The Financial Services Board (FSB)

Strategic Plan

Transition to a Market Conduct Regulator - From 1 April 2015

FINANCIAL SERVICES BOARD

Riverwalk Office Park Block B **41 Matroosberg Road** Ashlea Gardens **Extension 6**
Pretoria **South Africa** 0081 **PO Box 35655** Menlo Park **Pretoria** South Africa **0102**
Tel +27 12 428 8000 **Fax** +27 12 346 6941 **E-mail** info@fsb.co.za
Toll free 0800 110443/0800 202087 **Website**: www.fsb.co.za

ENQUIRIES:	Dube Tshidi	**D. DIALLING NO.:**	012 428-8068
OUR REF:	FSB Strategic Plan	**FAX:**	012 346 5976
DATE:	25 February 2016	**E-MAIL:**	Dube.Tshidi@fsb.co.za

Mr Langelihle Nkabinde
Ministry of Finance
3rd Floor, Room 364
120 Plein Street
Parliament
CAPE TOWN
8001

Dear Mr Nkabinde

FINANCIAL SERVICES BOARD – STRATEGIC PLAN

As you are aware the Financial Services Board (FSB) is in the process of transitioning to the Financial Sector Market Conduct Authority. The enabling legislation is currently with Parliament and is likely to be enacted during the year.

The FSB will cease to exist with the establishment of the market conduct authority.

The attached Strategic Plan therefore covers the period which will see the winding down of the operations of the FSB and the establishment of the new market conduct authority.

A five year strategic plan as required by the Public Finance Management Act will be prepared upon the establishment of the market conduct authority and appointment of its Commissioner.

Yours sincerely,

DP Tshidi

DP Tshidi
EXECUTIVE OFFICE

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 organisation's Strategic Plan for the transitional period to a market conduct regulator ('mcr'). The vision and role of the FSB will not change in this period.

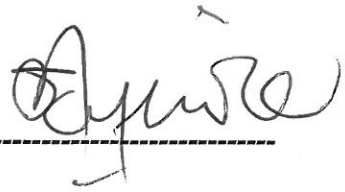
The vision of the FSB, 'A sound and trusted financial services and investment environment in South Africa' is both informative and challenging. The FSB's role is to regulate insurers, intermediaries, retirement funds, friendly societies, collective investment schemes, credit rating agencies and financial markets to engender the fair treatment of customers and the financial soundness of the related financial institutions as well as to ensure the integrity of financial markets. Often the mandate of the FSB is wrongly interpreted as being to serve consumers at the expense of other investment players while in actual fact the FSB assumes and recognizes the symbiotic relationship between them.

It is true that the best the FSB can do to serve the country and protect consumers is to execute its mandate conscientiously and consistently. In order to fulfill its mandate and to manage client and stakeholder perceptions and expectations, the FSB has embarked on a vigorous initiative to inform consumers on the mandate of the FSB through consumer education and financial literacy programmes, and further to change the perceived view of the FSB through a branding strategy.

The FSB is in the midst of transforming into a new market conduct regulator. Much effort is being put into this. The mandate of the 'mcr' will be to regulate and supervise the financial services sector's market conduct, ensuring the integrity and efficiency of the formal markets and allied institutions, protecting consumers of financial services, improving access which includes providing financial literacy programmes. The most vulnerable customers are retail clients who often lack the sophistication and information necessary to protect themselves from fraud or market abuse and rely on financial institutions and their representatives to look after their interests. The outcomes-based Treating Customers Fairly (TCF) regulatory and supervisory approach will seek to protect consumers and will form the basis for market regulation into the future.

In its ongoing supervision of regulated entities, the FSB 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 categorized accordingly and such categorization determines the intensity of supervisory oversight.

The FSB maintains collegial relationships with its fellow regulators, the National Credit Regulator (NCR), the Department of Trade and Industry (DTI), the Companies and Intellectual Property Commission (CPIC), the Registrar of Banks, the Competition Commission, and the Council for Medical Schemes and Consumer Commission.



Mr AM Sithole

Chairperson of the Board of the Financial Services Board

INTRODUCTION BY THE EXECUTIVE OFFICER OF THE FSB

The shift to a twin peaks model of financial regulation is well underway. While the date of implementation has not yet been determined we expect that the final version of the enabling legislation will be tabled in parliament late in 2014, and depending on final decisions on enactment, the twin peaks model may come into effect in the first half of 2015. The new model will create a prudential regulator housed in the South African Reserve Bank (SARB), while the FSB will be transformed into a market conduct regulator.

This strategic plan outlines our goals and objectives that will ensure a smooth transition to a market conduct regulator and the transfer of the FSB's prudential regulatory responsibilities and related business operations to the SARB.

There is recognition that governments are operating in more challenging strategic environments in which policy challenges require more flexible, innovative and integrated approaches.

The FSB, in the meantime, will continue its responsibility for ensuring that regulated entities comply with legislation, including capital adequacy requirements for financial soundness, thereby protecting the investing community.

The FSB regulates and supervises pension funds, friendly societies, long-term and short-term insurance, financial markets, collective investment schemes, credit rating agencies and financial advisers and intermediary services. It does this in terms of 13 pieces of legislation.

The FSB has developed and maintained a strong and effective presence in the regulatory space over the past 23 years in South Africa and internationally, while working closely with its counterparts in Africa.

The FSB has enhanced its enforcement capabilities through its Market Abuse Directorate and its Enforcement Committee.

It is hereby certified that this Strategic Plan was developed by the management of the FSB under the guidance of the Board. The strategic plan takes into account all the relevant policies, legislation and other mandates for which FSB is responsible. The strategic plan accurately reflects the strategic outcome-oriented goals and objectives which the FSB will endeavor to achieve over the transition period to a market conduct regulator.

In my role as Executive Officer, I am committed to ensuring that these 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 Financial Services Board under the guidance of the Board;
- Takes into account all the relevant policies, legislation and other mandates for which the Financial Services Board is responsible; and
- Accurately reflects the strategic outcome oriented goals and objectives which the Financial Services Board will endeavour to achieve over the transition period to becoming the market conduct regulator.

Signature: _____

Mr R Harichunder
Acting 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

Table of Contents

Table of Figures

Table of Tables

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
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
FSB	Financial Services Board
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
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

To promote and maintain a sound investment environment in South Africa

2 Mission

To promote the:

- Fair treatment of consumers of financial services and products;
- Financial soundness of financial institutions;
- Systematic stability of financial services industries;
- Integrity of financial markets and institutions; and
- Promote financial education.

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 levelof 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.

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 primarily 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.

4.3 Policy mandate

As a statutory body (see 4.2), the policies of the FSB stem directly from its legislative mandate.

It is recognised that the FSB since its coming into existence in 1991 has been a sector focused prudential and market conduct regulator.

The FSB will shortly cease to exist in its current form; it will become a new entity with a different name and mandate. National Treasury is currently drafting the Financial Sector Regulation Bill 2013 – draft legislation that covers the first phase of a series of laws to introduce the "Twin Peaks" model of financial sector regulation with two authorities, one focussing on prudential supervision and the other on market conduct.

The Bill proposes that the new prudential authority be housed in the South African Reserve Bank while the FSB becomes the new market conduct authority, with the mandate to protect customers of financial services organisations and improve the way financial services providers conduct their business. This authority will also be responsible for ensuring the integrity and efficiency of financial markets and promoting effective financial consumer education.

4.4 Planned policy initiatives

The financial reforms currently envisaged will change the regulatory functions of the FSB. The Financial Sector Regulation Bill is expected to be tabled in Parliament during the latter part of 2014. Pending final decisions on enactment, the twin peaks regulation model may come into effect during the first half of 2015. Both the FSB and the SARB are currently busy with internal implementation plans to prepare for this change.

The focus of this strategic plan therefore is the orderly transition by the FSB from its current regulatory responsibilities to a market conduct regulator as envisaged in the twin peaks model and the transfer of its current prudential responsibilities to the SARB.

The FSB will retain a limited number of prudential supervision responsibilities, notably those for pension funds.

4.4.1 Treating customers fairly ("TCF")

The FSB remains committed to embedding TCF principles into current market conduct regulatory frameworks and supervisory approaches, in preparation for the shift to a dedicated market conduct mandate in the pending Twin Peaks model of financial sector regulation. The TCF approach will underpin the new Market Conduct Authority's approach to conduct supervision. In line with this objective, the name of the TCF Business Unit has been changed to

the Market Conduct Strategy Unit. Although a key function of the unit continues to be supporting the FSB and regulated entities in embedding TCF principles, its focus has broadened to include a more holistic support for the FSB in preparing for its future dedicated market conduct mandate under the Twin Peaks model.

TCF is a framework that seeks to change the way financial institutions conduct business with customers, from the initial phase of product development by the financial institutions, through marketing and selling to after-sales interaction with customers. Its application is not limited to insurance, but covers all activities conducted by providers of financial products regulated by the FSB. As such, TCF will form a key component of the FSB's enhanced market conduct regulation and consumer protection mandate under the "Twin Peaks" regulatory framework proposed by the National Treasury. The scope of TCF will be extended to include the market conduct of the banking industry.

The framework requires regulated entities to provide evidence of delivery of specific, clearly articulated outcomes for retail customers, through embedding TCF principles in their organisational culture and conduct at various levels. The FSB will, in accordance with the processes set out in the TCF Roadmap (and as amplified by the evolving financial sector regulatory reform process that is underway to establish the "Twin Peaks" model), develop appropriate regulatory, supervisory and enforcement mechanisms to promote delivery of the TCF outcomes by industry.

4.4.2 Solvency assessment and management

The implementation of the SAM project continues. The primary purpose of SAM is the better protection of policyholders and beneficiaries, 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 assistance in the maintenance of financial stability. It is envisaged that this function will transfer to the SARB as part of the Insurance prudential regulation component. SAM is a new risk-based regulatory framework for insurers, which sets out enhanced capital, governance and risk management requirements.

4.4.3 Micro-insurance

Micro-insurance refers to insurance that is accessed by the low-income population, provided by a variety of different providers and managed in accordance with generally accepted insurance practice. It forms part of the broader insurance market, distinguished by its particular focus on the low-income market, which translates into distinct means of product design and distribution.

In response to abusive practices prevalent in the underwriting and intermediation of funeral insurance, Parliament requested the FSB and National Treasury to investigate these abuses in order to propose regulatory reform that would better protect vulnerable consumers of 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 micro insurance regulatory framework will be provided for in the planned Insurance Bill, 2015.

The policy framework is intended to achieve the following objectives:

- Extend access to a variety of good-value formal insurance products, appropriate to the needs of low-income households, thereby supporting financial inclusion;
- Facilitate formalised insurance provision by currently informal providers and in the process promote the formation of regulated and well-capitalised insurance providers and small business development;
- Lower barriers to entry to encourage broader participation in the market and promote competition among providers;
- Ensuring protection of consumers of micro-insurance products; and
- Facilitate effective supervision and enforcement.

The FSB has developed a supervisory framework for the implementation of the proposed Micro-insurance Act. Consumer protection will be a critical aspect of the supervisory framework and will include a broad ranging enforcement campaign aimed at facilitating formalisation and protecting consumers. It will also include the on-going supervision of registered micro-insurers that will include appropriate off-site monitoring through statutory reporting, backed up by risk-based on-site visits. This will be enhanced by thematic enforcement campaigns and responding to complaints or whistle blowing. Consumer education will also be an important element of the process. Time will be needed to build consumer awareness and educate consumers regarding the micro-insurance regime, their rights under it, and the need to deal only with authorised

micro-insurance providers. The benefits of consumer education are likely to only become apparent over the longer-term.

4.4.4 Consumer credit insurance

The National Treasury and Financial Services Board released a "Technical Report on the Consumer Credit Insurance Market in South Africa" for public comment by 30 September 2014. The report identifies some of the abuses in market conduct or business practices in the Consumer Credit Insurance ("CCI") industry, provides a review of the market structure as well as the current policy and regulatory framework and outlines a set of policy responses to strengthen the existing regulatory framework in order to curb widespread abuses to improve the value of CCI to consumers.

Over-the-counter derivatives regulation

The draft ministerial regulations relating to Over-the-Counter (OTC) derivatives were published for public comment on 4 July 2014. The comment period for the Draft Regulations closed on 3 September 2014. The FSB's capital markets department, together with the National Treasury and the South African Reserve Bank, are in a process of reviewing the comments received. The capital markets department is also in a process of finalising the Notices in respect of OTC Derivative Providers and Additional Duties for Trade Repositories.

4.4.5 Single counter exchanges

The Registrar of Securities Services published a final directive and guideline regarding companies that provide an infrastructure to facilitate trading in their own securities on 11 July 2014. An industry briefing was held on 29 August 2014 where all known persons affected by the directive and guideline were advised of the FSB's stance on single counter exchanges.

4.4.6 Retirement reform

The Minister of Finance confirmed in his 2014 Budget update on *Retirement Reforms* that the National Treasury is engaged in a programme for the incremental reform of the retirement funding market. The broad policy goals sought to be achieved are:

- compulsory or default provision for retirement savings, including measures to promote retirement provision for low-income and vulnerable workers;
- improving the preservation of retirement savings;

- improving disclosures relating to retirement savings including, in particular, disclosures of costs in a manner that will promote easy comparison and greater competition;
- the further consolidation of the retirement funds market;
- the simplification and portability of retirement savings products;
- more effective intermediation; and
- More effective market conduct regulation and supervision of retirement funds and providers of products and services to them.

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 a fund designed to promote simplicity, harmonisation and consolidation. It will also be assisting the National Treasury to prepare draft regulations relating to the disclosure of charges, default measures to promote better investments 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.

4.4.7 Collective investment schemes

In the wake of the Global Financial Crisis of 2008, the G-20 recommended the regulation of hedge funds with a view to, inter alia, monitoring systemic risks that may develop in this area due to the activities of these funds. While hedge fund managers are currently regulated in terms of the Financial Advisory and Intermediary Services Act, National Treasury decided that the time is opportune to begin a process of regulating hedge funds (as an investment product).

By virtue of their structure, it agreed that it would be appropriate to regulate hedge funds under the legal framework of the Collective Investment Schemes Control Act, whereby the Minister would declare these products as a collective investment scheme. Following a consultative process which began in September 2012 , the regulations for regulating hedge funds will shortly be finalised.

Regulatory developments affecting Real Estate Investment Trusts (REITS), Participation Bond Rules and Foreign Collective Investment Schemes are also underway.

4.5 The Strategic context of the FSB

4.5.1 Government 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 order to address the fundamental issues of the South African economy. The FSB is an influential player in the economy and through its regulatory mandate should position itself to play a meaningful role to promote growth, employment and poverty reduction.

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

- The use of regulatory and supervisory measures designed to promote more 'value for money' financial products and services and reduce the abuse of the nation's savings, investments and risk management tools by unscrupulous providers of financial products and services.
- Provide 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 and investments and thereby to increase asset ownership by the historically disadvantaged.
- Supporting measures to promote 'active ownership' and sustainable and responsible investments (including investments in infrastructure) by retirement funds for the benefit of their members and other stakeholders.
- 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 will be the promotion of new entrants to the financial services industry.

In addition the FSB is expected to contribute to the relevant strategic outcomes for which the Minister of Finance has signed. These include the following:

- Improving the quality of basic education via the FSB's financial literacy programme;

- Developing a skilled and capable workforce;
- Creating a better South Africa, a better Africa and a better world 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.

4.5.2 The economic landscape

The June 2014 Monetary Policy Review noted that South Africa's domestic economic outlook continues to deteriorate. The primary cause of the deteriorating outlook has been the rand depreciation. Domestic demand has been feeble as seen in the weak credit indicators and weak retail sales figures. In the coming years, a more robust global economy should provide much-needed buoyancy to the South African economy. A depreciating currency should help narrow the current-account deficit by discouraging imports and boosting exports. In the absence of coherent and consistent structural policy initiatives, domestic economic growth is expected to continue to be well below both what is possible and required to make significant inroads into unemployment.

The risks to the inflation outlook remain on the upside, due in large part to continued exchange rate weakness, declining commodity prices and wage cost pressures. Inflation is expected to remain anchored at around the upper end of the inflation target range for 2014 and 2015 at 6.3% and 6.0% respectively.

The economic growth outlook remains subdued amid continued low business confidence. South Africa's economy expanded just 1.9% in 2013 compared to the forecast of 2.6%. Economic growth forecast for 2014 has been revised downwards to 2.1% suggesting weaker demand for limited resources, alleviating some inflationary pressures. Despite the downwards revision, growth is still expected to improve over the forecast horizon. Constraints to growth are both external and internal. To achieve a higher internally generated growth rate would require a serious commitment to implementing a range of structural reforms and making the necessary trade-offs as outlined in the National Development Plan.

The outlook for parts of the mining sector continues to be bleak, following continued labour disputes and announcements of possible closures of shafts and mines, a consequence of increased cost pressures, weak global demand and prices.

4.5.3 FSB transitioning

As stated previously it is envisaged that the Financial Sector Regulation Bill will be tabled in Parliament late in 2014 and depending on final decisions on enactment, the twin peaks model may come into effect in the first half of the 2014/15 financial year.

The current regulatory responsibilities of the FSB will continue until the enabling legislation for twin peaks is enacted. It is expected that the FSB will continue in its current role well into the 2014/15 financial year.

In the meantime the preparatory work currently underway in both the FSB and the SARB for implementation of the twin peaks model will continue.

The FSB must plan for the smooth transition to its new regulatory role as the market conduct regulator and at the same time plan and effect a smooth transfer of its prudential regulatory role and business to the SARB. This will include identifying and managing the transfer of staff currently in a prudential role to the SARB.

It will also include establishing an appropriate business structure for the new market conduct regulator, identifying additional responsibilities that will vest in it and resources required to be effective in the new regulatory role.

4.6 Performance environment

4.6.1 The situational analysis

In order to re-confirm the performance environment and the influences thereon, an analysis of the 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 the 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 is enacted. This includes the insurance sector, the financial markets, the collective investment scheme sector, the retirement fund sector and the activities of financial intermediaries and advisors.

The FSB, which has been in existence for 23 years, in order to fulfil its legal mandate effectively and efficiently and utilising continuous development in technology and processes, accepts the

requirement to continually ensure that its infrastructures and resources remain robust in order to meet the needs of the institutions it regulates.

At the same time, with the development of new products and improved regulatory methods and the identification of gaps in the regulatory framework (both nationally and internationally) it is imperative that the regulatory and supervisory methodology receive continuous attention and improvement. To this end, the SWOT analysis reflected hereunder has been compiled by using a thorough interactive process.

Strengths	Weaknesses
• Adherence to mandate; • Willingness by the FSB and industry to engage with each other; • Committed and professional staff; • Compliance with regulatory developments; • Regulatory framework in line with international best practice; • Supportive Board; • Financial management; • Willingness to confront issues; • Good standing with domestic and international bodies; • Caring organisation; • Institutional knowledge and understanding of industries; • Strong business and ICT alignment through ICT governance.	• Complacency; • Change averse (processes, procedures, systems); • Unsophisticated supervision methods in some divisions; • Ineffective communication; • Weak intelligence gathering with regards to industry financial innovation; • Inconsistent credibility as a regulator among key stakeholders; • Working in silos • . • Resistance to change and lack of enthusiasm for learning amongst certain staff.

Opportunities	Threats
• New responsibilities arising from the twin peaks regulatory model;	• Gaps in the regulatory framework;

• Opportunities presented by changes in the FSB's organisational design to harmonise and improve regulatory and supervisory standards, break down the silos and 'territorial contests' that impede effective supervision and promote the MCA 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 the collaboration with other relevant regulatory bodies; • Increasing the interaction and relationship building with representative associations via industry bodies to strengthen industry interactions; • Responding to financial innovation.	• Responding to financial innovation; • Litigation against the FSB; • Non-availability and mobility of scarce skills to feed the organisation, especially equity candidates (Accounting, Actuarial); • The Prosecution Authorities and Judiciary not prosecuting cases quicker; • The length of the legislative process; • The length of the criminal prosecution process; • Overlaps and uncertainty in the legislative mandates; • External communication capacity to public and stakeholders; • Weaknesses in supervisory capability; • The provisions as currently contained in the Protection of Personal Information Act regarding the sharing of information with foreign regulators; • Expectation gap in terms of the FSB's mandate and unregulated products.

4.6.2 The supervisory and regulatory framework

The FSB has responded to changes in the regulatory environment by focusing on implementation, enforcement and revisiting of existing legislation. This follows the passing of an array of new legislation in recent years, including the FAIS Act, SSA, CISCA, the FSOS Act and the Credit Ratings Services Act. The FSB Act has been amended to set up an enforcement committee empowered to impose administrative penalties. The responsibility of the Enforcement Committee is to deal with contraventions in terms of all legislation falling under the auspices of the FSB. This is expected to significantly improve the visibility of enforcement and act as a strong deterrent to non-compliance.

The FSB's capacity for the supervision of regulated entities has been strengthened by a new framework for intensified supervision that is in line with global trends originally implemented in 2005 known as Risk-Based Supervision. This approach promotes early identification and ongoing management of systemic and organisational risks enabling the FSB to focus its supervisory attention on institutions based on the risk profile of the relevant institution. The new methodology also enhances the delivery of a cost-effective professional service.

The FSB's enforcement and litigation structures are summarised below:

Entity	Jurisdiction	Powers	Appeal/review from
Directorate of Market Abuse (DMA)	To investigate and decide on possible cases of market abuse (insider trading, price manipulation and false or misleading statements) in relation to listed securities.	To refer cases to the Enforcement Committee.	No, it is not an administrative decision but a referral.
Enforcement committee	To consider all cases of a possible contravention or non-compliance of any FSB law and subordinate legislation, including codes of conduct referred to it	To impose administrative penalties and cost orders.	Yes, full appeal to the High Court.

Entity	Jurisdiction	Powers	Appeal/review from
	by the Registrar or the DMA and to impose administrative sanctions		
FSB Appeal Board	• To consider appeals in relation to any administrative decision of the Registrar • To consider appeals from the JSE Disciplinary Committee • To consider appeals from the FAIS Ombud.	To substitute the Registrar's finding (or that of the JSE Committee or Ombud) with its finding or to refer matters back to the Registrar for reconsideration, and to impose cost orders.	Yes, limited review to the High Court.
High Court litigation	To manage litigation in the High Court initiated by the FSB or initiated by others against the FSB.	To defend the mandate of the FSB and ensure compliance.	Fully appealable to all courts to the Constitutional court.

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 crosscutting issues.

The FSB has significantly strengthened its relationship with the FIC to ensure early detection of risky practices that undermine the integrity of the financial sector and South Africa's international status as a strong, robust, stable and growing emerging 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.

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 keeps abreast of international regulatory developments and has the opportunity 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 objective is to promote financial stability in the region, to harmonise regulatory standards and to establish cooperation among regional regulators. The FSB has participated in the activities of CISNA since its inception. 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.

4.7 Organisational environment

4.7.1 FSB structure

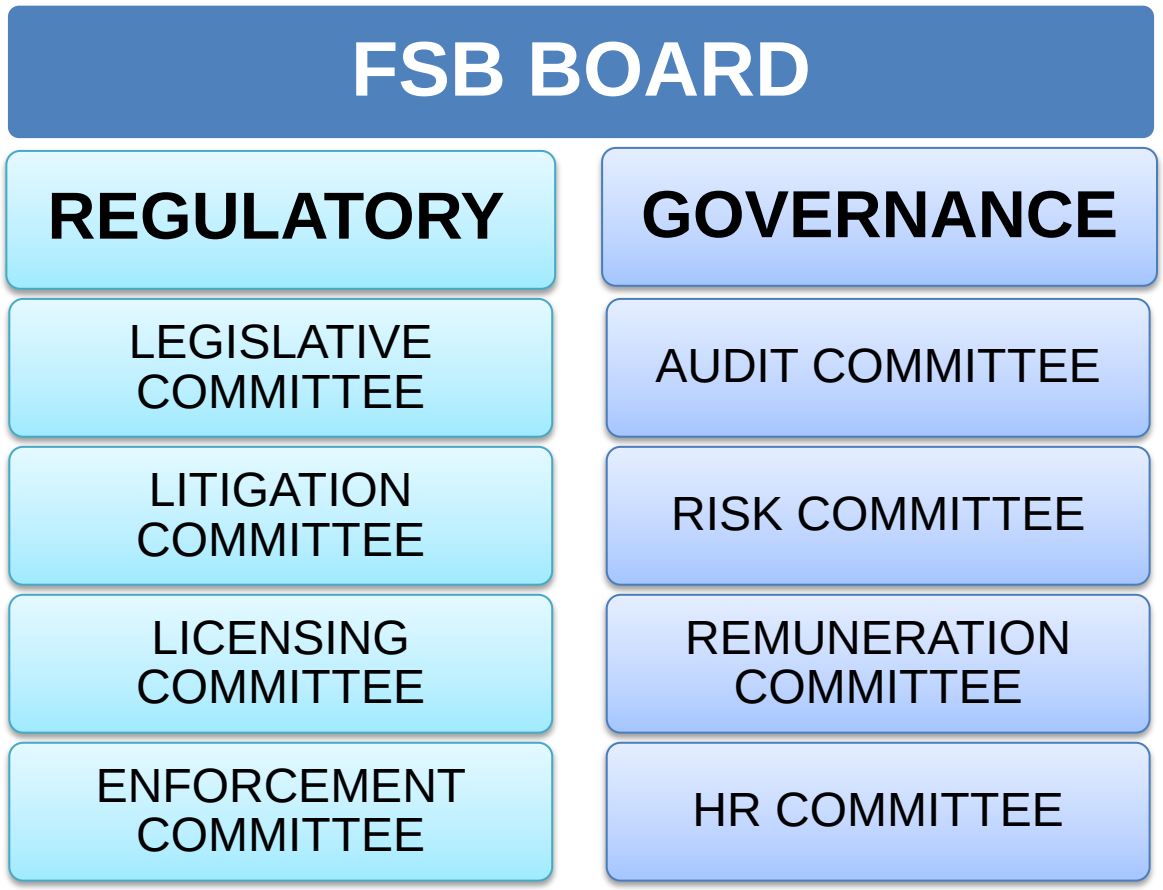


Figure 1: FSB governance structure

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 responsible for the governance oversight of the Offices of the FAIS Ombud and Pension Fund Adjudicator. The FSB is responsible for the funding for 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 from 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

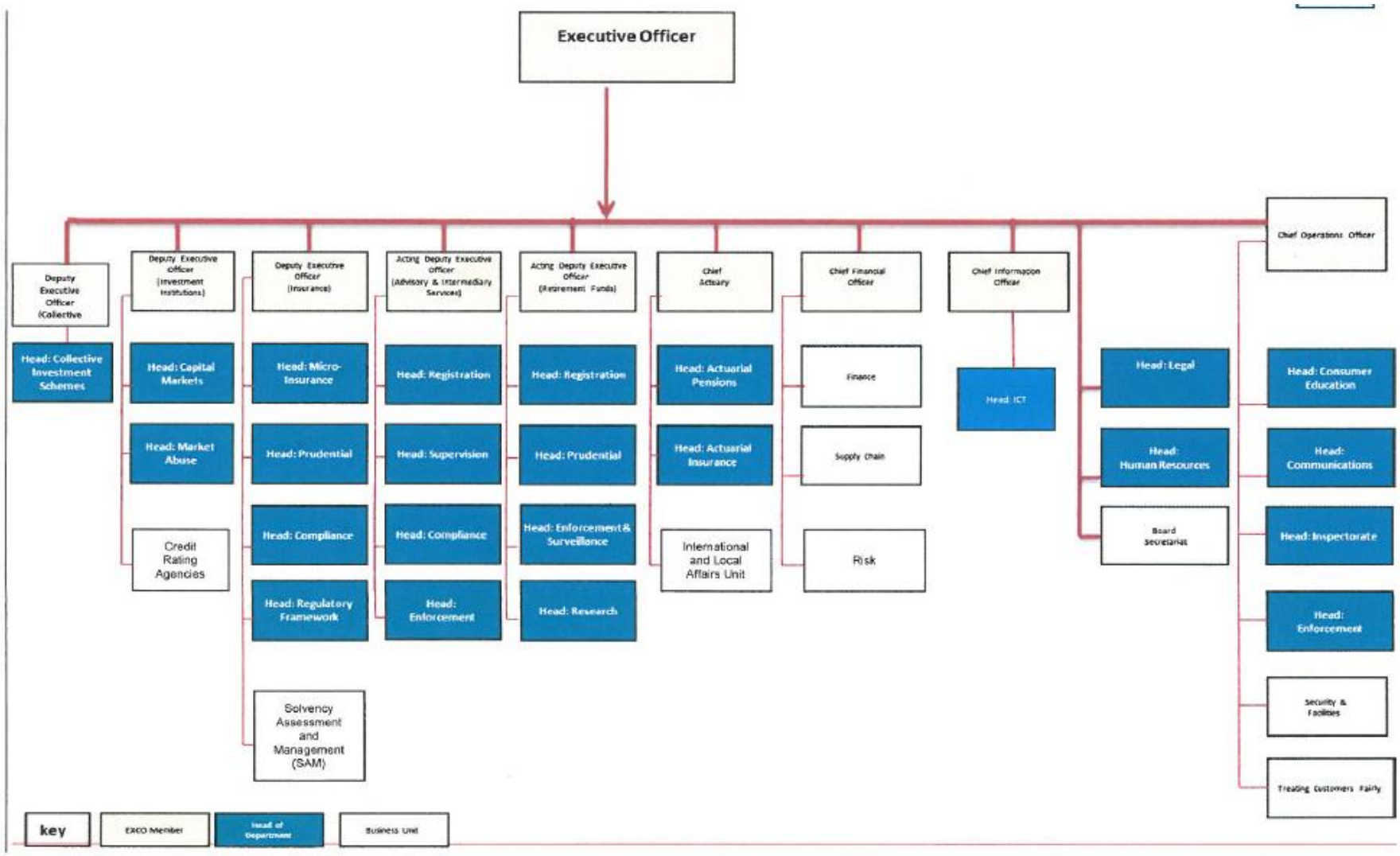
(i) the Registrar of Securities Services in terms of the Securities Services Act, 2004 and the Financial Markets Act, 2012.

There are five Deputy Executive Officers (DEO's) responsible for supervision of the various industries, namely DEO Investment Institutions, DEO Insurance, DEO Retirement Funds and Friendly Societies, DEO Collective Investment Schemes and DEO Advisory and Intermediary Services. The Chief Operations Officer ("COO") oversees the functions of those support departments indicated. The Chief Information Officer (CIO) is responsible for providing vision and leadership with regard to technology in the development and implementation of a business-aligned FSB ICT Strategy. 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 actuarial nature.

The FSB is organised into five line divisions, three line-support and six general support departments. To maximise efficiency and cost control, the line divisions control, to an optimum extent, the resources necessary to fulfil their functions rather than to be dependent on common services from other departments not under their control. All compliance related work, as distinct from inspections envisaged by the Inspection of Financial Institutions Act, is carried out by the

line divisions. Similarly, the initial development of all new legislation or amendments to existing legislation is done by line staff. Each line division conducts research on issues directly affecting it. The structure of the line divisions largely reflects the regulatory priorities in terms of the balance between prudential and market conduct regulation.

Figure 2: The organisational structure of the FSB



4.7.3 FSB strategic risk

The FSB has identified 15 strategic risks that are as follow:

#	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	**Dependency on statutory entities.** Reliance on efficiency and processes of statutory entities which impact on mandate and performance of FSB, but over which the FSB has no control.
8	**Implementation of legislation.** Failure to implement legislation.
9	**Enforcement of legislation.** Inadequate enforcement structure and inadequate preparation of Enforcement Committee documents
10	**Business shutdown**. Inability of business to continue functioning effectively after a disaster.
11	**Financial exposure of the FSB.** Inability of the FSB to sustain itself financially.
12	**Legal and regulatory compliance.** Failure to comply with all relevant legislation.

#	Strategic risk
13	**ICT infrastructure and capability to support the business.** ICT service failures which impacts on the ability to honour SLCs with user departments.
14	**Fraud and Corruption.** Inability to eliminate fraud and corruption.
15	**Non-FSB administered legislation.** Inadequate coordination of legislation impacting on the performance of the FSB to deliver on its mandate.

It needs to be noted that a general risk management plan is in place. This is reviewed by the Audit and Risk Committee. The Chief Risk Officer is responsible for risk management in the FSB and is accountable to the EO.

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 are 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 strategic plan, however, outlines the FSB's goals and objectives which will ensure a smooth transition to a market conduct regulator and the transfer of FSB's prudential regulatory

responsibilities and related business operations to the SARB. Note that certain regulatory responsibilities, notable those relating to Pension Funds, 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, cognisance been had 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 the strategic objectives to ensure that those objectives which are still relevant are maintained as the FSB is continually striving to modernise its approach to regulation, while at the same time complying with international standards.

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. 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 been anchored on 5 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 may have to be revised once the MCR is formally proclaimed.

Table 1 - Strategic plan pillars

PILLARS	STRATEGIC CHALLENGES/ IMPERATIVES TO BE ADDRESSED
Empowered consumers	An institutional challenge to the implementation of TCF is building the necessary capacity and achieving the necessary change management within the FSB to be able to supervise an "outcomes based" regulatory framework such as TCF, rather than the more traditional "compliance based" frameworks the FSB currently supervises. This will require new supervisory approaches aimed at being more pre-emptive and developing skills aimed at pro-actively identifying emerging conduct risks (at a macro and micro level). An additional, more specific challenge will be around applying TCF to a broader range of financial services than initially contemplated – in particular the inclusion of banking activities and, possibly, credit granting activities. This however is not a risk limited to TCF but rather a risk associated with the broader "Twin Peaks" migration process, to be addressed as part of that process.
Proactive stakeholder management	Improving co-ordination and communication with all stakeholders after determination of the methodology through interaction to achieve the identified outcome in

PILLARS	STRATEGIC CHALLENGES/ IMPERATIVES TO BE ADDRESSED
	order to improve the service by regulated institutions to consumers
Sound financial institutions	Adapting internal processes with regard to supervision and enforcement to achieve goals.
Improved internal policies, systems, processes and procedures	Adapting internal processes to achieve goals
Effective transition to the market conduct regulator	Facilitating a smooth transition from the FSB's current mandate, strategy and structure to that of market conduct regulator under the twin peaks regulatory framework. 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 'mcr' (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 • Determination of the ideal institutional and governance arrangements for the new business (subject to promulgation of legislation to this effect)

The following diagram outlines the key strategic outcomes that will guide the FSB over the trasitional period from 1 April 2015 and the key focus areas (goal statement) per strategic outcome:

Strategic outcome orientated goal 1	Informed and protected consumers
Goal Statement	Empowered consumers of financial products and services

Strategic outcome orientated goal 2	Stakeholder management
Goal Statement	Proactive stakeholder management

Strategic outcome orientated goal 3	Sound financial institutions
Goal Statement	Ensure sound financial institutions

Strategic outcome orientated goal 4	Improved Internal Policies, Systems, Processes and Procedures
Goal Statement	Improved internal policies, systems, processes and procedures

Strategic outcome orientated goal 5	Transition to MCR
Goal Statement	Effective transition of the FSB to a market conduct regulator

PART B: STRATEGIC OBJECTIVES

6 Strategic objectives

6.1 Empowered consumers

6.1.1 Strategic objectives:

Strategic outcome	**Empowered consumers of financial products and services.**
Strategic objective	Achieve the regulatory deliverables per the TCF road map by overall end date of 2016/17 year-end, subject to "Twin Peaks" legislative timelines.
Objective statement	To meet the principles and quality related targets as identified in the TCF roadmap.
Baseline	Targets achieved to 31 March 2014.

Strategic outcome	**Empowered consumers of financial products and services.**
Strategic objective	Market conduct supervisory framework finalised, implemented and operational by end 2017.
Objective statement	To have a fully functional and operational TCF framework that is being used by targeted organizations by the identified date.
Baseline	Targets achieved to 31 March 2014.

Strategic outcome	**Empowered consumers of financial products and services.**
Strategic objective	Increase the financial literacy levels of consumers who have participated in the FSB consumer financial education programme by 3% by 2019.
Objective statement	To meet the quality and time related targets as required for FSB by the National Consumer Education Strategy.
Baseline	Targets achieved to 31 March 2014.

6.1.2 Resource considerations

The following is critical in understanding the resource requirements to fulfil the objectives related to this strategic outcome:

- The implementation of TCF will require new skills – both through recruitment of new people and up-skilling of existing staff. However, it is not possible to quantify these resource requirements now, as the necessary resourcing and capacity building requirements are subsets of the work to be undertaken in developing and implementing the market conduct supervisory framework.
- It is envisaged that the existing staff complement in the Consumer Education Department will be sufficient to implement the strategic objective.

6.1.3 Risk management

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

- Non-achievement of the milestones per timelines set out in this strategic plan by end 2016/17 year.
- TCF not fully functional and operational and used by targeted organisations by the identified date.
- Lack of skills and resources to effectively implement the market conduct supervisory framework.

6.2 Proactive stakeholder management

6.2.1 Strategic objectives

Strategic objective	**A fully implemented stakeholder management programme by end 2017.**
Objective statement	To meet the targets as identified in the stakeholder management programme.
Baseline	Targets per the stakeholder outreach programme achieved to 31 March 2014.

Strategic objective	**A fully implemented communication, brand and reputation management strategy by end 2016.**
Objective statement	Implement and maintain communication, brand and reputation management strategy during 2014 – 2016.
Baseline	Targets achieved to 31 March 2014 on implementing the FSB branding and communication strategy 2013 -17.

6.2.2 Resource considerations

Additional resources (as outlined in the appendix), will be to execute the various initiatives to improve communication between the FSB and its stakeholders, highlighting the various ways the FSB delivers on its mandate, reputational management and the FSB's transition to a market conduct authority.

6.2.3 Risk management

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

- Brand awareness not effectively created owing to a lack of resources or communication.
- FSB initiated workshops and conferences not addressing the needs of the stakeholders.

6.3 Sound financial institutions

6.3.1 Strategic objectives

Strategic objective	**Enhanced regulatory framework in line with international standards.**
Objective statement	Annual review of regulatory framework to identify gaps. Implementation of relevant principles of legislation recommended by international standard setting bodies.
Baseline	Current Regulatory Framework.

Strategic objective	Implemented risk based supervisory plan.
Objective statement	To meet the targets as identified in the supervisory plans for departments.
Baseline	Current approved and implemented risk based supervisory plan.

Strategic objective	Effective enforcement of compliance with legislation.
Objective statement	To institute enforcement action in 100% of the cases identified. Legislative timeframes for registrations, issuing of licences and other submissions/applications are met.
Baseline	Enforcement action taken up to March 2014.

6.3.2 Resource considerations

The following is critical in understanding the resource requirements to fulfill the objectives related to this strategic outcome:

- The Retirement Funds and Friendly Societies division urgently requires additional research (economic, financial and legal), legal drafting and project management capacity to enable it to fulfil both its current mandate in terms of the Pension Funds Act and to assist the National Treasury in the implementation of its incremental retirement reform programme described above. The division also needs additional legal capacity to upgrade the division's capacity for supervising compliance with the law and ensuring that its own staff exercise their supervisory powers in a legally compliant and effective manner.
- The Collective Investment Scheme Department will be taking over the marketing and advertising monitoring function from ASISA: and as a result additional resources will be required.
- The regulation of hedge fund portfolios will require additional human resources as well as advisory support.
- The Insurance Regulatory Framework Department will also require the following resources for the development of the Micro Insurance Supervisory framework, Insurance Law review and SAM.

- The Capital Markets Department will actively regulate the over-the-counter derivatives ("OTC") market. This will include the licensing and supervision of a Trade Repository and Independent Clearing House. It may also be extended to include the licensing of market intermediaries within the OTC market Additional resources will be required.

A detailed breakdown of these requirements is appended to this document.

6.3.3 Risk management

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

- Regulatory gaps not identified timeously to ensure effective enforcement.
- Inadequate legislation to cater for expanded supervisory mandate.
- Inability to align regulations with international best practices.
- Risk based supervisory plans not effective and comprehensive to identify non-compliance with requirements.
- Inability to fill key positions to effectively implement risk based supervisory plans.

6.4 Improved internal policies, systems, processes and procedures

6.4.1 Strategic objectives

Strategic objective	**Adequately resourced FSB to deliver on strategic plan**
Objective statement	Review the resource needs of the departments and align the requirements with the available financial resources.
Baseline	Current staff complement and approved budget

Strategic objective	**Comprehensive internal policy framework updated annually**
Objective statement	Annually review and update the internal policy framework
Baseline	Current FSB approved and implemented policies

Strategic objective	**Effective and efficient systems, processes and procedures fully implemented by end 2014**

Objective statement	100% implementation and maintenance of systems and processes aligned to the new business architecture.
Baseline	Current implemented systems and processes.

6.4.2 Resource Considerations

The ICT department supports the FSB with effective ICT systems and procedures to ensure that the FSB services are accessible and value adding to enable business to achieve its objectives. The ICT strategy focuses on elevating the application portfolio with supporting infrastructure and sufficient human resources in order to enable business to perform operations effectively and in a cost effective manner.

The changing business architecture towards the twin peaks model will require new investment in the application architecture. The ICT strategy that will guide the ICT journey for the next 3 years was developed. The ICT strategy focuses on the new application architecture and upgrade and maintenance of current ICT architecture

The FSB systems and information must remain confidential, maintain the integrity and be available when needed. To this effect an ICT security strategy has been developed and is currently being implemented.

The implementation of the ICT and security strategies will therefore require additional resources.

6.4.3 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.

6.5 Effective transition of the FSB to a market conduct regulator

6.5.1 Strategic objectives

Strategic objective	**Change management plan implemented within stipulated timeframes and conditions.**
Objective statement	Change management plan implemented.
Baseline	Change management plan adopted and revised.

Strategic objective	**Level of awareness of the process for transitioning to the 'mcr.**
Objective statement	Consistent and open information and communication campaign.
Baseline	Communication to key stakeholders, including the Board, staff, market and clients.

Strategic objective	**FSB transitions to the 'mcr' with minimal disruptions to service delivery.**
Objective statement	To implement initiatives aimed at ensuring the smooth transition from the current business to the new business; Ensuring minimal disruptions in the transitioning from the FSB to 'mcr'.
Baseline	Business continuity plan in place.

Strategic objective	**Strategic plan for the 'mcr' finalised within 90 days of the promulgation of relevant legislation**
Objective statement	It is envisaged that a strategic plan for the 'mcr' will have to be table formally once enbling legislation is passed.
Baseline	Not applicable – new measure.

Strategic objective	**Institutional arrangements for the 'mcr' finalised within 90 days of the promulgation of relevant legislation.**

Objective statement	It is envisaged that the institutional arrangements will have to be revised; It is intended that this process should be finalised expeditiously to enable operations to continue.
Baseline	Not applicable – new measure.

Strategic objective	**Migration of staff to the 'mcr' completed within stipulated timeframes.**
Objective statement	The migration of staff is a critical element of the transitional plan.
Baseline	Not applicable – New measure.

6.5.2 Resource considerations

The resource considerations to ensure the smooth transitioning to the 'mcr' will be finalised during the course of the current financial year, upon which the respective documents will be appended to this strategic plan.

6.5.3 Risk management

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

- Changing business requirements and business model.
- Lack of resources.
- Uncertainty with regards to the 'mcr'.
- Lack of matched skills to new position requirements.
- Lack of certainty of role requirements in the new structure.

7 Concluding remarks

This strategic plan considers, in brief, the strategic context within which the organisation operates. Based on this context, the FSB, through engagement with various stakeholders, has made some strategic decisions.

Annexure A: Resource Considerations (Budget)

Budgets to be inserted

The additional resource considerations for the Retirement Funds and Friendly Societies division will be as follows:

Resources	2013/14	2014/15	2015/16	2016/2017	Estimated Cost per annum per resource
Senior research officer (economic/financial expertise)(fixed term, 2 yrs)		1	1		R1200000
Senior legal counsel (research and drafting expertise)(fixed-term, 2 yrs)*		1	1		R1200000
Project manager (fixed term, 2 yrs)		1	1		R1200000
Legal manager: licensing & registration*		1	1	1	R850000
Legal manager: prudential supervision		1	1	1	R850000
Legal manager: surveillance and enforcement*		1	1	1	R850000

- The posts marked with an asterisk* may be funded from budget released by the freezing of other non-essential posts.

The following resources will be required to implement the ICT strategy and ICT security strategy:

1. No	Programme	Human Resources	Financial (both internal/external)	External skills and service
1	ICT Strategy		R120 million	
2	ICT Security Strategy		R30 million	
3				
4				

Resource consideration	2012/13	2013/14	2014/15	2015/16	2016/2017	Estimated Cost per annum per resource
Security Engineer		1			1	R600 000
Security Analyst		1		1		R400 000
Network Security Engineer Infrastructure Engineer (Networks)		1				R 500 000

Project Manager		1	1	1	1	R400 000
Operations Manager		1				R500 000
Datacenter Manager				1		R600 000
Testing Analyst				2		R400 000
Configuration Management Specialist				1		R650 000
Desktop Technicians					2	R450 000
Help desk Analyst					2	R450 000

Bugdet for the transition R 12 million

Annexure B: Technical Indicator Descriptions

Indicator No & Title	**1.1**TCF roadmap regulatory targets (principles and quality) met.
Short definition	The framework defines what is required to achieve the deliverables per the TCF roadmap. It may require changes to structures and practices but will comprehensively address all the requirements for full implementation.
Purpose/importance	The indicator measures how effectively the FSB implements the principles and targets in the TCF roadmap. The aim is to achieve the deliverables per the TCF road map by overall end date of 2016/17 year end, subject to "Twin Peaks" legislative timelines.
Source/collection of data	MCS business unit
Method of calculation	
Data limitations	Some data may be subjective.
Type of indicator	Output
Calculation type	None required
Reporting cycle	Quarterly
New indicator	No
Desired performance	To meet the principles and quality related targets as identified in the TCF roadmap.
Indicator responsibility	Business Unit Head: Market Conduct Strategy(MCS)

Indicator No & Title	**1.2** Market conduct supervisory framework finalised, implemented and operational by end 2016/17.
Short definition	The framework defines the milestones for the development of the market conduct supervisory framework and its implementation.
Purpose/importance	To have a fully functional and operational TCF framework that is being used by targeted organizations by the identified date.
Source/collection of data	MCS Business Unit
Method of calculation	
Data limitations	Some data may be subjective.
Type of indicator	Output
Calculation type	None required
Reporting cycle	Quarterly
New indicator	No
Desired performance	The target markets should be "living" the TCF principles by end of 2017.
Indicator responsibility	Business Unit Head: MCS

Indicator No & Title	**1.3** % of quality and time related targets of the National Consumer Education Strategy achieved by end 2014 (FSB designated elements)
Short definition	The National Consumer Education Strategy contains specific elements that pertain to the FSB. This indicator aims to measure the effectiveness and efficiency of the FSB in maintaining and improving on the targets achieved to end 2014.
Purpose/importance	Consumers who are financially literate are in a better position to make effective financial decisions. Financial literacy can set the stage for the positive actions which are so important to wealth creation and preservation – actions such as careful consideration of costs of financial services, avoidance of scams and fraudulent schemes, knowledge and understanding of financial products and services, and saving for a rainy day and for the longer term, such as for retirement.
Source/collection of data	Consumer Education department and external surveys.
Method of calculation	
Data limitations	There are issues of sample size, frequency of survey, timing of data collection and also the fact that other organisations provide similar education programmes. It may prove difficult to single out for measurement the impact that the FSB has had on financial literacy. Financial literacy is also a very broad term and it may prove equally difficult to single out only those areas of literacy that is under the control and mandate of the FSB.
Type of indicator	Outcome
Calculation type	Non-cumulative calculated annually
Reporting cycle	Quarterly
New indicator	No
Desired performance	To meet the quality and time related targets as required for FSB by the national consumer education strategy.
Indicator responsibility	HOD: Consumer Education

Indicator No & Title	**2.1** % targets achieved as per the stakeholder management programme
Short definition	The stakeholder management strategy comprise the FSB stakeholder outreach programme and will contain indicators and targets as to how the FSB will relate to and engage with all their stakeholders. It defines categories of stakeholders, level of engagement with individual stakeholders, types of engagement and has targets related to all of these areas.
Purpose/importance	If all the targets are achieved then the stakeholder management strategy would have be implemented adequately and this indicator measures the successful achievement of all targets.
Source/collection of data	The Approved Programme and the Programme Owner in the FSB. (Communications and Liaison department)
Method of calculation	The number of targets that are achieved divided by the number of targets presented in the programme multiplied by 100 (Percentage calculation – numerator/denominator x 100)
Data limitations	The stakeholder management strategy has not been fully developed and as a result the categorisation of the stakeholders as well as what the best method of engaging with them still needs to be decided upon.
Type of indicator	Output
Calculation type	Cumulative for the year
Reporting cycle	Quarterly
New indicator	Yes
Desired performance	All targets achieved
Indicator responsibility	HOD: Communications Department and Liaison Department

Indicator No & Title	**2.2.** % implementation and maintenance of communication, brand and reputation management strategy during 2014 and to 2016.
Short definition	The FSB would like to improve the way that it communicates with the public in general and with the media.
Purpose/importance	Levels and quality of communication affects the brand and reputation of the organisation and this indicator measures an improvement in the delivery of the discipline.
Source/collection of data	The approved communications strategy and reports on it
Method of calculation	Depending on the targets , as identified in the Communications strategy
Data limitations	None at present
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	Yes
Desired performance	All targets in strategy achieved
Indicator responsibility	HOD: Communications and Liaison Department

Indicator No & Title	**3.1** Regulatory framework review completed (to identify gaps or improvement areas) annually.
Short definition	The regulatory requirements for the FSB are dynamic and challenging.The FSB needs to ensure that its regulatory framework is current, comprehensive and in line with international standards and this can only be achieved through a rigorous and regular review process.
Purpose/importance	To ensure that there are no gaps in individual pieces of regulation as well as the regulatory framework within which the FSB operates.
Source/collection of data	Monitoring report on the completion of the exercise.
Method of calculation	None
Data limitations	None at present. However international peer reviews and assessments are conducted once over a four year period.
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	A regulatory review conducted annually.
Indicator responsibility	HOD: Legal Department

Indicator No & Title	**3.2** % targets achieved in line with the risk based supervisory plan (on-site and off-site).
Short definition	The supervisory plan indicates what steps will be followed and which targeted institutions will be visited throughout the year. The supervisory plan has targets that can then be measured and tracked throughout the year; this indicator will measure the achievement thereof. Desk top (off site) reviews will also be carried out.
Purpose/importance	To assess how well the FSB is conducting its core business. The content will identify both on-site and off-site steps and initiatives that the FSB must implement to fulfil its supervisory mandate. The indicator measures the achievement of the targets related to performing this part of the mandate.
Source/collection of data	The supervisory plan is available from the FSB and all targets will be present in the document
Method of calculation	The number of number of targets achieved divided by the number of targets presented multiplied by 100 (Percentage calculation – numerator/denominator x 100).
Data limitations	None at present
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	Yes
Desired performance	All the presented targets must be achieved.
Indicator responsibility	HODs of line departments

Indicator No & Title	**3.3** Enforcement action instituted within 30 days of contraventions being identified
Short definition	The definition of action being taken includes all regulatory action undertaken e.g. Penalties, Prosecutions, Warnings, Inspections, Investigations etc. The measure will ensure that all actions start within the approved lead time.
Purpose/importance	Enforcement of any kind is the end of the regulatory process and it is crucial that this is properly undertaken and measured. A key element being added here is that the enforcement must start within and approved lead time and the indicator measures that this lead time is achieved in all instances where contraventions are reported/identified.
Source/collection of data	The business plan of the FSB as well as the performance reports of the organisation
Method of calculation	Basic sum of actions taken
Data limitations	None.
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	Enforcement action instituted within 30 days of contraventions being referred for enforcement.
Indicator responsibility	Head: Enforcement Unit

Indicator No & Title	**4.1** Vacancy rate of 10%< by 2017
Short definition	Vacancy is defined in HR terms as the number of positions not filled divided by the number of approved positions on the company structure which is then multiplied by 100
Purpose/importance	Lower vacancy rates move the organisation to better resourcing levels and should improve productivity, this indicator will measure the vacancy rates at the FSB.
Source/collection of data	HR records and reporting
Method of calculation	Subtract the number of positions on the approved structure from those that are filled. Take the answer and divide it by the number of positions on the approved structure and then multiply by this by 100.
Data limitations	None at present
Type of indicator	Output
Calculation type	Percentage calculation – numerator/denominator x 100
Reporting cycle	Monthly
New indicator	No
Desired performance	Maintaining vacancy rate at the presented level for the particular financial year.
Indicator responsibility	Head: Human Resources Department

Indicator No & Title	**4.2** Expenditure variations
Short definition	The actual expenditure recorded by the FSB must always be within 5% of the budgeted figures.
Purpose/importance	It is crucial that no over expenditure occurs but equally important that no under spending occurs. Both over and under spending points to bad financial management which hampers service delivery and this measurement tracks spend performance throughout the year.
Source/collection of data	The audited financial reports of the FSB.
Method of calculation	The calculation will occur at a budgetary line item level. The formula is as follows: (Projected budget expenditure – Actual expenditure)/ Projected budget expenditure x 100. The figure must fall between 0 and 5% positive/negative variance. (Percentage calculation – numerator/denominator x 100)
Data limitations	Audit records are only available 6 months after the financial year end which means that performance on this indicator can only be properly measured in the next financial year. The option of using unaudited results does exist.
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	Actual expenditure within 5% of the budgeted amount.
Indicator responsibility	Chief Financial Officer

Indicator No & Title	**4.3** Invoiced % of budgeted income
Short definition	The budgeted income refers to the collection of all levies and fees that are payable by targeted institutions
Purpose/importance	The FSB is self-funding which means that they are highly reliant on the collections of levies and fees to remain liquid and be in a healthy financial position.
Source/collection of data	The financial reports of the FSB
Method of calculation	Take the amount invoiced and divide it by the budgeted income and then multiply it by 100
Data limitations	No
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Quarterly.
New indicator	No
Desired performance	100% of levies and fees invoiced.
Indicator responsibility	Chief Financial Officer

Indicator No & Title	**4.4** Collection % vs. invoiced amounts
Short definition	This focuses on the actual collection of levies and fees related to the invoices for budgeted income that were submitted to the targeted institutions
Purpose/importance	It is very important that collection levels are high as the FSB is self-funding and the collection of levies allows for the organisation to meet its financial requirements.
Source/collection of data	Financial reports of the FSB
Method of calculation	The sum of receipts or the full value of the debtors book
Data limitations	None at present
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	In an ideal situation there would be no variance between what is invoiced and what is actually collected. Since this is not possible the FSB strives to keep the variation as low as possible.
Indicator responsibility	Chief Financial Officer

Indicator No & Title	**4.5** Demand plan in place by target date – assessing the service landscape and planning accordingly
Short definition	A scan of the financial services sector will identify what future demands will be placed on the FSB by the sector. The FSB has to plan accordingly to meet those demands. The contents of the plan refer to all the human, IT, physical space, financial and other operational requirements required to deliver against its mandate in the future (5-10 year time frames)
Purpose/importance	The indicator measure the use and implementation of optimal resource planning, failure to develop a demand plan will lead to crises arising as a result of resource shortages. This indicator measures the development of this plan.
Source/collection of data	No real data collection required
Method of calculation	No calculation required
Data limitations	The financial services sector is very volatile at the moment and this may cause the plan to be overly conservative.
Type of indicator	Output
Calculation type	No calculation required
Reporting cycle	Annually
New indicator	Yes
Desired performance	Completion of the plan
Indicator responsibility	Chief Financial Officer

Indicator No & Title	**4.6** Level of alignment of operational policies to relevant legislative requirements, contractual obligations or operational requirements (core business and support services)
Short definition	The FSB has a legislative requirement and governance obligation to have a comprehensive internal policy framework that supports all areas of the core business as well as a governance obligation to have a comprehensive internal policy framework that deals with Risk, Compliance, HR, Finance, Security, IT, Supply Chain, Administration and that is updated annually
Purpose/importance	The alignment of policies, meeting legislative requirements and contractual obligations allows the organisation to operate within legal requirements and meet the requirements for good business practice.
Source/collection of data	The Office of the Chief Risk Officer.
Method of calculation	Compliance system
Data limitations	None at present
Type of indicator	Output
Calculation type	No calculation required – system generated
Reporting cycle	Quarterly
New indicator	No
Desired performance	Full compliance
Indicator responsibility	Chief Risk Officer

Indicator No & Title	**4.7** Level of compliance with legislative requirements with regards to licensing, registration and other applications/ submissions.
Short definition	The FSB has an obligation to process all licence applications, registrations, applications and other submissions in line with the legislatively requirements.
Purpose/importance	Licensing and registration forms a big part of the core business of the organisation and this indicator will measure how well this is done.
Source/collection of data	Internal unit/division business plans and monitoring and evaluation reports.
Method of calculation	Basic sum of all applications, submissions and registrations that are processed in line with legislation
Data limitations	All required information not presented by the applicants to enable addressing all applications to completion in accordance with SLC timelines.
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	Full compliance where all required information has been provided.
Indicator responsibility	Chief Operations Officer

Indicator No & Title	4.8 New architecture and systems/ applications implementation.
Short definition	Develop systems, processes and procedures aligned to the new business architecture.
Purpose/importance	To implement and maintain systems, processes and procedures in support of the changing business architecture as per the approved ICT strategy.
Source/collection of data	Office of the CIO
Method of calculation	As per defined metrics in the approved ICT strategy
Data limitations	None at present
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	Yes
Desired performance	Business aligned ICT systems
Indicator responsibility	Chief Information Officer

Indicator No & Title	**5.1** % change management plan targets achieved
Short definition	The FSB has adopted and revised a broad change management to support the transition to an MCR. The plan contains key initiatives with specific targets expressed.
Purpose/importance	Change management is critical in ensuring the successful roll out of change initiatives. The transition to the MCR is one such change initiative. The purpose of this indicator is to measure the extent to which the FSB implements the activities outlined in the change management plan and achieves the results thereof.
Source/collection of data	Change management plan implementation reports.
Method of calculation	Dependent on individual activities/ initiatives contained in the change management plan.
Data limitations	None
Type of indicator	Output and Outcome indicator
Calculation type	Dependent on individual activities/ initiatives contained in the change management plan
Reporting cycle	Monthly, quarterly and annually
New indicator	Yes
Desired performance	100%
Indicator responsibility	Chief Operations Officer

Indicator No & Title	**5.2** Level of awareness of the process for transitioning to the MCR
Short definition	In order to contribute towards a smooth transition towards the MCR, the FSB has implemented a number of initiatives aimed at communicating substantive aspects of the process. This indicator aims to measure the effectiveness of communications to key stakeholders, including the Board, staff, market and clients with regards to the transitioning process.
Purpose/importance	This indicator measures the impact of the initiatives that have been undertaken to improve the awareness of the target groups. Results thereof could be used to change the mode of communications, the messaging and other aspects of the communication programme.
Source/collection of data	Awareness surveys
Method of calculation	
Data limitations	Normal biases which relate to surveys of this nature.
Type of indicator	Outcome indicator
Calculation type	
Reporting cycle	Quarterly
New indicator	Yes
Desired performance	To be determined
Indicator responsibility	Chief Operations Officer

Indicator No & Title	**5.3** Turnaround times for the stabilisation of incidents which result in disruptions to service delivery
Short definition	This indicator aims to define turnaround times within which reported incidents which may impact the operations of the FSB are stabilised to allow for service delivery.
Purpose/importance	Business continuity is critical to ensure a smooth transition to the MCR. The FSB has a business continuity plan however this indicator aims to measure the ability of the FSB to respond to reported incidents which may have an impact on service delivery.
Source/collection of data	Incident reports
Method of calculation	Not applicable
Data limitations	None
Type of indicator	Output and outcome indicator
Calculation type	Not applicable
Reporting cycle	Monthly, quarterly and annually
New indicator	Yes
Desired performance	Within 12 hours for Minor Incidents; Within 48 hours for major incidents; Within 7 days for critical incidents
Indicator responsibility	Chief Operations Officer

Indicator No & Title	**5.4** Strategic plan for the MCR adopted within 90 days of the promulgation of relevant legislation
Short definition	The MCR, just like any other public sector entity, will be required to formulate a strategic plan to guide its activities. It is envisaged that a strategic plan for the MCR will have to be table formally once enacting legislation is passed.
Purpose/importance	The aim of this indicator is to ensure that the strategic plan is in place within the shortest time possible to facilitate the transitioning process. The strategy will also be critical in determining the institutional arrangements for the MCR.
Source/collection of data	To be confirmed
Method of calculation	None
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Once off
New indicator	Yes
Desired performance	Strategic plan for the MCR adopted within 90 days of the promulgation of relevant legislation
Indicator responsibility	Chief Operations Officer

Indicator No & Title	**5.5** % Institutional arrangements for the MCR finalised within 90 days of the promulgation of relevant legislation
Short definition	One of the requirements for the establishment of new entities is the adoption of an organisational structure and other institutional arrangements to facilitate the placement of staff.
Purpose/importance	In order to facilitate the migration of staff from the FSB to the MCR, the institutional arrangements for the MCR will need to be finalised. This indicator ensures that the institutional arrangements for the MCR are finalised within the shortest time possible to allow for the migration to be planned and rolled out.
Source/collection of data	To be confirmed
Method of calculation	None
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Once off
New indicator	Yes
Desired performance	Institutional arrangements for the MCR finalised within 90 days of the promulgation of relevant legislation
Indicator responsibility	Chief Operations Officer

Indicator No & Title	**5.6** % staff migrated to the MCR within stipulated timeframes
Short definition	It is assumed that staff will be migrated from the FSB and other relevant institutions to take up positions on the structure of the MCR once that has been finalised.
Purpose/importance	This indicator measures the effectiveness of the process of migrating and placing people on that structure.
Source/collection of data	HR reports
Method of calculation	None
Data limitations	None
Type of indicator	Output and outcome
Calculation type	None
Reporting cycle	Monthly, quarterly and annually
New indicator	Yes
Desired performance	100% staff migrated to the MCR within stipulated timeframes.
Indicator responsibility	Chief Operations Officer