Bernard

The Financial Services Board (FSB)

Strategic Plan

Transition to Financial Sector Conduct Authority (FSCA)

January 2018

MESSAGE FROM THE CHAIRPERSON OF THE BOARD OF THE FINANCIAL SERVICES BOARD (FSB)

On behalf of the Board of the FSB, I have pleasure in presenting the Strategic Plan for the transition of the FSB to the Financial Sector Conduct Authority (FSCA). This plan has been prepared on the basis that the transitional regulations for the implementation of the Financial Sector Regulation Act, Act 9 of 2017 (FSRA), empowers the current FSB executive committee to exercise the powers and functions of the Executive Committee of the FSCA and the FSCA will commence operations during the 2018/19 financial year.

The object of the FSCA is to enhance and support the efficiency and integrity of the financial system and protect financial customers. As a market conduct regulator, the FSCA will have a particular focus on the most vulnerable customers, being retail clients who often lack the sophistication and information necessary to protect them from fraud or market abuse and who rely on financial institutions and their representatives to look after their interests. The future outcomes-focused market conduct regulatory and supervisory approach will seek to protect consumers by ensuring that financial institutions can demonstrate that they consistently treat their customers fairly in the provision of financial products and services.

In its ongoing supervision of regulated entities, the FSB already pursues a risk-based approach. Based on a number of criteria (including but not limited to size, turnover, and nature of activities) regulated entities are categorised accordingly and such categorization determines the intensity of supervisory oversight. This will be further enhanced under the FSCA, with a particular focus on being pre-emptive and proactive in dealing with risks to customer outcomes before they result in wide-scale problems.

Over the next year key strategic priorities will be to establish the FSCA, to develop a robust regulatory framework and to ensure that the transition from the mandate of the FSB to that of the FSCA is seamless. While I am confident that the FSB Exco has invested the required effort to plan and effect a smooth transition to the FSCA much will depend on the timely appointment of the Commissioner and Deputy Commissioners by the Minister and the setting up of the appropriate governance structures for the new entity.

Mr AM Sithole

Chairperson of the Board of the Financial Services Board

INTRODUCTION BY THE EXECUTIVE OFFICER OF THE FSB

Over the past five years a great deal of effort has gone into developing the legal framework for implementing the twin peaks model of financial regulation, culminating in the passing of the Financial Sector Regulation Act in August 2017. The FSRA establishes a single regulator, the Financial Sector Conduct Authority, to oversee the market conduct of the entire financial services sector and the Prudential Authority (PA), operating within the administration of the SA Reserve Bank, to promote and enhance the safety and soundness of financial institutions. In terms of the FSRA the FSB will transition to the FSCA. The implementation dates of the various sections of the Act are still undecided. However draft Regulations for the implementation of certain sections of the FSRA was published for public comments in December 2017. The closing date for submission of written comments is 31 January 2018.

A sub-committee of the FSB Exco, the Regulatory Strategy Committee (RSC), has been established to oversee and guide the transition of the mandate and organizational structure from the FSB to the FSCA. An appropriate activity based operational and organizational structure has been designed and a proposed regulatory strategy has been drafted for the FSCA. The organisational structure of the FSB catered for its various divisions, established in line with the sector specific legislation it oversees. These divisions will cease to exist and will be replaced by the functional, activity based organisation structure which is considered to be more appropriate to achieve the objectives of the FSCA in an efficient and effective manner.

The FSB will continue in its current form during the 2017/18 financial year, but will be ready to transform to the FSCA with effect from the effective date to be announced by the Minister. The draft Financial Sector Regulations empowers the FSB EXCO and the Executive Officer to perform the functions of the FSCA in terms of the FSRA. Upon signature of the Financial Sector Regulations by the Minister and publication in the Government Gazette, the FSB Exco will commence the process to transition from the FSB to the FSCA.

This Strategic Plan addresses the establishment of the FSCA and the smooth transition of the FSB to the FSCA, and outlines our goals and objectives in this regard.

A new 5 year Strategic Plan will be prepared for the FSCA after the Executive Committee of the new FSCA has been appointed.

In my role as Executive Officer, I am committed to ensuring that the strategic priorities and targets are achieved.

Mr DP Tshidi
Executive Officer

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the management of the FSB under the guidance of the Board;
- Takes into account all the relevant policies, legislation and other mandates for which the FSB is responsible; and
- Accurately reflects the strategic outcome oriented goals and objectives relating to the establishment of the FSCA and smooth transition of the FSB to the FSCA.

Signature: ______________________

Mr P Kekana
Chief Financial Officer

Signature: DP TSHIDI

Mr DP Tshidi
Executive Officer of the Financial Services Board

Approved by:

Signature: ______________________

Mr AM Sithole
Chairperson of the Board of the Financial Services Board

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List of Acronyms

Acronyms	Description
AAISA	Association of African Insurance Supervisory Authorities
AIO	African Insurance Organisation
ASISA	Association for Savings and Investment South Africa
BSD	Bank Supervision Department
CIPC	The Companies and Intellectual Property Commission
CISCA	Collective Investment Schemes Control Act
CISNA	Committee of Insurance, Securities and Non-banking Financial Authorities
COO	Chief Operations Officer
CRA	Credit Rating Agency
CTC	Cost to Company
DEO	Deputy Executive Officer
DR	Disaster Recovery
dti	The Department of Trade and Industry
EU	European Union
FAIS	Financial Advisory and Intermediary Services
FIC	Financial Intellligence Centre
Finconet	International Financial Consumer Protection Organisation
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
FSRA	Financial Sector Regulation Act, Act 9 of 2017
FSOS	Financial Services Ombud Schemes
GDP	Gross Domestic Product
IAIS	International Association of Insurance Supervisors
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation of Securities Commissions
ICT	Information and Communications Technology
JSE	Johannesburg Stock Exchange
MOU	Memorandum of Understanding
NCR	National Credit Regulator
NCA	National Credit Act 34 of 2005
OTC	Over-The-Counter
PA	Prudential Authority
PFA	Pension Fund Adjudicator
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SADC	South African Development Community
TCF	Treating Customers Fairly

PART A: STRATEGIC OVERVIEW

1 Vision

A sound and trusted financial services and investment environment in South Africa.

(Pending approval by the FSCA Exco, the vision statement of the FSCA is "to ensure an efficient financial sector where customers are informed and treated fairly.)

2 Mission

To promote:

- Fair treatment of consumers of financial services and products;
- Financial soundness of financial institutions;
- Systemic stability of financial services industries;
- Integrity of financial markets and institutions.
- (Pending approval by the FSCA Exco the mission statement of the FSCA is " to ensure a fair and stable financial market, where consumers are informed and protected, and where those that jeopardise the financial wellbeing of consumers are held accountable".)

3 Values

We at the FSB will act ethically, professionally and with integrity at all times. To this end, we undertake to:

- Demonstrate the highest level of technical competence;
- Conduct all our business in the highest level of confidence;
- Collaborate effectively as team members to deliver effective services;
- Enhance stakeholder synergy through collaboration;
- Apply the regulatory framework in a consistent and fair manner; and
- Treat all with respect and empathy.
- (The FSCA will incorporate the following values: fairness, diligence, integrity, agility, perseverance, and camaraderie.)

4 Legislative and other mandates

4.1 Constitutional mandate

As a statutory body performing a public function in the field of financial regulation, the FSB is independent and impartial, exercises its powers, and performs its duties without fear, favour or prejudice. It is governed by the democratic values and principles enshrined in the Constitution, and seek to maintain high standards of professionalism and ethics. The FSB reports to the Minister of Finance and is accountable to Parliament.

4.2 Legislative mandate

The mandate of the FSB is derived from the Financial Services Board Act (Act 97 of 1990 as amended), which defines its functions as:

- to supervise and enforce compliance with laws regulating financial institutions and the provision of financial services;
- to advise the Minister of Finance on matters concerning financial institutions and financial services, either of its own accord or at the request of the Minister; and
- to promote programmes and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services.

In addition to the Financial Services Board Act, the FSB is responsible for administering the following Acts:

- Collective Investment Schemes Control Act 45 of 2002;
- Credit Rating Services Act 24of 2012
- Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act);
- Financial Institutions (Protection of Funds) Act 28 of 2001;
- Financial Markets Act 19 of 2012
- Financial Intelligence Centre Act 38 of 2001
- Financial Supervision of the Road Accident Fund Act 8 of 1993;
- Friendly Societies Act 25 of 1956;
- Inspection of Financial Institutions Act 80 of 1998;
- Long-term Insurance Act 52 of 1998;
- Pension Funds Act 24 of 1956;

- Short-term Insurance Act 53 of 1998; and
- Financial Services Ombud Schemes Act 37 of 2004.

The legislative mandate of the FSCA is derived from the Financial Sector Regulation Act and will be complemented by the powers to be included in the Conduct of Financial Institutions (CoFI) Act, currently in the process of being drafted.

4.3 Policy mandate

As a statutory body, the policies of the FSB stem directly from its legislative mandate. The same will apply to the FSCA.

Since coming into existence in 1991 the FSB has been a sector-focused regulator, covering both prudential and market conduct regulation and supervision of the non-banking sector. Its functions are set out above in section 4.2.

By contrast, the FSCA will be a dedicated market conduct regulator. Its legislative mandate is reflected as follows in section 57 of the FSRA:

The objective of the FSCA is 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 functions of the FSCA are in turn set out in Section 58 of the FSR Act.

Section 58 (1) In order to achieve its objectives the FSCA must: -

a) regulate and supervise, in accordance with the financial sector laws, the conduct of financial institutions;
b) co-operate with, and assist, the Reserve Bank, the Financial Stability Oversight Committee, the Prudential Authority, the National Credit Regulator, and the Financial Intelligence Centre, as required in terms of this Act;
c) co-operate with the Council for Medical Schemes in the handling of matters of mutual interest;
d) promote, to the extent consistent with achieving the objective of the Financial Sector Conduct Authority, sustainable competition in the provision of financial products and financial services, including through co-operating and collaborating with the Competition Commission;
e) promote financial inclusion;
f) regularly review the perimeter and scope of financial sector regulation, and take steps to mitigate risks identified to the achievement of its objectives or the effective performance of its functions;
g) administer the collection of levies and the distribution of amounts received in respect of levies;
h) conduct and publish research relevant to its objective;
i) monitor 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
j) formulate and implement strategies and programs for financial education for the general public.

Section 58 (4): The FSCA may do anything else reasonably necessary to achieve its objective, including;

a) co-operating with counterparts in other jurisdictions; and
b) participating in relevant international regulatory, supervisory, financial stability and standard setting bodies.

Section 58 (5): When performing its functions, the FSCA must –

a) take into account the National Credit Act and regulatory requirements for financial institutions that are authorised and regulated under that act;
b) take into account 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) to the extent practicable, have regard to international regulatory and supervisory standards set by bodies referred to in subsection (4) (b), and circumstances prevalent in the Republic.

Section 58 (6): The Financial Sector Conduct Authority must perform its functions without fear, favour or prejudice.

4.4 Planned policy initiatives

The financial sector regulatory reforms currently envisaged, commencing with the changes introduced by the FSRA, will change the regulatory functions of the FSB. The FSB is currently busy with internal implementation plans to prepare for this change. The FSB's internal Regulatory Statutory Committee (RSC) was established to facilitate a smooth transition from the FSB's current mandate, strategy and structure to its new role as a dedicated market conduct regulator.

The FSCA will retain a limited number of prudential supervision responsibilities, notably in respect of pension funds and collective investment schemes.

In addition to the transition to the FSCA, the FSB is also busy with a number of other regulatory policy initiatives, discussed below, designed to give effect to its current and future mandate, and to ensure that the South African financial regulatory framework remains in line with international standards, adapted to local circumstances. Going forward, these policy initiatives will be key aspects of the FSCA's regulatory and supervisory frameworks.

Certain of the policy initiatives discussed below, while pertinent to the current mandate of the FSB, will become the responsibility of the Prudential Authority (PA) when it is established. These include the policy initiatives discussed under Solvency Assessment and Management (4.4.3), Microinsurance (4.4.4), Consumer Credit Insurance (4.4.5) and the Insurance Bill (4.4.6).

4.4.1 Embedding Treating Customers Fairly (TCF) principles into the regulatory and supervisory framework

The TCF framework talks to key customer outcomes that all financial product and service providers will be expected to demonstrably deliver, through all stages of the product life-cycle. Much of our approach to market conduct regulation and supervision is and will continue to be about the proactive identification of risks to fair customer treatment. These risks can arise from culture and governance weaknesses in financial firms, as well as from inappropriate business practices at various stages of the product life cycle, from product design through, marketing, advice and post-sale service, to the point of benefit realisation. Specific focus areas include:

- The extent to which a fair treatment culture can be demonstrated and is embedded in governance processes. Governance and risk management structures are expected to also address conduct risks.
- Enhanced governance around product design, and the extent to which target market suitability and fair customer outcomes are factored into the product design process. In addition to product governance, the FSB is also looking at setting explicit product standards in particular cases where we think this may be the most appropriate way to address conduct risks – particularly where information asymmetry risks are highest. Examples include micro-insurance and so-called "bundled" products such as consumer credit insurance, both of which are discussed below.
- Conflicts of interest in distribution and outsourcing models are a key focus of the FSB's Retail Distribution Review (RDR), discussed below.
- Specific thematic work and targeted requirements on improving disclosure, complaints handling, and insurance claims handling processes.

4.4.2 Retail Distribution Review (RDR)

RDR is a prominent example of this new, more pre-emptive approach to market conduct regulation, ensuring that the regulatory framework optimally supports the delivery of TCF outcomes. The RDR proposes a number of far-reaching reforms to the regulatory framework for distributing financial products to customers in South Africa. The primary aim of RDR is to ensure that advice and intermediary services support fair customer outcomes; in particular, to promote access to appropriate, affordable and fair advice and distribution.

The RDR seeks to give consumers confidence in the retail financial services market and trust that product suppliers and financial advisers will treat them fairly. RDR aims to place financial services customers in a position to understand more clearly what kind of advice or services they are getting, how much it will cost and how it will be paid for. It also aims to provide customers with confidence that their adviser is sufficiently qualified to provide suitable advice and is acting in their best interests. At the same time, access to quality financial advice is seen as a critical element of delivering TCF outcomes – so another key objective of RDR is to ensure a framework that supports a sustainable business model for financial advice.

RDR is being pursued on a cross-cutting, cross-sectoral basis: It specifically impacts the Insurance, Collective Investment Schemes and FAIS Divisions, and also has impacts on the distribution of pension products.

4.4.3 Solvency assessment and management (SAM)

SAM is a new forward-looking risk-based approach to solvency for insurers and insurance groups, which sets out enhanced capital, governance and risk management requirements. The primary purpose of SAM is the better protection of policyholders and beneficiaries through the alignment of capital (solvency) requirements with the underlying risk of an insurer; the provision of incentives to insurers to adopt more sophisticated risk monitoring and risk management tools; and the promotion of financial stability.

The prudential regulation of insurers and insurance groups, under the SAM regime, will transfer to the SARB under the twin peaks model of financial regulation. The effective date of SAM will therefore be aligned with the effective date of the implementation of the twin peaks model. Preparations for the implementation of SAM will continue within the FSB during the transition period, but in close cooperation with the SARB.

4.4.4 Micro-insurance

Micro-insurance refers to insurance that is distinguished by its particular focus on the low-income market, which translates into distinct regulatory approaches to product design and distribution.

In response to abusive practices prevalent in the underwriting and distribution of funeral insurance, Parliament requested the FSB and National Treasury to investigate these abuses and propose regulatory reforms to better protect vulnerable consumers of these insurance products, especially those in the lower income segment. In July 2011, National Treasury released "The South African Micro-insurance Regulatory Framework". This policy document summarises the proposed regulatory framework for micro-insurance in South Africa. The proposed micro-insurance regulatory framework is enabled through the Insurance Bill, 2016 (discussed below).

4.4.5 Consumer credit insurance

The National Treasury and FSB released a "Technical Report on the Consumer Credit Insurance Market in South Africa" for public comment in 2014. The report identified some of the abuses in market conduct and business practices in the Consumer Credit Insurance ("CCI") industry; provided a review of the market structure and current policy and regulatory frameworks; and outlined a set of policy responses to strengthen the existing regulatory framework in order to curb widespread abuses and improve the value of CCI to consumers. The FSB intends to take forward some of the proposed regulatory reforms and to undertake further supervisory and technical work to inform longer term CCI reforms.

In this regard it should be noted that the dti has published draft credit life regulations. Addressing the concerns in the consumer credit insurance sector is a collaborative effort between the FSB, National Treasury and the dti.

4.4.6 Insurance Bill, 2016

The Insurance Bill was recently approved in Parliament.

The Bill provides a consolidated legal framework for the prudential supervision of insurers. It gives effect to important national policy objectives by:

- Enhancing access to insurance by introducing a micro-insurance regulatory framework
- Enhancing the financial soundness of insurers and the financial services sector and protecting policyholders by:
    - Introducing a new solvency assessment and management (SAM) regime

- Introducing a framework for insurance group supervision
- Enhancing reinsurance arrangements
- Alignment with international standards (adapted to South African circumstances) under South Africa's G20 commitments.

4.4.7 Investment Institutions Regulatory Developments

- The amended OTC regulations were signed by the Minister in December 2017. The Regulations, however, will only be effective when the FMA Consequential Amendments come into force.
- Financial Markets Act, 2012 Consequential Amendments have been signed by the President and will come into effect when the FSRA comes into effect.
- The Capital Market Department is currently assessing one exchange license application, Yizani Phuthuma Nathi (YPN) and is awaiting an updated application from South African Financial Exchange (SAFE).
- The High Court application by 4AX to review the decision of the Registrar to grant a licence to ZAR X on 31 August 2016 is underway.
- The draft "code of conduct for parties to Securities Financing Transactions in the South African securities market" has been published for public comment. The closing date for comments was extended to 31 December 2017. The Capital Markets team is currently studying the comments received from the public with the view to conducting targeted engagements with key stakeholders before finalising the Code.
- Strate is in the process of obtaining accreditation as a Local Operating Unit (LOU) by the Global Legal Entity Identifier Foundation (GLEIF). Strate signed a Non-Disclosure Agreement with the GLEIF which was approved on the 20th of May 2016. The GLEIF board approved Strate's accreditation plan on the 21st of September 2016. The Master Agreement with the GLEIF was signed in April 2017.. To date, there is a total of 71 registered LEI's on the system.

4.4.8 Retirement reform

The Minister of Finance confirmed in his 2014 Budget update on retirement reform that the National Treasury is engaged in a program for the incremental reform of the retirement funding market.

The FSB is working on draft regulatory instruments relating to the training and qualifications of members of the boards of retirement funds; prescribed standards relating to the governance of retirement funds, unclaimed benefits funds and beneficiary funds; and standards relating to the rules of funds designed to promote simplicity, harmonisation and consolidation. The FSB will also be assisting the National Treasury to prepare draft regulations relating to the disclosure of charges; default measures to promote better investment of members' retirement savings; preservation of those savings when changing employer; and the receipt of a greater proportion of retirement benefits in the form of pensions rather than lump sums.

Other developments include:

- Considerations regarding the establishment of a Central Unclaimed Retirement Benefits Fund which may in future be expanded to include unclaimed benefits of other financial institutions supervised by the FSB/FSCA.
- Implementation of market conduct principles, including monitoring of TCF principles and complaints management.
- Implementation of a more intrusive and outcomes based supervisory process that is being developed to identify high impact funds for desktop reviews. Where concerns are identified through these reviews, more focussed onsite reviews will be conducted. This process will result in effective utilisation of resources as well as shorter and more intensive visits, as well as cost savings for both the Registrar and the fund concerned.

4.4.9 Hedge funds

The applications received from managers for approval to operate schemes in hedge funds, have been assessed and finalised. Fourteen managers representing 13 Qualified Investor Hedge Fund ("QIHF") schemes and 11 Retail Investor Hedge Funds ("RIF") schemes were approved. Post registration reviews conducted during the year highlighted several challenges that the managers were experiencing in adapting to the legislative requirements. Most of these have been resolved and to the extent that there are issues outstanding, they will be attended to over the course of the 2018/19 year. In addition, the full risk based oversight supervision will be rolled out over the year. This will focus on operational and quantitative risk management to ensure that the industry remains stable and is in a position to attract greater inflows in future. New initiatives that address regulatory concerns regarding the increasing trend of Fintech based investments offered in this space will receive dedicated effort over the coming year.

Regulatory developments affecting Real Estate Investment Trusts (REITS) and Foreign Member Funds are also underway.

4.5 The Strategic context of the FSB

4.5.1 Government policy outcomes

The National Development Plan (NDP) sets out the government's approach to growth to 2030. It provides an integrated approach for business, government and civil society to address the critical issues of income inequality, poverty and unemployment in South Africa. Given its regulatory mandate, the FSB has a clear impact on the financial sector and the broader economy, and accordingly has a meaningful role to play in promoting growth, employment and poverty reduction.

The FSB is able to contribute to the area of poverty reduction through:

- The use of regulatory and supervisory measures to promote more 'value for money' financial products and services and reduce the abuse of savings and investments by unscrupulous providers of financial products and services.
- Providing assistance to government in designing and implementing measures to broaden social security for all, particularly in relation to retirement reform and roles that can and should be played by persons and entities subject to supervision by the FSB, including retirement funds, friendly societies and insurers.
- Supporting the design and implementation of cost effective measures to promote savings, investments and risk reduction and thereby to increase asset ownership and asset protection by the historically disadvantaged.
- Supporting measures to promote 'active ownership' and sustainable and responsible investments by retirement funds for the benefit of their members and other stakeholders.

- Reducing cost of regulatory compliance, especially for small- and medium-sized firms
- Providing support for small businesses through better coordination of relevant agencies, development finance institutions, and public and private incubators.
- Strengthening financial services to bring down their cost and improve access for small and medium-sized businesses.
- Developing an appropriate regulatory framework to support innovation in the system consistent with the growth strategy, and
- Promoting access to employment, financial inclusion and education. The NDP envisages that small and new entrepreneurs will account for the creation of the majority of new jobs in the economy. An important strategy for the FSB is the promotion of new entrants to the financial services industry.

4.5.2 Transformation and financial inclusion

An important focus for the FSB, and the future FSCA, is that of transformation in line with government policy. Internally, the FSB is largely transformed, as indicated by its employment and supply chain policies and practices. The FSB will continue to offer employment opportunities to skilled Black professionals, promote the development of skills in all its employees and support emerging business when procuring goods and services.

Financial inclusion and the formulation and implementation of strategies and programs for financial education for the public are stated objectives of the FSCA in the FSRA. The FSB is committed to improving access to financial services to the previously disadvantaged communities. Further, the financial services industry is seen as largely untransformed, with barriers to entry by Black entrepreneurs and Black owned businesses. The strategy of the FSB and future FSCA will include strategies to address these perceptions, including short-term and long-term plans to address transformation in each sector in which the FSB operates.

4.5.3 Additional financial sector outcomes

In addition, the FSB is expected to contribute to the following relevant strategic outcomes:

- Improving the quality of basic education via the FSB's financial literacy programme;
- Developing a skilled and capable workforce;
- Creating a better South Africa by improving the economic environment; and

- Generating an efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship with particular regard to financial institutions and services.

4.5.4 The economic landscape

The performance of and outlook for the South African economy, taken from an address delivered by the Deputy Governor of the SA Reserve Bank at the Economist Corporate Network on 30 October 2017, is set out below.

National Treasury has revised its forecasts for domestic GDP growth to 0,7% in 2017 and 1.1% in 2018. These are in line with the IMF revised forecasts for South African GDP growth for 2017 and 2018. The low growth is perhaps the most crucial economic issue in SA. When it downgraded SA's sovereign credit rating in June 2017, Moody's listed 'reduced growth prospects" as one of the key three drivers of the downgrade. In contrast to the low projected GDP growth, domestic population growth continues to be around 1.5%. In per capita terms GDP continues to decline.

The key to this lack of growth resides in policy uncertainties, low private sector confidence, subdued investment in productive capacities, and poor competitive performance. Weak business confidence amid disappointing demand performance has depressed private-sector fixed investment which is focussed mostly on replacing obsolete capital rather than creating new capacities.

The external economic environment has improved with the IMF again revising upwards its forecasts for world growth in both 2017 and 2018. In SA the decline in inflation over the past year has provided some breathing space for consumers, allowing for some gains in real disposal income despite net job losses. Many factors still limit room for meaningful improvement in SA economic growth. Confidence remains highly vulnerable to upcoming political events given their potential implications for government policies; it remains vulnerable to the risks of further sovereign rating downgrades and further increases in the oil prices could boost inflation.

4.5.5 FSB transition

As noted previously, the FSB's RSC has been established to assist the FSB EXCO in facilitating a smooth transition from the FSB's current mandate, strategy and structure to that of the FSCA.

Over the past year the RSC has overseen the development of a functional operating structure for the FSCA. This functional operating structure has been used as the basis to design an appropriate organisational structure. The notable feature of the proposed functional design for the FSCA is the centralisation of business functions (such as licensing, supervision and enforcement) compared to the decentralised operations of the FSB. Task teams have been established to oversee the various projects currently underway to guide the transition to the new organisational structure of the FSCA.

The effective date for the establishment of the FSCA is as yet unknown. Notwithstanding, it is envisaged that, on establishment, actual business processes will not change and the migration to new systems and processes will occur over a period of time. In the meantime transitional projects have been identified together with task teams to plan and effect these so that the transition is orderly and effective with minimum disruption to normal regulatory activities.

4.6 Performance environment

4.6.1 The situational analysis

The focus of this strategic plan is the establishment of the FSCA and the orderly transition by the FSB from its current regulatory responsibilities to a market conduct regulator as envisaged in the twin peaks model. This plan has been prepared on the basis that the transitional regulations for the implementation of the FSRA, will empower the current FSB executive committee to exercise the powers and functions of the Executive Committee of the FSCA and the FSCA will commence operations on 1 April 2018.

In order to reconfirm the performance environment and the influences thereon, an analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) was completed. The consolidated assessment is reflected below.

As is reflected elsewhere in this document, the FSB will continue with its responsibility to administer a range of legislation aimed at the regulation and supervision of primarily non-banking financial institutions in South Africa until the twin peaks enabling legislation comes into effect. This includes the insurance sector, the financial markets, the collective investment schemes sector, the retirement funds sector and the activities of financial intermediaries and advisers.

As it has done during the 25 years since its establishment, the FSB will continue to develop its technology, processes and resources to ensure that they enable the FSB to effectively fulfil its mandate. This includes ensuring that our regulatory and supervisory approach remains robust and relevant in response to new financial products and processes, new technology, and emerging risks. To this end, the SWOT analysis (applicable to the FSB) reflected hereunder has been compiled by using a thorough interactive process.

Strengths	Weaknesses
• Adherence to mandate; • Collaborative and consultative regulator; • Committed and professional staff; • Compliance with regulations applicable to the FSB; • Regulatory framework in line with international best practice; • Sound financial management; • Willingness to confront regulatory issues / Supervising without fear or favour; • Good standing with domestic and international bodies; • Caring organisation; • Institutional knowledge and understanding of industries; • Strong business and ICT alignment through ICT governance; • Appetite for change.	• Supervisory methods in some divisions are not sufficiently proactive.; • Insufficient collection of data to perform data analytics; • Some legacy IT systems; • Ineffective communication; • Weak intelligence gathering with regards to industry financial innovation; • Inconsistent visibility as a regulator among consumers; • Working in silos; • Inability to respond to financial innovation in a timely manner. • Uncertainty relating to the effective date of establishment of the FSCA.

Opportunities	Threats
• New responsibilities arising from the twin peaks regulatory model;	• Gaps in the regulatory framework; • Inability to respond to financial innovation

• Opportunities presented by changes in the FSB's organisational design to harmonise and improve regulatory and supervisory standards, break down silos that impede effective supervision and promote the FSCA as employer of choice for both highly skilled and experienced professionals and young professionals seeking opportunities for learning and development while serving the country. • Opportunity to improve the profile of the FSB due to the broader recognition and buy-in into financial regulations/ stronger political backing/ expanded scope of financial regulation; • Support National Treasury on financial inclusion through consumer protection and financial education; • Expansion and strengthening of stakeholder relationships; • Strengthening collaboration with other relevant regulatory bodies; • Responding to financial innovation.	in a timely manner; • Litigation against the FSB; • Non-availability and mobility of scarce skills to feed the organisation; • The length of timelines involved in the criminal justice system process; • Overlaps and gaps in legislative mandates; • Cyber-attacks.

4.6.2 The supervisory and regulatory framework

The FSB has contributed to the development and implementation of a wide range of regulatory reforms over the last decade or so, including the FAIS Act, FMA, CISCA, the FSOS Act and the Credit Ratings Services Act. The FSB Act was also amended to establish an enforcement committee empowered to impose administrative penalties for contraventions of all legislation falling under the auspices of the FSB, thereby significantly improving the visibility of enforcement and acting as a strong deterrent to non-compliance.

The FSB follows a risk-based approach to supervision, which promotes early identification and on-going management of systemic and institution-specific risks, and enables the FSB to focus its supervisory attention on matters posing the highest risks to the achievement of its regulatory objectives.

4.6.3 Relationship with other local regulators

The FSB interacts closely with the Bank Supervision Department (BSD) and Financial Surveillance Department of the SARB, the NCR, the Council for Medical Schemes, and other local regulators, in the performance of its supervisory duties. A MoU is in place with the SARB and tri-annual meetings are held between the BSD of the SARB and the FSB to discuss cross-cutting issues.

The FSB has significantly strengthened its relationship with the FIC to ensure early detection of money laundering and terrorist financing that undermine the integrity of the financial sector and South Africa's international status as a strong, robust, stable and growing market. Together with the FIC, the FSB vigorously pursues initiatives to ensure that tough anti-money laundering and combating of terrorist financing (AML/CFT) enforcement strategies are in place in South Africa.

The FSRA envisages that the FSCA will continue to co-operate and collaborate with local regulators.

4.6.4 Relationships with international organisations

The FSB participates in the activities of international standard setting bodies. These include IOSCO, IOPS, FincoNet and the IAIS. Through this participation, the FSB not only keeps abreast of international regulatory developments, but also has an opportunity to help shape international standards and ensure that they are appropriate to emerging market circumstances. Participation also allows the FSB to benchmark its regulatory structures against best practice standards as codified by these bodies.

Apart from being a signatory to the IOSCO and the SADC multilateral MoUs, the FSB has concluded bilateral MoUs with a large number of jurisdictions. The MoUs are aimed at facilitating and improving the exchange of information and cooperation among regulators.

Furthermore, the FSB participates in the activities of African regulatory bodies, such as AAISA and AIO as well as those in the SADC region, particularly CISNA. The FSB has participated in the activities of CISNA since its inception and provides its secretariat services. CISNA's main objective is to establish sound regulatory frameworks and to promote and maintain confidence in the financial systems in the SADC region. In addition, CISNA promotes the creation of a comprehensive and harmonised regulatory framework in capital markets, investment services, insurance and retirement funds. The aim is to prepare the region's regulatory framework for the free flow of capital within the SADC and, in particular, to address potential regulatory arbitrage.

The FSRA envisages that the FSCA will continue to co-operate and collaborate with international standard setting bodies.

4.7 Organisational environment

4.7.1 FSB structure

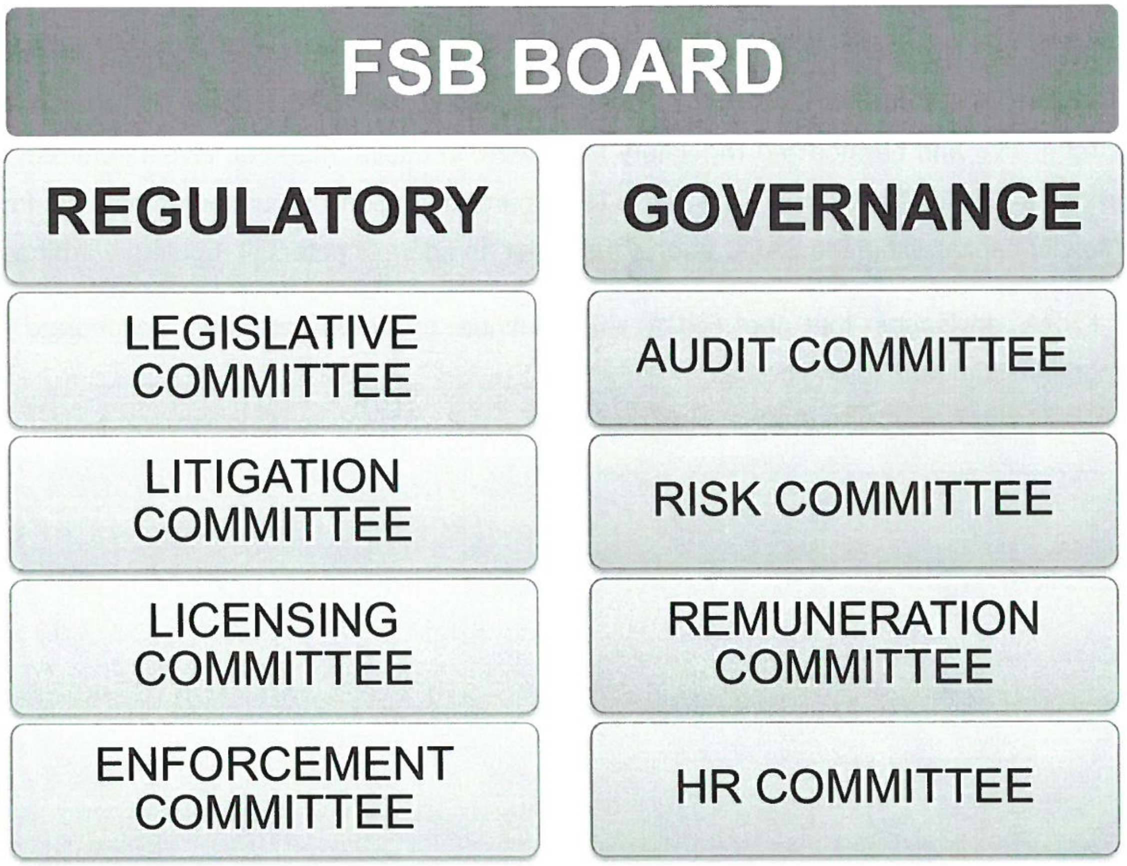


Figure 1: FSB governance structure

The Board of the FSB oversees the operations of the organisation through the various committees of the Board as reflected above. The powers of all the committees of the Board are limited to making recommendations to the Board, with the exception of the Licensing Committee that recommends to the Registrar and reports to the Board.

The Board of the FSB is also responsible for the governance oversight of the Offices of the FAIS Ombud and Pension Funds Adjudicator. The FSB is responsible for funding the operations of the Offices of the FAIS Ombud and the PFA on the basis of approved budgets. The Offices are part of the same regulatory framework within which the FSB operates. In terms of their determinations and complaints handling, they are independent of the FSB as their sole mandate is to dispose of complaints lodged by consumers of financial services in terms of their respective Acts, in a procedurally fair, economical and expeditious manner.

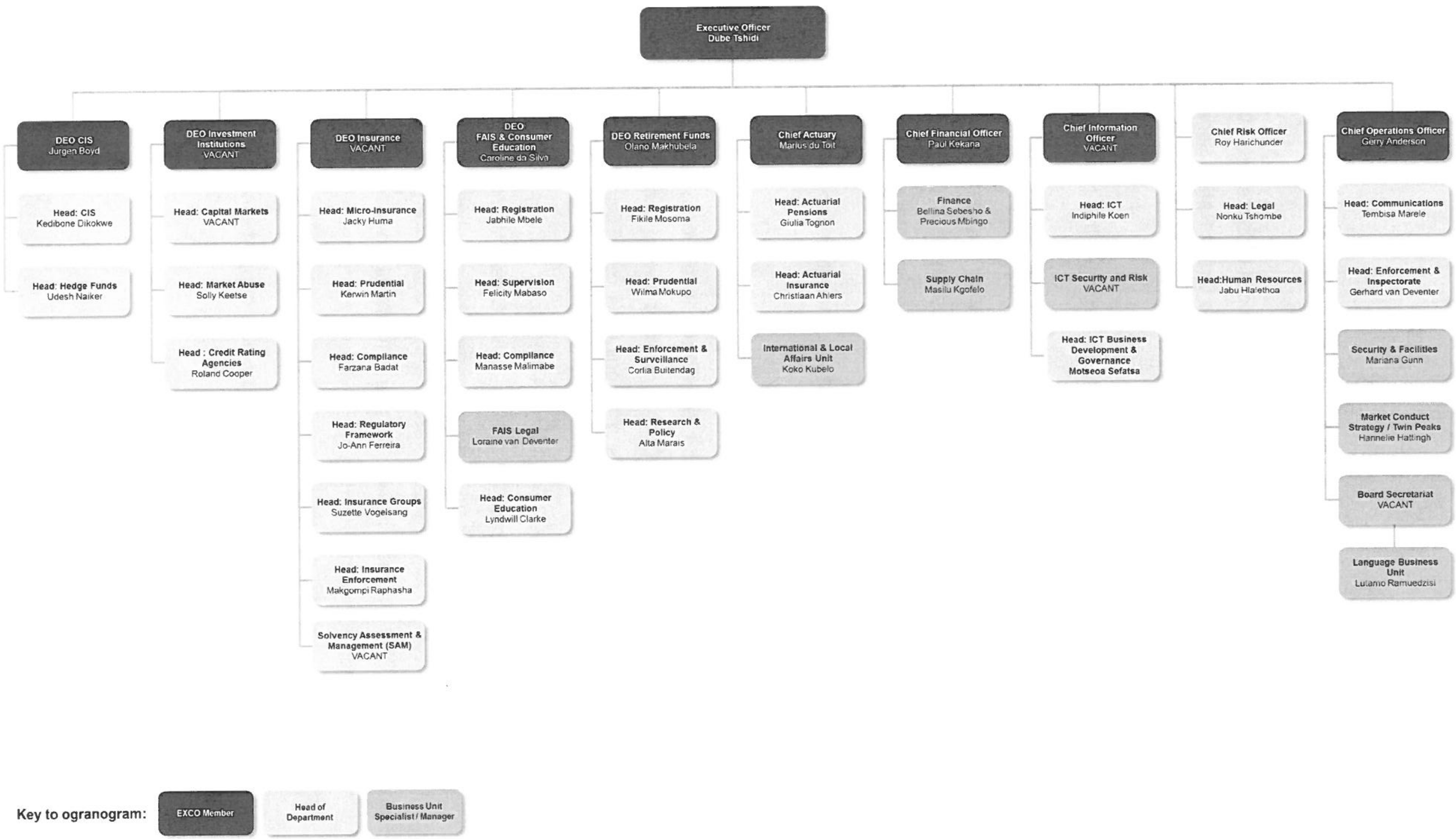
4.7.2 FSB organisational structure

The FSB is presided over by an Executive Officer who is also -

a) the Registrar of Capital Markets, in terms of the Financial Markets Act, 2004;
b) the Registrar of Credit Rating Agencies in terms of the Credit Rating Services Act, 2012;
c) the Registrar of Collective Investment Schemes in terms of the Collective Investment Schemes Control Act, 2002;
d) the Registrar of Financial Services Providers in terms of the Financial Advisory and Intermediary Services Act, 2002;
e) the Registrar of Friendly Societies in terms of the Friendly Societies Act, 1956;
f) the Registrar of Long-term Insurance in terms of the Long-term Insurance Act, 1998;
g) the Registrar of Pension Funds in terms of the Pension Funds Act, 1956;
h) the Registrar of Short-term Insurance in terms of the Short-term Insurance Act, 1998; and
i) the Registrar of Securities Services in terms of the Securities Services Act, 2004 and the Financial Markets Act, 2012.

A Deputy Executive Officer (DEO) is responsible for the supervision of each of the various industries regulated by the FSB, namely DEO Investment Institutions, DEO Insurance, DEO Retirement Funds and Friendly Societies, DEO Collective Investment Schemes and DEO Financial Advisory and Intermediary Services. The positions of DEOs for Retirement Funds, Investment institutions and Insurance are currently vacant and are being overseen by candidates acting in those positions. The Chief Operations Officer (COO) oversees the functions of those support departments indicated. The Chief Information Officer (CIO) is responsible for ensuring the development and implementation of a business-aligned FSB ICT Strategy. The CIO position is currently also vacant and is being overseen by the COO. The Chief Finance Officer (CFO) is responsible for sound financial governance, whilst the Chief Actuary is responsible for advice provided to the divisions on aspects of an actuarial nature. The Chief Risk Officer responsible for the assurance functions reports to the Executive Officer.

The FSB is organised into five line divisions, three line-support and six general support departments.



Executive Officer
Dube Tshidi
DEO CIS
Jurgen Boyd
Head: CIS
Kedibone Dikokwe
Head: Hedge Funds
Udesh Naiker
DEO Investment Institutions
VACANT
Head: Capital Markets
VACANT
Head: Market Abuse
Solly Keetse
Head : Credit Rating Agencies
Roland Cooper
DEO Insurance
VACANT
Head: Micro-Insurance
Jacky Huma
Head: Prudential
Kerwin Martin
Head: Compliance
Farzana Badat
Head: Regulatory Framework
Jo-Ann Ferreira
Head: Insurance Groups
Suzette Vogelsang
Head: Insurance Enforcement
Makgompi Raphasha
Solvency Assessment & Management (SAM)
VACANT
DEO
FAIS & Consumer Education
Caroline da Silva
Head: Registration
Jabhile Mbele
Head: Supervision
Felicity Mabaso
Head: Compliance
Manasse Malimabe
FAIS Legal
Loraine van Deventer
Head: Consumer Education
Lyndwill Clarke
DEO Retirement Funds
Olano Makhubela
Head: Registration
Fikile Mosoma
Head: Prudential
Wilma Mokupo
Head: Enforcement & Surveillance
Corlia Buitendag
Head: Research & Policy
Alta Marais
Chief Actuary
Marius du Toit
Head: Actuarial Pensions
Giulia Tognon
Head: Actuarial Insurance
Christiaan Ahlers
International & Local Affairs Unit
Koko Kubelo
Chief Financial Officer
Paul Kekana
Finance
Bellina Sebesho & Precious Mbingo
Supply Chain
Masilu Kgofelo
Chief Information Officer
VACANT
Head: ICT
Indiphile Koen
ICT Security and Risk
VACANT
Head: ICT Business Development & Governance
Motseoa Sefatsa
Chief Risk Officer
Roy Harichunder
Head: Legal
Nonku Tshombe
Head:Human Resources
Jabu Hlalethoa
Chief Operations Officer
Gerry Anderson
Head: Communications
Tembisa Marele
Head: Enforcement & Inspectorate
Gerhard van Deventer
Security & Facilities
Mariana Gunn
Market Conduct Strategy / Twin Peaks
Hannelie Hattingh
Board Secretariat
VACANT
Language Business Unit
Lulamo Ramuedzisi
Key to ogranogram:
EXCO Member
Head of Department
Business Unit Specialist / Manager

4.7.3 FSB strategic risks

The FSB strategic risks are listed below:

#	Strategic risk
1	**Excessive litigation exposure.** Litigation arising from regulatory mandate.
2	**Data integrity.** Inaccurate / unreliable management information.
3	**Recruitment and retention of skilled staff.** Failure to attract and retain employees with the right knowledge, skills, experience and attributes.
4	**Knowledge/skills base.** Lack of succession planning to ensure sustainability of FSB. Loss of knowledge/skills base.
5	**Integrity, credibility and visibility of the FSB.** Lack of confidence in the FSB by stakeholders.
6	**Cyber-crime.** Inappropriate/unauthorised access to FSB information by internal/external parties.
7	**Implementation of legislation.** Failure to implement legislation.
8	**Enforcement of legislation.** Inadequate enforcement structure and inadequate preparation of Enforcement Committee documents
9	**Business shutdown.** Inability of business to continue functioning effectively after a disaster.
10	**Financial exposure of the FSB.** Inability of the FSB to sustain itself financially.
11	**Legal and regulatory compliance.** Failure to comply with all relevant legislation.
12	**ICT infrastructure and capability to support the business.** ICT service failures which impacts on the ability to honour SLCs with user departments.

#	Strategic risk
13	**Fraud and Corruption.** Instances of fraud and corruption against the FSB by internal or external parties.

4.8 The Strategic planning process

The FSB adopted a participatory approach to the development of this strategic plan. This strategic plan was developed by the executive management team of the FSB and was presented to the Board for input and consensus. This plan takes into account the views of the key internal stakeholders.

Due to the dynamic nature of the external and internal environment as well as the shifting needs and requirements of its stakeholders, it is imperative that the FSB reviews its strategies regularly to ensure that it remains relevant and effective. Whilst strategies are crafted to set the long-term direction of an organisation, the ever-changing external and internal environment that the FSB operates within dictates that strategies have to be continually reviewed to ensure that the strategic objectives, measures and goals set therein remain relevant. To this end the FSB regularly reviews and amends its strategy, with the express purposes of:

a) Identifying critical strategic focus areas that will span the next three to five years;
b) Utilising these strategic focus areas to guide and inform the development of the detailed divisional business plans; and
c) Developing measures to support the strategic focus areas.

This particular strategic plan, however, has a specific focus: It outlines the FSB's goals and objectives for purposes of ensuring a smooth transition to the FSCA and the transfer of certain of the FSB's prudential regulatory responsibilities and related business operations to the SARB. Certain prudential regulatory responsibilities, notably those relating to pension funds and collective investment schemes, will be retained in the FSB.

In designing the FSB's strategic framework, the FSB has taken into account the expectations and needs of its direct external and internal stakeholders to ensure the creation of sustainable stakeholder value, notwithstanding the pending regulatory reforms. Cognisance has been taken of the dynamic factors that make up the financial services environment and the resources available to the organisation. The FSB has conducted a thorough evaluation of past years' business performance against previously agreed strategic objectives. For those objectives which will remain relevant, the plan aims for continuous improvement in the FSB's approach to regulation and supervision, in line with international standards, with a focus on a smooth transition to the new FSCA mandate.

The process followed a two-pronged approach:

a) Strategic analysis and
b) Strategy formulation

This entailed a review of the existing strategic plan, a performance review against the said plan and an analysis of the environment – with an emphasis on both the demands of the twin peaks regulatory reform, and the need to minimise any related disruptions. This set the basis for the development of the strategic goals and objectives.

5 Strategic outcome oriented goals of the FSB

The FSB strategy is anchored on 6 main pillars. Each of these pillars aims to address specific strategic challenges and/or imperatives. These will form the basis on which subsequent performance plans and operational plans will be developed. However, it is acknowledged that the strategy may change following implementation of the twin peaks model and accordingly the entire strategic plan will require revision once the FSCA is formally established. The FSRA requires the FSCA to publish its regulatory strategy within 6 months of coming into operation. This overarching regulatory strategy will in turn inform future more detailed strategy plans.

Table 1 - Strategic plan pillars

PILLARS / GOALS	STRATEGIC CHALLENGES/ IMPERATIVES TO BE ADDRESSED
Empowered consumers of financial products and services	Ensure financial literacy interventions meet the need of consumers of financial services and products. Development of thought leadership strategies around the delivery of financial literacy interventions to ensure access to financial services and products to all South Africans and such customers are treated fairly by providers of financial services.
Proactive stakeholder management	Improving co-ordination and communication with all stakeholders in order to improve the effectiveness of our regulatory and supervisory activities. Implement stakeholder management strategy which ensures proactive, timely and transparent communication with stakeholders which enhances trust and respect of the FSB.
Sound financial institutions that treat their customers fairly.	Updating regulatory frameworks to maintain alignment with international standards, adapted as appropriate for local circumstances. Adapting internal processes with regard to risk-based

PILLARS / GOALS	STRATEGIC CHALLENGES/ IMPERATIVES TO BE ADDRESSED
	supervision and enforcement to improve the effectiveness of prudential and market conduct regulation, given the large number of financial institutions that are regulated by the FSB.
Promote transformation of the financial services industry.	Promote entry in the financial services sector by Black entrepreneurs by ensuring that regulatory frameworks are proportionate to the risks posed to the achievement of regulatory objectives, and that regulatory guidance is provided to emerging financial product and services providers, thereby supporting financial inclusion and broadening access by the previously excluded to formal financial products and services.
Sound internal policies, processes and procedures	Internal policies and processes to achieve the goals of the FSB
Effective transition to a market conduct regulator	Facilitating a smooth transition from the FSB's current mandate, strategy and structure to that of the FSCA under the twin peaks regulatory model. There are a number of issues that will need to be addressed and these include: • Addressing staff anxieties in preparation for, during and after the transition to the FSCA (change management and labour relations management) • Ensuring that current systems are adequate to address elements of the transition i.e. winding down of the current business and ramping up of the new business • Ensuring that strategies, processes, policies and procedures are in place to accommodate new functions/ changes to functions

PILLARS / GOALS	STRATEGIC CHALLENGES/ IMPERATIVES TO BE ADDRESSED
	• Developing recommendations on the ideal organisational design for the new business • Identifying/developing information systems that support the new proactive, pre-emptive and outcomes-focused approach to supervision • Building the necessary supervisory capacity and skills to be able to follow a proactive, pre-emptive and outcomes-focused approach to supervision • Implementing robust checks and balances, including consultation and review, to ensure the consistency of judgment-based supervisory decision-making • Developing recommendations on a regulatory strategy for the FSCA

The following diagram outlines the key strategic outcomes that will guide the FSB over the transition period and the key focus areas (goal statement) per strategic outcome:

Strategic outcome 1	Empowered consumers of financial products and services
Goal statement	Promote financial education to consumers of financial services and products by way of focused financial literacy interventions using the media, workshops, exhibitions, etc.

Strategic outcome 2	Proactive stakeholder management
Goal statement	Implement an effective communication, brand, reputation and stakeholder management strategy during the transition to the FSCA.

Strategic outcome 3	Sound financial institutions that treat their customers fairly
Goal statement 1	Ensure that the regulatory and supervisory framework (prudential and market conduct) is in line with international standards and best practices.
Goal statement 2	Ensure effective and efficient prudential and conduct supervision processes.

Strategic outcome 4	Promote transformation of the financial services industry
Goal statement	Promote entry to the financial services sector by Black and emerging entrepreneurs and broadening access to financial services and products by the previously excluded.

Strategic outcome 5	Sound internal policies, systems, processes and procedures
Goal statement	Internal policies, systems, processes and procedures that meet the operational requirements of the FSB.

Strategic outcome 6	Effective transition of the FSB to the FSCA
Goal statement	Develop recommendations on the future organisational structure and regulatory strategy and manage the transition from the FSB to the FSCA.

PART B: STRATEGIC OBJECTIVES

6 Strategic objectives

6.1 Empowered consumers of financial services and products

6.1.1 Strategic objectives:

Strategic objective	Promote financial education to consumers of financial services and products.
Objective statement	Implement programs for financial education for the general public.
Baseline	Financial literacy interventions achieved in 2017/18
Performance indicator	Number of interventions to promote financial education.

6.1.2 Resource considerations

- It is envisaged that the existing staff complement in the Consumer Education Department will be sufficient to implement the strategic objective during the transition phase. However the FSRA widens the scope of responsibility of the FSCA with regard to financial education. When the FSCA is established the resource requirements will then have to be reconsidered.
- Additional resources with regulatory policy/research skills will be necessary to support the broader review of, and further reforms to, the regulatory framework for financial products and services regulated by the FSB, to better support financial inclusion and transformation.

6.1.3 Risk management

- Lack of resources to achieve the step-up in financial consumer education and financial inclusion initiatives envisaged in the FSRA.

6.2 Proactive stakeholder management

6.2.1 Strategic objectives

Strategic objective	Implement an effective communication, brand, reputation and stakeholder management strategy during the transition to the FSCA.

Objective statement	To ensure all communication issues are effectively managed during the transition to FSCA.
Baseline	Interventions achieved during 2017/18
Performance indicators	Percentage achievement of targets in the stakeholder outreach plans Number of media engagements. Number and achievement of internal communications, industry and public communications targets.

6.2.2 Resource considerations

- It is envisaged that the existing staff complement in the Communications & Liaison Department will be sufficient to implement the strategic objective.

6.2.3 Risk management

- Brand awareness not effectively created or communicated.
- Communication failure during the transition period.
- FSB initiated workshops and conferences not addressing the needs of the stakeholders.

6.3 Sound financial institutions that treat their customers fairly

6.3.1 Strategic objectives

Strategic objective	Regulatory framework in line with international standards. 80% of principles partly, broadly or fully implemented.
Objective statement	Review regulatory framework to identify gaps and ensure appropriate alignment with relevant principles and standards recommended by international standard setting bodies.
Baseline	Current regulatory framework.
Performance indicator	Number of progress reports tracking implementation of findings and recommendations of peer review considered by the FSB Exco. Adherence to the legislative review deadline.

Strategic objective	Risk-based supervision to monitor and improve the financial investment environment.
Objective statement	To meet the onsite and offsite targets as identified in the supervisory plans of the departments.
Baseline	Performance percentages achieved in 2017/18
Performance indicator	Percentage achievement of targets set out in departmental risk-based supervision plans.

Strategic objective	Effective enforcement of compliance with legislation.
Objective statement	Institute enforcement action in 100% of the cases identified, within agreed SLA timeframes.
Baseline	Achieve 80% targets in SLAs.
Performance indicator	Percentage achievement of commitment timelines in SLAs (Enforcement and Inspectorate) Percentage compliance with timelines set out in each divisions SLCs

6.3.2 Resource considerations

It is envisaged that the current staff and budget provisions should be sufficient in relation to these strategic objectives during the transitional period. Looking forward, however, details of resource requirements will only become clearer after the functional and proposed organisational structure for the new entity are finalised. It is envisaged that the recommended organisational structure for the FSCA will be finalised during 2017/18.

6.3.3 Risk management

The following are some of the risks associated with this outcome:

- Regulatory gaps not identified timeously to improve regulation.
- Risk-based supervision not effective and comprehensive enough to identify non-compliance with requirements.
- Inability to fill key positions to effectively implement risk-based supervision plans and to achieve effective and efficient enforcement.

6.4 Promote transformation of the financial services industry

6.4.1 Strategic objective

Strategic objective	Promote transformation in the sectors regulated by the FSB
Objective statement	Promote transformation by addressing barriers to entry to the industry for emerging entrepreneurs and small businesses.
Baseline	Transformation interventions achieved in 2017/18
Performance indicator	Number of interventions to promote transformation.

6.4.2 Resource considerations

It is envisaged that current resources within the FSB will be sufficient in relation to achieving this strategic objective.

6.4.3 Risk management

The following are some of the risks associated with this outcome:

- Lack of a focussed, co-ordinated approach to promoting transformation.
- Ineffective implementation of the Financial Sector Code on transformation.

6.5 Sound internal policies, processes and procedures

6.5.1 Strategic objectives

Strategic objective	Internal policy framework updated annually
Objective statement	Annually review and update the internal policy framework
Baseline	Current FSB approved policies
Performance indicator	Annual review and updating of policies.

Strategic objective	Effective and efficient systems, processes and procedures.
Objective statement	ICT systems and processes that meet the business requirements of the entity.
Baseline	Current systems and processes.

Performance indicator	Percentage implementation of approved projects and percentage of ICT SLC met.

6.5.2 Resource considerations

The changing business architecture towards the twin peaks model will require new investment in application architecture. The ICT strategy that will guide the ICT journey for the next 3 years has been developed. The ICT strategy focuses on the new application architecture and the upgrade and maintenance of current ICT architecture. Funding for the IT enhancements will come from the operating budgets over the next three to four years and from reserves of the FSB.

6.5.3 Risk management

The following are some of the risks associated with this outcome:

- Changing business requirements and business model.
- Capacity to deliver on business requirements.

6.6 Effective transition to market conduct regulator

6.6.1 Strategic objectives

Strategic objective	Transition to the FSCA, with minimum disruption to the FSB's on-going functions.
Objective statement	Development and implementation of transition program to ensure that the transition to the FSCA is seamless.
Baseline	None
Performance indicator	Number of targets in the implementation plans that have been achieved.

Strategic objective	Handover Report with final recommendations on the Regulatory Strategy and Organisational design for the FSCA approved by the FSB Exco.

Objective statement	Develop recommendations on a Regulatory Strategy and Organisational Design for the FSCA.
Baseline	None
Performance indicator	Date of approval of the final handover report.

6.6.2 Resource considerations

It is envisaged that current resources resident in the FSB should be sufficient to achieve this strategic outcome during the transition.

6.6.3 Risk management

The following are some of the risks associated with this outcome:

- Changing business requirements and business models.
- Lack of appropriate skills.
- Lack of matched skills to new position requirements.
- Lack of certainty of role requirements in the new structure.
- Loss of key existing skills due to anxiety and uncertainty regarding future role.
- The fact that the future leadership of the FSCA is unknown, creating uncertainty regarding the extent to which FSB recommendations regarding strategy and organisation will be adopted by the future FSCA makes change management and transition planning challenging.

7 Concluding remarks

This strategic plan sets out the FSB's policy priorities, programmes and project plans for the transition period to the FSCA. It has been prepared based on input of the FSB Exco and project plans prepared by the RSC. In accordance with its terms of reference the RSC is in the process of guiding the transition from the FSB's current mandate to the FSCA. The FSR Act was enacted in October 2017; its effective date has not yet been determined. The establishment of the FSCA will only formally come into existence thereafter, on a phased basis. This plan therefore addresses both the current strategic imperatives of the FSB and its preparation for assuming its envisaged new role as the FSCA. Some of the strategic deliverables in this plan – notably those relating to the FSCA's regulatory strategy – comprise recommendations to be made to the future FSCA leadership. The Financial Sector Regulations, after signature by the Minister and publication in the Government Gazette will empower and therefore enable the current FSB Exco to take the necessary decisions and actions to implement the transition plans developed and approved by the RSC, pending appointment of the Commissioners and Deputy Commissioners.