to R4.3 trillion in 2020. The net assets of privately administered funds decreased by 2.3% from R2.19 trillion in 2019 to R2.14 trillion in 2020.

ASSETS (R'm)



Unclaimed benefits

The aggregate value of unclaimed benefits reported by retirement funds regulated and supervised under the PFA as at 31 March 2022 is as follows:

	Number of funds	Aggregate amount of unclaimed benefits R'm	% of total UB Assets	Number of beneficiaries for whom unclaimed benefits are held	% of total UB members
Occupational retirement funds (both stand-alone and umbrella, underwritten and not)	1 623	37,235	78.7	3 827 3080	79.6
Beneficiary funds	8	118	0.2	1 916	0
Unclaimed benefits funds	49	9,995	21.1	977 276	20.4
Total	1 680	47,348		4 806 500	

Note: There could be some double counting as some members may have unclaimed benefits in more than one fund.

Since the implementation of the unclaimed benefits search engine, 490 658 possible matches have been identified and an asset value of approximately R3.5 billion was paid to 110 840 members after valid claims were submitted to the relevant funds/administrators.

MARKET INTEGRITY DIVISION

PURPOSE

Strate (Pty) Ltd ("Strate") and Granite Central Securities Depository (Pty) Ltd remain the only licensed Central Securities Depositories in South Africa. In addition to its functions as a Central Securities Depository, Strate together with JSE Clear (Pty) Ltd are licensed as Clearing Houses. While the standards to licence both Trade Repositories and a Central Counterparties have been finalised and published, there is currently no licenced Central Counterparty or Trade Repository in South Africa. However, JSE Clear has applied to be licensed as an Independent Clearing House and a Central Counterparty in terms of the Financial Markets Act, 2012 (Act No. 19 of 2012) ("FMA").

The South African financial markets were not immune to the impact of the COVID-19 pandemic. Like international markets, there was a degree of volatility in the South African financial markets that warranted close attention by the FSCA, however, the markets withstood the volatility of the COVID-19 pandemic and uncertainty without major incidents, which is testament to the efficiency and effectiveness of the regulated environment within which markets operate.

Market Infrastructures continued to heighten their focus specifically on the following initiatives:

Cyber security testing and awareness;

Reviewing Business Continuity Plans; and

Connectivity to enable remote working and allowing remote access and voting to shareholder meetings.

ZAR X suspension

ZAR X's exchange licence was suspended in November 2021 due to its inability to comply with the capital adequacy requirements as stipulated by the FMA and the FMA Regulations, 2018. The Tribunal hearing is scheduled to hear the matter on 8 June 2022 and as such the licence remains suspended.

Trading across multiple exchanges

There were challenges faced by authorised users when implementing best execution by transacting on behalf of their clients on securities listed across multiple exchanges. These challenges included the lack of back-office systems to generate a single settlement instruction and contract note on behalf of the affected clients.

To address the matter, the FSCA hosted a workshop with the industry participants to facilitate discussions on possible solutions which would comply with the regulatory framework.

Over-the-Counter Derivative Providers (ODPs)

During the year under review, the FSCA continued with the licensing of ODPs. Supervision and oversight of ODPs continued during the year and the process has yielded many positive insights into the processes and risks associated with the operations of the ODPs. The objective is that OTC markets will embody greater transparency around key issues such as pricing, margining, market exposure and instruments traded. The market will accordingly be more structured and enable the FSCA to regulate market conduct more effectively.

Margin requirements for non-centrally cleared over-the-counter (OTC) derivatives transactions: Joint Standard 2 of 2020 (Joint Standard 2)

On 11 February 2022 the FSCA and the PA published Joint Notice 1 of 2022 extending the periods referred to in Joint Standard 2 of 2020 in respect of the exchange of initial margin and exchange of variation margin with 12 months.

In addition, the joint working group on the margin requirements which consists of the representatives of the PA and the FSCA, is currently working on the following-

Proposed amendments to Joint Standard 2 of 2020.

Addressing industry queries on the implementation of the margin requirements.

Engagements with industry on supervisory and other matters related to the margin requirements.

Joint communication to solicit industry comments on expanding eligible collateral.

Strategic objectives

Strategic objectives	Performance indicator	Achievements 2020/21	Target 2020/21	Achievements 2020/21
Improved market conduct through risk-based and pro-active supervision of financial institutions.	Number of inspections	8 onsite reviews	Conduct 3 inspections for Market Infrastructures and SROs	Achieved- conducted 4 inspections for Market Infrastructures and SRO
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets.	Number of post licensing reviews conducted for ODPs	3 post licensing reviews for ODPs	Conduct 2 post licensing reviews for ODPs by 31/3/2021	Achieved- 4 post licensing reviews conducted for ODPs

MARKET INFRASTRUCTURES, SELF- REGULATORY ORGANISATIONS (SROS) AND OTC MARKETS SUPERVISION DEPARTMENT

Overview of Market Infrastructures

The licensed Market Infrastructures comprise of the Exchanges, Central Securities Depositories, and Clearing Houses. The current list of licensed Exchanges is made up of the following:

JSE Limited ("JSE");

ZAR X (Pty) Ltd ("ZAR X");

Cape Town Stock Exchange ("CTSE"),

A2X (Pty) Ltd ("A2X"); and

Equity Express Securities Exchange (Pty) Ltd ("EESE").

PERFORMANCE INFORMATION

Financial Markets Act Review

The FMA review is led by National Treasury and a working group consisting of representatives from the Financial Sector Conduct FSCA, Prudential FSCA, and the South African Reserve Bank meet weekly to discuss proposals to the Bill. The FSCA is an active participant in the development of the Bill. The aim of the review is to align the domestic regulatory framework to international best practices given the cross-border nature of financial market activities.

SUPERVISION OF MARKET INFRASTRUCTURES AND OTC DERIVATIVES PROVIDERS

Market Infrastructures

The FSCA has finalised engagements with the Market Infrastructures (MIs) regarding unresolved findings relating to the remote supervisory inspections conducted on the MIs. The inspections focused on the following risk themes:

Ownership structures of the Market Infrastructures.

Governance practices within the Market Infrastructures.

Staff structures and human resource allocations at the Market Infrastructures.

For the financial year, the FSCA conducted a total of 4 inspections, as a continuation of the inspections which commenced in Q2 of 2020/21, on the Market Infrastructures based on the risk themes outlined above.

OTC derivative providers

The post licensing supervisory inspections of ODPs are continuing on all newly licensed ODPs. The scope of the post licensing reviews covers, among others, governance, staff structure, financial matters, risk management, systems audit as well as compliance with the FMA Conduct Standard 1 and 2 of 2018. The department is continuously engaging with the ODPs to address any areas of concern or gaps identified in the post licensing supervisory inspections.

Strengthening the efficiency and integrity of financial markets

Some of the notable measures taken by the FSCA to work towards the strengthening of the efficiency and integrity of financial markets were:

Development of a Roadmap for implementing a central clearing framework in South Africa.

Development of an Equivalence framework for external trade repositories, external central counterparties and external central securities depositories.

Development of a Conduct Standard for Exchanges

Development of a Joint Standard – Financial Market Infrastructures Recovery Plans

Development of a Position Paper on Short selling

Development of a Conduct Standard stipulating requirements for SFT Participants engaging in SFTs

Amendments to the MOU between the PA and FSCA

The FSC and PA are working on amendments to the current MOU in place to regulate the cooperation and relationship between the PA and FSCA in respect of delegated powers, duplication of efforts etc as required by section 166 of the FSRA.

The FSCA participated in the following:

The FSCA provided input into a report by the Financial Stability Board (FSB) on the progress of the implementation of the OTCD Market Reforms. The inputs were submitted to the National Treasury for consolidation into SA's response to the implementation monitoring work of OTC derivatives market reforms.

Completing the Capacity Building Survey by IOSCO to help better determine the market's needs. The responses will help to establish the education and training topics for future seminars as well as the direction of IOSCO's capacity building programs.

Invited by the CPMI and IOSCO to provide comments on the new consultative report focusing on access to central counterparties (CCP) clearing and client-position portability. The report considers the potential benefits and challenges of new access models developed by CCPs and discusses good practices to facilitate the porting of client positions.

Requested in terms of the IOSCO MMOU by the Jordan Securities Commission to provide information in respect of systemic risk and what regulatory tools are at the FSCA's disposal to manage systemic risk.

Participated in the AMF France 2022 International Seminar for Market Authorities from 30 March – 7 April 2022.

Request to engage on South Africa's Regulatory Provisions on Special Purpose Acquisition Companies (SPACs). Colleagues from the FSCA had an engagement with officials from the Capital Markets FSCA in Kenia on SPAC IPOs and our experiences in listing these products and regulating them.

Information Request about Audited Annual Report on the Internal Control Over Financial Reporting | CMA Saudi Arabia. The FSCA was requested to participate in a study on the appropriateness of obligating listed companies to prepare an audited annual report on the internal control over financial reporting.

Exchange of Information on Request: Peer Review of South Africa – the FSCA was requested to provide information and statistics in relation to South Africa's EIOR Peer review questionnaire.

FINANCIAL BENCHMARKS & CREDIT RATING AGENCIES DEPARTMENT

Credit Rating Agencies (CRAs)

The department, which is part of the Market Integrity Supervision Division derives its mandate from the Credit Rating Services Act, 2012, (CRS Act) that came into effect on 15 April 2013. As per the CRS Act, the department is empowered to regulate and supervise the CRAs. The global credit rating industry is highly concentrated, in South Africa the total number of licensed CRAs is four (4), namely:

Standard & Poor's Global Ratings Europe Limited (SPGRE),

Moody's Investors Service South Africa (Pty) Ltd (Moody's South Africa);

Global Credit Ratings Co. (Pty) Ltd (GCR Ratings); and

Sovereign Africa Ratings (Pty) Ltd (SAR).

As of 8 March 2022, Sovereign African Ratings (SAR) became the fourth CRA licensed with the Authority in accordance with Section 5 of the CRS Act. SAR will focus on the issuance of sovereign credit ratings only and has no intention to perform credit ratings for any other entities. Sovereign credit rating is a credit rating where (a) the entity rated is a state or a provincial or local authority of the state; or (b) the issuer of the debt or financial obligation, debt security; or other financial instrument is a state, or a provincial or a local authority of the state; or (c) a special purpose vehicle of a state or a provincial or a local authority of a state.

The Authority's licensing process and procedures do not favour any particular business model and are intended to enhance competition and provide investors with more choices, higher quality ratings, and possibly lower costs. By introducing SAR as a new entrant in the credit rating industry, the market will be shared between a larger number of rating agencies thereby promoting healthy competition that will be beneficial to credit ratings' customers.

Prior to its license application as a CRA, SAR had applied to be exempt from paying their annual levies for a period of no less than 36 months, not exceeding the amount due in accordance with the existing levy structure, commencing from the date of approval of its application, citing that it is a black-owned business and a new entrant into a market which is dominated by well established multinational firms. The Authority approved the exemption and the decision was made in line with the objects of the FSR Act, particularly, to establish regulatory and supervisory frameworks that promote transformation of the financial sector. The Authority acknowledged that it had to facilitate, where possible, progressive, or incremental compliance with the relevant laws for black-owned businesses to enable such businesses to enter the market and grow their businesses. In the public interest, an additional regulatory objective is to increase competition in an industry dominated by a very few CRAs.

Moody's Group Cyprus Limited (Moody's Cyprus) a wholly owned, indirect subsidiary of Moody's Corporation (MCO) acquired a majority stake of 51% of Global Credit Rating Company Limited (GCRM) the parent company of GCR Ratings. The GCRM granted a put option and Moody's Cyprus granted a call option in respect of the remaining shares in GCRM. The options are exercisable in the second or third-year post completion of the initial acquisition and would result in Moody's Cyprus holding 100% of the shares in GCRM.

As part of the transaction, the parties agreed to partner with AWCA Investment Holdings (AWCA), a black woman-owned investment firm. AWCA a non-profit organisation created to facilitate the entry of black women into the chartered accountancy profession will acquire 20% shares of GCR Ratings upon the completion of the initial acquisition. Following the transaction, GCR Ratings will continue to develop its own rating methodologies and issue its own credit ratings. The board of GCR Ratings will change to reflect the Moody's Cyprus majority ownership and participation of the empowerment partner.

Despite the disruptions caused by the COVID-19 pandemic, with the unfortunate limitation of face-to-face interactions, the department continued to strengthen its ability to regulate and supervise CRAs in an increasingly digital space. The department remained committed to its mandate as set out in the CRS Act and prioritised thematic based onsite reviews which aimed to develop a comprehensive level of knowledge and understanding of the CRAs' practices established around the following:

Independence and Avoidance of Conflict of Interest - As a response to the COVID-19 crisis, CRAs made changes to their internal organisation as they implemented remote working arrangements. In this regard, the department had concerns associated with analysts and employees' independence. The department's objective was to monitor the impact of COVID-19 on the CRAs' operations focusing on adherence to key requirements in relation to analysts and employees' independence as prescribed in Rule 6 of the Board Notice 228 of 2013 - Credit Rating Agency Rules (the Rules).

Cybersecurity and Resilience - Cybersecurity has become a significant and highly escalating risk for CRAs, as such the department surveyed the licenced CRAs to assess the state of the cybersecurity risk environment and defence mechanisms and capabilities employed to protect CRAs from cyber-attacks. The department compiled a questionnaire based on the Guidance on cyber resilience for financial market infrastructures published on 29 June 2016 by the Committee on Payments and Market Infrastructures and the Board of the IOSCO.

In the upcoming supervisory cycle, the department will further expand on the assessment of several supervisory concerns identified and risks associated with analyst and employee independence. As part of the inspection, the department will set out to develop a deep understanding of the quantitative analysis used to rate structured finance instruments, covered bonds, corporates, financial institutions, sovereigns, and all securities. The department will review the CRA's internal records including the written policies, procedures, methodologies used in determining its credit ratings, and a sample of other documents related to initial rating files.

The application to further exempt Fitch Rating Limited from the provisions of Section 3(2) of the CRS Act to continue issuing sovereign ratings, was duly granted in terms of Section 27 of the CRS Act for a period of two years until 6 April 2024. The exemption further entails that regulated persons may use sovereign ratings published by Fitch Ratings during the period of exemption for regulatory purposes as contemplated in section 4(1) of the CRS Act. The Authority indicated that once the Conduct of Financial Institutions Bill and the amendments to the Financial Sector Regulation Act No 9 of 2017 take effect, Fitch Ratings Limited will be expected to apply for equivalence recognition. Equivalence will obviate the need for further exemption.

Financial Benchmarks

On 11 December 2019, the FSCA requested the Minister of Finance to designate the provision of a benchmark as a financial service in terms of Section 3(3)(a)(iii) of the FSR Act. Provision of a benchmark is defined in Section 1 of the FSR Act as including: administering the arrangements for determining a benchmark; collecting, analysing, or processing input data for the purpose of determining a benchmark; and determining a benchmark through the application of a formula or other method of calculation or by an assessment of input data provided for that purpose. A benchmark is defined as meaning any index: by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined; or that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees.

NT published draft Regulations to this effect for public consultation on 1 September 2021. The draft Regulations propose to designate the "provision of a benchmark" as a financial service in accordance with Section 3(3) of the FSR Act, and to specify that the FSCA is the responsible authority for the regulation, supervision, and oversight of the financial service of the "provision of a benchmark" in accordance with Section 3(5) of the FSR Act. Once the Regulations in terms of Section 3(3) of the FSR Act come into effect, Section 111(2) of the FSR Act will find application.

On 28 February 2022, the FSCA published the draft Conduct Standard setting out the proposed requirements relating to the provision of a benchmark on the FSCA website for public comment. The comment period closed on 12 April 2022 and the comments are currently being reviewed.

In terms of Section 111(2) of the FSR Act, a person may not provide, as a business or part of a business, a financial product designated in terms of Section 2, or a financial service designated in terms of Section 3, except in accordance with a license in terms of Chapter 8 of the FSR Act. Accordingly, new and existing benchmark administrators will be required to apply for a license in terms of the FSR Act and evidence compliance with the requirements in the Conduct Standard, to qualify to be licensed as such.

ENFORCEMENT DIVISION

PURPOSE

The main objective of the Enforcement Division is to investigate all complaints or cases of alleged contraventions of financial sector laws.

Recently, the PA has delegated its powers to supervise, regulate and enforce compliance with section 5 of the Insurance Act to the FSCA. Resulting in extending the mandate of the Enforcement Division to include investigating persons who conduct insurance activities or business without the necessary authorisation. The Enforcement Division is setting up a specialist unit in the new financial year to investigate such matters, with a specific focus on the funeral parlor business.

When a financial institution fails to comply with the FSR Act or relevant financial sector laws, the FSCA has a range of supervisory tools at its disposal to implement enforcement actions.

STRATEGIC OBJECTIVES

Act against misconduct to support confidence and integrity in the financial sector by efficiently and diligently investigating contraventions and enforcing financial sector laws, and to actively support law enforcement agencies in the prosecution of financial sector laws.

DEPARTMENTS

For the purposes of efficiency, the Enforcement Division is structured into specialised departments performing specific functions.

The Enforcement Division comprises three departments as outlined below:

DEPARTMENT	RESPONSIBILITIES
Investigations	Investigates reasonably suspected contraventions of any financial sector laws and see the cases through until the appropriate regulatory and/or enforcement actions, if any, are completed.
Market Abuse	Is specifically responsible for assessing and investigating contraventions of the Financial Markets Act, being insider trading, prohibited trading practices and false, misleading or deceptive statements, promises and forecasts.
Complex Enforcement Department	Provides specialist support to Investigations and Market Abuse. In particular the Complex Enforcement provides litigation support and legal opinions. Further, it assists in providing advice to the decision makers of the FSCA in respect of administrative decisions to be taken.

PERFORMANCE

SERVICE DELIVERY OBJECTIVES, INDICATORS AND OUTPUTS

Investigations- during the review period, the Enforcement Division finalised 48 investigations in respect of contraventions of Financial Markets Act and 573 in respect of various financial sector laws. During the year, we opened 667 cases and ended the year with 207 ongoing investigations. In some of these cases administrative penalties were levied.

Enforcement Actions[16] taken by the FSCA included administrative penalties in respect of 8 matters, 3 debarment orders and 1 enforceable undertaking. During the review period, the penalties levied against respondents amounted to R72 212 589.

The most significant of the enforcement actions are:

On 30 August 2021 the FSCA issued an administrative penalty order of R50 million in terms of section 167(1)(a) of the Financial Sector Regulation Act 9 of 2017 (FSRA) to the Viceroy Research Partnership, Aiden Lau, Fraser John Perring and Gabriel Bernarde (Respondents) for having:

- Contravened Section 81(1) of the Financial Markets Act 19 of 2012 (FMA) in that during or about 30 January 2018 the Respondents published false, misleading or deceptive statements, promises or forecasts regarding material facts in respect of Capitec (Capitec Bank Holdings Limited) which they ought reasonably to have known were false, misleading or deceptive.
- Contravened Section 81(2) of the FMA because it was brought to their attention why the statements, promises or forecasts were false, misleading or deceptive, but they nonetheless deliberately did not publish full and frank corrections of the statements promises or forecasts as required by Section 81(2) of the FMA.

On 28 October 2021 the Respondents filed an application for reconsideration with the Financial Services Tribunal.

Trends

Crypto Assets are digital assets that are currently unregulated in South Africa. In addition, crypto asset exchanges have also expanded, providing platforms that allow financial customers to trade in crypto assets. These innovations have provided an opportunity for criminals to defraud investors. It is becoming evident to the FSCA that crypto assets and crypto platforms are being increasingly used as part of sophisticated criminal schemes in South Africa, especially because of cross-border reach. It is also used to conceal money-flows. Consequently, the FSCA is developing frameworks and regulations to extend its regulatory perimeter over crypto assets. The public has been warned to be cautious and act circumspectly when dealing with crypto assets and to be mindful of criminals who operate under the guise of legitimate crypto platforms. Great concern exists over the volatility of many crypto assets and the fact that there is limited to no real value other than speculative belief on the part of investors.

ODPs- There appears to be a surge of unlicensed entities, locally and foreign based, operating as Over the Counter Derivative Providers (ODPs). The FSCA is expecting even more complaints of these ODP operators. The Enforcement Division is committed to "clean up the industry" by investigating all unlicensed ODP operators and ensure that they either apply for authorisation or refrain from running an ODP business.

We are constantly finding ways to speed up the administrative and investigative processes without negatively affecting the rights of investigated parties to a fair process which we undertake to execute in an unbiased and independent manner. The constitutional rights applicable to all investigated parties and the various legal review options available to persons suspected or charged with contravening our sector laws results in the enforcement and finalisation of matters taking many years when challenged. Our aim is to continue to work as efficiently as possible to ensure the fastest possible finalisation of matters whilst maintaining high quality investigations aimed at protecting the public from exploitation and abuse.

In an effort to increase co-operation and understanding we embarked and hosted with the North-West University a financial crime symposium which brought together behind closed doors most regulators and investigating and prosecuting authorities with representatives of the financial sector. The purpose was to find ways to increase productivity, sharing of information and the attainment of justice in the financial sector. We are pleased with the outcomes and continue to work together with role players to improve enforcement and prosecution of financial sector offences.

[16] All orders relating to enforcement actions taken have been published on and further details of these matters are available on the FSCA website.

SPECIALIST SUPPORT DIVISION

PURPOSE

The Specialist Support Division comprises a number of specialist departments, staffed with technical experts in their respective disciplines, tasked with providing specialist technical support, primarily to the supervisory divisions of the FSCA.

STRATEGIC OBJECTIVES

- Perform supervisory functions in relation to specific sections (those relating to the functions of actuaries) of the Pension Funds Act.
- Provide actuarial services to other divisions. Provide data analysis services primarily to the supervision divisions.
- Perform business model and product analysis primarily in support of the licensing and supervision divisions.
- Investigate and analyse advertising and disclosure trends and practices in the market.

DEPARTMENTS

The division comprises four departments. Over the last year, the divisions have been establishing themselves to strengthen the support they can provide.

DEPARTMENT	RESPONSIBILITIES
Actuarial Services	The department analyses valuation reports tabled with the Financial Sector Conduct Authority to check on the financial soundness of pension funds. Where applicable, the schemes for restoration of financial soundness are considered, to ascertain whether these are likely to achieve their objective within a reasonable period. In addition, actuarial support is provided to the various other divisions, as and when required.
Data Analysis	The department provides support to other FSCA divisions, in particular, the supervision divisions, in analysing data submitted through market conduct statutory returns or other ad-hoc data sets in order to monitor market conduct risk indicators. The department also assists the supervision divisions in the design of statutory returns or other information requests, to ensure that they will yield meaningful data, as well as the design and preparation of public reports summarising industry statistics and benchmarking key conduct indicators. The Investigations and Enforcement and Regulatory Policy Divisions are also likely to use this department to assist them in specific investigatory or research work requiring data analysis skills.

DEPARTMENT	RESPONSIBILITIES
Business Model and Product Analysis	The department provides support to other FSCA divisions, notably the COB Supervision Division, Licensing Division Market Infrastructure and Enforcement in analysing business models and products of specific financial institutions as well as to support thematic supervisory reviews. Furthermore, the department provides expert analysis of specific business models (including distribution models) and financial products. The aim is to understand details and risks of identified trends and practices. Analysis of financial products, its features and pricing will assist in creating conduct standards/ frameworks that promotes the fair treatment of financial customers and their interest. Business Models articulate logic, provide data and other evidence on how a business creates and delivers value to customers and outlines the architecture of revenues, costs and profits associated with the delivery of value to clients.
Disclosure, Advertising and Market Analysis	The department is tasked with ongoing scanning and analysis of media campaigns (including social and online), and ongoing monitoring of new advertising and marketing approaches. The department also provides support to the other FSCA divisions, notably the COB Supervision Division, in reviewing the disclosure, advertising and marketing strategies of financial institutions as well as to support thematic reviews in this area. Furthermore, it conducts research on local and international regulatory and supervisory approaches relating to disclosure, advertising and marketing, and compares the marketing material and financial products to determine whether unreasonable expectations are being created, and also assesses the relevant aspects of treating customers fairly.

PERFORMANCE

SERVICE DELIVERY OBJECTIVES, INDICATORS AND OUTPUTS

Actuarial services department

The key objectives of the Actuarial Services Department for the year were to reduce the number of cases requiring consideration. The emphasis was on funds reflecting a deficit position or funds dealing with surplus apportionment decisions/ transfers.

The department has also been involved in insurance matters where conduct issues have financial implication.

Disclosure, Advertising and Market Analysis

The Disclosure, Advertising and Market Analysis department undertook the following activities in the period under review:

- Continued to actively monitor financial advertisements and campaigns through media scanning, including online and social media platforms. The department provided support to the relevant supervisory departments in relation to pro-actively identifying market conduct issues relating to financial advertisements and product disclosure approaches by regulated financial entities. The department identified instances where unreasonable consumer expectations were being created by the advertising and marketing strategies of some regulated entities. Furthermore, the department provided media scanning assistance requested by departments across the various Divisions of the organisation.

- Conducted research on the conduct risk of investment providers in South Africa. The research identified international trends and best practices regarding the conduct risk frameworks for investment providers and explored key elements that are pertinent to the conduct risk agenda based on international research.

- Began an industry review aimed at understanding the effectiveness, timeliness and accessibility of complaints management by regulated entities, with focus on Category I financial advisors and intermediaries, retirement funds and retirement fund administrators.

- The department continued to actively participate in the Financial Sector Harmonisation project relating to Advertising, Disclosure and Complaints Management.

Business Models and Product Analysis

For the period under review, the department undertook the following activities:

- Conducted research and provide a working paper on the growth of dark pools, off exchange trading and the JSE Enhanced Functionality Suite. The research documented the nature and operations of dark pools and off exchange global trends as well as growing use of the JSE's Enhanced Functionality Suite. The project was aimed at extending the work of the Promontory Report on the comparison of business models and banking products in South Africa.

- Conducted a comparative business model analysis of First National Bank (FNB) and Capitec Bank. The purpose of the business model analysis was to analyse and understand the business models of the banks, determine the implementation of conduct risk controls, evaluate the embeddedness of conduct risk considerations; and ultimately, compare the two institutions' business models and processes maps.

- Conducted research on drought and flood risk for the benchmarking and scenario analysis of climate risk and developed climate related scenarios for stress testing in the financial and insurance sector for the Benchmark Working Group. The research outlined the first set of climate related scenarios as well as the approach to developing these scenarios.

Data Analysis

The Data Analysis Department reviewed and revised the Business Intelligence and Analytics (BIA) operating model that was initially opted by the FSCA, namely the Hub and Spoke. Subsequently, conducting the exercise to test which BIA operating model would be optimal for the FSCA. Several engagements occurred, including desktop survey which sought to establish the number of employees with Mathematical and Statistical educational background, which is a pre-requisite for decision science, data science, advanced analytics and quantitative analysis skills; conducting a cost and benefit analysis which would work as a guide towards which model would be feasible and affordable, as well as considering the advantages and disadvantages of operationalising the models; and using the two-years' experience of attempts to operationalise the Hub and Spoke model. Finally, the EXCO approved that Centralised BIA operating model as the optimal model to be implemented at the FSCA. The decision means that the Data Analysis department will be centrally responsible for any data analysis related task which will be required by the FSCA Divisions and EXCO when there is a need to make a data-driven decision making,

Several tasks which required data-driven decision making by the other FSCA Divisions were successfully completed by the Data Analysis Department. These tasks and projects assisted the FSCA deliver a market conduct quality service through deep insights and business decisions through analysis of the data collected from supervised institutions. Other tasks ensured that support was provided to other FSCA divisions, in particular, the supervision divisions, by conducting analysing of data that was submitted through market conduct statutory returns or other ad-hoc data sets in order to monitor market conduct risk indicators, as well as assistant in the design of information requests or data collection tools, to ensure that they yield meaningful data.

CORPORATE SERVICES DIVISION

PURPOSE

The Corporate Services Division provides essential internal support services to ensure the smooth functioning of the FSCA's Human Resources, Facilities and Security and Communication and Language Services departments.

The Human Resources report is presented in Part D of this annual report. The Facilities and Security. Department is responsible for the provision of integrated facilities management services to maintain, improve and adapt the FSCA's work environment, including managing and coordinating the best use of space, building services and infrastructure, as well as people and the provision of a range of supplies and services – more information in this regard can be found in Part C of this annual report.

STRATEGIC OBJECTIVES

- To ensure that the FSCA's organisational design, skills and infrastructure are 'fit for purpose' to optimally support all functions as we build the new organisation.
- To provide essential internal support services to ensure the smooth functioning of the FSCA's human resources, facilities, security and communication and language services operations.

DEPARTMENTS

The division comprises three departments as outlined below:

DEPARTMENT	RESPONSIBILITIES
Communication and Language Services	The department is accountable for developing and implementing the FSCA's strategy for internal and external communication. It is also responsible for the management of the reputation of the FSCA, including the development and implementation of the FSCA's general marketing and external communication activities. The department is also accountable for implementation of the FSCA's Language Policy.
Human Resources	Accountable for providing support to the human resources requirements and operations of all areas of the FSCA. See performance information in Part D: Human Resources.
Security and Facilities	Responsible for the provision of integrated facilities management services to maintain, improve and adapt the FSCA's work environment, including managing and coordinating the best use of space, building services and infrastructure, people and the provision of a range of supplies and services. See performance information in Part C: Governance.

The performance report of the Communication and Language Services Department is presented below while the performance reports of the Human Resources Department and Security and Facilities department are found in Part D and C, respectively.

PERFORMANCE

COMMUNICATION AND LANGUAGE SERVICES DEPARTMENT

The Communication and Language Services department continues to play a significant role in ensuring that the FSCA maintains an exemplary image and reputation. This is accomplished by strategically engaging both internal and external stakeholders in an efficient and effective manner, while simultaneously ensuring that the vision and mandate of the FSCA are consistently upheld.

Through its language services function, the department has implemented the FSCA's Language Policy over the last year, inclusive of monitoring the Authority's use of all official languages in its interaction with employees, financial customers and the financial services industry at large.

The optimal use of the organisation's communication touch points has been instrumental in building the FSCA brand over the past few years. Some of our initiatives and platforms include:

- Media roundtables
- Media releases
- Broadcast interviews
- Social media
- Website
- Language services.

SERVICE DELIVERY OBJECTIVES, INDICATORS, AND OUTPUTS

- During the period under review, the department responded to 243 media queries and issued a total of 141 media releases related to the work undertaken by the FSCA. There were also three media roundtable discussions held, which were aimed at giving members of the media an opportunity to interact with the FSCA regarding specific regulatory developments.
- The department manages the social media platforms of the FSCA to interact more directly with financial customers and industry players.
- A community radio campaign was launched to create awareness about the FSCA.
  - » The FSCA's social media pages continued to grow both in reach and follower counts in the period under review.
  - » The total reach as per Data Analyse EQ's AI social media analytics tool Opportunities -To-See (OTS), were 615 672 540, a 110% increase from previous 6 months.
- Total followers are 50 100. The number gained since last reporting period is 3988, an increase of 13.2% from last reporting period.
- Key Campaigns and online activities were –
  - » The financial literacy speech competition (#FLSC2021SA)

- » Money Smart Week 2021
- » Fintech's Digital Banking survey, the Retirement Fund's Economies of Scale report, IFWG posts
- » Commissioner's announcement.
- » Awareness around Unclaimed Benefits
- » The various launches and research papers from the Regulatory Policy division, especially the Fintech department
- » Consumer warnings and financial education awareness

Other drivers were live streams of media roundtables, investigations and enforcement actions.

- Translation, interpreting and editing services were provided to the organisation. This included the provision of South African Sign Language interpretation in-house and for walk-ins. The translation into all official languages of 15 FSCA Consumer Education Financial Resources through the strategic partnership with the National Language Board of the Department of Sports, Arts and Culture. Translation services of foreign languages (German, French and Portuguese) to assist the Investigation and Enforcement and Business Centre. Lastly, the continuous language services for the Financial Services Tribunal, the OPFA and the FAIS Ombud through our MOA.
- A total of 4 345 650 page views were recorded on the FSCA website during the reporting period; there has been an increase from 4 242 216 page views as compared to the prior reporting period. The FSCA website has gained 725 572 new visitors during this reporting period. The bounce rate was at 44.06% with a slight increase of 1.47% from the previous reporting period. A bounce rate of below 50% is good. The lower the percentage the better. The department is coordinating a revision of content on the FSCA website and the intranet, which is geared at lowering this bounce rate going forward.

SECURITY AND FACILITIES BUSINESS UNIT

The Security and Facilities Business Unit oversees the operations of the two buildings in the Riverwalk

Office Park, as well as the maintenance and upgrades of existing buildings and equipment. The Facilities

Business Unit ensures that the FSCA has a suitable, safe and secure working environment for its employees,

visitors and their activities, specifically in response to the COVID-19 pandemic.

INFORMATION AND COMMUNICATION TECHNOLOGY DIVISION

PURPOSE

The FSCA Regulatory Strategy 2018 – 2021 was adopted following the enactment of the FSR Act. In response to this strategy, the Data Driven Digital (DDD) strategy was adopted to support the digital enablement and achievement of the organisation's objectives.

STRATEGIC OBJECTIVES

The Data Driven Digital Strategy has been adopted with a vision to modernise business systems and enable a proactive and embedded culture of data analytics and seamless customer experience. The aims to improve operational efficiency and focus on the FSCA data asset to advance the digital transformation journey.

We began implementing the first year of our DDD strategic plan in 2019/2020 with a focus on establish the right foundation for a data driven organisation which gave birth to the adoption of the following:

- Information Strategy that informs how information and data will be managed in the FSCA.
- Cyber security strategy for effective cyber security risk management and cyber resilience.
- Cloud strategy to direct a cloud presence that will improve efficiency without compromising the organisation's data sovereignty.
- Business intelligence and data analytical services promoting informed business decision making; and
- Creation of a digital FSCA office with specific focus on consumer, regulated entities, and self-service solutions.

DEPARTMENTS

The division comprises six departments as outlined below:

DEPARTMENT	RESPONSIBILITIES
ICT Governance, Risk and Compliance	Responsible for ensuring compliance to approved standards and frameworks; and managing risk in the ICT division, by monitoring and evaluating ICT processes and ensuring that adequate controls are in place to mitigate ICT risks.
ICT Applications and Operations	Responsible for the implementation, support and maintenance of ICT systems and applications required to deliver the agreed service level commitments to the organisation. These responsibilities includes performing daily operational and service delivery activities, as well as to ensure that every FSCA staff member has the right tools of trade including laptop and desktop computers and data sim cards to deliver on their functions remotely or onsite at the FSCA offices. The department is also required to actively contribute to the digitalization programme of the organisation through the ICT digital strategy by implementing modern technological business solutions.
Project Management Office	Sets and maintains standards for project management throughout the division. The PMO oversees creation of procedures and best practices that helps with effective implementation of projects.

DEPARTMENT	RESPONSIBILITIES
Enterprise Information Governance Office	Responsible for the provision of a strategic framework for managing information and data assets across the organisation to support FSCA's business outcomes and obtain assurance that the risks to FSCA's information and data assets are adequately identified and managed. This includes but is not limited to developing policies, processes, procedures, roles and recommending controls to be put in place to meet regulatory, legal, risk and operational FSCA requirements. The EIGO is also responsible for ensuring compliance with POPIA and providing advice and continuous training and awareness on the requirements of the act in the processing of personal information.
ICT Security	Responsible for the development, implementation and monitoring of ICT Security controls to mitigate threats associated with the use of technology in order to prevent unauthorised access to organisational assets such as computers, networks, and data.
Data and Analytics	Responsible for the day to day operational management of the FSCA business Intelligence and other data related assets. That involves maintaining analytics, dash-boarding and reporting platform, developing new data assets and implementing data governance and data quality standards. Currently the Data & Analytics department also hosts the Enterprise Architecture capability and is responsible for governance and standards for application, technology and infrastructure enterprise wide.

SERVICE DELIVERY OBJECTIVES, INDICATORS, AND OUTPUTS

The advent of COVID shifted our focus towards enabling a digital workplace programme. This programme concerned itself with making sure that the FSCA staff are equipped with digital productivity tools to enable them to work anytime anywhere. We continued on the same trajectory in the period under review. Concerted focus was also given to enhancing the maturity of Business Intelligence and Analytics platform to ensure that business has access to all the data it collects and provides the intelligence required to support decisions. Below are some of the achievements observed:

- Business Intelligence and Analytics platform provided the FSCA with a number of datasets which empowered various business departments with management information and reports to produce informed decision making.
- Successfully sourced the integration platform solution which provides the FSCA with a modern integration solution that will not only serve current integration needs better, but also create a capability of rapid deployment of new integration and information sharing initiatives.
- The implementation of a security solution that monitors the FSCA's IT infrastructure, without making a large investment in security software, hardware, and security experts, training' enabling the FSCA to proactively monitor cyber threats.
- Implementation of POPIA controls ensuring compliance by 01 July 2021.

Key departmental performance

Strategic objective	Performance indicator	Achievement 2019/20	Target 2020/21	Achievement 2020/21	Reason for deviation
Building new Organisation	Percentage of IRS Project milestones implemented according to the IRS Project Charter by 31 March 2022.	N/A	Implementation of projects milestones according to the IRS Project Charter by 31 March 2022	Not Achieved	Project placed on hold

CHANGES TO PLANNED TARGETS

IRS – Given the significant investment that will be made towards this project, a decision was made to temporarily put the project on hold to ensure the appraisal of the new leadership whose appointments were concluded during the period under review. The project's 'On-hold' status has since been lifted.

OFFICE OF GENERAL COUNSEL (OGC)

Purpose

The Office of General Counsel (OGC) is tasked with the delivery of a comprehensive legal services support function to the FSCA – in effect acting as "in-house legal counsel" in respect of its service delivery objectives which are aimed at minimising the exposure of the FSCA to external and internal legal risk both from a regulatory and operational perspective.

SERVICE DELIVERY OBJECTIVES

(i) To provide cost-effective and efficient litigation support services in matters involving the FSCA.

(ii) To provide the FSCA with advice regarding constitutional and administrative law aspects in discharging its regulatory, supervisory and legislative functions.

(iii) To provide general corporate legal services, including the drafting and vetting of contracts to which the FSCA is a party, as well as advise on labour related matters.

(iv) To contribute institutional support services to the Financial Services Tribunal (the Tribunal) established in accordance with section 219 of the Financial Sector Regulation Act, 2017 (FSR Act).

(v) To provide specialist advice to the FSCA on compliance with international standards in Anti-money laundering and Counter Financing of Terrorist activities (AML/CFT).

OGC executes performs its functions via five specialised units, comprising:

The Litigation Unit – which manages high court litigation and represents the FSCA in applications before the Tribunal; the Legislative Review Unit – which supports the achievement of the objective in paragraph (ii) above; the Corporate Legal Services Unit – which is the advisory unit to the FSCA as a corporate body; the Tribunal Secretariat & Liaison Unit - which provides Secretariat support to the Tribunal as a transitional requirement; and the Specialist AML/CFT Advisory Unit – which supports the achievement of the objective set out in paragraph (v) above. The Specialist AML/CFT Unit in OGC has, with effect from 1 April 2022, been disestablished and its functions taken over by the FIC Supervisory Unit in the Conduct of Business Supervision Division of the FSCA.

SERVICE DELIVERY OUTPUTS

OGC achieved its objectives and targets for the year. Some important matters dealt with during the period under review included:

LITIGATION

OGC provided ongoing legal support to the FSCA in the curatorship matters of various institutions including Cadac Pension Fund, Sable Industries Pension Fund, Corporate Money Managers, Rockland Asset Management, Municipal Councillors Pension Fund and Insure Group Managers Limited.

An application for the cancellation of the appointment of the Rockland curator, alternatively the appointment of a replacement curator, was successfully opposed by the FSCA during 2020. An appeal against the decision was dismissed by a full bench of the Western Cape High Court on 11 February 2022. The appellant subsequently made application for special leave to appeal to the Supreme Court of Appeal.

During July 2020, the FSCA launched an urgent application for the liquidation of JP Markets SA (Pty) Ltd after its authorisation as an FSP was provisionally suspended and investigators established that JP Markets was conducting the business of an over-the-counter derivative product provider without having been authorised under the Financial Markets Act. The urgent liquidation application was heard on 25 August 2020. Judgment was handed down in favour of the FSCA, i.e. a final order of liquidation was granted on 6 September 2020. JP Markets made application for and was granted leave to appeal to the Supreme Court of Appeal on 6 April 2021. The appeal was heard on 21 September 2021 and judgment handed down on 20 October 2021. The appeal succeeded and the liquidation order of the court a quo was set aside and substituted with an order dismissing the liquidation application. The SCA judgment dealt with the issue of whether the liquidation was "just and equitable" as contemplated by the Companies Act. The SCA did not find against the FSCA with regard to application of the relevant provisions of financial sector laws, but decided the matter on the basis of its discretion with regard to the just and equitable question indicating that the consideration of alternative remedies must take a central place in the just and equitable enquiry.

During December 2021, the FSCA received an application by Open Secrets NPC and Unpaid Benefits Campaign NPO relating to alleged failures by the FSCA in dealing with the reinstatement of retirement funds whose registrations were cancelled as part of the cancellations project that inter alia formed the subject of an application and subsequent appeal by a former Deputy Registrar of Pension Funds against the FSB, and in respect of which the Constitutional Court delivered judgment in September 2018. The matter is opposed by the FSCA.

The High Court ruled in favour of the FSCA by dismissing an application by Fusion Guarantees (Pty) Ltd and other parties in which they sought to declare certain provisions of the FSR Act dealing with investigations and the imposition of penalty orders and debarments unconstitutional and invalid. Fusion was subsequently granted leave to appeal against the judgment to the Supreme Court of Appeal.

OGC members of the Litigation Unit appeared and dealt within the majority of reconsideration applications before the Financial Services Tribunal involving the FSCA.

THE FINANCIAL SERVICES TRIBUNAL

The Tribunal hears applications for the reconsideration of decisions by decision-makers as defined in section 218 of the FSR Act. During the period under review, a total of one hundred and sixty-eight (168) applications for reconsideration of decisions and one hundred and sixty-eight (168) applications for leave to reconsider FAIS Ombud summary dismissal decisions were lodged with the Tribunal. One hundred and sixty-seven (167) decisions and twenty (20) consent orders, in relation to applications for reconsideration, were published on the FSCA website. Rulings in relation to all applications for leave to reconsider summary dismissal decisions by the FAIS Ombud were handed down. Six (6) decisions of the Tribunal were taken on review to the High Court.

LEGISLATION

The legislation report below refers to the development of various pieces of legislation relating to the FSCA.

Financial Sector Regulation Act, 2017

The commencement date of Chapter 16 of the FSR Act, which regulates the Fees, Levies and Finances of financial sector bodies as well as the repeal of the Financial Services Board Act, 1990 has been deferred to be determined by the Minister.

Conduct of Financial Institutions Bill (CoFI)

The CoFI Bill provides for a comprehensive market conduct framework to ensure a consistent and complete approach to governing the conduct of financial institutions across the financial sector. The Bill also provides for the repeal of a number of financial sector laws and consequential amendments to the Financial Sector Regulation Act. Public comments on a revised draft of the Bill published on 29 September 2020 for a second round of public comments have been considered, and a revised draft of the Bill is being prepared for submission to Parliament.

Financial Sector Levies Bill and Financial Sector Levies (Administration) Bill

The Levies Bill is to provide for the imposition and collection of levies for the benefit of financial sector bodies.

The Financial Sector Levies (Administration) Bill is set to amend Chapter 16 of the Financial Sector Regulation Act, to appropriately provide for the administration of levies imposed in terms of the levies Act, 2019; and to amend Schedule 5 of the Public Finance Management Act, 1999.

The draft Bills were published for public comment on 15 December 2021 until 7 February 2022. The Bills were introduced into Parliament on 25 January 2022. National Treasury briefed the Standing Committee of Finance on 9 February 2022.

Financial Intelligence Centre Act, 2017

Amendments are proposed to-

- Schedule 1 of the Act to update the list of accountable institutions to include crypto asset exchanges, high value goods dealers, credit providers, co-operative banks and trust and company services providers as well as to reflect changes to the relevant legislation;
- Schedule 2 to update the list of supervisory bodies to reflect the changes to the regulatory landscape introduced by the FSR Act.

Draft amendments to the Schedules were published on 19 June 2020. Comments were due within 60 days of publication of the Notice.

Subordinate legislation

OGC continued to support FSCA operational divisions and departments with providing advice regarding the development of subordinate legislation.

Financial Action Task Force (FATF) Mutual Evaluation

FATF is an inter-governmental body established in 1989 and currently comprises 37 member jurisdictions and 2 regional organisations, representing most major financial centres from around the globe. South Africa is currently the only member from Africa. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF monitors the progress of its members, through peer reviews, in implementing necessary measures. It also reviews money laundering and terrorist financing techniques and countermeasures, and also promotes the adoption and implementation of appropriate measures globally.

FATF's mutual evaluation of South Africa started in 2019 and its mutual evaluation report was adopted by FATF at its June 2021 plenary. The mutual evaluation report was published in October 2021.

The OGC provided advice and guidance to the FSCA in remediating the deficiencies identified in the mutual evaluation report. OGC also monitored the remediation by the FSCA and reported to the structures created on progress made with regard to the remediation. In addition, OGC also represented the FSCA in various AML/CFT forums that were critical for purposes of the mutual evaluation, i.e., Interdepartmental Committee on AML/CFT, Inter Departmental Working Group Mutual Evaluation, Inter Departmental Working Group National Risk Assessment and National Risk Assessment drafting committee.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no changes to relevant policies or legislation that may have affected our operations during the period under review. There was just an acceleration of digital transformation, and adaption to the new environment remains our key strategic focus.

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

Strategic outcome	Achievement to date towards 3-year targets
1. Building a new organisation	
This strategic priority will ensure that there is effective and seamless transition of operations from the FSB to the FSCA with minimum disruption to regulatory oversight and service delivery	In the first three years, the FSCA's strategic focus was centered around the strengthening of internal structures. This is to ensure that the organisation is adequately resourced and possesses skills needed to achieve its expanded mandate. The FSCAs EXCO was fully capacitated in Q3, and reviews are currently underway for the accompanying governance structures. This will ensure that all legislated committees are in place and their supporting sub-committee optimally mandated for efficient oversight of the FSCAs strategy implementation. The FSCA continues with its regulatory and supervisory mandate ensuring that service delivery and bedding down its new functional business operational structure remains on track. Human resource programs focused on entrenching a high-performance organisational culture underpinned by a common set of values that are understood and championed by all employees. The organisation recalibrated its organisational values to ensure that these strengthen the desired organisational culture, drive organisational effectiveness, and support the achievement of the organisation's strategy. In order to ensure that leaders are equipped and empowered to drive the new values and desired organisational culture, leadership development programs were put in place including an executive coaching program and a senior leadership development program. All line managers participated in a strategic bootcamp aimed at strengthening strategic planning and execution capabilities within the organisation. In addition to embedding the new organisational values, various organisational effectiveness initiatives were carried out, including team effectiveness sessions that took place across all levels in the organisation and the realignment of the performance management cycle. A set of guidelines and support initiatives aimed at ensuring that employees continue to thrive in a hybrid work environment were put in place and socialised across the organisation. With POPIA coming into effect on 1 July 2021, training and change management programs were put in place to ensure that all employees were familiar with the requirements of the Act to ensure organisational compliance.

Strategic outcome	Achievement to date towards 3-year targets
2. An inclusive and transformed financial sector	
This strategic priority aims to promote entry to the financial services sector by black and emerging entrepreneurs, and broadening access to financial services and products by the previously excluded section of our people	The FSCA proposed amendments to the FAIS General Code of Conduct to allow qualifying beneficiaries as contemplated in the Financial Sector Code to receive enterprise development contributions from other financial services providers and product providers. In addition, through the implementation of the amended FAIS application forms, the FSCA is collecting data relating to the B-BBEE status of licensed financial services providers, their percentage of black ownership, and percentage of black woman ownership. The data will assist the FSCA to develop interventions to promote transformation of the financial services sector. The FSCA has continued to hold training workshops with emerging Financial Service Providers to inform and assist them with regulatory compliance, reaching hundreds of individuals each year for the 2019/20 financial year. Just under 600 attendees participated in these workshops held across South Africa. In the 2020/21 financial year, the COVID-19 lockdown restrictions affected the ability to host workshops in the first half of the year. However, the workshops were shifted to online platforms and 46 workshops were held online. Due to the cost-saving of hosting workshops online, more workshops could be hosted (no travel and venue hire costs). However, it must be noted that online participation is difficult for many small enterprises so attendance at workshops was at times low. The FSCA's financial inclusion strategy was approved, and focuses on 6 strategic pillars for supporting financial inclusion, being: • Promote financial inclusion through financial education • Collect and monitor data on financial inclusion to monitor progress • Support technological innovation that enables financial inclusion • Support small financial services providers who typically serve lower income customers with simple and affordable products • Promote the supply of appropriate financial products and services to SMMEs • Create a regulatory and supervisory framework that promotes financial inclusion • Effectively cooperate with other stakeholders and participate in broader financial inclusion initiatives An implementation plan for the transformation strategy is being developed with the support of the World Bank. A draft transformation strategy has been developed and will be finalised and implemented over the medium term. The strategy considers how the FSCA can implement its risk-based and proportionate approach to regulation and supervision in support of objectives of financial inclusion and transformation of the financial sector. The FSCA is actively supporting revisions of the Financial Sector Code, as led by the FSTC. This work will continue over the medium term. An MOU has been entered into between the FSCA and FSTC to ensure cooperation and coordination between the two organisations with the aim of supporting financial sector transformation

Strategic outcome	Achievement to date towards 3-year targets
3. A robust regulatory framework that promotes fair customer treatment	
This strategic priority ensures that the FSCA's regulatory and supervisory frameworks are in line with international standards and best practices. It will also ensure that the conduct supervision process is effective and efficient.	The FSCA continues to focus on achieving strategic targets in line with its regulatory frameworks plan, risk-based supervisory plans, compliance with legislative requirements and relevant principles of regulation as recommended by the international standard setting bodies. The approach to risk-based supervision and reporting of conduct risk by regulated entities is being strengthened with support by the World Bank Group to ensure that the FSCA is proactive, pre-emptive, intensive and intrusive in exercising its supervisory functions. The work is in an advanced stage of finalisation and includes the development of market conduct risk indicators for banks. In addition, the FSCA has established an Emerging and Overarching Risk Committee responsible for the prioritisation and monitoring of identified emerging and overarching risks and directing appropriate resources to those risks. The FSCA, with the support of the World Bank, is further developing a framework for the reporting, assessment, monitoring and prioritisation of risk mitigation measures at a holistic and overarching level. This work will continue over the medium term. The FSCA continued to carry out proactive research into and monitoring of financial sector trends, emerging risks and international developments, while ensuring regulatory instruments are timeously developed to address emerging risks. This resulted in the development and publication of various draft regulatory instruments during the reporting period, spanning across all industries regulated by the FSCA. The FSCA also participated in the work of international financial sector principle/standard setting bodies (IAIS, IOPS, IOSCO). The FSCA continued to actively focus on developing frameworks for new activities that now fall within the jurisdiction of the FSCA as a result of the promulgation of the Financial Sector Regulation Act. This included the development of a draft Conduct Standard for Banks which was submitted to Parliament early in 2020, as well as working closely with the National Treasury in further refining the new activities to be included in the ambit of the Conduct of Financial Institutions Bill (COFI Bill). Embedding outcomes and principle-based requirements in the existing regulatory framework supporting TCF outcomes has been a consistent focus area of the FSCA. Although tangible steps have been taken to explicitly incorporate the six TCF outcomes in some of the existing financial sector laws as outcomes-based legal requirements, there are still gaps in this regard in some of the existing financial sector laws. Work is currently underway to ensure that these gaps are addressed, and it is envisaged that the TCF outcomes will be incorporated within a variety of other regulatory frameworks within the next two years. The FSCA also initiated a project which aims to more effectively harmonise the regulatory frameworks regulated by the FSCA in order to avoid fragmentation and regulatory arbitrage, and to ensure more consistent customer outcomes across the financial sector. The harmonisation project is a long-term project which is envisaged to support the implementation of the COFI Bill framework, once promulgated, by consolidating numerous requirements contained in existing financial sector laws into a single harmonised regulatory framework.

Strategic outcome	Achievement to date towards 3-year targets
4. Informed financial customers	
This strategic priority aims to promote financial education to customers of financial services and products by way of focused financial literacy interventions using media, workshops, exhibitions and other resources.	The COVID-19 pandemic and the accompanying lock-down measures in South Africa necessitated that the FSCA suspend all face-to-face consumer activities for 2020/21. However, the Consumer Education Department (CED) continued their interaction with consumers via digital platforms and radio interviews. A total of 90 online and media activities were implemented reaching about 1 303 consumers through webinars and approximately 8 258 000 listeners via radio interviews. A total of 16 006 consumer visited www.fscamymoney.co.za website, while 1 792 857 consumers engage with our social media posts across all platforms. The CED also engaged with 16 stakeholders towards achieving our targets. The most significant stakeholder engagement was the FSCA's interaction on the National Consumer Financial Education Committee (NCFEC) and its Money Smart Week South Africa's (MSWSA) Steering Committee and Sub-committees. The committees successfully coordinated the MSWSA event that happened on 22 to 28 March 2021, and was implemented through activities on the digital platform www.mswsa.co.za, social media, as well as various traditional media platforms such as radio, television and print media. Funding for Public Relations and Marketing, reverse billing of data, and monitoring and evaluation was provided through the FSCA's Discretionary Fund. The statistics below highlights the event's successes: • + 17 500 South Africans logged onto www.mswsa.co.za • +83 300 video downloads i.e., video play button pressed an average of 11900/day • ± 63 330 079 persons reached with combined public relations efforts • +2 500 000 Social media reach • ±4 331 000 listenership on community radio The FSCA, through the Communication and Language Service department's overall Integrated Communications and Language Strategy, deployed various communication channels and platforms to disseminate key messages about the work of the Authority. This included hosting consultative engagements with the media, customers, and the financial sector industry; establishing a social media presence; and producing publications such as the FSCA e-Newsletter and Our Voice internal publication. These efforts were intended to keep stakeholders informed; build confidence; strengthen the new organisation; and ensure stakeholder buy-in of regulatory reforms. The FSCA has an established presence on social media (Twitter, Facebook, LinkedIn and YouTube) with over 11 000 followers on Facebook, almost 6000 followers on Twitter, and nearly 26 000 followers on LinkedIn. These numbers continue to grow month-on-month. The social media pages have become the go-to-resource for FSCA regulatory updates, thought-leadership, industry and FSP warnings, consumer-education campaigns, as well as FAIS webinars and general video content.

Strategic outcome	Achievement to date towards 3-year targets
5. Strengthening the efficiency and integrity of our financial markets	
This strategic priority aims to strengthen oversight of financial market efficiency and integrity by the evolving market infrastructure landscape.	As part of South Africa's commitment to adhere to global financial standards and the increasing need for the protection of investors and consumers of financial products, the FSCA continues to focus on key areas such as formulating frameworks for the regulation of benchmarks and securities financing transactions (SFTs) in the South African capital markets. Work surrounding the development of a reporting and disclosure framework for short sales is continuing and it is envisaged that a final Position Paper on the proposed framework will be published during the second half of 2021. The FSCA is also in the process of finalising a Conduct Standard for Exchanges which is aimed at addressing market fragmentation that emanate as a result of a multiple exchange environment. The FSCA also finalised the licensing framework for local central counterparty (CCP) licence applications. Work pertaining to the licensing of external market infrastructures (including external CCPs) is still underway. The FSCA is also working on a number of policy projects in conjunction with the Prudential Authority, including the development of a regulatory framework for central clearing in South Africa; a Joint Standard dealing with minimum requirements for recovery plans of market infrastructures; a guidance notice relating to governance requirements for market infrastructures; and implementation of the Joint Standard on margin requirements for non-centrally cleared over the counter derivative transactions. Following the publication of the final Financial Markets Review Report, on 3 March 2020 National Treasury published a Discussion Paper: Building competitive financial markets for innovation and growth was published on 19 March 2020. Treasury established a working group consisting of representatives of the FSCA, PA and the SARB to draft the revised financial markets legislation.

Strategic outcome	Achievement to date towards 3-year targets
6. Understanding new ways of doing business and disruptive technologies	
This strategic priority focuses on the constant evolvement and new technologies within the financial service by creating opportunities to improve efficiencies, reach more customers and drive inclusion.	In light of FSCA's efforts to proactively monitor and regulate fintech activity, the Fintech department was established to focus on five key strategic areas including; • providing regulatory guidance to FinTech's • testing new Fintech innovations in a sandbox • conducting research on latest Fintech developments in order to influence policy change • providing subject matter expertise within FSCA and to external stakeholders • engaging with the Fintech ecosystem (incubators, venture capitals, academics, incumbents) To this end several key milestones were achieved over the past Financial year. • In March 2020, the Fintech innovation hub was officially launched to the public. Owing to COVID-19, the launch was done digitally through press releases and live video streams addressing various public questions on the how the hub will work. The launch was met with a positive response and cited as "much needed" and "timely" by the Fintech ecosystem. Since the launch of the Innovation hub, it has already engaged over 50 Fintech firms, and is in the process of accepting and reviewing applications from Fintechs to partake in the Regulatory Sandbox, showing signs of healthy demand from the marketplace. • In May 2020, the Sandbox was officially launched to the public with 52 applications received to enter into the Sandbox from Banks, Insurers, and Startups alike. • In July 2020, FSCA concluded draft research material on Digital Platforms and Non-Traditional Data. FSCA held workshops with IFWG regulators where regulators had the opportunity to engage with proposal and make suggestions. • In November 2020, the FSCA Fintech Department published its Non-Traditional Data reports as part of IFWG's policy accelerator research into emerging trends in Fintech. • In December 2020, the FSCA Fintech Department published Open Finance research report for public comment, with a closing date of 28th February 2020. • In January 2021, the FSCA Fintech department published the Suptech report as part of IFWG's policy accelerator research into emerging trends in Fintech. • In March 2021, the FSCA concluded the very first Sandbox case of the IFWG innovation hub on Lending Crowdfunding. Key outcomes of the testing were that lending-based crowd-funders will have to be licensed by the NCR, PA, and FSCA. A key recommendation finding from the Sandbox testing is that amendments will also need to me made to FAIS to cater for crowd-funders going forward. Over the coming three years the FSCA's Fintech department will be focused on guiding even more Fintechs on regulatory matters, conducting Sandbox tests by introducing further cohorts, and carrying out research focused Open Finance, Alternative Finance, Digital Financial Inclusion, Suptech, and Digital Banking. The department will also host a number of industry workshops and Hackathons as a means to drive collaboration between regulators and the Fintech ecosystem, and to equip regulators with market intelligence and digital capabilities required to effectively and proactively regulate fast changing Fintech innovations.

1. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The table below sets out the outcomes/strategic objectives, performance indicators and planned targets as specified in the FSCA's Annual Performance Plan (APP) for 2021/22, and actual performance for the year. The FSCA comprises seven core divisions that are directly responsible for implementing its legislative mandate, namely, the supervision of market conduct in the financial sector. In addition, the FSCA's mandate includes ensuring that its regulatory and supervision standards are in line with international standards.

The achievements for 2021/22, as reported, should be read in the context of the FSCA establishing itself as a new regulator of market conduct of the financial sector, while managing the smooth transition from the existing business of the FSB to the expanded mandate of the FSCA.

1.1. PROGRAMME 1: ADMINISTRATION

Purpose: Provide support to core operating divisions of the FSCA

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
A modern organisation that is financially sustainable and efficient. A modern organisation that is financially sustainable and efficient.	Clean audit opinion obtained from AGSA	Clean audit opinion (AGSA)	Obtained AGSA clean audit opinion	Obtained AGSA clean audit opinion	Obtain AGSA clean audit opinion	**Achieved** Obtain AGSA clean audit opinion	**N/A**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
A modern organisation that is financially sustainable and efficient.	Paid supplier invoices within 30 days	Percentage suppliers' invoices paid within 30 days	Pay 100% of valid suppliers' invoices within 30 days	Paid 91% of valid suppliers' invoices within 30 days	Pay 100% of valid suppliers' invoices within 30 days	**Not Achieved** 93% of valid supplier invoices paid within 30 days.	**-7%**
	Reason for deviation			Outstanding invoices taking longer to settle due to unresolved queries with service providers.			
	Corrective actions (strategy to overcome areas of under-performance)			Follow-ups being made with service providers to resolve outstanding queries timeously.			
	Collected invoiced levies	Percentage levies invoiced, collected	Collected98% of levies invoiced	Collected 98% of levies invoiced	Collect 98% of levies invoiced	**Achieved** Collected 98% of levies invoiced	**N/A**
	Collected penalties from regulated entities	Percentage penalties invoiced, collected within 30 days	New Initiative	Collected 0.4% of collectable penalties from regulated entities within 30 days from date of invoice	Collect 100% of collectable penalties from regulated entities within 30 days from date of invoice	**Not Achieved** 29% of Collectable penalties collected	**-71%**
	Reason for deviation			The balance outstanding relates to the following four penalty respondents: • One respondent has indicated that they are appealing and applying for condonation with the Tribunal. As at 31 March 2022 the status of the appeal had not been confirmed. • Two respondents have defaulted with no response when contacted via their legal representatives. • The last respondent has acknowledged the letter of demand sent to them for payments, but no payment had been received at the date of reporting.			

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
A modern organisation that is financially sustainable and efficient.	**Corrective actions (strategy to overcome areas of under-performance)**			Collection efforts are in progress. Outstanding balances have been handed over to the attorneys. Constantly checking with the Tribunal to ascertain whether the appeal application has been lodged.			
	Achieved FSCA Employment Equity Targets	Percentage achievement of FSCA EE targets	• 48% female 52% male • 1% disabilities • 88% employees from the black group and 12% from the white group	• 55% female • 45% male • 0.7% disabilities • 88% employees from black group » 78% African, » 6% Coloured, » 4% Indian » 12% White	• 50% female • 50% male • 2% disabilities • 90% employees from black group » 79% African » 7% Coloured » 4% Indian • 10% White	**Not Achieved** 56% female 44% male0. 8% employees with disabilities 89% employees from black group (80% African, 6% coloured, 3% Indian) 11% from white group.	**+6%** **-6%** **-1.2%** **-1%** **+1%** **-1%** **-1%** **+1%**
	Reason for deviation			The FSCA was unable to meet the target due to: » Lack of natural attrition and » The FSCA had to trim down some of its vacancies to accommodate the current economic situation that has put pressure on the collection of levies. The commitment to achieve the targets remains.			
	Corrective actions (strategy to overcome areas of under-performance)			Focus is being directed at recruiting people with disabilities, Coloureds and Indians. The overrepresentation of the white population group can only be achieved through natural attrition. • EXCO has approved a bursary policy to recruit people with disabilities which will assist in meeting the disability target in the long-term. • EXCO has approved a Disability Inclusion Strategy that will guide the organisation on interventions that will be undertaken to ensure that FSCA achieves its disability target.			

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
A modern organisation that is financially sustainable and efficient.	Implemented project milestones for the Integrated Regulatory System (IRS)	Percentage of IRS Project milestones implemented according to the IRS Project Charter by 31 March 2022.	New Initiative	New Initiative	Implement 10% of project milestones according to the IRS Project Charter by 31 March 2022.	**Not Achieved** 0% of project milestones according to the IRS Project Charter implemented by 31 March 2022	**-10%**
	Reason for deviation			A decision was taken to allow the new leadership to apply their minds to the reasoning behind the need for the IRS project. To this end, new leadership was fully appointed in December 2021. Once we had consensus on the need for this project from the new leadership, a tender was issued, albeit only after 16 February 2022. National Treasury however, communicated that all tenders advertised after 16 February 2022 are to be held in abeyance. This affected the IRS Project.			
	Corrective actions (strategy to overcome areas of under-performance)			Implementation of IRS Project Milestones will commence once the National Treasury communicates the final decision regarding the advertisement of tenders and a project charter has been approved.			
	Achieved media engagements conducted	Number of media engagements conducted.	14 media interviews	8 broadcast media interviews	8 broadcast media interviews	**Achieved** 8 media broadcast interviews	**N/A**
			New Initiative	New Initiative	8 community radio interviews.	**Achieved** 8 community radio interviews	**N/A**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
A modern organisation that is financially sustainable and efficient.	Achieved media engagements conducted	Number of media engagements conducted.	• 3 media round table discussions	• 2 media round table	• 4 media round table discussions	**Achieved** 4 media round table discussions	**N/A**
			• 1 annual media survey	1 annual media survey	1 media survey	**Achieved** 1 media survey	**N/A**
			• 3 media monitoring reports	3 media monitoring reports	4 media monitoring reports	**Achieved** 4 media monitoring reports.	**N/A**
	Achieved media engagements conducted	Number of media engagements conducted.	• 3 FSCA newsletters	• 4 FSCA Newsletters	4 FSCA Newsletters	**Achieved** 4 FSCA Newsletters	**N/A**
			• 4 FSCA "Our Voice"	• 4 FSCA "Our Voice"	4 FSCA "Our Voice"	**Achieved** 4 FSCA "Our Voice".	**N/A**
			• N/A	• 0 FSCA television advert	1 FSCA television advert	**Not Achieved** 0 FSCA television advert	**-1**
	Reason for deviation			The Service Provider onboarded in Q3; however, the advert was not produced in Q4 because the department had to align with the new regulatory strategy which was only published at the end of Q3.			
	Corrective actions (strategy to overcome areas of under-performance)			The advert will now be produced and flighted in the new financial year.			

1.2. PROGRAMME: LICENSING AND BUSINESS CENTRE

Purpose: Performs licensing and authorisation function for financial institutions required to be licensed by the FSCA. The Business Centre is the point of entry for information submitted to the FSCA by external stakeholders and acts as the information management hub.

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Effective and efficient licensing processes that ensure fair treatment of customers by financial institutions	Completed licence applications within 90 days.	Percentage of licence applications completed within the Service Level Commitment- 90 days (where all the information has been received).	New initiative	Licensed 47% of all received applications within 90 days	Complete 80% of licence applications received within - 90 days (where all the information has been received)	Achieved Completed 81,4% of all received applications within 90 days licensed.	**+1.4%**
			Reasons for deviation		The target was exceeded due to having a high number of approved licence applications, especially in the FAIS area. This was also attributable to the fact that the 3rd and 4th quarter falls in a quiet period, i.e. December and January, resulting in new work coming in around February and March, and most applications are left to be within Service Level Commitment.		

1.3. PROGRAMME: REGULATORY POLICY

Purpose: Responsible for the on-going development of the FSCA's regulatory frameworks, financial inclusion, transformation, consumer education, research into international developments, emerging conduct risks and technological innovations. It also coordinates the FSCA's interaction with other regulatory authorities and standard setting bodies.

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets	Achieved implementation of targets in the Annual Research Plan	Percentage implementation of the Annual Research plan to support Consumer Insights, Regulatory Frameworks, Market Trends and Supervisory Best practices	New initiative	New Initiative	90% achievement of targets of the Annual Research Plan by 31 March 2022	Not Achieved 67% achievement of targets of the Annual Research Plan by 31 March 2022	**-23%**
	Reason for deviation				All projects were initiated in the year under review. However, due to delays in the process of compiling research, obtaining feedback on research, obtaining sign-off on final reports, and the design and layout process, some deadlines were not adhered to.		
	Corrective actions (strategy to overcome areas of under-performance)				Additional resources have been requested and approved for the department in the 2022/23 financial year. The Division aims to submit a list of all reports that requires graphic design to the Communications team in advance so that Communications department can plan accordingly.		

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets	Achieved milestones in the Financial Sector Harmonisation Project	Percentage Implementation of the Financial Sector Harmonisation Project Plan	New initiative	New initiative	Achievement of 80% of the milestones as per the Financial Sector Harmonisation Project Plan by 31 March 2022	Achieved 100% of the milestones as per the Financial Sector Harmonisation Project Plan by 31 March 2022	**+20%**
	Reason for deviation				The applicable targets in the Financial Sector Harmonisation Project Plan were achieved by the relevant working groups because of focus placed on the targets. All working groups met the agreed timelines with regards to the drafting of the relevant scoping reports.		
	Achieved milestones in the Regulatory Framework Transition Project Plan	Percentage Implementation of the Regulatory Framework Transition Project Plan	New initiative	New initiative	Achievement of 80% of the milestones as per the Regulatory Framework Transition project plan by 31 March 2022	Not Achieved 0% of the milestones as per the Regulatory Framework Transition Project Plan by 31 March 2022	**-80%**
	Reason for deviation				The purpose of this Plan is to develop an approach to transition all conduct regulatory instrument in existing sectoral laws to the COFI Bill framework. The Plan is therefore, to some extent, dependent on the COFI Bill process. The COFI Bill process has, however, been subject to various delays which has a knock-on effect in terms of the development of the Transition Plan.		

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets	**Corrective actions (strategy to overcome areas of under-performance)**				Department is in the process of finalising the FSCA's 3-year Regulation Plan which will support the FSCA in managing its regulatory framework strategy in line with the FSCA's overall regulatory strategy, business plans and the like. The Regulation Plan is essentially the blueprint guiding the development of the regulatory framework over the course of the next 3 years. Also, in line with EXCO strategic planning discussions relating to rationalising the work programme for the division in order to increase efficiencies and effectiveness, this plan will be integrated into an overarching Regulatory Frameworks Plan.		

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Increased prioritisation by the financial sector on transformation and inclusion	Implemented FSCA Inclusion Strategy	Percentage implementation of the FSCA Inclusion Strategy Implementation Plan	New initiative	New initiative	80% of the FSCA Inclusion Implementation Plan by 31 March 2022	Achieved 82% of the FSCA Inclusion Strategy Implementation Plan by 31 March 2022	**+2%**
	Reason for deviation				An over-achievement against the target was attained because of the increase in team productivity levels resulting from working remotely. Given that all the workshops were conducted online and meetings were held virtually, it was possible to conduct more workshops and attend more meetings than anticipated and therefore finalise more things than anticipated.		
	Implemented FSCA Transformation Strategy	Percentage implementation of the FSCA Transformation Strategy Implementation Plan	New initiative	New initiative	80% of the FSCA Transformation strategy Implementation Plan by 31 March 2022	Achieved 83% of the FSCA Transformation strategy Implementation Plan by 31 March 2022	**+3%**
	Reason for deviation				An over-achievement against the target was attained because of the increase in team productivity levels resulting from working remotely. Given that all meetings were held virtually, it was possible to attend more meetings than anticipated and therefore finalise more things than anticipated		

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions.	Implemented Consumer Education initiatives.	Number of Financial literacy and consumer education initiatives conducted.	143 workshops	38 workshops conducted	55 workshops conducted	**Achieved** 238 workshops conducted	**+183**
			Reason for deviation		Additional workshops invitations received when lockdown regulations were eased.		
			New initiative	41media activities	15 media activities	**Achieved** 759 media activities	**+744**
			Reason for deviation		Target overachieved due to unplanned additional media activities.		
			19 exhibitions	0 exhibitions	16 exhibitions	**Achieved** 18 exhibitions	**+2**
			1 Money Smart Week FSCA activity implemented	1 Money Smart Week FSCA activity implemented	1 Money Smart Week FSCA activity implemented	Not Achieved 0 Money Smart Week FSCA activity implemented	**-1**
			Reason for deviation		The Money Smart Week (MSW) Steering Committee, which is coordinated through the National Treasury, postponed MSW to August 2022 to give additional time for planning. This was further affected by NT decision to put all tenders under abeyance.		
			Corrective actions (strategy to overcome areas of under-performance)		MSW Steering Committee agreed that the event will be held in the 22/23 financial year. Plans are being put in place to implement the event even if the tender does not succeed.		

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions.	Implemented Consumer Education initiatives.	Number of Financial literacy and consumer education initiatives conducted.	59 Speech Competition activities	1 Speech Competition activities	83 Speech Competition activities	**Achieved** 84 Speech Competition activities	**+1**
			Reason for deviation		Speech competition was changed to on-line format and uploading of videos by learners. Adjudication of District and Provincial finals were completed in Q3 as per agreement with Provincial education departments. The National final took place in Q4.		
			5 resources developed	18 resources developed	3 resources developed	**Achieved** 5 resources developed	**+2**
			Reason for deviation		Additional resource developed as an update to Make the Most of Your Money, Booklet 1 and Content gaps for young investors identified leading to development of additional resources.		
			11 research and M&E reports/case studies	5 research and M&E reports/case studies	5 research and M&E reports/case studies	**Achieved** 6 research and M&E reports/case studies.	**+1**
			Reason for deviation		Additional reports were received from 2 Service Providers for Money Smart Week 2021 (MSW2021) campaign. These additional reports were generated because of the cancellation of the MSW2020 reiteration, and the service providers generated transitional reports to direct the 2021 campaign more effectively. The MSW2020 budget was distributed over the MSW2020/ MSW2021.		

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions.	Completed training and familiarisation programmes provided to regulators in the SADC region	Number of familiarisation programmes held to provide training and support to regulators in the SADC region	4 reports on online activities	4 reports on online activities	4 reports on online activities	**Achieved** 4 reports on online activities	**N/A**
			New initiative	Held 1 familiarisation programme to provide training and support to regulators in the SADC region by 31 March 2022.	Hold 1 familiarisation programme to provide training and support to regulators in the SADC region by 31 March 2022.	**Achieved** 1 familiarisation programme held to provide training and support to regulators in the SADC region on 23 November 2021.	**N/A**
A regulatory environment that better enables innovation in the interest of financial customers	Responded to Fintech queries received by FSCA from the Regulatory Guidance Unit.	Percentage response rate to Fintech queries submitted to RGU related to FSCA mandate within 28 days of receipt	N/A – new initiative	97.5% of queries received by the FSCA within 28 days to receipt responded to.	Respond to 90% of queries received by the FSCA within 28 days of receipt	**Achieved** 94% of queries received by the FSCA within 28 days of receipt were responded to.	**+4%**
	Reason for deviation			The target was overachieved due to query management efficiencies on the part of administrators and swift resolution on the part of regulatory subject matter experts.			

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
A regulatory environment that better enables innovation in the interest of financial customers	Resolved Fintech Sandbox Cohorts test cases within six months after parameters were defined.	Percentage of RSB Sandbox Cohorts test cases completed within six months after defining parameters.	N/A – new initiative	0% RSB test cases have been closed, owing to Sandbox kicking off later than anticipated (Jan 2021)	Resolution of 90% of RSB test cases within six months after defining parameters	**Not achieved** 67% of Regulatory Sandbox test cases within six months after defining parameters resolved.	**-23%**
	Reason for deviation			Testing is still underway for one more case which is scheduled to run for 18 months from May 2021 until Nov 2022 i.e. the case has not run over the test time planned. A longer period was planned because of the complexity of the testing case. Currently two of the three (2/3) cases are completed.			
	Corrective actions (strategy to overcome areas of under-performance)			All cases are still within planned timelines. A longer period was planned because of the complexity of the testing case.			
	Implemented targets in the Innovation Accelerator annual plan	Percentage implementation of the projects in the innovation accelerator (IA) annual plan	N/A – new initiative	100% achievement of annual targets of the IA annual	90% achievement of annual targets of the IA annual plan by 31 March 2021	**Achieved** 100% achievement of annual targets of the IA annual plan by 31 March 2022	**+10%**
Increased prioritisation by the financial sector on transformation and inclusion	**Reason for deviation**			IFWG web portal successfully migrated from Ernest and Young (EY) to FSCA website: www.ifwg.co.za and successful completed Government-to-person Payment hackathon. This was the only target that was included in the innovation accelerator plan.			

1.4. PROGRAMME: CONDUCT OF BUSINESS SUPERVISION

Purpose: Carry out on-going supervision of business conduct of supervised entities in the financial sector other than retirement funds and entities supervised by the Market Integrity division.

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions	Completed awareness programmes to educate communities utilising banking services	Number of awareness programmes held with communities utilising banking services	N/A – new initiative	0 awareness programme held to educate Communities utilising banking services	Hold 5 awareness programmes to educate Communities utilising banking services	**Not achieved** 2 awareness program held.	**-3**
	Reason for deviation			Awareness programmes could not be fully conducted due to the limitations brought on by the COVID-19 regulations. These workshops can only be held face-to-face as the identified population is not digitally savvy, and is in the outskirts of the Limpopo Province, making it difficult to conduct virtually.			
	Corrective actions (strategy to overcome areas of under-performance)			The team has planned for additional awareness programmes in collaboration with the Consumer Education Department for the 2022/2023 financial year to reach out to more communities, and is expanding the targeted population to also include townships dependent on the COVID-19 pandemic status.			
	Completed up-skill training for small financial services providers	Number of workshops conducted to provide up-skill training for small financial service providers	20 workshops Conducted to provide up-skill training for small financial services providers	17 workshops conducted to provide up-skill training for small financial services providers	Conduct 9 workshops to provide up-skill training for small financial services providers (FAI 6 and Micro 3)	**Not Achieved** 6 workshops conducted to provide up-skill training for small financial services providers. (FAI 6 and Micro 0)	**-3**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions	**Reason for deviation**			Due to COVID-19, the department was unable to conduct the in-person workshops as planned; the workshops are targeted at potential micro-insurance license applicants.			
	Corrective actions (strategy to overcome areas of under-performance)			The department will consider resuming workshops in the next financial year, depending on the status of the COVID-19 pandemic.			
Increased prioritisation by the financial sector on transformation and inclusion	Completed empowerment workshops held with small business enterprises (SMMEs)	Number of empowerment workshops with SMMEs	New initiative	44 workshops	Conduct 18 empowerment workshops with SMMEs.	**Achieved -** Conducted 81 empowerment workshops with SMMEs	**+63**
	Reason for deviation			Micro department saw a need to interact with more entities on transformation and inclusion, this was achieved through virtual engagement with smaller groups which this resulted in more workshops being held.			

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved market conduct through risk-based and pro-active supervision of financial institutions	Completed on-site inspections conducted on regulated entities	Number of on-site inspections conducted on regulated entities	Performed 80% off-site analysis on compliance reports received from registered financial service providers (FSP)	134 onsite inspections	122 onsite (physical or virtual) inspections • BPP 20 • IRF 10 • Micro-institution 21 • FAI 40 • IP 31	**Not Achieved** 144 onsite inspections • BPP 31 • IRF 9 • Micro institution 19 • FAI 41 • IP 32 • FICA 12	**+22**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved market conduct through risk-based and pro-active supervision of financial institutions	**Reason for deviation**			The virtual environment has allowed **Banks and Payment Providers** (BPP), **Financial Advisors and Intermediaries** (FAI) and **Investment providers** (IP) to carry out more virtual thematic reviews. Furthermore, The **Financial Intelligence Centre Ac**t (FICA) department was not scheduled to perform any own onsite inspections, this however changed with the appointment of the Head of Department which occurred in January 2022. In addition, there were misalignments between the approved business plan and the signed supervisory plan with regards to the number of planned on-site reviews pertaining to **Insurers and Retirement Funds** (IRF). Lastly there were planned inspections in the **MICRO** department for Q4 which were not conducted due to the staff member responsible being unavailable as a result of ill health. These are the reasons for noting the goal as not achieved, as not all planned inspections occurred during the year.			
	Corrective actions (strategy to overcome areas of under-performance)			**Micro:** The 2 inspections will be conducted in Q1 of the 2022/2023 financial year. **IRF:** For 2022/23 extra measures are put in place to ensure that the business plan aligns with the supervisory plan. **FICA:** As the position of HOD is no longer vacant, planning has already commenced for the new financial year to ensure that the onsite inspections continue.			
	Completed off-site analysis of statutory returns from registered financial services providers	Percentage of statutory returns analysed for FSPs	New initiative	0% Compliance reports analysed for registered Financial service providers (FSP)	Perform 80% off-site analysis on statutory returns received from registered Financial service providers (FSP)	**Achieved** 95.5% off-site analysis performed on statutory returns received from registered Financial service providers	**+15.5%**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved market conduct through risk-based and pro-active supervision of financial institutions	**Reason for deviation**			The FAI department focused on analysing statutory returns within the SLCs and achieved more, by using the holiday season (January) when we could not conduct onsite inspections for analysis of returns.			
	Completed off-site analysis of Conduct of business returns from insurers earmarked for review in the current financial year.	Percentage of insurer conduct of business returns analysed	New initiative	35% offsite analysis performed on conduct of business returns submitted by insurers	Perform offsite analysis 80% of the conduct of business returns submitted by insurers earmarked for review in the 2021/22 financial year.	**Achieved** 99% offsite analysis performed on the conduct of business returns submitted by insurers earmarked for review in the 2021/22 financial year.	**+19%**
	Reason for deviation			Insurance Retirement Fund team prioritised conduct of business returns submitted by insurers therefore overachieving on the target.			
	Completed desktop reviews on statutory returns from investment providers	Percentage of desktop reviews conducted for investment providers	New initiative	97% desktop reviews on financial statements of 80% of investment providers were conducted	Conduct desktop reviews on statutory returns of 80% of investment providers	**Achieved** 94% desktop reviews conducted on statutory returns of investment providers	**+14%**
	Reason for deviation			The Investment Providers department focused on ensuring that all the cases for the final quarter are finalised to prevent any future backlog.			

1.5. PROGRAMME: MARKET INTEGRITY SUPERVISION

Purpose: Supervise the conduct of financial market infrastructures as well as the conduct of credit ratings agencies.

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2022	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets	Completed inspection per Credit Rating per Agency per annum (virtual or physical)	Number of inspections per Credit Rating Agency per annum conducted.	New initiative	New initiative	Conduct 1 inspection per Credit Rating Agency per Annum (physical or virtual)	**Achieved** 1 inspection per Credit Rating Agency	**N/A**
	Assessed Annual Report and Compliance Report per CRAs	Number of Annual report and Compliance Reports assessed per CRAs per annum	New initiative	New initiative	Assess 1 Annual report and Compliance Report per CRAs per annum	**Achieved** 1 Annual report and Compliance Report per CRAs assessed per annum	**N/A**
	Completed post licensing reviews of Over-the-Counter Derivative Providers	Number of post licensing reviews conducted for Over-the-Counter Derivative Providers	New initiative	New initiative	Conduct 2 post licensing reviews for Over-the-Counter Derivative Providers by 31/3/2022	**Achieved** 4 post licensing reviews for Over-the-Counter Derivative Providers	**+2**
	Reason for deviation			The number of post-licensing reviews conducted are impacted by the number of license applications approved by the licensing division. When applications get approved, post-licensing reviews are conducted. There were additional ODP licences approved.			

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2022	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Improved regulation and supervision processes to strengthen the efficiency and integrity of our financial markets	Completed inspections conducted to Market Infrastructures and Self-Regulating Organisations (SROs).	Number of on-site visits conducted for Market Infrastructures and SROs. (virtual or physical).	New initiative	0 on-site visits for Market Infrastructures and SROs conducted.	Conduct 3 on-site visits for Market Infrastructures and SROs (physical or virtual) by 31 March 2022	**Achieved** 4 on-site visits for Market Infrastructures and SROs conducted	**+1**
	Reason for deviation			An additional inspection was conducted in Q1; the inspection was a continuation of the onsite inspection which commenced in Q2 of 2020/21			

1.6. PROGRAMME: RETIREMENT FUNDS

Purpose: On-going supervision of the business conduct of entities authorised to provide retirement fund benefits. In the transitional period, the division will also be responsible for the prudential supervision of retirement funds.

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Enhanced supervision to promote sound management of retirement funds thereby protecting and safeguarding retirement benefits and rights of beneficiaries	Completed on-site inspections conducted per Risk-based Supervision Plan (On-site, desktop or virtual).	Percentage of inspections (on-site, desktop or virtual) conducted relating to Retirement Funds.	New initiative	0% of on-site inspections conducted	80% of inspections conducted as per the risk-based supervisory plan (on-site, desktop or virtual).	**Achieved** 91.24% of on-site inspections conducted.	**+11.24%**
	Reason for deviation			Planning and conducting desktop on-site inspections improved as a result. Weekly meeting with staff to monitor progress and where needed to take corrective actions.			
	Completed analysis of returns from Registered Funds (off-site reviews).	Percentage of returns received from registered funds analysed (off-site reviews) within agreed timeframes.	New initiative	78.33% of returns received from registered funds analysed (off-site reviews	80% of returns received from registered funds analysed (off-site reviews)	**Achieved** 91.3% of returns received from registered funds analysed (off-site reviews).	**+11.3%**
	Reason for deviation			There were improvements in time management because of the weekly engagements with staff to monitor progress.			

1.7. PROGRAMME: ENFORCEMENT

Purpose: Responsible for carrying out investigations related to both market abuse matters and other potential contraventions of financial sector laws. The division will carry out initial enforcement assessments in relation to complaints and other matters referred to it. The division is also responsible for implementation of agreed enforcement action

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Effective, impartial investigation and enforcement processes to maintain transparency and integrity of our financial sector.	Completed cases within the timeframes as per the Case Selection Framework	Percentage of cases completed within the timeframes as per the case selection framework.	New initiative	85.7% cases completed within the timeframes as per the case selection framework	80% of cases completed within the timeframes as per the case selection framework	**Achieved –** 84.7% of cases completed within the timeframes as per the case selection framework	**+4.7%**
	Reason for deviation			The combination of a skilled and experienced team of investigators, proper oversight by team leaders and a quality review process has led to this over-achievement.			
	Executed administrative sanctions within relevant timeframes	Percentage of administrative sanctions executed	New initiative	100% of administrative sanctions executed	90% of administrative sanctions executed (permitted there is no appeal, review or reconsideration)	**Achieved** 100% of administrative sanctions executed.	**+10%**
	Reason for deviation			The procedures in place are such that once a decision has been made, the process of execution starts immediately. As a result, we were able to execute all sanctions			

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022
Effective, impartial investigation and enforcement processes to maintain transparency and integrity of our financial sector.	Executed warrants from a Judge or magistrate within relevant timeframes.	Percentage of warrants obtained from a magistrate or a Judge executed within 10 days	New initiative	100% of warrants were obtained during the review period	100% of warrants obtained from a judge or magistrate executed within 10 days	**N/A** No warrants were obtained. (Fulfilment of target depends on division obtaining warrants. – No warrants were obtained throughout the financial year).	**N/A**
	Assistance provided for all requests from the South African law enforcement agencies.	Percentage of requests from law enforcement agencies where assistance was provided.	New initiative	Provided assistance to 100% of requests received from law enforcement agencies	Provide assistance to 100% of requests received from law enforcement agencies	**Achieved** Provided assistance to 100% of requests received from law enforcement agencies	**N/A**
	Assistance provided for all requests received from international regulators.	Percentage of requests received from international regulators where assistance was provided.	New initiative	New initiative	Provide assistance to 100% of requests received from international regulators within the requested date.	**Achieved** - Provided assistance to 100% of requests received from international regulators within the requested date.	**N/A**


MABUYA

PART C
GOVERNANCE

EXECUTIVE COMMITTEE (EXCO)

Farzana Badat
Deputy Commissioner

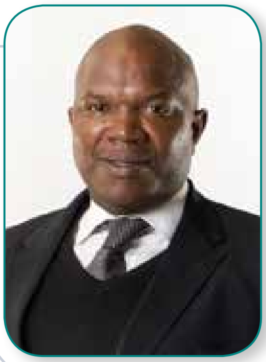
Katherine Gibson
Deputy Commissioner

Unathi Kamlana
Commissioner

Astrid Ludin
Deputy Commissioner

STRATEGIC MANAGEMENT COMMITTEE (SMC)

Paul Kekana
Chief Financial Officer



Jabulane Hlalethoa
DE: Corporate Services

Kedibone Dikokwe
DE: Conduct of Business Supervision

Felicity Mabaso
DE: Licensing and Business Centre

Olano Makhubela
DE: Retirement Funds

Phokeng Mogase
Chief Information Officer

Brandon Topham
DE: Enforcement

THE ACCOUNTING AUTHORITY/BOARD GOVERNANCE

COMMITTEES

The FSCA was created by the Financial Sector Regulation Act, Act 9 of 2017 (FSR Act) from which it derives its legislative mandate. Parliament, the Executive and the Accounting Authority of the public entity are responsible for the governance objectives of the FSCA.

PORTFOLIO COMMITTEES

The FSCA is accountable to the Minister of Finance and National Treasury and is required by the FSR Act to submit an annual report on its performance and activities which the Minister tables in Parliament. During the year under review, the FSCA was called to account for its quarterly performance for the period ending 31 December 2021 to the SeCOF. The FSCA also presented to the SeCOF on the challenges the entity encountered and continues to encounter in delivering on its mandate. This meeting took place on the 19th of April 2022. At the meeting, the Commissioner also took the opportunity to present the FSCA new strategic objectives to the committee.

EXECUTIVE AUTHORITY

The Executive Authority (EA) of the FSCA is the Minister of Finance. Throughout the financial year, the FSCA has submitted to the Executive authority the quarterly performance reports which details its performance for the quarters against the Annual Performance Plan of the entity as well as the quarterly PFMA and Treasury regulations compliance reports.

Section 70(1) of the Financial Sector Regulation Act (FSR Act) provides that the Executive Committee of the FSCA must adopt a Regulatory Strategy for the FSCA. This is to give general guidance on the achievement of the Authority's objectives and the performance of its regulatory and supervisory functions. The section also stipulates that the Regulatory Strategy would be for a period of three years.

The three-year period mentioned above started on 1 October 2018 and ended on 30 September 2021. As a result, there was a need to review and update the Regulatory Strategy which covers the period of December 2021 – 31 March 2025.

This has led to the decision to revise the FSCA's current Strategic Plan, spanning from 2020 – 2025, in order to align it to the new Regulatory Strategy (2021-2025). The Revised Strategic Plan and its accompanying Annual Performance Plan was submitted to the EA; approval thereof of the new plans was communicated the FSCA on the 30th of March by the Minister of Finance.

THE ACCOUNTING AUTHORITY

The FSR Act provides for the governance structure and sets the governance objective for the FSCA as follows: "The Financial Sector Conduct Authority must manage its affairs in an efficient and effective way and establish and implement appropriate and effective governance systems and processes, having regard, amongst other things, to internationally accepted standards in these matters."

The FSR Act establishes the Executive Committee (Exco) of the FSCA, consisting of its Commissioner and Deputy Commissioners, all of whom are appointed by the Minister of Finance. In terms of the FSR Act and for the purposes of the PFMA, the Commissioner is the Accounting Authority of the FSCA.

The FSCA operated under a Transitional Management structure until 30 September 2021. The establishment of the new governance structure, comprising the Commissioner and three Deputy Commissioners, ushered the institution into a new phase, building on the important foundational work done to establish the new regulator.

The Exco was formally established on 1st of October 2021 in terms of the FSR Act following appointment of all the three Deputy Commissioners. Its meetings are held twice a month, one meeting considered policy, supervision matters and the other, licensing matters.

The FSR Act further requires the Director-General of the National Treasury to establish two oversight committees, namely, a Remuneration Sub Committee and a Risk Sub-Committee. The function of the Remuneration Sub-Committee is to review, monitor and advise the Executive Committee on the Remuneration Policy of the FSCA, The function of the Risk Sub-Committee is to review, monitor and advise the Executive Committee on risks faced by the FSCA and plans for managing those risks.

The Director-General appoints the members of both these committees who are external and independent of the FSCA. Both committees held scheduled quarterly meetings throughout the year.

The TMC also appointed the Human Resources, Social & Ethics Sub-Committee to ensure the institution's human resources strategy, policies of both social & ethics matters are implemented. Members of this sub-committee are also external and independent of the FSCA.

As required by the PFMA, an independent Audit Committee comprising five external members was established. The committee provided oversight over financial reporting, internal financial controls, internal and external audits, compliance with legislation and financial risk management.

These governance committees are empowered by the FSR Act to review, monitor and advise on the reports from management, and thereafter make recommendations to the Commissioner as the Accounting Authority. These committees are responsible for monitoring standards of sound corporate governance and give stakeholders the assurance that the FSCA's business operations are conducted ethically, within prudent risk parameters, and in pursuit of best practice by ensuring that the institution complies with relevant legislation and codes of good corporate governance practices. Each governance committee has its own terms of reference, which are reviewed annually in line with best practice.

All governance committee members have access to the advice and services of the Chief Risk Officer who is responsible for providing adequate support to the governance committees to ensure that they discharge their fiduciary duties effectively and efficiently.

RISK MANAGEMENT

- A separate Risk Sub-Committee monitors and oversees the assessment and mitigation of enterprise-wide risks.
- The committee is satisfied that the processes and procedures followed by the Risk Sub-Committee are adequate to ensure that financial risks are identified and monitored.
- The internal auditors use the risk register overseen by the Risk Sub-Committee to prepare their audit coverage plans and to undertake their work in the higher risk areas identified.
- The risk register is reviewed and updated quarterly to ensure that all major risks faced by the entity, including emerging risks, are managed effectively.
- The Chairperson of the Risk Sub-Committee is a member of the Audit Sub-Committee.

THE EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee has reviewed the following:

- The effectiveness of the entity's internal financial control systems, including receiving assurance from management, internal audit and external audit.
- Evaluated the independence, effectiveness and performance of the finance department function and compliance with its mandate.
- Significant issues raised by the internal and external audit process, including the manner in which they were resolved.
- Noted management's actions in addressing identified control weakness.

Based on the above as well as assurance obtained, we believe that the internal controls are effective.

REGULATORY COMPLIANCE

The committee has done the following:

- Reviewed the quarterly reports submitted to the National Treasury in terms of the PFMA and Treasury Regulations; no findings were noted.
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations.
- Noted the external audit report which indicated that no instances of non-compliance were identified.

INTERNAL AUDIT

The committee has done the following:

- Reviewed and recommended the internal audit charter for approval by the Exco.
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate.
- Satisfied itself that the internal audit function has the necessary resources, budget, standing and authority within the entity to enable it to discharge its functions.
- Approved the internal audit plan.
- Encouraged cooperation between the internal and external audit functions as assurance providers.

EXTERNAL AUDIT

- Evaluated the independence, effectiveness and performance of the external audit function and compliance with its mandate.
- The external auditors attended all the quarterly committee meetings and engaged with the Audit Sub-Committee members to ensure that there were no unresolved issues.
- Reviewed and recommended the audit strategy and acknowledged the contents of the engagement letter for approval by the EXCO.
- The committee has reviewed and accepted the external audit report.

EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The committee evaluated the annual financial statements and annual performance report for the year ended 31 March 2022. It also reviewed:

- The external auditor's report.
- The FSCA's compliance with applicable laws and regulation.
- Significant adjustments resulting from the audit.
- Annual report

The committee has discussed and agreed on the conclusions of the external auditors on the annual financial statements, read together with the report of the external auditors. At its meeting held on 25 May 2022, the committee recommended the financial statements to the EXCO for approval.

INDUCTION OF GOVERNANCE COMMITTEE MEMBERS

A comprehensive induction programme is conducted to ensure that new Governance Committee members are adequately briefed and have the required knowledge of the structure of the FSCA, operations, policies and industry-related issues to enable them to fulfil their fiduciary duties and responsibilities. The Office of the Chief Risk Officer administered the induction programme for the two new committee members appointed during the year. Further to the above, these new members were provided with details of all applicable legislation, minutes of the relevant sub-committee's meetings for the previous 12 months, the most recent management accounts and relevant sub-committee terms of reference.

ATTENDANCE OF THE GOVERNANCE COMMITTEE MEETINGS

RISK COMMITTEE

The committee assists the institution in ensuring that it implements effective policies and plans for risk management that will enhance its ability to achieve strategic objectives. It advises the institution on the adequacy of risk management processes and strategies.

The FSCA Risk Sub Committee responsibilities are to:

- Review risk management policies, framework, strategy and practices in the FSCA.
- Review the assessment of risks and opportunities emanating from the triple context (economy, society and environment) in which the organisation operates and the capital the organisation uses.
- Review the assessment of the potential upside or opportunity presented by risks with potentially negative effects of achieving the organisational objectives and functions.
- Review the design, implementation and monitoring of appropriate risk responses.
- Review the establishment and maintenance of business continuity arrangements that allow the organisation to operate under conditions of volatility, and to withstand and recover from acute situations.
- Review the risk integration and embedding of risk management in the business activities and culture of the organisation.
- Review the report from management in respect of sustainability risks, litigation matters, ICT risks, and retirement funds risk.
- Review the risk appetite and insurance policies of the organisation.

The members of the committee together with their qualifications and record of attendance are listed below. It met four times in the review period.

Member	Qualifications	Appointment date	02/06/21	01/09/21	30/11/21	02/03/22
Mr H Ratshefola – **Chairperson**	BCom (Information Systems);	1 April 2018	P	P	P	P
Adv S Malatji	B.A, LLB, Advanced Diploma in Banking, Financial Management and Investments, Post Diploma in Drafting & Interpretation	1 August 2020	P	P	P	P
Mr P Koch	MSc (Industrial Relations & HR Management), BA (Philosophy, Politics & Economics), PGDip (Accounting), BCom Honours BBusSci Honours, CA	1 August 2020	P	A	P	P
Professor T Ajam	PhD (Public Management), M.A, B.A. (Hons) Economics, M. Bus & B. Bus. Sc	1 August 2020	P	P	P	A

Member	Qualifications	Appointment date	02/06/21	01/09/21	30/11/21	02/03/22
Mr S Gounden **Chairperson of Audit Committee – Resigned 31 July 2021**	B Compt; Higher Diploma in Accounting; CA; Executive Leadership Development Institute - Harvard Business School	1 August 2020	P	N/A	N/A	N/A
Mr N Esterhuizen **Chairperson of Audit Committee from 13 September 2021**	B Degree (Honours, Masters (UJ) Masters (university of London); CA;	13 September 2021	N/A	N/A	P	P

P: Present N/A: Not applicable A: Apology

HUMAN RESOURCES, SOCIAL AND ETHICS COMMITTEE

The function of this committee is to ensure the institution's human resources strategy and policies are implemented. The committee also fulfils the duties of an ethics and social committee. It met four times in the review period, with attendance reflected below.

The members of the committee together with their qualifications and record of attendance are listed below.

Member	Qualifications	Appointment date	03/06/20	14/09/21	18/11/21	03/03/22
Ms D Msomi – **Chairperson**	BA (Hons); PMD, MBA; Postgraduate (Corporate Governance); Postgraduate (Advertising and Marketing)	1 April 2018	P	P	P	P
Ms J Mogadime	BA; MBA; Dip Marketing (Cim)	1 August 2020	P	P	P	P
Dr P Mokgobu	PhD; MBA; M Admin; B Admin; B Admin (Honours); Diploma in Labour appointed 1 July 2022	1 August 2021	N/A	P	P	P
Mr H Ratshefola	BCom (Information Systems);	1 April 2018	P	P	P	P
Prof P Sutherland **Chairperson of the Remuneration Committee**	BCom LLB (Cum Laude), PhD	1 April 2018	P	P	P	P

P: Present N/A: Not applicable A: Apology

REMUNERATION COMMITTEE

The committee ensures the institution's remuneration strategies and policies are implemented. It reviews compensation matters such as benchmark salaries of staff. The committee met four times in the review period, with attendance reflected below.

Member	Qualifications	Appointment date	03/06/21	22/09/21	29/11/21	07/03/22
P Sutherland - **Chairperson**	BCom LLB (Cum Laude), PhD	1 April 2018	P	P	P	P
Ms L Molebatsi	BA(Psychology), Senior Executive Program, PG Diploma: Rural Development & Management and Senior Management Development Program	1 August 2020	P	A	P	P
Ms T Randall	BCompt (Accounting & Auditing), Secretarial Diploma	1 August 2020	P	P	P	P
Ms V Balgobind	Bachelor of Administration, B. Administration (Honours) (Industrial Psychology), Masters (Industrial Psychology), Masters in Business Leadership	1 August 2020	P	P	A	P
Ms D Msomi **Chairperson of the Human Resources, Social & Ethics Committee**	BA (Hons); PMD, MBA; Postgraduate (Corporate Governance); Postgraduate (Advertising and Marketing)	1 April 2018	P	P	A	P

P: Present N/A: Not applicable A: Apology

RISK MANAGEMENT

- The FSCA has approved both an enterprise risk management framework and enterprise risk management policy which provides a framework for the FSCA to adopt an appropriate balance between risk and reward, giving full and due consideration to the legitimate expectations of all stakeholders, resource constraints and sustainable development. It further guides FSCA employees on risk management principles adopted by the organisation.
- The FSCA has an annual strategic risk workshop facilitated by the GRA department and attended by the Commissioner, Deputy commissioners, chairpersons of the Risk and Audit committees and all Divisional Executives, the result of which is the FSCA strategic risk register which is reviewed on a quarterly basis with inputs from risk owners and ultimately presented at the appropriate EXCO structure after it has passed through the Risk Committee. This exercise saw a move from 17 strategic risks to 11 strategic risks. Some of the risks that were initial strategic risks were collapsed and are now managed at an operational level as the hierarchy has changed.
- The FSCA has a Risk Committee whose role is to review, monitor and advise the Executive Committee on risks faced by the FSCA and review plans for managing those risks. The 2021/22 Strategic Risk Register comprised of 17 top risks identified by EXCO.
- The FSCA has an independent Audit Committee that provides oversight over financial reporting, internal financial controls, internal and external audits, compliance with legislation and financial risk management.
- The EXCO reviewed and adopted the FSCA's Enterprise-wide Risk Management Framework, which identifies, assesses and measures FSCA's risks.

INTERNAL AUDIT AND AUDIT COMMITTEES

The FSCA Internal Audit Function (IAF) was established in terms of Section 51(1)(a)(ii) of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA).

The activities of the FSCA IAF are guided by the approved IAF Internal Audit Charter.

The purpose of the IAF is to provide independent and objective assurance and consulting services designed to add value and improve the achievement of the Financial Sector Conduct Authority's (FSCA) business strategy, objectives and operational performance. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

The IAF helps the FSCA achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

FSCA has outsourced the internal audit function. The outsourced Internal Auditors report to the Accounting Authority administratively and functionally to the Audit Committee.

The roles and responsibilities of the Chief Audit Executive are shared between the FSCA Chief Risk Officer (CRO) and outsourced Internal Auditors Engagement Director, to whom the Internal Audit Function (IAF) has been outsourced.

Summary of audit work done

During the year under review, internal audit has conducted the following internal audits:

- Supply Chain Management,
- Internal Financial Controls Review
- Performance Information Audit
- Audit of Predetermined Objectives
- Integrated Regulatory System Proactive Probity Audit

- Internal Control Audit Opinion
- Follow-Up on External and Internal Audit Reports (including IT and AG findings)

A few control weaknesses were noted which are not material. The controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and as such objectives should be met.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee is established as a statutory committee in terms of section 51(1)(a)(ii) of the PFMA and Treasury Regulations 3.1.13 and 27(1). The TMC, now EXCO, appointed the members of the Audit Committee. The committee has formally adopted formal terms of reference and has fulfilled its responsibilities for the year, in compliance with the said terms of reference. The committee is satisfied that it has discharged its responsibilities as set out in its terms of reference, including the following:

- The safeguarding of assets, the operations of adequate systems of internal control and risk management, reporting processes and the preparation and accurate reporting of financial statements in compliance with the applicable legal requirements and accounting standards.
- Overseeing the activities of and ensuring coordination between the internal and external auditors.
- Overseeing financial risks and monitoring controls designed to minimise these risks.
- Reviewing the entity's annual report, including the annual financial statements and the annual performance information.
- Annual review of the committee's work in line with the charter and its effectiveness, and making recommendations to the Accounting Authority to ensure the committee's continued effectiveness.
- Meeting separately with internal and external auditors outside of management
- The committee has done the following in relation to internal audit:
- Reviewed and recommended the internal audit charter for approval by EXCO (formerly TMC).
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate.
- Satisfied itself that the internal audit function has the necessary resources, budget, standing and authority within the entity to enable it to discharge its functions.
- Approved the internal audit plan.
- Encouraged co-operation between the internal and external audit functions

MEMBERSHIP AND ATTENDANCE

The committee consists of independent members who collectively have sufficient qualifications and experience in financial matters to fulfil their duties. The Commissioner, Deputy Commissioners, Chief Financial Officer, Chief Information Officer and Chief Risk Officer are permanent invitees to committee meetings, while the external and internal auditors attend by invitation. The internal and external auditors have unrestricted access to the audit committee. The committee met six times during the year.

The members of the committee together with their qualifications and record of attendance are listed below.

The tabled below discloses relevant information on the audit committee members

Name	Qualifications	Internal or external	Date appointed	Date Resigned	No. of Meetings Attended
Mr Nico Esterhuizen – Chairperson from 13 September 2021	B Degree (Honours, Masters (UJ) Masters (The University of London). CA;	External	13 September 2021	N/A	Four
Ms J Mogadime	BA; MBA; Dip Marketing (Cim)	External	1 August 2022	N/A	Six
Ms P Mvulane	B Com (Honours); CA; Diploma in Auditing	External	1 November 2020	N/A	Five
Ms L Senne	B Com (Honours); CA; Diploma in General Management, MBA	External	13 September 2021	N/A	Four
Mr H Ratshefola Chairperson of Risk Committee	BCom (Information Systems); IBM Executive Leadership Certificate	External	1 April 2018	N/A	Six
Mr S Gounden – Chairperson until 31 July 2021 (Resigned)	B Compt; Higher Diploma in Accounting; CA; Executive Leadership Development Institute	External	1 August 2020	31 July 2021	Two
Dr P Mokgobu Transferred to Human Resources, Social & Ethics Committee from 30 June 2021	PhD; MBA; M Admin; B Admin; B Admin (Honours); Diploma in Labour	External	1 August 2020	30 June 2021	One

COMPLIANCE WITH LAWS AND REGULATIONS

INDEPENDENT COMPLIANCE FUNCTION

The FSCA has established an independent compliance function that advises on and assists in the identification, assessment, management, monitoring and reporting of the regulatory compliance risk in the organisation.

COMPLIANCE CHAMPIONS

The FSCA has appointed Compliance Champions within departments in the FSCA in order to assist in the management of compliance obligations applicable to the FSCA. The Compliance Champions assist the Heads of Department to:

- manage the FSCA's compliance risks to ensure that the FSCA follows legislation and other statutory requirements for which the FSCA is responsible for; and
- ensure that the FSCA complies with all applicable compliance requirements.

COMBINED ASSURANCE MODEL

The FSCA has established a Combined Assurance Forum to implement and embed the Combined Assurance framework principles as approved by the Audit Committee. The model aids the FSCA to improve efficiency and understanding of the FSCA's control environment.

The Combined Assurance model is aimed at integrating all the FSCAs assurance levels to provide a holistic view of controls implemented to mitigate the FSCAs strategic risks. This means that combined assurance reporting in focused on the FSCAs strategic risks.

The Combined Assurance model adopted three lines of defence which are categorised as:

i. First line of Assurance: this oversight level is centralised to the risk owners which are the executives of the FSCA.
ii. Second line of Assurance: this oversight level consists of the Enterprise Risk, Compliance and Legal Function.
iii. Third line of Assurance: this oversight level consists of independent and objective assurers which are the Internal and external auditors of the FSCA.

The Combined Assurance report is submitted to the Audit Committee bi-annually to ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.

AWARENESS AND TRAINING

The FSCA has developed and maintained material and plans for training of its employees. The e-learning content is housed on the FSCA e-learning platform, powered by New Spring platform. Training of employees is continually and regularly monitored and evaluated.

FRAUD AND CORRUPTION

FSCA is mandated to supervise compliance with laws and regulations with regards to financial institutions. The FSCA expects its Executive Committee and employees (at all levels) to adopt the highest standard of honesty, propriety, integrity and accountability; and to be attentive and vigilant towards any irregular transactions and/or behaviour.

The FSCA's Management continuously communicates the Fraud and Corruption Prevention Strategy (Strategy) to FSCA employees, stakeholder's, service providers, contractors, members of the public, agencies conducting business with the FSCA, or any other parties with a business interest in, and relationship with, the FSCA.

The FSCA made good progress with the implementation of the Fraud and Corruption Prevention Strategy. The Governance Risk and Assurance Department monitors progress on the implementation of the strategy and provides feedback to the Audit and Risk Committees.

The FSCA conducted a maturity assessment to evaluate how comprehensive the FSCAs fraud risk management program is and how well it is achieving its objectives. The assessment highlighted that FSCA has effective fraud mitigating and governance controls in place. The assessment, however, did recommend further strengthening of governance structures to incorporate analytics in fraud management process and increase on the transparency and communication frequency of internal fraud cases.

Following this recommendation, the FSCA committed to creating a fraud risk team for the organisation to continuously monitor and remediate the FSCAs fraud risk register and incidents. In addition, this team will

i. Evaluate internal investigations underway and develop remediation strategies for any control efficiencies findings highlighted.

ii. Introduce benchmark from local and international trends, mapping them to the FSCA fraud landscape and ensuring controls are in place to mitigate the exposures.

For the reporting year, all FSCA Fraud and Corruption policies, as well as the strategy and plan were reviewed. In addition, the FSCA strengthened the organisations awareness programme aimed at educating all staff about the mechanism in place within the FSCA. This was aimed at preventing fraudulent activities within the organisation. The awareness programmes made emphasis on the FSCAs' zero tolerance stance toward fraudulent activities.

The FSCA has an independent Whistleblowing Solution system, which is administered by an external service provider. This system allows for the reporting of any suspected fraudulent activities impacting the FSCA. This system caters for internal and external activities in accordance with the mandate of the FSCA.

Investigations	Finalised Cases	Enforcement Actions
• New cases - 622 • Cases at year end under investigation relating to current and prior years -207	• Contravention of markets Act — 48 • Contravention of various sector laws -573	• Administrative - 8 matters • Debarment orders -3 • Enforceable undertaking - 1 • Penalties levied -R72 212 589 • Cases registered with SAPS - 2

Any investigation which is necessitated will be conducted to its fullest extent, without favour and regardless of the suspected offender's length of service, position/title, or relationship to the FSCA. Investigations into alleged financial misconduct are conducted in accordance with Treasury Regulation 33 issued in terms of the Public Finance Management Act, Act 1 of 1999 (PFMA). This should be read together with chapter 10 of the PFMA and any other legislation applicable therein.

In accordance with the Fraud and Corruption Prevention Plan, all internal investigations are handled by an outsourced service provider. During the year, the FSCA received three tip-offs impacting staff. One matter was referred to a service provider for further investigation. The investigation proved that there were no merits to the allegations and as a result the employees impacted were cleared of any wrongdoing. The remaining two matters were concluded after performing a preliminary assessment to determine if there's any merits to the allegations, and it was concluded that there were no merits to the allegations and the tip-offs were subsequently closed

MINIMISING CONFLICT OF INTEREST

FSCA EXCO is committed to executing its mandate ethically and to establishing and inculcating a culture of ethical behaviour among all employees and stakeholders. It embraces the principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV) and has developed a Compliance Framework and Manual, a Code of Conduct and a Code of Ethics. These obligate the EXCO and employees to adhere to legislation, best practice principles and high standards of integrity. The FSCA continually manages the conflict-of-interest process. This incorporates a mandatory annual declaration of governance committee members. In addition, committee members are prompted to declare any changes in their directorship statuses at the beginning of each committee meeting.

There's a mandatory annual business declaration process implemented for all FSCA staff. The integrity of the declaration is aided by the FSCAs verification process which is led by the Governance, Risk and Assurance department. In an effort to proactively manage declarations by staff, the Governance, Risk and Assurance function reviews staff declarations and performs verification of the information received.

CODE OF CONDUCT

King IV, Principle two recommends that the FSCA Accounting Authority (the Commissioner) should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. This requires the FSCAs EXCO to ensure that a code of conduct is in place and mandatory for all staff to adhere to.

The FSCA's Executive Committee (EXCO) is prescribed to assume responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed by the organisation.

During the year under review, the FSCA reviewed the internal code of conduct and published it for all staff to familiarise themselves with. This was to strengthen oversight Ethics within the FSCA and to ensure mandatory compliance by all staff. The FSCAs code of conduct prescribes the standard ethical behaviour for all staff and guides on how staff are expected to interact with stakeholders and each other.

In addition, the FSCA has a compliance monitoring process in place which allows for the reporting of any incident that resulted in non-compliance to the code of conduct. Staff found to be in breach of the code of conduct are subjected to a disciplinary process as per the policy, and outcomes of the process are reported to the HR&SEC to ensure consistency in the application of the policy.

FSCA invited an external independent party, Pro ethics, to conduct an ethics culture pulse check, whose recommendations are being adopted by EXCO. An action plan is being developed by the GRA department in consultation with the human resources department to deal with all recommendations provided, after which the EXCO will delegate the monitoring of that action plan to the Human Resources, Social and Ethics Committee. The EXCO also established the Ethics Office which is housed within the GRA department led by the Chief Risk Officer, reporting directly to the Commissioner.

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2022.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity, revealed certain weaknesses which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Supply Chain Management,
- Internal Financial Controls Review
- Performance Information Audit
- Audit of Predetermined Objectives
- Integrated Regulatory System Proactive Probity Audit
- Internal Control Audit Opinion
- Follow-Up on External and Internal Audit Reports (including IT and AG findings)

A few control weaknesses were noted which are not material. The controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

A separate Risk Committee monitors and oversees the assessment and mitigation of enterprise-wide risks. The committee is satisfied that the process and procedures followed by the risk committee are adequate to ensure that financial risks are identified and monitored. The internal auditors use the risk register overseen by the risk committee to prepare their audit coverage plans and to undertake their work in the higher risk areas identified. The risk register is reviewed and updated quarterly to ensure that all major risks facing the entity, including emerging risks, are managed effectively. The chairperson of the risk committee is a member of the audit committee.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The committee has done the following:

- Reviewed the quarterly reports submitted to National Treasury in terms of the PFMA and Treasury Regulations; no deviations were noted.
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations.
- Reviewed the annual performance plan and revised strategic plan before submission to the Executive Authority

The public entity has submitted monthly and quarterly reports to the Executive Authority.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the annual financial statements and annual performance report for the year ended 31 March 2022 prepared by the public entity. We also reviewed:

- the external auditor's report;
- the FSCA's compliance with applicable laws and regulation;
- significant adjustments resulting from the audit;
- the audited annual financial statements to be included in the annual report, with the Auditor-General and the Commissioner; and
- the Auditor-General's management report and management's response thereto.

The committee has discussed and agreed on the conclusions of the external auditors on the annual financial statements, read together with the report of the external auditors. At its meeting held on 22 July 2022, the committee recommended the financial statements to the EXCO for approval.

AUDITOR'S REPORT

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that all material have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

The committee is satisfied with the independence and objectivity of the external auditors. The committee has met with external auditors separately wherein they engaged with the Audit Committee members to ensure that there were no unresolved issues.

The committee also approved the audit strategy and acknowledged the contents of the engagement letter presented by external auditors.

F.N. Esterhuizen

Nico Esterhuizen

Chairperson of the Audit Committee

Financial Sector Conduct Authority

REMUNERATION COMMITTEE

The Remuneration Committee (Remco) is committed to applying independent and objective oversight. Its mission is to ensure that remuneration, and associated practices, are defensible and enable the FSCA to attract, motivate and retain top talent, as well as execute on its business strategy

REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

The remuneration mix applied by the FSCA consists of a guaranteed package and variable pay. Due to its nature as a regulator and its business operating model, the FSCA does not have a long-term incentive (LTI) plan in place. The current short-term (STI) incentive plan is performance based and linked to the budgeted bonus on an annual basis. The FSCA adapts its rewards strategies on a continuous basis through benchmarking against industry practices to ensure relevance, competitiveness as its drives employee retention and drive new employee behaviours as outlined in its regulatory strategy. Accordingly, 96.17% of employees were awarded short-term incentives in 2021 based on performance. Funding for the incentive scheme is based on a budgeted percentage of the Annual Cost to Employer payroll. Short-term incentives of general staff are subject to Strategic Management Committee (SMC) and EXCO approval each year based on economic circumstances and the performance of the organisation.

Performance targets are set annually and approved by EXCO. SMC members' individual performance targets are linked to organisational targets and cascaded to Divisional, Departmental, and individual performance goals in their respective Divisions. The SMC incentive scheme is separate to the staff incentive scheme and the total pay-out is linked to the individual performance scores.

ROLE OF THE REMUNERATION COMMITTEE

This Committee is tasked to ensure that senior management and staff are appropriately rewarded to ensure, as far as possible, that the FSCA is able to recruit, motivate and retain talent.

The purpose of the Remuneration Committee is to ensure that the FSCA adheres to fair pay practices and that staff are rewarded appropriately. The Committee dealt with the following matters over the past year:

Quarter 1	Discretionary Incentives (Approval) Non-cash incentives Report Performance Report Mid-Year Review of Remuneration Report
Quarter 2	Discretionary Incentives (Approval) Salary Increases Market Trends survey Terms of Reference (Approval)
Quarter 3	Discretionary Incentives (Approval) Performance Report Year-End Performance Bonuses (Approval) Salaries Increases (Approval)
Quarter 4	Budget provisions (Salaries, Bonus, Incentives) Committee Evaluations Discretionary Incentives (Approval) Remuneration Statement for the Annual Report

KEY REMUNERATION DECISIONS IN 2021

Salary adjustments are granted to deserving and performing staff members once a year in July. The table below summarises remuneration adjustments made during 2021 which includes the structural adjustments and promotions that were effected on 1 July 2021.

General Staff

Table 1 – Summary of July 2021 Structural Adjustments

Nr of Staff	% Adjustment	Motivation
2	21%	Hay grade 252 minimum starts at R 280 000 pa
1	7.5%	Salary below -25% of the market median
8	between 7.5% and 22%	Motivated by Departmental Heads for retention purposes
11		

Table 3 – Summary of July 2021 Promotions

Nr of Staff	% Adjustment	Motivation
31	Between 7.5% and 21%	Budgeted Analyst progressions, as well as motivations received from Departmental Heads
31		

As at 31 December 2021 (after progressions and annual increases that became effective 1 January 2022) the FSCA had 449 (74.46%) employees remunerated within range, and 108 (17.91%) employees were remunerated above + 25% of the market median. 46 (7.63%) employees were remunerated below -25% of market median.

Actuarial Staff

As part of our retention strategy, we have a policy to encourage the growth and development of actuarial students. The strategy is aligned to industry practices i.e. when students pass their examinations, they receive an incentive either as a salary structural adjustment or a once-off bonus payment. Bonuses differ for the level of the examination. The incentive is applied twice a year and is linked to the actuarial study discipline. Incentives that were granted to actuarial staff during the year are summarised below:

Table 5 – Summary of Actuarial Salary changes

Date	Structural Adjustments	Bonuses
2022	R 59 288.00	R 14 000
Number of staff	1	1
Total	R 59 288.00	R 14 000

Summary of Executive Remuneration

Table 6– Summary of EXCO/SMC Remuneration Mix

Name	GP	STI	Total
	R'000	R'000	R'000
Kamlana, U[17]	R 4 167	R 0	R 4 167
Ludin, A[18]	R 3 333	R 0	R 3 333
Gibson, K[19]	R 2 000	R 375	R 2 375
Badat, F[20]	R 1 333	R 0	R 1 333
Makhubela, OB	R 3 489	R 450	R 3 939
Kekana, LP	R 3 832	R 375	R 4 207
Mogase P	R 3 136	R 337	R 3 473
Topham, B	R 4 022	R 333	R 4 355
Hlalethoa, JJR	R 4 036	R 375	R 4 411
Mabaso, F	R 3 238	R 337	R 3 575
Dikokwe, K	R 3 136	R 318	R 3 454

17 Kamlana, U – joined the FSCA 01 June 2021

18 Ludin, A – joined the FSCA 01 June 2021

19 Gibson, K – joined the FSCA 27 September 2021

20 Badat, F – Joined the FSCA 01 December 2021


MY TOWNSHIP
MY BUSINESS
MONEY SMART WEEK

PART D
HUMAN RESOURCE MANAGEMENT

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OVERVIEW

Human resource programmes focused on entrenching a high-performance organisational culture underpinned by a common set of values that are understood and championed by all employees. The organisation recalibrated its organisational values to ensure that these strengthen the desired organisational culture, drive organisational effectiveness, and support the achievement of the organisation's strategy. To ensure that leaders are equipped and empowered to drive the new values and desired organisational culture, leadership development programs were put in place including an executive coaching program, a senior leadership development program, and all line managers participated in a strategic bootcamp aimed at strengthening strategic planning and execution capabilities within the organisation. In addition to embedding the new organisational values, various organisational effectiveness initiatives were carried out, including team effectiveness sessions that took place across all levels in the organisation and the realignment of the performance management cycle.

A set of guidelines and support initiatives aimed at ensuring that employees continue to thrive in a hybrid work environment were put in place and socialised across the organisation. With POPIA coming into effect on 1 July 2021, training and change management programs were put in place to ensure that all employees were familiar with the requirements of the Act to ensure organisational compliance. The HR Information System was successfully upgraded into a modern platform that will continue to be enhanced to increase stakeholder value.

TRAINEE DEVELOPMENT PROGRAMME

During the period under review, fourteen unemployed graduates were offered an opportunity to participate in the FSCA Internship programme for 2021/22. The Internship programme contributes to the ideals and targets of the National Development Plan of decreasing youth unemployment levels. These Interns were placed in various departments where they deal with real work scenarios that prepare them for the work environment. The Interns have been equipped with well-rounded skills to become employable and effectively participate in the labour market. Despite the organisation having had to adapt to remote working, this did not affect the rollout and effectiveness of the programme. 64% of the Interns of the preceding financial year were placed permanently during the reporting period.

BURSARY PROGRAMME

ACTUARIAL BURSARY PROGRAMME

The FSCA offers bursaries to deserving students from previously disadvantaged groups to study for a qualification in BSc Actuarial Sciences at an identified South African University. The bursary covers direct and indirect study related costs. One deserving black male has been awarded a bursary to study through the University of Witwatersrand from 2022 to 2024. The bursary holder will be permanently appointed by the FSCA upon completion of his studies.

BURSARY POLICY FOR PEOPLE WITH DISABILITIES

The FSCA has approved a bursary policy to fund people with disabilities to study for qualifications that are relevant to the business of the FSCA. This is a concerted effort to ensure that the FSCA has a readily available pool as part of its diversity and inclusion strategy.

PROTECTION OF PERSONAL INFORMATION ACT (POPIA) TRAINING

The FSCA implemented various compulsory POPIA training programmes including awareness training programmes, customised e-learning training programmes and Division specific training programmes that will ensure understanding and adherence to the legislation. The whole staff complement has been trained on POPIA.

ON-LINE ETHICS TRAINING

To continuously embed an ethical culture in the organisation, all new recruits are expected to enroll for the ethics online course as part of the on-boarding process. Forty-two (42) new recruits successfully completed the course during the past financial year.

GENERAL TRAINING

Eighty-two (82) training interventions were rolled out during the past financial year. Six hundred and twenty-three (623) employees, including Interns and fixed-term contractors attended scheduled training interventions. The approved annual training budget was R 7 520 129, but the total spent was R 7 583 658 experiencing a variance of - R 63 529 which is within the 5% approved allowance margin. The FSCA also has an inhouse e-learning portal to provide just in-time training courses to employees.

EMPLOYEE WELLNESS

The FSCA instituted a holistic Employee Wellness Programme in partnership with ICAS during the financial year. Two wellness events took place during the financial year i.e., March 2021 and October 2021. In addition, various mental health campaigns were carried out during the course of the year. A 'Return-to-Work' webinar took place during to the month of March 2022 to prepare employees for the planned return to work which became effective on 1 April 2022. The FSCA rolled out a campaign to encourage employees to get vaccinated in line with the organisation's effort to ensure a safe working place for all employees.

HUMAN RESOURCE OVERSIGHT STATISTICS

Our Workforce

The staff complement, as at 31 March 2022, was 615 including contractors and employees living with disabilities. The permanent staff complement was 601. The process of appointing the Commissioner and three Deputy Commissioners for the FSCA was finalised during the course of the year. All key and critical positions have been filled.

Personnel Costs by Programme/Activity/Objective

Programme/Activity/Objective	Total Expenditure	Personnel Expenditure	% of Total Expenditure	No of employees	Average Personnel Cost Per Employee
Administration and Support	471,474	166,733	35%	196	850.68
Conduct of Business Supervision	143,383	99,960	70%	140	714.00
Enforcement	77,454	44,403	57%	35	1,268.66
Licensing & Business Centre	82,286	52,735	64%	99	532.68
Market Integrity	27,162	16,046	59%	20	802.29
Regulatory Policy	63,937	41,476	65%	38	1,091.46
Retirement Funds	93,590	63,485	68%	73	869.66
Total	**959,287**	**484,838**	**51%**	**601**	**806.72**

Personnel Cost by Salary Band

Level	Personnel Expenditure (R000)	% of total personnel cost	No of employees	Average Personnel Cost Per Employee (R000)
Top management	37,345	8%	11	3,395
Senior management	75,008	15%	38	1,974
Professional qualified	270,069	56%	284	951
Skilled	73,796	15%	176	419
Semi-skilled	28,620	6%	90	318
Total	**484,838**	**100%**	**599**	**809**

Performance Rewards

The FSCA awarded performance bonuses in recognition of employee performance, including executive staff at the end of the performance cycle.

Levels	Number of Employees	Incentives Paid	% of Incentives
Top Management	11	2,902,500	8%
Senior Management	38	6,292,937	17%
Professional Qualified	302	20,278,570	56%
Skilled	190	4,910,827	13%
Semi-skilled	91	2,147,474	6%
Total	**632**	**36,532,308**	**100%**

Training Costs

Programme/Activity/Objective	Personnel Expenditure (R000)	Training Expenditure (R000)	Training Expenditure as a % of Personnel Expenditure	Number of Employees Trained	Average Training Cost Per Employee
Administration and Support	166,733	2,815	2%	196	14
Conduct of Business Supervision	99,960	1,661	2%	140	12
Enforcement	44,403	1,081	2%	35	31
Licensing & Business Centre	52,735	1,072	2%	99	11
Market Integrity	16,046	353	2%	20	18
Regulatory Policy	41,476	581	1%	38	15
Retirement Funds	63,485	1,119	2%	73	15
Total	**484,838**	**8,682**	**2%**	**601**	**-**

Employment and Vacancies

The budgeted headcount increased by 4% from 623 to 650.

Programme/Activity/Objective	31 March 2021 number of employees	1 April 2021 approved posts	31 March 2022 number of employees	2022 Vacancies	% Vacancies
Administration and Support	187	209	196	13	27%
Conduct of Business Supervision	131	152	140	12	24%
Enforcement	37	39	35	4	8%
Licensing & Business Centre	83	105	99	6	12%
Market Integrity	21	27	20	7	14%
Regulatory Policy	42	43	38	5	10%
Retirement Funds	69	75	73	2	4%
Total	**570**	**650**	**601**	**49**	**100%**

Levels

Level	31 March 2021 number of employees	1 April 2021 approved posts	31 March 2022 number of employees	2022 Vacancies	% Vacancies
Top management	8	13	11	2	4%
Senior management	35	38	36	2	4%
Professional qualified	276	311	287	24	49%
Skilled	163	195	178	17	35%
Semi-skilled	88	93	89	4	8%
Total	**570**	**650**	**601**	**49**	**100%**

Employment Changes

The FSCA appointed 70 new staff members during the 2021/22 financial year. The staff turnover rate decreased from 7% to 5.6% which is within the targeted turnover rate. The internal movements below are due to internal appointments and promotions. Three employees who were serving their notice in March 2022 are included in the 31 March 2022 headcount.

Levels	Employed at Beginning of Period	Appointments	Internal Movements	Terminations	Employed at end of Period
Top Management	8	4	0	1	11
Senior Management	35	1	3	3	36
Professional Qualified	276	15	13	17	287
Skilled	163	45	-16	14	178
Semi-skilled	88	5	0	4	89
Total	**570**	**70**	**0**	**39**	**601**

Significant Terminations

A total of 35 staff members left during this period. 4 of the terminations above took place in March 2021 and the employees were still in the employ of the FSCA as at 31 March 2021. 2 resignations were at Senior Management level in the positions of Departmental Head: Fintech and Departmental Head: OTC and Market Issuers. One retirement was at Senior Management level in the position of Departmental Head: Financial Advisers and Intermediaries Services.

Reason	Number	% of total staff leaving
Death	0	0%
Resignation	31	89%
Dismissal	0	0%
Retirement	3	9%
Ill Health	0	0%
Expiry of Contract	0	0%
Other	1	3%
Total	**35**	**100%**

Labour Relations: Misconduct and Disciplinary Action

No dismissals took place during the financial year 2021/2022. The FSCA had one enquiry during the financial year 2021/22. The FSCA attended three matters at the CCMA relating to two ex-employees who were dismissed. Progressive disciplinary was consistently applied on cases based on the nature of the misconduct, a verbal and a written warning were issued.

Nature of Disciplinary Action: General Staff	Number
Enquiry	1
Grievance	1
Verbal Warning	3
Written Warning	4
Final Written Warning	0
Mutual Separation	1
Dismissed	0
CCMA	3

Employment Equity Target and Employment Equity Status

The FSCA embraces fair and non-discriminatory employment practices and policies and is committed to identifying and eliminating any unfair discriminatory practices. To monitor progress toward the achievement of its Employment Equity goals, the HR Department provided quarterly updates on the progress made to the Executive Committee, management and employees. The tables below indicate the Employment Equity profile of the FSCA as at 31 March 2022. Initiatives were implemented to address underrepresentation of designated groups.

Male								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	4	0	0	1	0	1	1	0
Senior Management	8	0	1	0	1	0	6	0
Professional Qualified	114	19	6	3	4	0	15	6
Skilled	71	0	2	3	1	2	0	2
Semi-skilled	31	0	1	0	1	0	0	0
Total	**228**	**19**	**10**	**7**	**7**	**2**	**22**	**8**

Female								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	0	0	0	1	0	2	0
Senior Management	11	0	3	0	1	0	5	0
Professional Qualified	104	16	5	4	9	0	30	0
Skilled	93	0	7	0	1	2	3	0
Semi-skilled	42	0	8	0	0	0	6	0
Total	**253**	**16**	**23**	**4**	**12**	**2**	**46**	**0**

People with Disability				
Levels	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	2	0	2
Skilled	3	2	3	2
Semi-skilled	0	1	0	1
Total	**3**	**5**	**3**	**5**


2017
RAND
Suid-Afrika

PART E
FINANCIAL INFORMATION

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Index

The reports and statements set out below comprise the annual financial statements presented to the Parliament of the Republic of South Africa:

Report by the Accounting Authority

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Authority has recognised the impact of the Covid-19 pandemic and the resultant restrictions on the economy and the ability of some regulated entities to fulfil their financial obligations. The Accounting Authority has accordingly implemented numerous measures to ensure the health and safety of our stakeholders at the same time preserving our resources, performing financial scenarios and liquidity stress testing in order to remain sustainable.

The Accounting Authority acknowledges its responsibility for the preparation and integrity of the annual financial statements and related information included in the annual report. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act 1 of 1999 (PFMA) and other applicable legislation, it has developed and maintains a system of internal control.

Internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with GRAP, as well as policies and procedures established by the Accounting Authority and independent oversight by the Audit and Risk Management Committees.

The FSCA is well placed to manage future funding requirements pertaining to its regulatory activities and has sufficient resources to continue its business for the foreseeable future. The Accounting Authority therefore concludes that using the going concern basis is appropriate in preparing its financial statements as there are no material uncertainties related to events or conditions that may cast significant doubt about the FSCA's ability to continue as a going concern.

The annual financial statements for the year ended 31 March 2022, as set out on pages 152-198 were approved by the Accounting Authority on 29 July 2022 and were signed on its behalf by:

U Kamlana

Commissioner
Financial Sector Conduct Authority

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Report of the Auditor-General to Parliament on the Financial Sector Conduct Authority

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Financial Sector Conduct Authority (FSCA) set out on pages 152 to 198, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the FSCA as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' ***International code of ethics for professional accountants (including International Independence Standards)*** (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

INTRODUCTION AND SCOPE

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2022:

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Report of the Auditor-General to Parliament on the Financial Sector Conduct Authority

Programme	Pages in the annual performance report
Programme 4: Conduct of Business Supervision	**100-104**

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- **Programme 4:** Conduct of business supervision

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 86 to 109 for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported on, in this auditor's report.

20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Report of the Auditor-General to Parliament on the Financial Sector Conduct Authority

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

24. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

25. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority, who constitutes the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Financial Sector Conduct Authority to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

26. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

27. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

Amounts in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Cash and cash equivalents	3	559,393,316	600,645,483
Receivables from exchange transactions	4	10,387,933	7,975,507
Statutory receivables from exchange transactions	5	15,180,687	14,185,541
Statutory receivables from non-exchange transactions	6	60,776,743	100,546,878
Prepayments	7	7,932,436	10,298,793
Financial assets at fair value	10	2,100,133	1,200,000
		655,771,248	**734,852,202**
Non-Current Assets			
Property, plant and equipment	8	31,445,742	45,361,346
Intangible assets	9	18,283,351	15,993,577
Financial assets at fair value	10	89,342,404	85,278,533
		139,071,497	**146,633,456**
Total Assets		**794,842,745**	**881,485,658**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	55,111,494	110,897,991
Payables from non-exchange transactions	12	94,571,838	121,516,246
Levies and fees received in advance	13	51,654,242	49,273,493
Provisions	14	21,671,906	22,604,344
Finance lease obligation	15	-	2,200
		223,009,480	**304,294,274**
Non-Current Liabilities			
Provisions	14	4,786,348	4,413,740
Operating lease liability		19,166,981	25,419,654
Employee benefit obligation	16 & 17	57,176,969	51,660,126
		81,130,298	**81,493,520**
Total Liabilities		**304,139,778**	**385,787,794**
Net Assets		**490,702,967**	**495,697,864**
Accumulated Reserves			
Contingency reserve	18	90,641,636	86,635,782
Discretionary reserve	19	45,144,375	47,928,431
Accumulated surplus		354,916,956	361,133,651
Total Net Assets		**490,702,967**	**495,697,864**

Statement of Financial Performance for the year ended 31 March 2022

Amounts in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions	23	64,621,390	64,352,380
Revenue from non-exchange transactions	24	884,691,019	862,233,736
		949,312,409	**926,586,116**
Expenses			
Advisory and other committee fees		(12,763,563)	(7,294,158)
Contribution towards funding of the Office of the Ombud for FSPs	25	(57,755,000)	(57,627,407)
Contribution towards funding of the Office of the PFA	25	(79,302,000)	(75,392,409)
Depreciation and amortisation	8&9	(21,061,228)	(20,640,072)
Executive management remuneration	25	(43,132,118)	(48,792,871)
External audit fees	26	(3,833,434)	(3,246,610)
Finance costs	15	(129)	(894)
Internal audit fees		(1,011,385)	(1,461,250)
Legal fees		(14,021,592)	(13,742,901)
Governance committee fees	25	(1,447,091)	(1,623,448)
Operating lease rentals - buildings		(78,921,969)	(77,187,908)
Other Operating expenses	27	(73,340,116)	(82,055,904)
Professional and consulting fees		(23,331,619)	(21,589,780)
Impairment loss	28	(10,979,866)	(15,021,580)
Salaries, staff benefits, training and other staff expenses		(532,043,719)	(488,365,923)
		(952,944,829)	**(914,043,115)**
Operating (deficit)/ surplus		**(3,632,420)**	**12,543,001**
Fair-value adjustments of financial assets at fair value		4,979,314	23,910,838
Post-retirement medical aid fund obligation increase		(5,516,843)	(5,361,846)
Loss on disposal of assets		(824,947)	(108,528)
		(1,362,476)	**18,440,464**
(Deficit)/surplus for the year		**(4,994,896)**	**30,983,465**

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Statement of Changes in Net Assets for the year ended 31 March 2022

Amounts in Rand	Note(s)	2022	2021

Amounts in rand	Descretionary reserve	Contingency reserve	Total reserves	Accumulated surplus / deficit	Total accumulated reserves
Balance at 1 April 2020	**30,454,521**	**85,846,540**	**116,301,061**	**348,413,338**	**464,714,399**
Changes in net assets					
Surplus for the year	-	-	-	30,983,465	30,983,465
Transfer from accumulated surplus to discretionary reserve	17,473,910	-	17,473,910	(17,473,910)	-
Transfer from accumulated surplus to contingency reserve	-	789,242	789,242	(789,242)	-
Total changes	17,473,910	789,242	18,263,152	12,720,313	30,983,465
Balance at 31 March 2021	**47,928,431**	**86,635,782**	**134,564,213**	**361,133,651**	**495,697,864**
Changes in net assets					
Deficit for the year	-	-	-	(4,994,897)	(4,994,897)
Transfer from accumulated surplus to contingecy reserve	-	4,005,854	4,005,854	(4,005,854)	-
"Transfer from discretionary reserve to accumulated surplus"	(2,784,057)	-	(2,784,057)	2,784,057	-
Total changes	(2,784,057)	4,005,854	1,221,798	(6,216,695)	(4,994,897)
Balance at 31 March 2022	**45,144,374**	**90,641,636**	**135,786,011**	**354,916,956**	**490,702,967**
Note(s)	19	18			

Cash Flow Statement for the year ended 31 March 2022

Amounts in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Cash receipts from industry		950,529,729	946,331,438
Interest income		24,838,170	24,223,135
Dividends		1,693,564	796,968
		977,061,463	**971,351,541**
Payments			
Employee costs		(574,647,324)	(530,040,998)
Suppliers		(191,389,877)	(179,677,497)
Other payments		(242,029,066)	(193,408,317)
		(1,008,066,267)	(903,126,812)
Net cash flows from operating activities	29	**(31,004,804)**	**68,224,729**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(4,212,704)	(6,048,294)
Purchase of intangible assets	9	(6,047,640)	(2,404,385)
Purchase of financial assets		(2,716,790)	(5,573,993)
Proceeds from sale of financial assets		2,732,100	4,022,681
Net cash flows from investing activities		**(10,245,034)**	**(10,003,991)**
Cash flows from financing activities			
Finance lease payments		(2,200)	(3,897)
Finance costs		(129)	(894)
Net cash flows from financing activities		**(2,329)**	**(4,791)**
Net (decrease)/increase in cash and cash equivalents		**(41,252,167)**	**58,215,947**
Cash and cash equivalents at the beginning of the year		600,645,483	542,429,536
Cash and cash equivalents at the end of the year	3	**559,393,316**	**600,645,483**

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Statement of Comparison of Budget and Actual Amounts for the year ended

Amounts in Rand	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Reference
Statement of Financial Performance					
Revenue from exchange transactions	154,058,901	**154,058,901**	64,621,390	**(89,437,511)**	38
Revenue from non-exchange transactions	864,481,000	**864,481,000**	884,691,019	**20,210,019**	
Total revenue	**1,018,539,901**	**1,018,539,901**	**949,312,409**	**(69,227,492)**	
Expenses					
Advisory and other committee fees	(28,970,552)	**(28,970,552)**	(12,763,563)	**16,206,989**	38
Contribution towards funding of the Office of the Ombud for FSPs	(57,755,004)	**(57,755,004)**	(57,755,000)	**4**	
Contribution towards funding of the Office of the PFA	(79,302,000)	**(79,302,000)**	(79,302,000)	**-**	
Depreciation and amortisation	(29,836,820)	**(29,836,820)**	(21,061,228)	**8,775,592**	38
Executive management remuneration	(47,657,793)	**(47,657,793)**	(43,132,118)	**4,525,675**	38
External audit fees	(4,059,381)	**(4,059,381)**	(3,833,434)	**225,947**	
Finance costs	(129)	**(129)**	(129)	**-**	
Internal audit fees	(1,883,424)	**(1,883,424)**	(1,011,385)	**872,039**	38
Legal fees	(12,549,000)	**(12,549,000)**	(14,021,592)	**(1,472,592)**	38
Governance committee fees	(1,311,180)	**(1,311,180)**	(1,447,091)	**(135,911)**	38
Operating lease rental - buildings	(82,242,587)	**(82,242,587)**	(78,921,969)	**3,320,618**	
Other operating expenses	(97,364,447)	**(97,364,447)**	(73,340,116)	**24,024,331**	38
Professional and consulting fees	(38,213,436)	**(38,213,436)**	(23,331,619)	**14,881,817**	38
Impairment loss	-	**-**	(10,979,866)	**(10,979,866)**	38
Salaries, staff benefits, training and other staff expenses	(536,827,395)	**(536,827,395)**	(532,043,719)	4,783,676	
Total expenditure	**(1,017,973,148)**	**(1,017,973,148)**	**(952,944,829)**	**65,028,319**	
Operating (deficit) /surplus	**566,753**	**566,753**	**(3,632,420)**	**(4,199,173)**	
Loss on disposal of assets	-	**-**	**(824,947)**	**(824,947)**	
Fair-value adjustments of financial assets at fair value	-	**-**	4,979,314	**4,979,314**	38
Post retirement medical aid fund obligation (increase) / decrease	-	**-**	(5,516,843)	**(5,516,843)**	38
	-	**-**	**(1,362,476)**	**(1,362,476)**	
	-	-	-	-	
(Deficit) / Surplus for the year	**566,753**	**566,753**	**(4,994,896)**	**(5,561,649)**	

1. BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS REPORTING ENTITY

The Financial Sector Conduct Authority (FSCA) is a National Public Entity, as specified in Schedule 3A of the Public Finance Management Act (PFMA) 1999 (Act No. 1 of 1999), (as amended by Act No.29 of 1999). The FSCA is mandated by the South African government to enhance and support the efficiency and integrity of financial markets, protect financial customers and assist in maintaining financial stability in South Africa.

Basis of accounting

The principal accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies were consistently applied to the years presented, unless otherwise stated.

The FSCA's financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), as set out in the Accounting Standards Board (ASB) Directive 5 (Determining the GRAP Reporting Framework) and the PFMA (as amended by Act No 29 of 1999). The financial statements are presented in South African Rand.

The financial statements are prepared in concurrence with the going-concern principle and on an accrual basis in line with the measurement base applied, being the historical cost unless stated otherwise.

In applying accounting policies, management is required to make various judgements, apart from those involving estimations, which may affect the amounts of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events that could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates that may be material to the financial statements. Details of any significant judgements and estimates are explained in the relevant policy, where the impact on the financial statements may be material.

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the FSCA's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed below.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Provisions

Provisions are raised based on management's determined estimate using the information available. The accounting policy for provisions is disclosed under note 1.12 and additional disclosure of these estimates of provisions are included in note 14.

Depreciation and amortisation

During each financial year, management reviews property, plant and equipment and intangible assets to assess whether the useful lives and residual values applicable to each asset are appropriate.

At the end of each financial year management assesses whether there is any indication that the FSCA's expectations about the residual value and the useful life of assets included in property, plant and equipment have changed since the preceding reporting date.

Impairment of receivables

Management conducts annual tests to determine whether receivables have suffered any impairment (refer to note 1.4 and note 1.5).

Post employment benefits

The cost of certain guaranteed minimum benefits in terms of defined benefit plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long- term nature of these plans, such estimates are subject to significant uncertainty.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises of leasehold improvements, computer equipment, furniture, fittings and equipment, as well as motor vehicles.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost of the item can be measured reliably.

At initial recognition an item of property, plant and equipment is measured at cost. An asset acquired through a non- exchange transaction is recognised at its fair value at date of acquisition. Subsequently all items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation commences when the item of property, plant and equipment is available for use. Property, plant and equipment items are tested for impairment when there is an indicator that the asset or assets should be impaired, refer to note1.9.

Leasehold improvements and finance leased assets are written off over the expected period of the relevant lease agreements. All other items of property, plant and equipment are depreciated on a straight-line basis at rates that will reduce their carrying value to estimated residual value over their estimated useful lives.

The annual depreciation rates are based on the following average useful lives:

Item	Depreciation method	Average useful life
Leasehold improvements and finance leased assets	Straight-line	Expected period of relevant lease
Furniture, fittings, equipment and paintings	Straight-line	5 - 50 years
Motor vehicles	Straight-line	13 years
Computer equipment	Straight-line	3 - 20 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. For further details refer to note 34. Items of property, plant and equipment are also tested for impairment annually when there is an indicator that the asset or assets should be impaired.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gains or losses arising from the derecognition of an item of property, plant and equipment are included in surplus or deficit when the item is derecognised. Gains or losses arising from the derecognition of an item of property, plant andequipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

FINANCIAL SECTOR CONDUCT AUTHORITY
Annual Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

1.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Maintenance and repairs, which neither materially add to the value of assets nor prolong their useful lives, are charged against the statement of financial performance. The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

1.3 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measuredreliably.

At initial recognition intangible assets are measured at cost. An intangible asset acquired through a non-exchange transaction is recognised at its fair value at date of acquisition. Subsequently all intangible assets are measured at cost less accumulated amortisation and any impairment losses. Amortisation commences when the intangible asset is available for use.

Intangible assets are tested for impairment annually when there is an indicator that the asset or assets should be impaired. Intangible assets under development and/or not available for use are tested for impairment at reporting date, refer to note 1.9.

Expenditure on research is recognised as an expense when it is incurred. Internally generated brands, publishing titles, customer lists, and items similar in substance are not recognised as intangible assets.

The amortisation period, amortisation method and residual values for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible asset on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 27 years

Intangible assets are derecognised when the asset is disposed off or when there are no further economic benefits or service potential expected from the use of the asset. Gains and losses arising from the derecognition of intangible assets are determined by comparing the proceeds, if any, with the carrying amount and are recognised in surplus or deficit when the asset is derecognised.

1.4 FINANCIAL INSTRUMENTS

Financial instruments are classified in the following categories:

Financial assets at fair value - Investments

Investments are initially recognised and subsequently measured at fair value. Interest on government bonds is calculated using the coupon rate which is recognised in the statement of financial performance as interest revenue from exchange transactions. Dividends received from non-current investments are recognised in the statement of financial performance as revenue from exchange transactions when the right to receive payments is established. The fair value movements of quoted investments are recognised in the statement of financial performance. Transaction costs are expensed in the statement of financial performance.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred or when substantially all risks and rewards of ownership have been transferred.

Financial Instrument at amortised cost

Receivables

Receivables which are not accounted for as statutory receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment loss. An impairment loss is established when there is objective evidence that not all amounts due will be collected according to original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment loss which is recognised in the statement of financial performance. When the trade receivable is uncollectable, it is written off and subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at banks and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost.

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

1.5 STATUTORY RECEIVABLES

Statutory receivables are receivables that arise from legislation or supporting regulations and require settlement by another entity in cash.The FSCA's statutory receivables are made up of levy debtors, inspection cost debtors, penalty debtors, legal fees and other receivables. The levies are imposed on all authorised financial institutions in terms of section 15A of the FSB Act and penalties including other receivables as listed above are imposed as per the FSR Act and FSCA various sectoral legislations that the FSCA administers.

The statutory receivables are initially recognised at their transaction amount. Subsequently, statutory receivables are measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Statutory receivables are recognised as follows:

- if the transaction is an exchange transaction, using the policy on revenue from exchange transactions; or
- if the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions.

An impairment loss is established when there is an indication that a statutory receivable, or a group of statutory receivables that are due, will not be collected according to the original terms of the receivables. Significant financial difficulty of the debtor which may be evidenced by an application for debt counselling or business rescue, probability that the debtor will enter sequestration, liquidation or other financial re-organisation, default, bankruptcy or delinquency in payments, and adverse changes in international, national or local economic conditions are considered indicators that the trade receivable is impaired.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Where the carrying amount is higher than theestimated future cash flows, the carrying amount of the statutory receivable, is reduced, through the use of an allowance account.

When the statutory receivable is uncollectable, it is written off and subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance leaseobligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease assetor liability.

The operating lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The operating lease assets are derecognised when the entity no longer anticipates economic benefits or service potential to flow from the asset.

1.7 RELATED PARTIES

All payments to executive management and committee members of the FSCA are disclosed as related party transactions. Transactions and balances with National Departments of Government and State-controlled Entities which occur other than in accordance with the operating parameters established are disclosed separately in the notes to the financial statements.

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

1.8 PREPAYMENTS

Prepayments are payments made in advance for services or goods that have not been delivered for which the FSCA expects the delivery in the next financial period. Prepayments are recognised as current assets and are not discounted as the discounting effect thereof is considered immaterial.

1.9 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

The FSCA's non-financial assets consists only of non-cash generating assets. The FSCA assesses at each reporting date whether there is an indication that an asset may be impaired.

If there is an indication that the asset may be impaired, the recoverable service amount is estimated for the individual asset. The recoverable service amount of an asset is the higher of its fair value less cost to sell and its value in use. If the recoverable service amount of an asset is less than its cost less accumulated depreciation or amortisation, the impairment loss is recognised immediately in surplus or deficit.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The FSCA assesses at each reporting date whether there is an indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of assets attributable to a reversal of an impairment loss doesnot exceed the carrying amount that would have been determined had no impairment loss been recognised for assets in the prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.10 LEVIES AND FEES RECEIVED IN ADVANCE

Levies and fees received in advance are stated at the amount received. The effect of discounting is immaterial.

1.11 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits are recognised during the period in which the employee renders the related service.

Retirement benefits

The FSCA contributes to a pension fund and to a defined benefit post-retirement medical aid plan. Only pensioners and employees who were in service at 1 January 1998 are eligible for benefits under the post-retirement medical aid plan.

The pension fund is a defined contribution plan with a defined benefit guarantee for pensioners.

Pension fund

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of financial performance in the period in which they arise.

Post retirement medical aid plan

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of financial performance in the period in which they arise.

1.12 PROVISIONS

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficit.

Contingent assets and contingent liabilities are not recognised as provisions. Contingencies are disclosed in note 32.

Performance bonus

Performance bonus is a short term employee benefit which is expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. A provision for performance bonus is raised on the estimated amount payable in terms of the incentive scheme which is based on the business and employee's performance in the applicable year.

Long service awards

Long service awards are provided to employees who achieve certain predetermined milestones of service within the entity. The entity's obligation under this plan is valued by actuaries periodically and the corresponding liability is accordingly raised. The liability is calculated by valuing all future payments expected to be made in respect of benefits accrued up to the valuation date. Payments are set-off against the liability resulting from the valuation by the actuaries and are charged against the surplus or deficit. Long service awards are settled as and when employees achieve certain predetermined milestones of service.

Legal fees

Legal fees are provided for legal matters where it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably measured.

1.13 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Commitments are not recognised in the statement of financial position but disclosed in the notes to the annual financial statements. Refer to note 31.

1.14 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the FSCA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of consideration received or receivable, net of trade discounts and volume rebates.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the FSCA and specific criteria have been met as described below.

Revenue from exchange transactions comprises of fees and service charges, interest and dividends as well as other recoveries.

Fees and service charges are raised in terms of the regulations published in the Government Gazette and are recognised according to the percentage of completion method. Interest from government bond is recognised based on the coupon rate. Interest income from short-term investment is recognised on a time-proportion basis using the effective interest method.

Dividends are recognised when the right to receive payment is established, which is normally on the last day to trade.

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is recognised when the asset is recognised and if an obligation arises from the receipt of the asset, the revenue is recognised to the extent that there is no further obligation. Revenue from non-exchange transactions comprises of levies, penalties and other income.

All registered entities are required to pay annual levies to maintain their licenses in terms of section 15 of the FSB Act. Levies are raised in terms of the regulations published in the Government Gazette and are accounted for on an accrual basis.

The FSCA is funded through levies charged to industry and recovered levies in excess of the FSCA's requirements are rebated back to the industry. Levy rebates passed on to industry in terms of regulations published in the Government Gazette are recognised as a reduction in revenue.

Fines and penalties raised for late submission of returns are recognised on an accrual basis. The income from fines and penalties as per the FSCA's various sectoral legislation is credited to the surplus or deficit, but as this income is not considered to form part of the normal operating activities of the FSCA, it is transferred to the discretionary reserve. The amounts received or to be received from fines and penalties as per the FSR Act are payable to NationalTreasury.

Services in-kind are recognised as assets and revenue when they are significant to operations and/or service delivery objectives and it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets and revenue can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the nature and type of services in-kind received during the reporting period are disclosed in the notes to the annual financialstatements.

1.16 FINANCE COSTS

Finance costs are charges incurred by the FSCA in connection with the finance lease liability. Finance costs are recognised as an expense in the period in which they are incurred.

1.17 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

1.18 ACCUMULATED FUNDS AND RESERVES

Accumulated surplus

Accumulated surplus are used to fund working capital requirements, capital expenditure, budgeted deficits (if any), as well as other unforeseen events. Accumulated surplus are maintained at approximately 2 to 6 months' operational expenditure. National Treasury approval is obtained at the end of every financial year in order to retain the accumulated surplus.

Accumulated surplus include non-cash amounts such as invoiced income not recovered, hence the full balance at year end is not always represented by actual cash.

Contingency reserve

The contingency reserve is maintained to fund the FSCA's long-term capital requirements and to protect the FSCA's operating capacity against the effects of inflation and unforeseen events. The reserve is maintained at a maximum of 10% of the annual levy and fee income.

Discretionary reserve

The discretionary reserve is used primarily to fund consumer education and consumer protection related expenses. Fines and penalties recognised as income in the statement of financial performance are transferred to a discretionary reserve.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act;or
(c) anyprovincial legislation providing for procurement procedures in that provincial government.

All expenditure relating to irregular expenditure is recognised as an expense in the surplus or deficit in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered it is subsequently accounted for as revenue in the surplus or deficit.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance, in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements for the year ended 31 March 2021

Amounts in Rand	2022	2021

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

The FSCA is exposed to a variety of financial risks as a consequence of its operations namely, market risk, credit risk and liquidity risk. The FSCA's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its performance. Financial risk management is carried out under approved policies. The FSCA provides written principles for overall risk management as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity.

Market risk

Cash flow and fair value interest rate risk

The FSCA has significant cash and cash equivalents and its income and operating cash flows are dependent on changes in market interest rates. This is managed in line with movements in money market rates. The FSCA does not have any interest bearing borrowings and therefore there is no adverse exposure relating to interest rate movements in borrowings. Should the balances held on short-term deposit remain constant, the FSCA's interest income will fluctuate by R1 306 615 for every 25 basis point fluctuation in the prime interest rate.

Foreign exchange risk

The FSCA does not operate internationally but is exposed to foreign currency risk arising from various currency exposures. Its exposure is limited to foreign membership and subscription fees, foreign travelling expenses, foreign exchange denominated operating expenses as well as investments in off-shore portfolios. The risk relating to off-shore investment portfolios is managed by an investment manager in terms of an approved mandate. Accordingly, the FSCA's exposure to foreign currency risk is minimal.

The following sensitivity analysis has been performed.

At 31 March 2022, if the currency had weakened or strengthened by 10% against the US dollar with all other variables held constant, the surplus for the year would have been R645 017 (2021: R1 028 935) higher or lower on foreign exchange gains or losses upon translation of US dollar-denominated transactions.

The off-shore investment portfolios would have been R3 293 466 (2021: R3 290 098) higher or lower arising from unrealised foreign exchange gains or losses upon translation of US dollar denominated off-shore investment portfolios.

At 31 March 2022, if the currency had weakened or strengthened by 10% against the Euro with all other variables held constant, the surplus for the year would have been R28 033 (2021: R80 724) higher or lower on foreign exchange gains or losses upon translation of Euro-denominated transactions.

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

At 31 March 2022, if the currency had weakened or strengthened by 10% against the UK pound with all other variables held constant, the surplus for the year would have been R17 572 (2021: R10 107) higher or lower on foreign exchange gains or losses upon translation of UK pound-denominated transactions.

The FSCA is exposed to equity securities price risk because of investments held by the FSCA, which are classified on the Statement of Financial Position as financial assets at fair value. These investments are managed by an investment manager in terms of an approved mandate. The investment manager manages the price risk arising from investments in equity securities through diversification of the portfolio in accordance with the mandate that gives the manager full discretion.

The FSCA's investments in equity of other entities that are publicly traded are included in the All Share Index of the JSE Securities Exchange Limited (All Share Index). The table below summarises the impact of increases/decreases of the All Share Index on the FSCA's surplus for the year and on reserves. The analysis is based on the assumption that the All Share Index had increased/decreased by 4.92% (2021: 4%) with all other variables held constant and that all the FSCA's investments moved according to the historical correlation with theindex.

	Impact on surplus for the year		Impact on investment portfolio for the year	
	2022	2021	2022	2021
All share index	2,203,737	1,537,756	2,203,757	1,537,756

Credit risk

Financial assets that potentially subject the FSCA to concentrations of credit risk consist primarily of cash and cash equivalents as well as accounts receivable. The FSCA's maximum exposure to credit risk relating to accounts receivable is the amount as shown in the Statement of Financial Position.

The FSCA invests funds in excess of the FSCA's immediate requirements (i.e short term deposits excluding current account balances) with the Corporation for Public Deposits (CPD). The table below shows the total amount invested in CPD at reporting date:

	31 March 2022	31 March 2021
Corporation for Public Deposit	522,645,807	565,982,132

Management does not expect any losses from non-performance by CPD.

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid resources and the ability to settle debts as they become due. In the case of the FSCA, liquid resources consist of mainly cash and cash equivalents. The FSCA maintains adequate resources by monitoring rolling cash flow forecasts of the cash and cash equivalents on the basis of expected cash flows.:

Forecasted liquidity reserves as at 31 March 2022 is as follows:		
Description	March 2022	March 2023- 2026
Opening balance for the period	600,645,483	559,393,316
Operating proceeds	977,061,463	1,370,183,015
Operating cash outflows	(1,008,066,267)	(1,413,668,857)
Cash outflow for investments	(12,977,134)	(18,201,102)
Cash outflow for financing activities	(2,329)	(3,267)
Proceeds from sale of investments	2,732,100	3,831,912
	559,393,316	**501,535,017**

The table below analyses the FSCA's financial liabilities at reporting date.				
At 31 March 2022	Less than 1 year	Between 1 and 2	Between 2 and 5 years	Over 5 years
Trade and other payables	22,941,584	-	-	-

At 31 March 2021	Less than 1 year	Between 1 and 2	Between 2 and 5 years	Over 5 years
Trade and other payables	77,861,201	-	-	-

Capital risk management

The FSCA's objectives when managing its funds and reserves are to safeguard the ability to continue as a going concern. The FSCA maintains various funds and reserves which serve different purposes, refer to note 1.18.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices (level 1) at reporting date. The quoted market price used for financial assets held by the FSCA is the current bid price.

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Short-term deposits	522,645,807	565,982,132
Cash at bank and on hand	36,747,509	34,663,351
	559,393,316	**600,645,483**

Included in cash at bank and on hand is an amount of R9 499 010 (2021: R6 666 491), earmarked to fund the post-retirement medical aid plan. Also included in cash and cash equivalents is an amount of R66 476 726 (2021: R64 027 891) relating to the discretionary funds that are used to fund consumer education and consumer protection related expenses. In addition, the FSCA maintains a contingency fund which is included under short-term deposits of R160 058 175 (2021: R153 359 796) to fund capital requirements and to protect operating capacity against the effects of inflation and unforeseen events.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Staff debtors - study loans	7,473,891	6,767,672
Interest receivable	83,143	59,105
Other receivables	2,830,899	1,148,730
	10,387,933	**7,975,507**

5. STATUTORY RECEIVABLES FROM EXCHANGE TRANSACTIONS

Legal fees recoveries	972,632	1,915,225
Less: Impairment loss	(972,632)	(1,696,072)
Recoverable legal fees	4,165,923	4,161,921
Other receivables	11,014,764	9,804,467
Net statutory receivables from exchange transactions	**15,180,687**	**14,185,541**

Reconciliation for impairment of statutory receivables from exchange transactions		
Opening balance	1,696,072	2,453,527
Utilised	(1,382,294)	(1,438,570)
Charged to the statement of financial performance	660,268	681,115
Reversal of prior year provision	(1,414)	-
	972,632	**1,696,072**

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Amounts in Rand	2022	2021

6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Levy debtors	27,072,858	23,602,409
Less: Impairment loss	(15,135,685)	(13,033,863)
Inspection cost debtors	1,008,719	1,008,719
Less: Impairment loss	(1,008,719)	(1,008,719)
Penalties debtors	202,916,021	174,689,786
Less: Impairment loss	(154,076,451)	(84,711,454)
	60,776,743	**100,546,878**

Reconciliation for impairment of receivables from non-exchange transactions

Opening balance	98,754,036	71,034,696
Utilised	(6,129,490)	(8,549,018)
Reversal prior year provision	(9,735,777)	(97,401)
Charged to the statement offinancial performance	20,056,787	14,437,866
Other-penalties	67,275,300	21,927,893
	170,220,856	**98,754,036**

7. PREPAYMENTS

The R7 932 436 (2021: R10 298 793) prepayments comprise of membership fees and software licences.

8. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold improvements	6,380,216	(3,798,898)	2,581,318	6,313,495	(3,138,845)	3,174,650
Furniture, fittings, equipment and paintings	31,435,419	(23,820,452)	7,614,967	31,159,011	(21,771,002)	9,388,009
Motor vehicles	1,503,310	(828,096)	675,214	1,503,310	(732,678)	770,632
Computer equipment	116,372,062	(95,797,819)	20,574,243	117,732,697	(85,706,422)	32,026,275
Finance leased assets	387,004	(387,004)	-	387,004	(385,224)	1,780
Total	**156,078,011**	**(124,632,269)**	**31,445,742**	**157,095,517**	**(111,734,171)**	**45,361,346**

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	3,174,650	66,721	-	(660,053)	2,581,318
Furniture, fittings, equipment and paintings	9,388,009	385,232	(38,988)	(2,119,286)	7,614,967
Motor vehicles	770,632	-	-	(95,418)	675,214
Computer equipment	32,026,275	3,760,751	(785,959)	(14,426,824)	20,574,243
Finance leased assets	1,780	-	-	(1,780)	-
	45,361,346	**4,212,704**	**(824,947)**	**(17,303,361)**	**31,445,742**

Reconciliation of property, plant and equipment - 31 March 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	3,803,616	27,365	-	(656,331)	3,174,650
Furniture, fittings, equipment and paintings	10,716,909	944,138	(75,195)	(2,197,843)	9,388,009
Motor vehicles	867,623	-	-	(96,991)	770,632
Computer equipment	41,895,269	5,076,791	(33,333)	(14,912,452)	32,026,275
Finance leased assets	5,341	-	-	(3,561)	1,780
	57,288,758	**6,048,294**	**(108,528)**	**(17,867,178)**	**45,361,346**

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

	2022	2021
Contracted services	190,437	166,096
General expenses	43,391	124,416
	233,828	**290,512**

The useful lives and residual values of the various categories of property, plant and equipment were assessed during the current financial year and resulted in a change in accounting estimate. Refer to note 34.

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Amounts in Rand	2022	2021

9. INTANGIBLE ASSETS

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated Carrying value amortisation and accumulated impairment	carrying value
Computer software	**33,450,835**	**(15,167,484)**	**18,283,351**	**30,047,604**	**(14,054,027)**	**15,993,577**

Reconciliation of intangible assets - 31 March 2022	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	6,040,750	21,230	2,896,152	(3,757,867)	5,200,265
Intangible assets under development	9,952,827	6,026,410	(2,896,152)	-	13,083,085
	15,993,577	**6,047,640**	**-**	**(3,757,867)**	**18,283,350**

Reconciliation of intangible assets - 31 March 2021	Opening balance	Additions	Amortisation	Total
Computer software	8,813,644	-	(2,772,894)	6,040,750
Intangible assets under development	7,548,442	2,404,385	-	9,952,827
	16,362,086	**2,404,385**	**(2,772,894)**	**15,993,577**

The useful lives of the various categories of computer software were assessed during the financial year and resulted in a change in accounting estimate. Refer to note 34.

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

10. FINANCIAL ASSETS AT FAIR VALUE

Non-current investments	89,342,404	85,278,533
Current investments	2,100,133	1,200,000
	91,442,537	**86,478,533**
Non-current assets		
Non-current investments	89,342,404	85,278,533
Current assets		
Current investments	2,100,133	1,200,000

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices (level 1) at the reporting date. The quoted market prices used for financial assets held by the FSCA is bid prices as at year-end.

Movement for the year

Movement for the year ended 31 March 2022	Opening balance	Fair value adjustement	Purchases	Sales	Closing balance
Shares	38,443,912	5,162,790	5 573 993	(1,532,100)	44,791,392
Gilts and Bonds	15,133,640	(217,156)	-	(1,200,000)	13,716,484
Off-shore collective investment	32,900,981	33,680	-	-	32,934,661
	86,478,533	**4,979,314**	**2,716,790**	**(2,732,100)**	**91,442,537**

Movement for the year ended 31 March 2021	Opening balance	Fair value adjustement	Purchases	Sales	Closing balance
Shares	23,993,716	12,898,884	5,573,993	(4,022,681)	38,443,912
Gilts and Bonds	13,620,730	1,512,910	-	-	15,133,640
Off-shore collective investments schemes	23,401,937	9,499,044	-	-	32,900,981
	61,016,383	**23,910,838**	**5,573,993**	**(4,022,681)**	**86,478,533**

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Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Accounts payables	7,397,566	12,835,550
Leave accrual	32,169,910	33,036,790
Other payables	5,538,618	51,498,675
Accruals	10,005,400	13,526,976
	55,111,494	**110,897,991**

12. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

National Treasury	86,541,866	121,516,246
Ombud Council	8,029,972	-
	94,571,838	**121,516,246**

The R86 541 886 (2021: R121 516 246) relates to fines and penalties raised which is payable to National Treasury as per the FSR Act. A formal request was made by the FSCA to National Treasury to retain the penalties pending the implementation of the Money Bill for Consumer Education transitional funding.

The 8 029 972 are remaining funds allocated by National Treasury for the establishment the Ombud Council.

13. LEVIES AND FEES RECEIVED IN ADVANCE

Levies received in advance	1,806,198	2,695,922
Fees received in advance	49,848,044	46,577,571
	51,654,242	**49,273,493**

14. PROVISIONS

Reconciliation of provisions - 31 March 2022				
	Opening Balance	Additions	Utilised during the year	Total
Provision for bonus	15,773,333	16,501,908	(15,773,333)	16,501,908
Provision for legal fees	483,748	600,000	-	1,083,748
Provision for VAT	4,679,263	-	(2,087,014)	2,592,249
Provision for long service awards	6,081,740	1,500,609	(1,302,000)	6,280,349
	27,018,084	**18,602,517**	**(19,162,347)**	**26,458,254**

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand			2022	2021
Reconciliation of provisions - 31 March 2021				
Provision for bonus	15,167,083	15,773,333	(15,167,083)	15,773,333
Provision for legal fees	340,000	143,748	-	483,748
Provision for VAT	-	4,679,263	-	4,679,263
Provision for long service awards	5,216,420	2,071,320	(1,206,000)	6,081,740
	20,723,503	**22,667,664**	**(16,373,083)**	**27,018,084**
Non-current liabilities			4,786,348	4,413,740
Current liabilities			21,671,906	22,604,344
			26,458,254	**27,018,084**

15. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	**-**	**2,329**
Present value of minimum lease payments due		
- within one year	-	2,200
Finance costs charged for the year	**129**	**894**

The FSCA leased some of its office equipment under 36 months finance lease. There were no escalations to the lease agreement as all machines are leased at a fixed rate for the duration of the lease.

16. POST-RETIREMENT BENEFIT OBLIGATIONS (MEDICAL AID FUND)

The FSCA recognises a liability in respect of post-retirement medical aid benefits for pensioners as at 1 January 1998 and eligible employees who were then in service, assuming that the cost of the benefit is recognised in full for existing pensioners and is spread equally over each employee's service period within the FSCA prior to retirement for employees currently in service. The FSCA is not liable for post-retirement medical aid benefits in respect of employees employed after 1 January 1998. The fund is recognised as a defined benefit plan.

The actuary evaluates the liability on an annual basis, allowing for expected future medical cost inflation, investment returns, staff turnover and mortality. The FSCA contributes 100% of the medical aid contribution for its retired employees as well as 100% of the future medical aid contributions for their spouses and dependants. The last actuarial valuation of this liability was performed on 31 March 2022. It is the policy of the FSCA to match this liability with appropriate non-current investments and short-term notice deposits. Accordingly, the funds have been placed with an asset management company for investment in accordance with long-term prudentialprinciples.

For disclosure purposes, an amount of R9 499 010 (2021: R6 666 491) representing cash on call, has been included in cash and cash equivalents. A certain portion of the post-retirement medical aid is payable within twelve months, however the value thereof is not readily determinable and thus the full liability has been disclosed as non-current. The main actuarial assumption is a long-term increase in health costs of 8.88% a year (2021:10.73%).

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16. POST-RETIREMENT BENEFIT OBLIGATIONS (MEDICAL AID FUND)

Amounts recognised in the statement of financial position were detemined as follows:		
Present value of unfunded obligations	**57,176,969**	**51,660,126**
The movement in the present value of the unfunded obligation for the year is as follows:		
Opening balance	51,660,126	46,298,280
Current service cost	630,985	649,922
Interest cost	7,193,803	6,175,047
Benefit paid	(2,855,163)	(2,424,434)
Actuarial (gain)/loss	547,218	961,311
	57,176,969	**51,660,126**
The amounts recognised in the statement of financial performance are as follows:		
Current service cost	630,985	649,922
Interest cost	7,193,803	6,175,047
Benefit paid	(2,855,163)	(2,424,434)
Net actuarial (gain)/loss recognised during the year	547,218	961,311
	5,516,843	**5,361,846**

The principal assumptions used were as follows:

Financial assumptions

Discountrate:	11.91% (2021: 14:11%) per annum
Rate of medical aid contribution increases:	8.88% (2021: 10.73%) per annum.
Rate of general price inflation:	7.38% (2021: 9.23%) perannum.

Mortality assumptions

Mortality - Active employee

Beforeretirement:	Nil
After retirement:	PA (90) Mortality Tables with an age reduction of two years.

Mortality assumptions

Mortality - Pensioners

PA (90) Mortality Tables with an age reduction of two years

The effects of a 1% movement in the assumed medical cost trend rate are as follows.

	Decrease	Increase
Effect on the aggregate service cost and interest cost	(821,059)	980,447
Effect on the accumulated benefit obligation	(6,020,299)	7,168,893
	(6,841,358)	**8,149,340**

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Amounts in Rand	2022	2021

	2022	2021	2020	2019	2018
Present value of unfunded obligations recognised in the statement of financial position	**57,176,969**	**51,660,126**	**46,298,280**	**51,152,893**	**51,419,952**

17. POST-RETIREMENT BENEFIT OBLIGATION (PENSION FUND)

The pension fund for permanent employees of the FSCA is registered in terms of the Pension Fund Act, 1956 (Act No. 24 of 1956). Prior to April 2000, the fund was a defined benefit plan for the benefit of all employees. New employees who joined the fund on or after 1 April 2000 were entitled to receive retirement and resignation benefits from the accumulation of defined contributions. Employees who were in the employ at 31 March 2000 were entitled to the higher of either the defined contribution accumulation to the date of exit or the value of the defined benefit applicable on exit in terms of the rules in force as at 31 March 2000.

In the 2018 financial year the Trustees took a decision to implement the restructuring of all active members entitled to a defined benefit underpin to a pure defined contribution basis effective 1 January 2017. Due to the restructuring, there are no active current employees who are in the defined benefit underpin. The fund currently has 22 (2021: 20) pensioners, the benefits of whom are regarded as a defined obligation. An actuarial valuation of the benefit obligation was performed on 31 March 2022.

	2022	2021
The amounts recognised in the statement of financial position were determined as follows:		
Present value of unfunded obligations	69,187,000	64,869,000
Fair value of plan assets	(78,143,000)	(74,530,000)
Funded status	(8,956,000)	(9,661,000)
Asset not recognised	8,956,000	9,661,000
	-	-
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	64,869,000	45,620,000
Interest costs	7,216,000	6,103,000
Actuarial gains /(loss)	129,000	1,556,000
Benefits paid	(6,648,000)	(5,321,000)
New pensioners	3,621,000	16,911,000
	69,187,000	**64,869,000**
Changes in the fair value of plan assets are as follows:		
Opening balance	74,530,000	48,970,000
Expected return	8,317,000	6,501,000
Actuarial gains/(losses)	(1,677,000)	7,469,000
Benefits paid	(6,648,000)	(5,321,000)
New pensioners	3,621,000	16,911,000
	78,143,000	**74,530,000**

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17. POST-RETIREMENT BENEFIT OBLIGATION (PENSION FUND) (CONTINUED)

Components of pension costs for the year are as follows:		
Interest cost	7,216,000	6,103,000
Acturial (gain)/loss	1,806,000	(5,913,000)
Change in asset restriction	(705,000)	6,311,000
Expected return on plan asset	(8,317,000)	(6,501,000)
	-	-

Calculation of actuarial gains and losses		
Actuarial (gains)/losses – Obligation	129,000	1,556,000
Actuarial (gains)/losses – Plan assets	(1,677,000)	(7,469,000)
	(1,548,000)	**(5,913,000)**

Assumptions used at the reporting date

Assumptions regarding the future mortality experience are set, based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at the age of 63 at the reporting date is as follows

Amounts for the current and previous four years are as follows:

	2022	2021	2020	2019	2018
Defined benefit obligation	69,187,000	64,869,000	45,620,000	48,241,000	56,062,000
Plan assets	(78,143,000)	(74,530,000)	(48,970,000)	(56,183,000)	(56,884,000)
Statement of financial position restriction	8,956,000	9,661,000	3,350,000	7,942,000	822,000

Key financial assumptions at valuation date

Discount rate: This is set having regard to the market yield on government bonds, using a weighted average discount rate that reflects the timing and amount of benefit payments. A rate of 10.99% per annum has been used (A rate of 11.39% was used at 31 March 2021).

Long-term price inflation rate: We have assumed a long-term future inflation rate of 6.00% per annum. This was calculated to reflect the difference between the yields on nominal government bonds and index-linked government bonds (at the appropriate duration) after allowing for an inflation risk premium of 0.50% on the basis that nominal bond yields include an inflation risk premium (being the additional return an investor seeks in compensation for the inflation risk taken on) and therefore that the implied inflation rate is lower than that suggested by the differential between nominal and index-linked bond yields (6.54% used at 31 March 2021).

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Pension increases: It has been assumed that pension increases will take place at a rate of 4.50% per annum (4.91% used at 31 March 2021). This represents some 75% of the expected inflation rate above and is in line with Pension Increase Policy of the Fund.

Expected return on plan assets: It has been assumed that the long-term expected return on plan assets is equal to the discount rate of 10.99% per annum, following the approach adopted in the previous disclosure. This is consistent with the approach set out in the IAS 19 revised 2011. GRAP 25 indicates that "the expected return on plan assets is based on the market expectations, at the beginning of the reporting period, for returns over the entire life of the related obligation". It could be argued that on a risk-adjusted basis, it is reasonable to set this rate equal to the discount rate, but the employer may wish to consider the implications of this assumption and its consistency with the requirements of the GRAP 25standard.

Pension expenses: Allowances is made for the cost of the administration of the pensioners records in the pensioner liability at a rate of R47.79 plus Vat per pensioner per month.

Experience adjustments					
	2022	2021	2020	2019	2018
Pensioners liabilities at the end of the year	69,187,000	64,869,000	45,620,000	48,241,000	56,062,000
Combined assets at end of year	(78,143,000)	(74,530,000)	(48,970,000)	(56,183,000)	(56,884,000)
	(8,956,000)	**(9,661,000)**	**(3,350,000)**	**(7,942,000)**	**(822,000)**
Gain/(loss) on liabilities through experience	(205,000)	1,072,000	(1,493,000)	4,222,000	5,817,000
Gain/(loss) on liabilities through assumptions	76,000	(2,628,000)	6,237,000	3,941,000	(1,744,000)
	(129,000)	**(1,556,000)**	**4,744,000**	**8,163,000**	**4,073,000**
Gain/(loss) on plan assets	**(1,677,000)**	**7,469,000**	**(10,105,000)**	**(1,116,000)**	**2,258,000**

18. CONTINGENCY RESERVE

	2022	2021
Opening balance	86,635,782	85,846,540
Change during the year	4,005,854	789,242
	90,641,636	**86,635,782**

An amount of R4 005 854 was transferred from accumulated surplus to maintain the reserve at 10% of annual levy and fee income.

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19. DISCRETIONARY RESERVE

Opening balance	47,928,431	30,454,521
Transfer (to)/from accumulated surplus	(2,784,057)	17,473,910
	(45,144,375)	**47,928,431**

The transfer (to)/from accumulated funds for the year, as reflected in the statement of changes in net assets is calculated as follows.

Income from fines and penalties	3,129,000	21,153,406
Provisions	(4,984,510)	(1,157,500)
Interest allocated to this reserve	2,536,210	2,586,465
Expenses in respect of consumer education	(6,622,256)	(5,108,461)
Reversal of provision	3,157,500	-
	(2,784,056)	**17,473,910**

20. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below.

2022	Financial at amortised cost	Fair value through surplus or deficit	Total
Financial assets at fair value	-	91,442,537	91,442,537
Receivables	10,387,933	-	10,387,933
Cash andcash equivalents	559,393,316	-	559,393,316
	569,781,249	**91,442,537**	**661,223,786**

2021	Financial at amortised cost	Fair value through surplus or deficit	Total
Financial assets at fair value	-	86,478,533	86,478,533
Receivables	7,975,507	-	7,975,507
Cash and cash equivalents	600,645,483	-	600,645,483
	608,620,990	**86,478,533**	**695,099,523**

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Amounts in Rand	2022	2021

21. FINANCIAL LIABILITIES BY CATEGORY

2022	Other financial liabilities	Total
Payables	**22,941,584**	**22,941,584**

2021	Other financial liabilities	Total
Payables	77,861,201	77,861,201
Finance lease obligation	2,200	2,200
	77,863,401	**77,863,401**

22. CREDIT QUALITY OF RECEIVABLES

Trade receivables		
Group 1	9,589,129	37,714,532
Group 2	914,967	836,113
Group 3	247,034,753	184,607,389
	257,538,849	**223,158,034**

Group 1 - debtors outstanding for less than 90 days and with no defaults.

Group 2 - new debtors outstanding for more than 90 days and with no defaults

Group 3 - existing debtors outstanding for more than 90 days and with some defaults.

The total gross carrying amount of the impaired receivables as at reporting date is R232 202 603 (2021: R201 216 139) and the associated total impairment is R171 193 488 (2021: R100 450 108) see note 4, 5 and 6. Of these debtors, the recovery of R10 529 346 (2021: R9 522 787) has been handed over for collection. Refer to the accounting policy note 1.4 for factors management considered in determining receivables impairment.

Cash and short-term deposits are held with banking institutions and the CPD and are regarded as having low credit risk. The FSCA invests its surplus cash in the short term deposits accounts with CPD. The interest rates on these accounts fluctuates in line with the movements in current money market rates.

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23. REVENUE FROM EXCHANGE TRANSACTIONS

Fees and service charges	29,749,412	29,374,072
Legal fees and other cost recoveries	5,050,713	6,261,815
Interest received	22,665,863	22,188,631
Dividends received	1,716,500	787,928
Other income	4,632,650	4,438,722
Compensation from insurance	806,252	1,301,212
	64,621,390	**64,352,380**

24. REVENUE FROM NON-EXCHANGE TRANSACTIONS

FSCA Levies	739,357,411	706,427,008
PFA Levies	79,520,833	76,173,662
FAIS Ombud Levies	57,788,705	54,383,077
Penalties	3,129,000	21,153,406
Other income	4,895,070	4,096,583
	884,691,019	**862,233,736**

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25. RELATED PARTIES

Related party balances

Year-end balances due (to)/by related parties		
Office of the Pension Fund Adjudicator	(3,318,911)	(2,742,399)
Office of the Ombud for Financial Services Providers	(1,416,007)	(47,836,848)
Financial Services Tribunal	9,581,651	9,466,855
National Treasury	(86,541,886)	(121,516,246)
South African Reserve Bank	1,023,837	-
Ombud Council	(8,029,972)	-
	(88,701,288)	**(162,628,638)**

Funds provided to the Office of the Pension Fund Adjudicator in terms of section 30R (1) (a) of the Pension Funds Act, No.24 of 1956 as amended.

Contribution towards funding of the office	79,302,000	75,392,409

Funds provided to the Office of the Ombud for Financial Services Providers in terms of section 22 (1) (a) of the Financial Advisory and Intermediary Services Act, No.37 of 2002.

Contribution towards funding of the office	57,755,000	57,627,407

Income/(Payments) to/from related parties		
Income received for ICT services to Pension Fund Adjudicator	4,596,674	4,402,944
Payments for Financial Services Tribunal costs	(11,480,208)	(6,334,620)
Payments for the Ombud Council	(1,970,028)	-
	(8,853,562)	**(1,931,676)**

The FSCA provides financial, secretarial and other support to the Tribunal as per the transitional regulations. The FSCA, National Treasury and other listed entities are within the sphere of national goverment.

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

25. RELATED PARTIES (CONTINUED)

Management class: Governance committee fees

31 March 2022

	Human Resources and Remuneration Committee fees	Audit Committee fees	Risk Committee fees	Other	Total
Name					
T Ajam	-	-	71,126	-	71,126
V Balgobind	32,330	-	-	-	32,330
S Gounden (Resigned 31 July 2021)	-	32,330	25,864	22,631	80,825
PR Koch	-	-	71,126	-	71,126
SM Malatji	-	-	90,524	-	90,524
N Esterhuizen (Appointed 13 September 2021)	-	69,509	45,262	11,316	126,087
J Mogadime	58,194	101,840	-	-	160,034
EP Mogobu	45,262	19,398	-	-	64,660
HL Molebatsi	38,796	-	-	-	38,796
D Msomi	109,275	-	-	7,436	116,711
P Mvulane	-	95,374	-	-	95,374
TL Randall	48,495	-	-	-	48,495
HM Ratshefola	58,194	101,840	90,524	21,015	271,573
L Senne (Appointed 13 September 2021)	-	69,510	-	-	69,510
PJ Sutherland	109,920	-	-	-	109,920
	500,466	**489,801**	**394,426**	**62,398**	**1,447,091**

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

31 March 2021

	Human Resources and Remuneration Committee fees	Audit Committee fees	Risk Committee fees	Other	Total
Name					
T Ajam	-	-	50,111	16,165	66,276
(Appointed July 2020)					
V Balgobind	35,563	-	-	3,233	38,796
(Appointed July 2020)					
S Gounden	-	46,879	50,111	35,563	132,553
(Appointed August 2020)					
PR Koch	-	-	50,111	32,330	82,441
(Appointed July 2020)					
SM Malatji	-	-	50,111	32,330	82,441
(Appointed July 2020)					
LW Matlhabe	22,631	-	-	32,330	54,961
(Appointed August 2020)					
J Mogadime	35,563	66,277	12,932	51,728	166,500
(Re-appointed August 2020)					
EP Mogobu	-	46,878	-	32,330	79,208
(Appointed August 2020)					
HL Molebatsi	35,561	-	-	35,563	71,124
(Appointed July 2020)					
D Msomi	96,666	22,307	-	70,641	189,614
(Re-appointed August 2020)					
P Mvulane	-	29,097	-	-	29,097
(Appointed November 2020)					
TL Randall	35,563	-	-	35,563	71,126
(Appointed July 2020)					
HM Ratshefola	22,631	66,276	63,045	50,112	202,064
(Re-appointed July 2020)					
PJ Sutherland	84,058	19,398	-	54,961	158,417
(Re-appointed July 2020)					
H Wilton	12,932	19,398	12,932	153,568	198,830
(Term ended August 2020)					
	381,168	**316,510**	**289,353**	**636,417**	**1,623,448**

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Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

25. RELATED PARTIES (CONTINUED)

Management class: Executive management

31 March 2022				
Name	Basic Salary	Incentive Bonus	Leave Commutation	Total
U Kamlana, Commissioner (Appointed 1 June 2021)	4,166,667	-	-	4,166,667
A Ludin, Deputy Commissioner (Appointed 1 June 2021)	3,333,333	-	-	3,333,333
KL Gibson, Deputy Commissioner (Appointed 29 September 2021, previously member of TMC)	3,621,890	375,000	-	3,996,890
F Badat, Deputy Comissioner (Appointed 1 December 2021)	1,333,333	-	-	1,333,333
K Dikokwe, DE: Conduct of Business Supervision	3,136,050	318,750	-	3,454,800
JJR Hlalethoa, DE: Corporate Services	4,035,526	375,000	239,077	4,649,603
LP Kekana, CFO	3,832,222	375,000	218,301	4,425,523
FM Mabaso, DE: Licensing	3,237,972	337,500	-	3,575,472
O Makhubela, DE: Retirement Funds Supervision	3,489,326	450,000	198,768	4,138,094
P Mogase, CIO	3,136,050	337,500	-	3,473,550
BR Topham, DE: Investigation and Enforcement	4,022,358	333,750	-	4,356,108
RP Mpete, CRO	1,986,165	167,153	75,427	2,228,745
	39,330,892	**3,069,653**	**731,573**	**43,132,118**

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

31 March 2021					
Name	Basic Salary	Incentive Bonus	Leave Commutation	Long Service Award	Total
**DP Tshidi, Executive Head (Contract ended 5 November 2020)	3,792,215	293,000	1,471,172	-	5,556,387
**JA Boyd, DE: Market Integrity (Retired 31 March 2021)	3,963,336	298,000	764,274	24,000	5,049,610
**CD Da Silva, DE: Regulatory Policy (resigned 31 October 2020)	2,253,052	-	840,728	-	3,093,780
**MM Du Toit, DE: Specialist Support (retired 31 December 2020)	2,896,781	260,000	814,802	-	3,971,583
**O Makhubela, DE: Retirement Funds Supervision	3,520,480	-	140,834	-	3,661,314
**LP Kekana, CFO	3,698,047	260,000	210,919	6,000	4,174,966
JJR Hlalethoa, DE: Corporate Services	3,894,233	260,000	229,882	-	4,384,115
RP Mpete, CRO	1,770,683	131,985	-	-	1,902,668
P Mogase, CIO	2,807,500	104,000	119,096	-	3,030,596
FM Mabaso, DE: Licensing	3,124,603	182,000	237,616	-	3,544,219
K Dikokwe, DE: Conduct of Business Supervision	2,746,250	221,000	178,644	-	3,145,894
BR Topham, DE: Investigation and Enforcement	3,881,526	234,000	-	-	4,115,526
**KL Gibson	3,162,213	-	-	-	3,162,213
	41,510,919	**2,243,985**	**5,007,967**	**30,000**	**48,792,871**

** Member of the Transitional Management Commitee (TMC)

TMC ceased to exist during the financial year ending 31 Mach 2022 following the appointments of the Commissioner and Deputy Commissioners.

FINANCIAL SECTOR CONDUCT AUTHORITY
Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

26. AUDITORS' REMUNERATION

Current year-interim fee	465,335	423,312
Prior year audit fees	3,368,099	2,823,298
	3,833,434	**3,246,610**

27. OTHER OPERATING EXPENSES

Travelling costs	656,072	591,868
Telephone and data lines	11,070,050	8,332,914
Advertising and Publication	12,320,558	13,026,802
Computer support, maintenance and licensing costs	32,422,811	35,410,385
Insurance	3,406,176	2,981,467
Other general expenses	13,464,449	21,712,468
	73,340,116	**82,055,904**

28. IMPAIRMENT LOSS

Impairment loss for the year is stated after accounting for the following:

Current year provision	20,717,057	15,118,981
Reversal of prior year provision	(9,737,191)	(97,401)
	10,979,866	**15,021,580**

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

29. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING EXPENSES

(Deficit)/Surplus for the year	(4,994,896)	30,983,465
Adjustments for:		
Depreciation and amortisation	21,061,228	20,640,071
Loss on sale of assets	824,947	108,528
Fair value adjustment	(4,979,314)	(23,910,838)
Impairment loss	10,979,866	15,021,580
Finance costs	129	894
Movements in operating lease assets and accruals	(6,252,672)	(1,572,400)
Movements in post-retirement medical expenses	5,516,843	5,361,846
Changes in working capital:		
Decrease in receivables	25,382,696	42,885,782
Decrease in prepayments	2,366,357	1,879,644
Decrease in payables	(84,817,920)	(29,088,128)
Increase in levies and fees received in advance	2,380,749	4,298,967
Increase in provisions	1,527,183	1,615,318
	(31,004,804)	**68,224,729**

30. TAXATION

The FSCA is exempt from income tax in terms of Section 10(1) (cA)(i)(bb) of the Income Tax Act, 1962 (Act No. 58 of 1962)

FINANCIAL SECTOR CONDUCT AUTHORITY

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

31. COMMITMENTS

Authorised capital expenditure		
Already contracted for but not provided for		
• Capital expenditure	**21,959,512**	**8,747,410**
Not yet contracted for and authorised		
• Property, plant andequipment	13,834,979	22,401,000
• Intangibleassets	142,204,861	113,660,000
	156,039,840	**136,061,000**
Total capital commitments		
Already contracted for but not provided for	21,959,512	8,747,410
Not yet contracted for and authorised	156,039,840	136,061,000
	177,999,352	**144,808,410**
Operating leases commitments		
Minimum lease payments due for Block B		
» within one year	44,041,311	40,731,505
» in second to fifth year inclusive	26,867,881	70,909,192
	70,909,192	**111,640,697**
Minimum lease payments due for Block C-2nd floor		
Within one year	5,597,075	5,182,477
in second to fifth year inclusive	3,412,410	9,009,485
	9,009,485	**14,191,962**
Minimum lease payments due for Block C Ground & 1st floor		
within one year	12,795,244	11,847,448
in second to fifth year inclusive	7,877,632	20,672,876
	20,672,876	**32,520,324**
Minimum lease payments due for Block C 3rd		
within one year	3,983,304	3,671,160
in second to fith year inclusive	2,447,311	6,430,616
	6,430,615	**10,101,776**

Office equipment leases

The FSCA leases some of its office equipment through National Treasury's transversal contract. The period of the lease is 36 months with no escalations attached to the lease agreement

Minimum lease payments due		
within one year	699,079	555,223
in second to fifth year inclusive	371,051	399,808
	1,070,130	**955,031**

Notes to the Annual Financial Statements for the year ended 31 March 2022

Amounts in Rand	2022	2021

32. CONTINGENT LIABILITIES

The FSCA has no contingent liabilities.

33. ASSETS ADMINISTRATION ON BEHALF OF THIRD PARTIES

In terms of Section 82(4) of the Financial Markets Act 19 of 2012, amounts recovered by the FSCA from civil action activities are transferred to a special trust account designated for this purpose, as such recoveries do not form part of the normal operating activities of the FSCA. The balance of the Insider Trading account at the end of the year was R5 321 928 (2021: R5 168 569).

34. CHANGE IN ESTIMATE

Impact of changes in accounting estimate		
Increase in net surplus	1,144,325	771,358
Decrease in depreciation of property, plant and equipment	(918,476)	(555,022)
Decrease in amortisation on intangible assets	(225,849)	(216,336)
	-	-

In the current year management re-assessed the remaining useful lives and residual values of property, plant and equipment and intangible assets. The change in estimate is applied prospectively.The effect of this assessment has decreased the depreciation and amortisation charges in the current period and increased the depreciation and the amortisation charges for future periods by R918 476 (2021: R555 022) and R225 849 (2021: R216 336) respectively

35. IRREGULAR EXPENDITURE

Opening balance as previously reported	1,005,613	1,005,613
Irregular expenditure - current	**1,046,782**	
Less: removed in the current period	(1,005,613)	-
Closing balance	**1,046,782**	**1,005,613**

2022: The irregular expenditure relates to the renewal of Software licences with the Original Equipment Manufacturer (OEM). A conditional award was made to the bidder including the tax affairs before a Purchase Order could be issued. The bidder subsequently complied with all the terms and conditions at the time the Purchase Order was issued.

2021: Due to exceptional circumstances, irregular expenditure was incurred on a twelve months contract extension for ICT services. The twelve months contract extension was to allow the finalisation of the procurement process to appoint a new service provider. National Treasury approval was subsequently obtained for the remainder of the four months contract extension. The FSCA derived value from the services and there was no financial loss or criminality identified during the investigation. As a result the Accounting Authority has removed the irregular expenditure in line with the Irregular expenditure framework.

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Notes to the Annual Financial Statements for the year ended 31 March 2022

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36. COMPARATIVE FIGURES

Receivables from exchange transaction

The amount receivable from the Financial Services Tribunal has been reclassified from receivables from exchange transactions to statutory receivable from non-exchange transactions. This reclassification is aimed to improve the disclosure and fair presentation of the receivables. The reclassification has resulted in a decrease in the receivables from exchange transactions and an increase in receivables from non-exchange transactions by R9 581 651 (2021: R9 466 855) . The disclosure note for financial assets by category decreased by R9 466 855. There is no impact on the net cash flows from operating activities and the cash and cash equivalents at the end of the prior year.

Payables from exchange transactions

The balance of funds due to the Office of the Pension Fund Adjudicator and the Office of the Ombud for Financial Services Providers has been reclassifiied from the accruals to other payables.This reclassification is aimed to improve the disclosure and fair presentation of the payables. There is no impact on the net cash flows from operating activities and the cash and cash equivalents at the end of the prior year.

Related Party transactions

Management decided to disclose the balance due by National Treasury as a related party. This reclassification is aimed to improve the disclosure and fair presentation of the receivables. There is no impact on the net cash flows from operating activities and the cash and cash equivalents at the end of the prior year.

37. SERVICE RECEIVED IN-KIND

The FSCA receives services in kind in the form of free training from various organisations which are not significant to operations.

Amounts in Rand	2022	2021

38. BUDGET DIFFERENCES

Material differences between budget and actual amounts

The budgetary basis and classification adopted are the same as those applied in the preparation of the financial statements. The approved budget covers the period from 1 April 2021 to 31 March 2022. Included in the budget are contributions made towards the funding of the offices of the Ombud of the Financial Services Providers and Pension Funds Adjudicator.

Revenue from exchange transaction

The unfavourable variance to budget is due to budgeted fees for the banking industry which did not materilise.

Revenue from non- exchange transactions

The favourable variance is due to panalties and other income received which were not budget for and positive movements in levy variables such as funds under management.

Advisory and other committee fees

The favorable variance is due to attendance and activities in the Tribunal less than budgeted for.

Depreciation and Amortisation

The favorable variance is due to the deferment in the procurement of budgeted assets as well as the changes in the useful life estimates.

Executive Remuneration

The favourable variance is due to the lag in the appointments.

Internal audit fees

The favorable variance on the internal audit fees is due to the delayed start in the internal audit with some of the planned audits still in progress by year end.

Legal fees

The unfavourable variance is mainly due to the number of cases being higher than budgeted.

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Amounts in Rand	Note(s)	2022	2021

Governance committee fees

The unfavourable variance is mainly due to number of meetings being more than anticipated.

Other operating expenses

The favourable variance is mainly due to computer support and licences costs which are accounted for in the prepayments and will be amortised in the next comming financial years.

Professional and consulting fees

The favourable variance is due to lesser outsourcing activities undertaken in the year under review.

Impairment loss

Impairment losses are not budgeted for due to the uncertainty surrounding the recoverability of receivables.

Fair value adjustment

The fair value adjustment relates to the portfolio earmarked for the post-retirement medical fund liability which is not budgeted due to unpredictable changes in the market.

Post Retirement Medical Aid fund expense

The post-retirement medical aid fund expense is not budgeted for as it is dependent on the annual actuarial valuation.

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