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Strategic Plan

2023 to 2025

Date: 31 January 2022

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List of Acronyms

Acronyms	Description
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
COFI Act	Conduct of Financial Institutions Act
COO	Chief Operations Officer
CRA	Credit Rating Agency
CTC	Cost to Company
DE	Divisional Executive
FAIS	Financial Advisory and Intermediary Services
FIC	Financial Intellligence Centre
FincoNet	International Financial Consumer Protection Organisation
FSB	Financial Services Board
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
FSR Act	Financial Sector Regulation Act, Act 9 of 2017
FSOS	Financial Services Ombud Schemes
FSTC	Financial Sector Transformation Council
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
IFWG	Intergovernmental Fintech Working Group
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
SARB	South African Reserve Bank
SADC	South African Development Community
TCF	Treating Customers Fairly

EXECUTIVE AUTHORITY STATEMENT

When the FSCA was established in 2018 in terms of the FSR Act, it marked a significant change and provided clarity of roles emanating from the Twin Peaks model. It also ushered in a new era of regulation in the financial sector.

That transition from the Financial Services Board was accompanied by a broader scope in its mandate to now include the regulation of banks, and a 3-year Regulatory Strategy to guide the organisation in achieving its 5 Strategic Priorities to:

1. Improve industry practices to achieve fair consumer and investor outcomes.
2. Act against misconduct to support trust and integrity in the financial sector.
3. Promote the development of an innovative, inclusive, and sustainable financial system.
4. Empower households and small businesses to be financially resilient.
5. Transform the FSCA into a socially responsible, efficient, and responsive organisation.

The Annual Performance Plan builds on the Strategic Plan and provides an opportunity to assess its implementation so far, and to reconcile with new developments that warranted such changes, the Covid-19 pandemic notwithstanding. It gives me great pleasure to commend the FSCA for making great strides to date, having achieved most of its annual performance targets for 2020/21. The FSCA has and will continue to provide substantial technical support to the National Treasury in the development of policy, including the Conduct of Financial Institutions (COFI) Bill, as well as the broader objectives of the National Development Plan. Indeed, the stability of our financial markets, and the financial protection and economic inclusion of South African citizens, remain key objectives aligned to the NDP.

To that effect, it is with great pride that I convey my congratulations to everyone at the FSCA; especially the TMC and Ops Exco for the enthusiasm with which they provided stellar oversight as the new young organisation navigated its way through unprecedented changes.

Hon. Minister Enoch Godongwana

ACCOUNTING OFFICER STATEMENT

On behalf of the FSCA, I take pleasure in presenting the 2022-23 Strategic Plan.

The Financial Sector Conduct Authority (FSCA) was established on 1 April 2018 by the Financial Sector Regulation Act, 9 of 2017 (FSR Act) as one of the peaks of the twin peaks model for regulating the financial sector, with the FSCA being the regulator of market conduct.
The FSCA operated under a Transitional Management structure until 30 September 2021. The ushering in of the new governance structure, comprising of a Commissioner and three Deputy Commissioners, coincided with the institution moving into a new phase, building on the important foundational work done to establish the new regulator.

This strategic plan outlines the progress achieved by the FSCA since its establishment and outlines how we intend to accelerate our impact over the coming period.

The APP builds on the Strategic Plan and provides direction for the implementation of the priorities identified in the latter. The priorities and a list of the intended outcomes are detailed in body of the Strategic Plan and the related outputs in the APP.

The FSCA executive management endorse this strategic plan for the period April 2022 to March 2025 and commit to its implementation.

Unathi Kamlana
Commissioner

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- was developed by the management of the FSCA under the guidance of the Honourable Minister of Finance – Enoch Godongwana;
- takes into account all the relevant policies, legislation and other mandates for which the FSCA is responsible; and
- accurately reflects the Impact, Outcomes and Outputs which the FSCA will endeavour to achieve over the period 2022 – 2025.

Signature: ____________________________
Ms F Mabaso
DE: Licensing & Business Centre

Signature: ____________________________
Ms K Dikokwe
DE: Conduct of Business Supervision

Signature: ____________________________
Mr OB Makhubela
Retirement Funds Supervision

Signature: ____________________________
Mr B Topham
DE: Enforcement

Signature: ______________________________
Mr J Hlalethoa
DE: Corporate Services

Signature: ______________________________
Mr P Kekana
Chief Financial Officer

Signature: ______________________________
Ms P Mogase
Chief Information Officer

Signature: ______________________________

Ms F Badat
Deputy Commissioner

Signature: ______________________________
Ms K Gibson
Deputy Commissioner

Signature: ______________________________
Ms A Ludin
Deputy Commissioner

Signature: ______________________________
Ms R Mpete
Official responsible for Planning

Signature: ____________________________
Mr U Kamlana
Commissioner

Approved by:

Signature: ____________________________
Mr Enoch Godongwana
Executive Authority

PART A: OUR MANDATE

1 Constitutional mandate

As a statutory body performing a public function in the field of market conduct regulation and supervision of the financial sector, the FSCA 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 seeks to maintain high standards of professionalism and ethics. The FSCA reports to the Minister of Finance and is accountable to Parliament.

2 Legislative and policy mandate

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

1) enhance and support the efficiency and integrity of the financial system, and
2) protect financial customers by -
    a. promoting fair treatment of financial customers by financial institutions; and
    b. 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
3) assist in maintaining financial stability.

The FSCA fulfils its responsibilities, amongst other, by

a) **regulating and supervising** the conduct of financial institutions;
b) **co-operating with (and assisting)** the Reserve Bank, the Financial Stability Oversight Committee, the Prudential Authority, the National Credit Regulator, the Financial Intelligence Centre, the Council for Medical Schemes, the Competition Commission and its counterparts in other jurisdictions;
c) promoting **sustainable competition** in the provision of financial products and financial services and **financial inclusion;**
d) reviewing the **perimeter and scope** of financial sector regulation, conducting and publishing relevant **research** and **monitoring** the extent to which the financial system is delivering **fair outcomes** for financial customers, with a focus on the fairness and

appropriateness of financial products and financial services and the extent to which they meet the needs and reasonable expectations of financial customers; and

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

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

a) the National Credit Act and regulatory requirements for financial institutions that are authorised and regulated under that Act;
b) the need for a pre-emptive, outcomes focussed and risk-based approach, and prioritise the use of its resources in accordance with the significance of risks to the achievement of its objective, and
c) international regulatory and supervisory standards.

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

- 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 Markets Act 19 of 2012
- Friendly Societies Act 25 of 1956;
- Pension Funds Act 24 of 1956
- Long-term Insurance Act 52 of 1998 (for matters within the objectives of the FSCA)
- Short-term Insurance Act 53 of 1998 (for matters within the objectives of the FSCA).

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

3 Institutional policies and strategies over the five-year planning period

The FSCA aligns itself with government policies for planning, reporting as well as monitoring and evaluation of achievement of targets and planned outcomes.

3.1 Government priorities

The sixth government administration has set itself the following seven priorities:

i. Economic transformation and job creation
ii. Education, skills and health
iii. Consolidating the social wage through reliable and quality basic services
iv. Spatial integration, human settlement and local government
v. Social cohesion and safe communities
vi. Building a capable, ethical and developmental state
vii. A better Africa and world

The FSCA will seek to contribute generally to the achievement of the government priorities listed above and, in particular, to priorities i and vi, namely, "Economic transformation and job creation" and "Building a capable, ethical and developmental state".

3.2 Five-year National Development Plan

The five-year National Development Plan (NDP) requires the below mentioned areas be considered during the design and implementation of development priorities. The FSCA contributes to each of these areas in the following manner:

i. **Job creation:** The FSCA will support job creation through regulation and supervision that promotes a competitive, inclusive and transformed financial sector, with an emphasis on increasing black participation in the sector as business owners, customers and suppliers. This will be complemented by financial education interventions that empower small business owners. The FSCA is collaborating with other regulators in the financial sector to support sustainable innovation within the sector consistent with South Africa's growth strategy. With this growth and empowerment, more employment opportunities will be created.

ii. **Empowerment of Youth employment and Women:** The FSCA continues to drive and sponsor financial education programmes targeted at women and youth, building awareness of financial tools available to improve their financial confidence and health. Through the National Financial Literacy Speech Competition, the FSCA aims to attract and educate the youth in smart ways of managing money and this is rolled out across the nine provinces. In addition to this, the provincial winners were awarded bursaries to enrol and register at the university of their choice. The FSCA, through funding from the Financial Services Consumer Education Foundation, are paying all their tuition, accommodation, study resources, academic and psycho-social support fees.

iii. **Poverty alleviation:** The delivery of more affordable and suitable financial products and services to all South African communities is being driven by further embedding the FSCA's approach to Treating Customer's Fairly into financial sector laws, including the COFI Bill, and supervisory approach. The FSCA is also committed to collaborate with the Financial Sector Transformation Council and the Broad-Based Black Economic Empowerment (B-BBEE) Commission to actively monitor the extent to which financial institutions are meeting their Financial Sector Code targets. Access to appropriate savings, insurance, payment and loan products assist vulnerable consumers to manage financial shocks through improved financial resilience. Indeed vulnerability will be emphasised within the evolving regulatory framework.

iv. **Innovation through technology:** through the Regulatory Sandbox, the FSCA continues to collaborate with other organisations for ongoing monitoring, research and assessment of technological trends and innovations within the sector. Through this initiative, the FSCA will analyse external impact of new products to the financial sector business models, product and solution design and customer outcomes. The objective if this initiative is to inform appropriate regulatory and supervisory responses for the sector and eliminating legacy barriers.

v. **Transformation:** the FSCAs transformation strategy will ensure that regulatory requirements do not restrict the diversification of financial institutions and products for new entrants to the market. In addition, the FSCA will integrate monitoring of the implementation of transformation plans into the supervisory framework for financial institutions. The FSCA has continued to hold training workshops with emerging financial services providers to inform and assist them with regulatory compliance, reaching hundreds of individuals each year. An MoU has been entered into between the FSCA and

FSTC to ensure cooperation and coordination between the two organisations with the aim of supporting financial sector transformation.

3.3 Environmental sustainability

The NDP provides an integrated approach for business, government, and civil society to address the critical issues of income inequality, poverty, and unemployment in South Africa.

The FSCA contributes to the above priorities 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.
- Aiding 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 FSCA, including retirement funds, friendly societies, insurers, and banks.
- Supporting the design and implementation of cost-effective measures (including products) to promote savings, investments and risk reduction and thereby increase asset ownership.
- 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 to small businesses through better coordination of relevant agencies, development finance institutions, and public and private incubators.
- Developing an appropriate regulatory framework to support innovation in the system consistent with the growth strategy.
- Promoting access to employment, financial inclusion, and education.

4 Relevant court rulings

There were no court rulings that impact on the operations of the FSCA.

PART B: OUR STRATEGIC FOCUS

1 Vision

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

2 Mission

The FSCA's mission is to promote an inclusive, customer-centric, and competitive financial sector wherein:

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

3 Values

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

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

4 Situational analysis

While the legislative and policy mandate of the FSCA provides the foundation for our strategy, other factors shaping the broader environment also need to be considered. These include the economic context, the evolving financial needs and vulnerabilities of households and small businesses, and local and international financial services and markets trends that influence the way its mandate is executed. Several high-level factors that could have an immediate or longer-term impact are considered:

- The slow recovery from the economic impact of the Covid-19 pandemic and the ongoing nature of the pandemic is likely to contribute to continued **household financial vulnerability** and lead to **failure and consolidation** in parts of the financial sector (e.g. pension funds). In circumstances where the sustainability of firms is at risk, a higher likelihood of undesirable practices, conduct and culture by financial service providers and institutions exists.
- Technology, digital delivery, and distribution channels offer the opportunity for **new business and delivery models** and service providers, increasing **diversity of products** and providers and potentially enhancing **competition, innovation, and financial inclusion**. While offering exciting new opportunities for the digitally savvy, the move to digital channels has the potential to leave behind those that do not have access to smart phones, live in rural areas with limited network coverage, or are not comfortable with digital media. This may in part account for the **increased usage of informal financial products**, especially savings, credit and funeral cover that has been observed in South Africa, posing both opportunities and challenges for regulators. It also introduces **new risks**. These risks can occur due to new technologies implemented in the backend (e.g. for customer selection and risk rating), untested business models and market practices, and compromised security of customer assets and information (cyber security). The reach of **social media platforms** magnifies the potential impact of **scams and fraud**.
- Current **supervisory practices** and teams are not necessarily equipped to deal with the emerging challenges of **new business, delivery and distribution models** and are not designed for **new, smaller entrants** (need for **proportionality**). The entry of new players into established markets raises a new set of (competition) issues about **access to critical market infrastructure**, often funded and owned by incumbents and designed for different circumstances. Market infrastructure also includes **data**.
- **Concentration** in certain segments of the financial sector have delivered sub-optimal consumer outcomes in certain respects, such as **price transparency and comparability**, due to complex pricing structures and the variety of products and business models.
- **Transparency** in financial markets is affected by **new forms of trading and trading platforms** that move transactions off-market and out of the public eye. Jurisdictions

around the world have taken different views on dark pools and other off-market activities, although it is a growing trend, as is OTC market activity.

- The margin squeeze experienced throughout the capital markets value chain as a result of investor expectations has challenged traditional business models and is resulting in consolidation, especially amongst smaller businesses. This also has an impact on transformation in the sector.
- The impact of **climate change and sustainability** is increasingly recognized by listed companies, financial services firms, and investors, putting pressure on financial services and markets to play a more decisive role in a **just transition**. Financial conduct regulators are looking to **improved disclosure** to deliver greater trust to investors and to build a green finance market.

The FSCA will continue to scan its environment to identify and understand trends, enabling the institution to be more responsive and forward-looking. It will also keep building its specialist expertise to deal with the emerging issues such as climate change, and pro-actively monitor pricing and selling practices, new business models and financial products, as well as household and small business financial resilience.

5 External environmental analysis

5.1 The economic context

South Africa entered the pandemic after several years of low growth. In 2019, the economy grew by 0.2% (in 2018 it was 0.8%). With the implementation of national lockdowns to curb the spread of the COVID-19 virus, the economy shrunk in 2020 (by as much as 7%). Both the consumer and business confidence indices recorded a record low point in the first quarter of 2020, reflecting the negative sentiments around economic activity by businesses and consumers.

Among other factors, regulatory changes implemented by the FSCA to alleviate the pressures on the financial sector, and the active steps taken to inform the industry of these changes, aided in improving business and consumer confidence in the second half of 2020.

The South African economy has since experienced positive growth in three consecutive quarters, growing by 4.2% in the first quarter of 2021 and by 4.7% in the second quarter. However, business and consumer confidence were once again negatively impacted in the third quarter as a result of the unexpected unrest and looting experienced across parts of the country, albeit not as sharply as in 2020.

While manufacturing confidence was particularly affected in the business sector, retail and wholesale trade confidence were less negatively impacted. Consumer confidence was also bolstered by the reintroduction of the Social Relief of Distress (SRD) grant and the rollout of COVID-19 vaccinations to both the 35-49 age group and the 18-35 age group.

South Africa is expected to experience a cyclical economic recovery in 2021, with growth forecasts ranging from 3.3 – 5.3%. Growth prospects remain muted over the medium term however, with the SARB in September reducing its growth forecast for 2022 to 1.7% (down from 2.3%) and for 2023 to 1.8% (down from 2.4%).

5.2 Financial sector overview

South Africa has a large and complex financial system, with financial sector assets amounting to 380% of GDP at the end of 2020. The financial system is dominated by the banking sector, which accounts for 34% of total assets. This is followed by the retirement funds sector, which, combined with the PIC, makes up 27% of assets. Assets under management (AUM) in the pension sector account for almost 100% of GDP and is dominated by the Government Employees Pension Fund (GEPF), which makes up 41% of the sector's assets.

Fig. 1: Structure of the financial system (% of total assets)

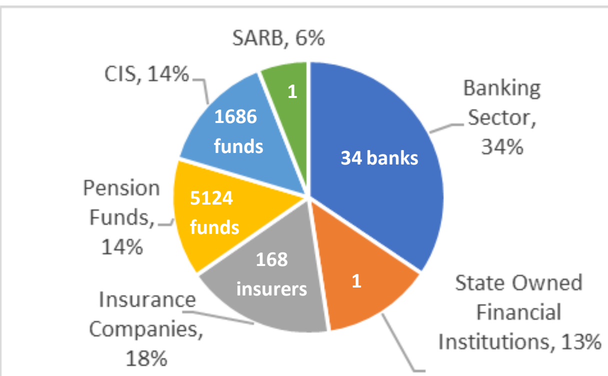
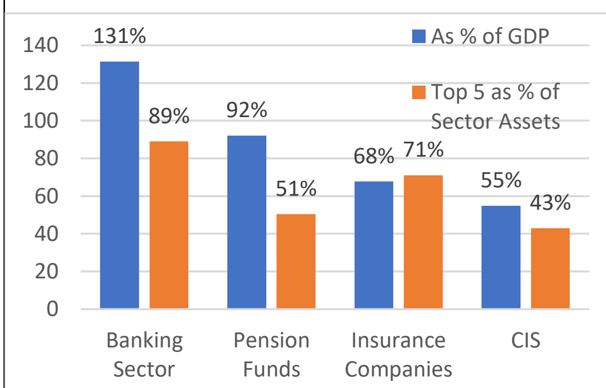


Fig. 2: Financial sector concentration (% of GDP)



Notes: Pension Funds data as of 2018, SOFIs latest available. VBS Mutual Bank is under administration since 2018. Total assets exclude GEPF assets of R 1,835,265 million since these are included under PIC. Source: South African Reserve Bank (SARB), Financial Sector Conduct Authority (FSCA), The Association for Savings and Investments of South Africa (ASISA), Stats SA, staff calculations.

The banking and insurance sectors are considered concentrated sectors, with the top 5 companies accounting for 89% and 71% of total sector assets respectively. Insurance companies have a diverse range of business models, with significant variation in risk profiles, which, according to the IMF, is unique relative to other major insurance markets. Equity and government bond markets are highly developed, with a market capitalization (as a share of GDP) comparable to advanced economies. While smaller than the other sectors, collective investment schemes (CIS) have grown from 33% of GDP over the past decade to 55%. The fintech sector is small but growing and consists primarily of payments, business-to-business support, and lending activities.

5.3 Transformation in the sector – achievements and challenges

Over the past 25 years, some progress has been made toward both economic transformation in general and financial sector transformation specifically. However, the extent to which the majority of South Africans participate meaningfully in the financial sector remains limited.

During Parliamentary hearings regarding transformation of the financial sector in the first half of 2017, submissions from the public emphasised concerns about the high levels of concentration in the sector, barriers to entry for new and emerging entrants, and the need for stronger support of black industrialists and small to medium enterprises (SMEs). Submissions also noted the prevalence of poor market conduct practices and financial exclusion, compromising the transformative effects of the sector.

The Financial Sector Code, which was gazetted in 2012 and revised in 2017, is being further revised with a new Code expected to be gazetted in 2022.

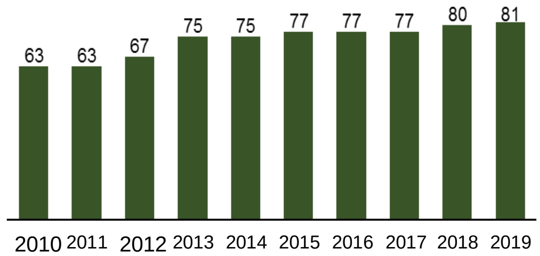
5.4 Financial inclusion

Financial inclusion is measured across different types of financial products, including banking, investment and saving, credit and insurance. The IMF cites a broader metric that includes access to regulated, non-bank financial services indicates that 91 percent of adults are "formally included".

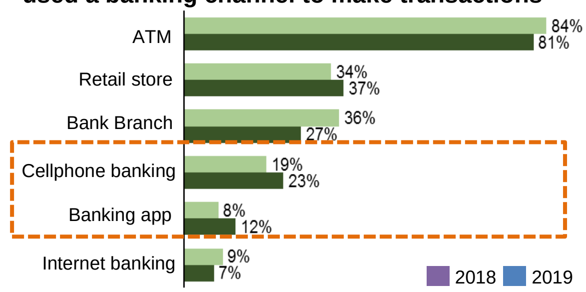
South Africa has relatively high levels of banking access, with an estimated 81% of adult South Africans having at least one bank account. Bank accounts are primarily used for transactional purposes and high inclusion rates are reflective of salaries and welfare payments being deposited into bank accounts. However, household data shows that the majority of deposits are held in an account for up to a day and then withdrawn immediately. Only 31% of accounts are used more than 3 times per month. Cash is used to transact on a daily basis and the extremely low savings rate of 0.6% reflects the poor savings culture among households in South Africa. A trend towards greater use of digital banking channels was discernible between 2018 and 2019 and is likely to have been accelerated by the Covid-19 epidemic. As a result, banks have been reducing the number of physical facilities available for transactions. The aggregate number of bank branches owned by the 5 largest banks reduced by 56 branches in 2020 from 3 204 branches in 2019. Similarly, the number of ATMs available decreased in 2020.

The uptake of digital channels has lagged in rural areas, while there has been a dramatic shift in urban areas, including amongst the low-income population, with fast growing smart phone usage. The FSCA remains concerned about adequate access for rural populations, and in the absence of physical banking facilities, will monitor the opportunities for non-bank savings and transacting opportunities. Data confirms the increased usage of non-bank service providers such as retail stores for transaction purposes, which a 2014 FinMark Trust study estimating "*that retailers add some 3,200 physical access points to the overall network of access points supporting the usage of transaction accounts. In some cases, (e.g. the case of Pep) a large number of those access points are in rural areas serving customers in LSM 1 to 5.*"

The number of individuals in South Africa above the age of 16 that have access to a bank account[1]



The proportion of the banked population that used a banking channel to make transactions[1]



An important source of long-term savings for households are pensions, primarily for those in formal employment. There has been an upward trend in the number of individuals who have a pension scheme in the past 5 years, with an increase of approximately 1 million individuals between 2015 and 2019 (an estimated 6% increase). However, since 2017, the number of individuals that received retirement income gradually declined, despite the increase in South Africa's population above 65 years of age. In 2020, only 12% of the 3.6 million individuals in the retired age group were receiving retirement income, highlighting the need for more education on the importance of a pensions fund, mechanisms to encourage improved contributions (e.g. auto-escalations), and appropriate retirement options to improve pension coverage, especially among low-income and informal workers. Of equal concern is the large amount of unclaimed pension fund benefits, amounting to over R42 billion, in the industry. While progress has been made towards the repossession of unclaimed benefits with the FSCA unclaimed benefits search engine helping over 14 000 individuals to receive payments worth approximately R1.2 billion, the progress needs to be accelerated.

As savings rates lag, the total value of household debt continues to increase. In 2020 South Africa's consumer debt amounted to R 2.01 trillion, with 82.6% of the debt was held with banks, 6% with non-bank vehicle financiers, 2% with retailers, and 9.2% with other non-bank credit providers. Over the past 5 years, the number of individuals with an active credit account has increased.

Although always prominent in South Africa, the usage of informal financial products appears to be growing in South Africa, particularly in informal savings mechanisms such as stokvels and burial societies.

5.5 Household financial resilience

Low savings rates and high household indebtedness exposed poor household financial resilience during the Covid pandemic, as income sources for many households contracted with the economic impact of the pandemic. Households sought to finance the shortfalls through increases in credit from formal and informal sources and reduced expenditure on long-term savings in the form of credit, as well as increased state assistance.

A recent report by the UK Financial Resilience Task Team defines financial resilience as "[t]he ability to cope financially when faced with a sudden fall in income or unavoidable rise in expenditure." In the UK, the financial resilience of households is affected by income shocks resulting from ill health, relationship breakdowns or the death of a partner, job loss and caring responsibilities, and are exacerbated by fluctuating income levels.

In South Africa, households experience the similar shocks. However, due to high unemployment levels, the seasonal nature of employment in certain sectors, the fluctuating incomes of low-income employees and the dependence on government grants, households in South Africa tend to be quite vulnerable. Those that are fortunate to have formal sector employment tend to have broader family responsibilities, which exacerbate financial pressures.

During 2020, the FSCA saw a large uptake in relief from paying contributions applied during 2020 by pension funds, with 47.54% of the regulated funds seeking contribution relief measures on behalf of their members. The disruption in business activity due to the pandemic affected the ability of pension funds and their members to sustain contributions, particularly for smaller businesses in the manufacturing and services sectors. In response, the FSCA introduced relief measures that funds could implement, including the suspension of contribution payments or a reduction of pensionable service where employees were working lesser hours.

2021 also saw a significant increase in individuals acquiring credit in Q1 2021 from formal and informal sources.

The vulnerability and low levels of financial resilience experienced by household also appears to have had positive behavioural impacts, with households focussing on reducing debt where possible and increasing savings and contributions to insurance. Old Mutual's Savings and Investment Monitor for 2021[1] found that more people are using stokvels, rainy day funds and loyalty programmes to save - as well as paying off debt faster. This messaging was communicated through financial education campaigns by many financial institutions and the FSCA.

6 Internal environmental analysis

6.1 Achievements against the regulatory and organisational strategy

The FSR Act required the FSCA to adopt and publish a three-year regulatory strategy by 1 October 2018. The regulatory strategy also formed the basis for the previous strategic plan of the organisation. The inaugural regulatory strategy set out the roadmap for the establishment of the FSCA, the priority areas for the regulatory strategy, intended outcomes and identified the following six strategic priorities:

1. Building a new organisation

Intended outcome	Achievement
Through our new organisational design, capacity building and infrastructure upgrades, the FSCA aims to be: • **Trusted by financial customers** to promote their fair treatment by financial institutions and take visible, meaningful action against those that jeopardise their financial wellbeing or the integrity or efficiency of the financial markets • **Respected by all stakeholders** as a competent, effective, and accountable regulator that engages with them openly and transparently and without fear, favour, or prejudice	• **New operating model** with new roles, skills and competencies designed and implemented (shift from sector-based to functional structure) • Revised **competency framework** aligned to the new operating model. All role profiles were updated to align to strategic focus of the organization; **skills audit** conducted to gain insights into skills base. • **Change initiatives** aimed at embedding new organisational values and improving employee performance and engagement. • **Targeted training interventions**

[1] Find reference

Intended outcome	Achievement
• **Proactive** in identifying conduct risks across the financial sector and taking evidence-based actions to respond to those risks • **Respected** as a global leader in the area of market conduct regulation and supervision by both domestic stakeholders and international peers • **A modern organisation** that draws on international best practice and leverages technology to respond flexibly, proactively, and pragmatically to new risks and opportunities.	• Talent Council and Talent Management Forums established • **Data driven digital strategy** adopted; supported by new strategies and policies (information strategy, cybersecurity strategy, cloud strategy.) • **Business intelligence and analytics platform** is assisting the FSCA with management and supervisory information. • Solutions implemented to enable **remote working for all FSCA staff**

2. An inclusive and transformed financial sector

Intended outcome	Achievement

• **Formalised relationships** with the FSTC
• **Licensing conditions and other provisions in the COFI Act** (or other financial sector laws) that cater for transformation commitments aligned to FSC
• **FSCA monitors progress against transformation plans**, assists with driving achievement of commitments to FSC targets, **including consequences** for failure to demonstrate progress
• **Proportionality and progression** built into supervisory and regulatory frameworks
• **FinTech Department** suitably resourced and actively engaged with FinTech start-ups and incumbents using FinTech
• **Inclusion Research unit** suitably resourced and engaged to ensure regulatory and supervisory frameworks cater for transformation and inclusion
• **Training and support initiatives** for small financial services businesses held every year.
	• **Financial Inclusion Strategy** developed to guide FSCA operations (*to be published in 2022*).
	• **Transformation Strategy** developed to guide FSCA operations **(***to be published in 2022***)**
	• **MOU** entered into with **Financial Sector Transformation Council**
	• **COFI Bill** provisions **amended** to allow FSCA more clearly to support **Financial Sector Code targets**
	• **Regulatory and supervisory frameworks** reviewed to support financial inclusion:
	    • draft conduct standards for cell captives and Co-operative Financial Institutions
	    • amendments to microinsurance product standards,
	    • regulatory approaches and framework for the funeral parlour market
	    • Conduct of Business returns

3. A robust regulatory framework that promotes fair customer treatment

Intended outcome	Achievement

• Increasingly **aligned and harmonised conduct standards** under existing sectoral laws
• **New conduct standards under the FSR Act** for financial institutions and activities not covered by existing sectoral laws
• A **holistic TCF-aligned supervisory approach** to monitor and enforce delivery of these conduct standards
• **Ongoing implementation of key TCF-aligned regulatory projects**, including achieving the outcomes of the RDR
• Readiness for a **smooth transition** to the overarching licensing and conduct standards framework under the COFI Act.
	• Work underway to **embed TCF principles** in sector laws, **supervision increasingly Pro-active Pre-emptive Intensive and Intrusive**
	• **Harmonisation project** initiated (identifying themes and developing regulatory frameworks applicable across the entire financial sector)
	• **Conduct standards** developed and published
	    • Conduct Standard for Banks
	    • Conduct Standard on Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolios
	    • Requirements for Delegation of administration functions by a manager of a Collective Investment Scheme
	    • Conditions for Smoothed Bonus Policies to form part of Default Investment Portfolios
	    • Minimum Skills and Training Requirements for Board Members of Pension Funds
	    • Joint Standard on fitness, propriety and other matters related to Significant Owners
	• Development of **risk-based supervisory framework** near completion
	• **Omni-CBRs** to be published for consultation
	•

4. Informed financial customers

Intended outcome	Achievement
• Broader **consumer protection** • **Integration** of financial education with regulatory functions • **Coordinated** industry financial education activities • **Improved data** on consumer behaviour • Positive consumer **behavioural change**.	• Developing **conduct standards for consumer education** • Greater internal communication to **coordinate and enhance messaging** • **Coordinated activities** with national consumer protection fora and committees • **Conducted research** on consumer behaviour • National Speech Competition; Youth Campaign; Expanded Public Works Programme; Money Smart Week

5. Strengthening the efficiency and integrity of our financial markets

Intended outcome	Achievement

This strategic priority is intended to ensure that South African financial markets are:
• **fair, efficient,** and **transparent**, with reliable and effective **price discovery**
• supported by **robust** and **efficient** post-trade systems
• provide a **diverse and competitive range of products** and services to meet investors' needs.
	• **Conduct Standards and Joint Standards developed, including:**
	    • Conduct Standard for Authorised OTC Derivative Providers1
	    • Joint Standard on Margin requirements for non-centrally cleared over the counter derivative transactions
	    • Joint Standard on Requirements relating to Central Counterparty Licence Applications
	Conduct standard for exchanges, to address issues
	• Participation in **GLEIF** meetings
	• Published discussion paper on **short selling**
	• **Local CCP regime introduced**; applications being assessed
	• **Exemption criteria framework** for external market infrastructures being drafted together with a **determination and equivalence framework**

6. Understanding new ways of doing business

Intended outcome	Achievement
• Creation of dedicated **FinTech Department** • Active participation in the **IFWG** • Finalisation and establishment of an **Innovation Hub protocol** through the IFWG • Establishment of a **Regulatory Sandbox**, or participation in multi-regulator sandboxing with other financial sector regulators through the IFWG • Co-hosting, with IFWG members, of **engagement conferences** with the FinTech sector • Co-hosting of **hackathons** with IFWG members • Development and implementation of the FSCA **data strategy** • Recruitment of necessary **specialist skills**.	• The FSCA with the IFWG launched a **Regulatory Guidance Unit, a Regulatory Sandbox, and an Internal Innovation Hub** • Fintech department **published joint papers and reports** with the IFWG (SA Fintech Landscape Report; Crypto Assets Working Paper; Non-Traditional Data Report; Suptech report) • **Published report on Open Finance**

As is clear from the above, the FSCA has successfully implemented a new organisational design, moving from a sector regulator to a functionally structured conduct regulator, and has established the technological foundation. In addition, significant progress has been made in developing regulatory frameworks, especially to fill regulatory gaps, and to develop new supervisory approaches. The regulatory and organisational strategy was very ambitious, and a more focussed strategic approach will be adopted going forward.

6.2 A new organisational strategy

A new organisational strategy has been developed, taking into consideration the achievements of the FSCA over the first three years of its existence, as well as the evolving external environment and the risks and opportunities presented. This new strategy is designed around five strategic objectives, designed to:

1) Improve industry practices to achieve fair outcomes for financial customers
2) Act against misconduct to support confidence and integrity in the financial sector
3) Promote the development of an innovate, inclusive and sustainable financial sector
4) Empower households and small businesses to be financially resilient
5) Accelerate the transformation of the FSCA into a socially responsible, efficient, and responsive conduct regulator

The strategy aims to focus the work of the FSCA on the key outcomes that must be achieved, which are summarised below:

Strategic objective	Expected Outcomes
Improve industry practices to achieve fair outcomes for financial customers	Good conduct and Treating Customers Fairly (TCF) principles embedded consistently across the financial sector
	Conduct risks mitigated
Act against misconduct to support confidence and integrity in the financial sector	Improved trust in the financial sector maintained
Promote the development of an innovative, inclusive, and sustainable financial system	Transformation in the financial sector supported
	Financial inclusion of low-income households and small businesses deepened
	Greater competition and contestability in the financial system enabled

	Sustainable finance and investment in the financial sector fostered
Empower households and small businesses to be financially resilient	Financial customers able to make better and more informed financial decisions
Accelerate the transformation of the FSCA into a socially responsible, efficient, and responsive organization	Operational excellence embedded across all functions of the FSCA
	FSCA is recognised and trusted by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally

The work of the FSCA will be informed by the key considerations related to the value that the institution adds to both regulated entities and financial customers, the regulatory burden that it imposes on regulated entities and the efficiency and effectiveness of the organisation.

6.1 Collaboration and co-ordination with other regulators

Collaboration and coordination between the financial sector regulators are important to ensure effective oversight, while limiting the regulatory burden of reporting and oversight on regulated entities. The FSCA interacts closely with the Prudential Authority, the SARB, the National Credit Regulator, the Financial Intelligence Centre, the Council for Medical Schemes, and other local regulators, in the performance of its regulatory and supervisory duties. Co-ordination meetings with regulatory institutions are scheduled on a regular basis and provide the opportunity for exchange of information and alignment between the institutions.

Although the Prudential Authority and the FSCA have coordinated supervisory plans and engagements to the extent possible, care needs to be taken not to duplicate data collection and supervisory engagement.

To this end, the authorities are considering ways in which data collection could be coordinated through a shared service, which could potentially include the Prudential Authority, the SARB, the National Credit Regulator and the Financial Intelligence Centre.

PART C: MEASURING OUR PERFORMANCE

7 Institutional performance information

7.1 Measuring the Impact

Impact Statement	A fair, efficient, and innovative financial sector with financially resilient customers and effectively functioning, competitive markets.

7.2 Measuring Outcomes

Outcome	Outcome Indicator	Baseline	Five-year target
Good conduct and Treating Customers Fairly (TCF) principles embedded consistently across the financial sector	Percentage improvement in financial sector market conduct outcomes	No baseline	Establish a baseline for financial sector market conduct outcomes
Conduct risks mitigated	Percentage of identified emerging and systemic conduct risks addressed through supervisory or regulatory action	No baseline	75% of identified emerging and systemic conduct risks mitigated through supervisory or regulatory action
Improved trust in the financial sector maintained	Percentage change in trust in the financial sector	No baseline	Establish a baseline for trust in the financial sector
Transformation in the financial sector supported	Number of initiatives to address transformation in the financial sector	No baseline	2 initiatives to address transformation in the financial sector
Financial inclusion of low-income households and small businesses deepened	Percentage increase in take up by adults of wider range of financial products	No baseline	5% increase in take up by adults of wider range of financial products
Greater competition and contestability in the financial system enabled	Number of market reviews to assess impact of regulation on competition and contestability in the financial sector	No baseline	2 market reviews conducted
Sustainable finance and investment in the financial sector fostered	Number of regulatory instruments put in place to promote sustainable finance and investment	No baseline	1 regulatory instrument to support green investments through pooled investment vehicles
Financial customers able to make better and more informed financial decisions	Percentage of South Africans who have access to emergency funds	26% in 2017	Establish a baseline for South Africans that have access to emergency funds
Operational excellence embedded across all functions of the FSCA	Average improvement of percentage in Service Level Commitments	Current Service Level Commitments in place	An average improvement of 2% in 40% of Service Level Commitments
FSCA is recognised and trusted by financial	Number of engagements aimed at improving	No baseline	51 engagements aimed at improving perceptions of

Outcome	Outcome Indicator	Baseline	Five-year target
institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally	perceptions of the FSCA by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally		the FSCA by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally

7.3 Explanation of Planned Performance over the Five-Year Planning Period

The FSCA's five year planned performance is based outlined below:

Outcome	Planned performance
Good conduct and Treating Customers Fairly (TCF) principles embedded consistently across the financial sector	Good conduct and TCF outcomes will be embedded in the financial sector by ensuring that clear conduct standards are developed that are applicable across the financial sector. These standards will be embedded in institutions through raising awareness of the requirements and expectations of the regulator and through risk-based supervision. The supervisory framework will be informed by analysis of the statutory returns, which will be rolled out incrementally over the strategic period. Market conduct outcomes will be measured but will also be tested by research of the financial customer experience and the suitability of financial products and services. Another important element of embedding good conduct across the financial sector involves working with industry and particular sub-sectors to ensure that processes are in place to enable any unclaimed or lost assets to be returned to their rightful owners.
Conduct risks mitigated	The FSCA also intends to improve its ability to respond to emerging and systemic conduct risks. This will involve putting in place internal system to collect and analyse relevant data and to have targeted interventions to address these emerging risks. Possible responses include thematic supervisory and research efforts. Two risks that have been already identified are crypto assets and cyber and systems risks, which can expose consumers to loss of assets or identity.
Improved trust in the financial sector maintained	Trust in the financial sector will be maintained by acting decisively and visibly against misconduct. Misconduct could include scams, engaging in conduct that requires registration or licensing without such licensing and practices that result in significant consumer harm. The FSCA intends to enhance its ability to proactively detect such practices through targeted surveillance, enhanced enforcement activity and pro-active reviews of financial information to ensure the safety and soundness of entities that are prudentially regulated. In the sector will also be enhanced by strengthening regulatory frameworks and the ability of the

Outcome	Planned performance
	FSCA to exercise oversight. This will be largely focussed on bringing new areas of regulation into the ambit of the FSCA, including payment service providers, as well as financial benchmarks. In addition, particular focus will also be accorded to financial market regulation and will include the implementation of a roadmap on central clearing of derivative instruments, enhanced regulation of Collective Investment Schemes and Over-the-counter Derivative Providers.
Transformation in the financial sector supported	The FSCA will establish close relationships with key stakeholders responsible for transformation and will be implementing ways in which it can collect data on transformation and monitor changes over time. This information will be shared publicly to allow for engagement and debate.
Financial inclusion of low-income households and small businesses deepened	The FSCA role in financial inclusion is also largely to monitor changes and to encourage innovation that supports financial inclusion of low-income households and small businesses.
Greater competition and contestability in the financial system enabled	An area that will receive increasing attention from the FSCA is the contestability and competition in the financial system. This will involve ensuring that regulatory frameworks enable new entry, but also support the development of new entrants into sectors with established market infrastructure. In addition to regulatory reviews, the FSCA will also conduct targeted research in identified areas.
Sustainable finance and investment in the financial sector fostered	The FSCA is aware that it will play a narrow role in enabling sustainable finance, primarily through disclosure but also through enabling regulation. Research will support changes and the FSCA intends to work closely with the National Treasury.
Financial customers able to make better and more informed financial decisions	A core mandate of the FSCA is to promote financial literacy of consumers. The FSCA sees its role as more broadly supporting financial resilience of households and small businesses, primarily by enabling them to make better financial decisions. This involves making resources and information available and targeted campaigns. In addition, the FSCA will be developing a framework to monitor resilience and vulnerability.
Operational excellence embedded across all functions of the FSCA	The FSCA will focus on enhancing its performance and responsiveness as an institution by improving its service delivery commitments by technology and better business processes. The FSCA will also become more focussed on sustainability by implementing socially responsible practices. To improve its regulatory and supervisory outputs, the FSCA will continue improving the availability and quality of data. Talent management in the FSCA will continue to remain central.
FSCA is recognised and trusted by financial institutions, financial customers, financial sector ombuds and other financial sector	The FSCA will emphasise stakeholder management and external communication with a range of stakeholders, which will include the public, financial customers, regulated entities, financial sector ombuds policy makers and other regulators involved in financial sector regulation. It will also involve

Outcome	Planned performance
regulators in South Africa and internationally	thought leadership and broad engagement through policymaking fora, both locally and internationally, as well as platforms for engaging industry, such as through co-ordinating financial education initiatives of industry players.

7.4 Key Risks

The following key risks to the FSCA strategy and mitigating controls are identified in the table below:

No	Strategic Objective	Outcomes	Strategic Risk	Risk Definition	Mitigating Controls
1	2,5	• Operational excellence embedded across all functions of the FSCA • Improved trust in the financial sector maintained	Cyber Risk	The risk of financial and data loss as result of unauthorised and illegal access to the FSCA ICT infrastructure.	- Policy review processes. - Continuous vulnerability management and remediation. - Disaster Recovery Plan/ replication of business data on a daily basis at remote location. - Security Incidents and Event Management. - Non-disclosure agreements. - Cyber security risk management. - Recovery assisted by experts provided by the insurers - Malware protection controls. - Continuous employee awareness. - Malware protection controls. - Proactive threat management. - Control Self-Assessment. - Independent assurance (external auditing). - Password self-services.
2	1,2,3,5	• Sustainable finance and investment in the financial sector fostered • Greater competition and contestability in the financial system enabled	Data Risk	Exposure to loss of value or reputation caused by issues or limitations to an organisations ability to acquire, store, transform, move, and use its data assets.	- Establishment of a dedicated information hub (Business Centre). - Adoption of sound policies and procedures. - CCM meetings. - ICT steering committee. - Sound governance structures.

No	Strategic Objective	Outcomes	Strategic Risk	Risk Definition	Mitigating Controls
		• Greater competition and contestability in the financial system enabled • Improved trust in the financial sector maintained • Conduct risks mitigated			- Sound internal controls. - Malware protection controls. - BCM and data recovery. - Information Governance Committee (IGC). - Information Stewards Board.
3	1,2,3,5	• Sustainable finance and investment in the financial sector fostered • Greater competition and contestability in the financial system enabled • Greater competition and contestability in the financial system enabled • Improvedt trust in the financial sector maintained • Conduct risks mitigated • Operational excellence embedded across all functions of the FSCA	IRS Projects Risk	Failure of strategic IRS projects.	- ICT Steering Committee comprising all OPS EXCO and TMC members. - Project Management Office(PMO). - Established Enterprise Architecture. - Project management framework. - Existing experienced ICT resources. - Contract and SLA with service providers. - BAC. - Internal audit to review every stage of the procurement process. - Senior Counsel to review processes.
4	5	Operational excellence embedded across all functions of the FSCA	Talent Risk	Attracting and retaining critical skills, keeping in mind post pandemic issues around hybrid working model exacerbate talent management issues.	- Recruitment and retention strategy and policy in place. - Remuneration benchmarked to industry. - Talent management initiatives . - Ongoing training and upskilling of staff. - Implementation of the Talent management framework. - Implementation of fair employment practices. - Implement effective training and development programs.

No	Strategic Objective	Outcomes	Strategic Risk	Risk Definition	Mitigating Controls
					- Expedite / streamline the recruitment process. - Establish employee secondment opportunities.
5	5	Operational excellence embedded across all functions of the FSCA	Staff Safety Risk	The risk of death / injury to employees while carrying out their mandate including the executives.	- SAP accompanying investigators and CED staff. - Group personal accident insurance cover.
6	4,5	• FSCA is recognised and trusted by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally • Financial customers empowered to make better and more informed financial decisions	Stakeholder Risk	The risk that overlooking stakeholder concerns, misunderstanding or miscommunication could develop into complex stakeholder issues.	- Stakeholder engagement plan. - Contracted reputation management company.
7	1,2,3,	• Sustainable finance and investment in the financial sector fostered • Greater competition and contestability in the financial system enabled • Greater competition and contestability in the financial system enabled • Conduct risks mitigated	Regulatory and Supervisory Framework Risk	Ineffective and inadequate regulation of regulated entities.	- Regulatory Policy Forum. - Harmonisation of legislative framework. - CCM reporting.. - Annual risk-based supervision plans. - FSCA representatives serving on regional and international standard setting bodies. - Self assessment and peer reviews. - Co-ordination of on-site inspections. - Recruitment of skilled skills. - Experienced supervision staff. - Continuous development of staff. - Regulatory policy. - Stakeholder engagement plan. - Improved Supervisory approach to strengthen enforcement. - Embed MoUs with other regulators.

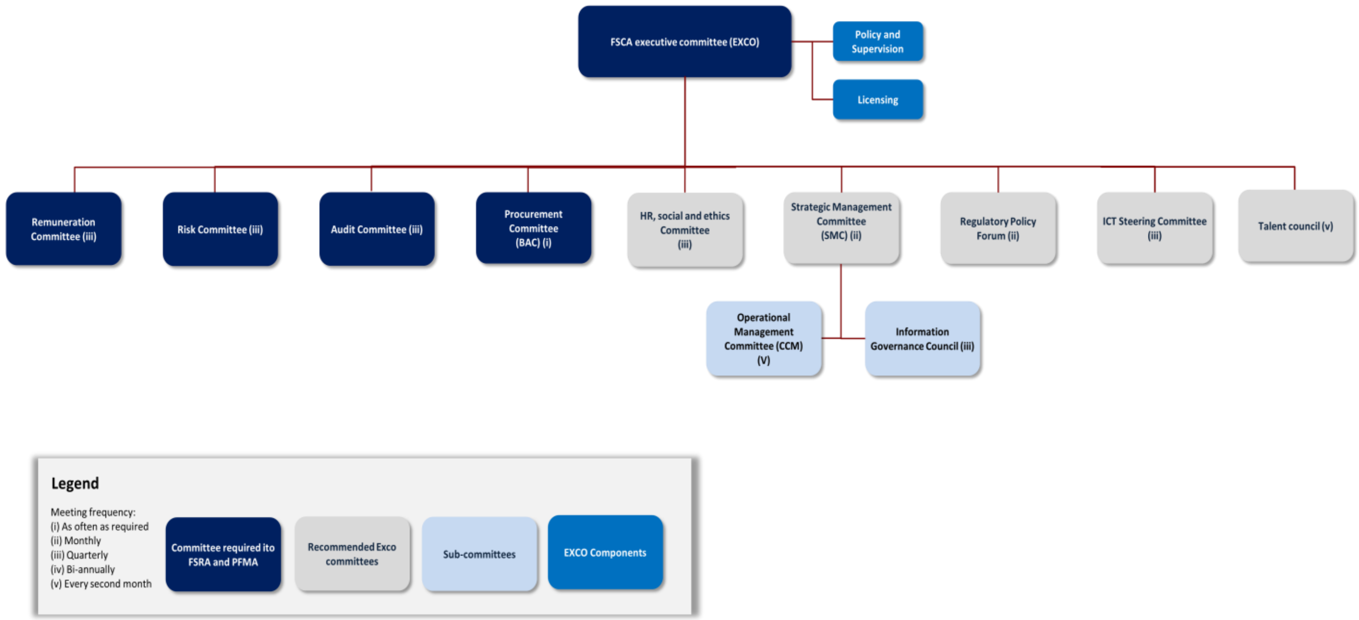
No	Strategic Objective	Outcomes	Strategic Risk	Risk Definition	Mitigating Controls
					- Staying abreast with international trends (Training and conferences).
8	1,2,3,4	• Good conduct and Treating Customers Fairly (TCF) principles embedded consistently across the financial sector • Transformation in the financial sector supported • Financial customers able to make better and more informed financial decisions • Financial inclusion of low-income households and small businesses deepened • Improved trust in the financial sector maintained	Mandate Risk	The risk of not achieving the mandate of the FSR Act that comes with the roles of enforcement, supervision, and Conduct Culture.	- Signed MoUs to govern collaboration with co-regulators and other stakeholders. - On-going engagement / Relationships management. - Process mapping. - Identifying system gaps. - Mapping of concurrence and delegation - Negotiations and discussions with NT. - Lobbying. - Ongoing review of Regulatory Strategy. - Perimeter risk assessment. - Research to support evidence-based policy and decision-making. - COFI Bill and harmonisation of subordinate regulation to strengthen Regulatory Frameworks.
9	2,5	• Operational excellence embedded across all functions of the FSCA • Improved trust in the financial sector maintained	Fraud and corruption Risk	The vulnerability that an organization faces from individuals capable of combining opportunity, rationalization and pressure to commit fraud.	- Approved policies. - Sound accounting and systems controls. - Comprehensive Fraud and Corruption Prevention strategy (including Tip-Offs Anonymous reporting line). - Sound HR processes in vetting new employees and checking of conflicts of interest in existing employees. - Comprehensive awareness programme on Fraud and Corruption Prevention.
10	5	Operational excellence embedded across all functions of the FSCA	Endemic Covid-19 Risk	The risk of perpetual cycles of outbreaks and lockdowns triggered by COVID-19 variants.	- Robust Business Continuity Management. - Dedicated Crisis Communication and Management Teams. - Stringent DR capabilities and sufficient DR facilities. - Remote working capability (telecommuting / working from home).

No	Strategic Objective	Outcomes	Strategic Risk	Risk Definition	Mitigating Controls
					- Arrangement for vulnerable employees to work from home. - FSCA Pandemic Management Plan. - Ops Exco resolutions to invoke Essential Services Teams per Division. - VPN Access. - Ability to perform desktop reviews instead of conducting onsite visits of regulated entities. - Implementation of mandatory quarantine for employees possibly affected. - Installation of hand sanitizers on each floor. - Cancelation of all physical meetings with outside parties and making use of Skype to conduct meetings. - Self-isolation of staff. - Tracking of staff disclosures and reported cases of infection. - Implementation of travel bans. - Bi-monthly medical screening of staff. - Awareness on the pandemic, including effective communication. - Media monitoring and communication with Department of Health.
11	2,5	• Operational excellence embedded across all functions of the FSCA • Improved trust in the financial sector maintained	Sustainability Risk	An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the organisation.	- Social and Ethics Committee - Environmental, Social and (Corporate) Governance (ESG) Policy - Annual Integrated Report

7.5 The FSCA governance framework and organisational structure

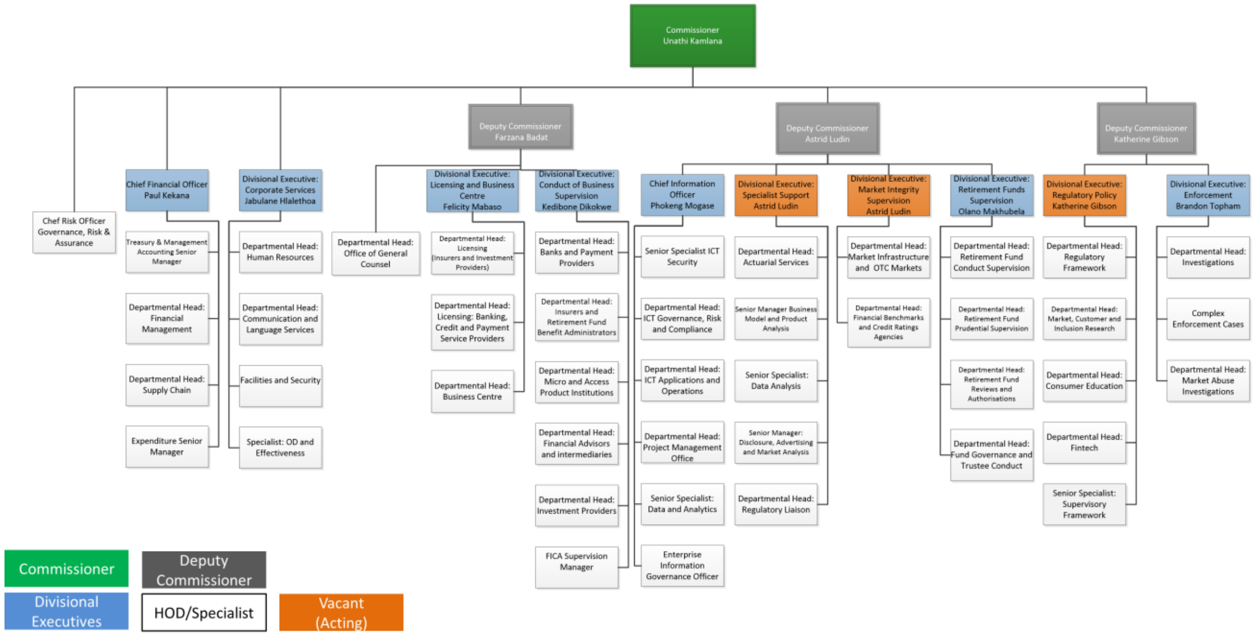
The Executive Committee (EXCO) of the FSCA oversees the operations of the organisation. The EXCO comprises the Commissioner and three Deputy Commissioners appointed by the Minister of Finance. EXCO is advised by external committees, made of independent members, which include a Remuneration Committee and a Risk Committee appointed by the National Treasury, and an Audit Committee and Social and Ethics Committee appointed by EXCO.

EXCO is supported by the FSCA management, who engage with EXCO through several sub-committees of EXCO. The governance framework and organisational structure are outlined below. The governance framework was designed after consideration of international and local best practice and engagement with several local and international market conduct regulators.



7.6 FSCA organisational structure

As mentioned above the FSCA is presided over by an Executive Committee. The FSCA is organised into ten line divisions which includes a Corporate Services, housing the support departments. Each division is headed by a divisional executive except for the Regulatory Policy division, Specialist Support and Market Integrity, which are looked after by the Deputy commissioners as depicted below. The Chief Information Officer (CIO) is responsible for ensuring the development and implementation of a business aligned FSCA ICT Strategy. The Chief Finance Officer (CFO) is responsible for sound financial governance. The Chief Risk Officer, responsible for the second line assurance functions, and the General Counsel reports to the Commissioner. The organogram of the FSCA is reproduced below.



PART D: TECHNICAL INDICATOR DESCRIPTIONS (TID)

Indicator Title	Percentage improvement in financial sector market outcome conduct outcomes

Definition	The indicator measures the change and performance of the sector in delivering positive outcomes for customers, based on outcome indicators that are approved by EXCO.
Source of data	• One or more of the following documents may be used as source of evidence: • Physical sign-off on Indicator Document • Minutes of meeting • Outcomes tracker • Presentation on outcome indicators •
Method of calculation or assessment	simple count
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	Establish a baseline for financial sector market conduct outcomes
Indicator Responsibility	Deputy Commissioner responsible for Regulatory Policy, Deputy Commissioner responsible for Enforcement, Deputy Commissioner responsible for Conduct of Business Supervision, Deputy Commissioner responsible for Retirement Funds

Indicator Title	Percentage of identified emerging and systemic conduct risks addressed through supervisory or regulatory action
Definition	Emerging and systemic conduct risks will be identified on the Emerging and Overarching Risk Register. Of these, the top five risks should be prioritised, and remediated through regulatory and/or supervisory action, which may include regulatory instruments and guidance notices, active supervision, or enforcement actions
Source of data	One or more of the following: - Draft or final Regulatory instrument - Draft or final Guidance Notice
Method of Calculation / Assessment	Simple Count
Assumptions	None
Disaggregation of Beneficiaries (where	• Target for Women: n/a • Target for Youth: n/a

applicable)	• Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	N/A
Desired performance	75% of identified emerging and systemic conduct risks mitigated through supervisory or regulatory action
Indicator Responsibility	DE: Economic and Risk Analysis or Deputy Commissioner responsible for Specialist Support, Deputy Commissioner responsible for Regulatory Policy

Indicator Title	Percentage change in trust in the financial sector
Definition	This indicator aims to measure the change in trust of the financial sector in the ability of the FSCA to regulate effectively
Source of data	• Developed indicators to measure trust • Methodology document on the measurement of indicators
Method of Calculation / Assessment	To be established once we have the baseline
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	Establish a baseline for trust in the financial sector
Indicator Responsibility	Deputy Commissioner responsible for Regulatory Policy / DE: Corporate Services

Indicator Title	Number of initiatives to address transformation in the financial sector
Definition	There are two initiatives as follows: • Financial Sector Transformation strategy sets out the FSCA's approach and targets for supporting financial sector transformation in South Africa. • MoU with one transformation strategic partner on the working relationship between the FSCA and its strategic partner which is the Broad Based Black Economic Empowerment Commission.
Source of data	Final strategy document Signed MOU
Method of Calculation / Assessment	Simple Count

Assumptions	None
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Calculation type	Non-cumulative
Reporting cycle	Annually
Desired performance	2 initiatives to address transformation in the financial sector
Indicator Responsibility	Deputy commissioner responsible for Regulatory Policy

Indicator Title	Percentage increase in take up by adults of wider range of financial products
Definition	The indicator measures the percentage increase in take-up by adults of a wider range of financial products, beyond credit, bank accounts and funeral insurance.
Source of data	FinScope survey, STATSSA, surveys conducted or commissioned by the FSCA
Method of Calculation / Assessment	([period current]non-bank financial services – credit – funeral cover) - ([period previous] non-bank financial services – credit – funeral cover) / ([period previous] non-bank financial services – credit – funeral cover) * 100
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	5% increase in take up by adults of wider range of financial products
Indicator Responsibility	Deputy commissioner responsible for Regulatory Policy

Indicator Title	Number of market reviews to assess impact of regulation on competition and contestability in the financial sector
Definition	Number of market reviews assessing the impact of FSCA-related regulation on competition and contestability in the financial sector, that are produced and distributed within the FSCA.
Source of data	Market review documents
Method of Calculation / Assessment	Simple Count
Assumptions	None
Disaggregation of	• Target for Women:

Beneficiaries (where applicable)	• Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	2 market reviews conducted to assess impact of regulation on competition and contestability in the financial sector
Indicator Responsibility	Deputy Commissioner responsible for Regulatory Policy, , Deputy Commissioner for Specialist Support

Indicator Title	Number of regulatory instruments put in place to promote sustainable finance and investment
Definition	Regulatory instrument issued through relevant legislative framework. Regulatory instruments are instruments issued by the authority under its powers, and include without limitation, regulations, violation decision, directives, instructions, guidance and regulatory policies.
Source of data	Regulatory instrument as published by the FSCA
Method of Calculation / Assessment	Simple Count
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	1 regulatory instrument to enable green investments through a pooled investment vehicle.
Indicator Responsibility	Deputy commissioner responsible for Regulatory Policy

Indicator Title	Percentage of South Africans who have access to emergency funds
Definition	This indicators sets to measure a baseline that we can use in the next strategic planning period that will show data of South African adults that have sufficient emergency funds available to deal with emergencies to survive a financial shock. Emergency funds means funds that are easily available.
Source of data	• Surveys performed by HSRC/ FINMark/STATSA or surveys commissioned by FSCA
Method of Calculation /	Percentage coverage of monthly living expense

Assessment	Number of SA adults that have access to suffiecient emergency funds/ Total number of adult South Africans
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	Establish a baseline for South Africans that have access to emergency funds
Indicator Responsibility	Deputy commissioner responsible for Regulatory Policy, Deputy Commissioner responsible for Specialist Support

Indicator Title	Average improvement of percentage in Service Level Commitments
Definition	This indicator sets out to measure the achievement of targeted SLC (Service Level Commitment) as committed by the FSCA to external
Source of data	One or more of the following documents may be used as source of evidence: • Approved SLCs • Applications of various processes • Reports from Magic Excel sheets used to track SLC achievements
Method of Calculation / Assessment	Total number of SLC measurement (20) – (*minus*) total number of targets not met = (*equal*) total number of overall SLC measurement target met
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	An average improvement of 2% in 40% of Service Level Commitments
Indicator Responsibility	DE: Conduct Of Business DE: Retirement Funds DE: Enforcement DE: Licencing and Business centre

Indicator Title	Number of engagements aimed at improving perceptions of the FSCA by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally.
Definition	This indicator measures whether planned activities were carried out as per the Communication Strategy. The purpose of the media engagements is to ensure that the FSCA makes use of the most appropriate communication tools to position the organisation as an effective regulator of the South African financial services sector. More importantly, to safeguard the reputation of the regulator and increase its visibility in our communication with key stakeholders.
Source of data	One or more of the following documents may be used as source of evidence: • Communications & Languages Services department's quarterly Business Plan feedback reports • Media engagements register • Email correspondence / confirmation of media engagement initiatives • Communication Strategy Document Communications & Languages Services reports to Exco/TMC
Method of Calculation / Assessment	Simple Count
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	• Target for Women: • Target for Youth: • Target for People with Disabilities:
Spatial Transformation (where applicable)	N/A
Desired performance	51 engagements aimed at improving perceptions of the FSCA by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally • 30 broadcast media interviews • 6 Commissioner engagements with stakeholders • 3 media surveys • 12 media round tables
Indicator Responsibility	DE: Corporate Services