



FINANCIAL SERVICES BOARD

Presentation by the Financial Services Board to
The Standing Committee on Finance
23 November 2010

FSB PRESENTATION TEAM



- Deputy Minister of Finance
- Dube Tshidi : Executive Officer
- Jurgen Boyd : Deputy Executive Officer: Retirement Funds
- Jonathan Dixon : Deputy Executive Officer: Insurance
- Marius Du Toit : Chief Actuary
- Gerry Anderson : Deputy Executive Officer: Market Conduct and Consumer Education /Chief Operating Officer
- Olivia Davids : Head of Department : Consumer Education
- Dawood Seedat : Chief Financial Officer
- Nonku Tshombe : Head of Department : Legal

OUTLINE OF PRESENTATION



- Introduction

- Significant business issues
 - Legislation
 - Investment Institutions
 - Insurance
 - Financial Advisory and Intermediary Services (FAIS)
 - Consumer Education
 - Retirement Funds

- FSB Hosting of International Meetings

- Review of Financial Information for the Year Ended 31 March 2010

THE FINANCIAL SERVICES BOARD



The core business of the FSB is to regulate and supervise the non-banking financial services sector in terms of the FSB Act and other relevant legislation (page 145 of the report).

This is done to promote :

- Fair treatment of consumers of financial services and products;
- Financial soundness of non-banking financial institutions;
- Systemic stability of financial services sector; and
- Integrity of financial markets and institutions

The FSB is funded from levies raised from regulated entities.

SIGNIFICANT BUSINESS ISSUES



Legislative and Regulatory Framework:

➤ Amendments to Legislation :

- The Insurance Laws Amendment Act 27 of 2008
- Financial Services Laws General Amendment Bill 2011
- Financial Markets Bill 2011
- Credit Rating Agencies Services Bill 2011

➤ IMF / WB Financial Stability Assessment Programme (FSAP) and G20 recommendations

➤ Treating Customers Fairly (TCF)



INVESTMENT INSTITUTIONS



- Regulation of Hedge Funds

INSURANCE

- Solvency Assessment & Management (SAM)
- Insurance Groups Legislation
- Micro Insurance

FINANCIAL ADVISORY AND INTERMEDIARY SERVICES (“FAIS”)



- Conflict of interest (COI) provisions
Board Notice 58 of 2010
- Avoid conflict of interest – s 3(1)
- Develop conflict of interest management policy - s 3A(2)
- Disclosure – s 3(2)
- Implement controls to ensure comply with prohibitions on financial interest
 - FSPs dealing with other FSPs – s 3A(1)(a)
 - Financial interest
 - Immaterial interest (R1 000)
 - FSPs representatives – s 3A(1)(b) and (c)
- Compliance officer must ensure that they do monitoring on the COI policy – s 3A(4)

CONSUMER EDUCATION



- In 2000 **The Financial Services Board Act No. 97 of 1990** was amended to mandate the FSB 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".*
- This was followed by the development of a FSB **CE strategy** which was approved by the FSB Board in 2001.

FUNDING

- The FSB's Discretionary Fund
- The Foundation
- Partnerships

THE FSB'S TARGETED FINANCIAL EDUCATION PROGRAMME



- Budgeting
- Saving
- Debt management
- Fraudulent schemes
- Insurance, retirement, investment, financial advisory services
- Rights & responsibilities
- Formal and community education

PROGRAMMES AND PROJECTS

- Commuter and shopper education
- Community engagement
- Media Campaigns
 - Radio and TV interviews
 - Stokvel TV
 - Publications, e.g. The Teacher, Bouquet, etc.
- Community financial education workshops
- Employee assistance programmes – Financial wellness
- Financial education in schools and for youth
 - Managing your Money – Mathematical literacy resource for teachers
 - Money in action: CD-ROM and booklets for grades R – 12
 - Financial guide for Youth: Youth between 18 -22
 - Career exhibitions

ADDRESSING THE NEED



- Need for more **coordination of financial education** in South Africa for more effective **resource use** and **greater impact**

- The FSB is facilitating a process to develop a **draft National Consumer Financial Education Strategy** – this initiative is currently underway with the support of the NT

- It is envisaged that a **Central Coordinating Committee** comprising all stakeholders will be established to lead the coordination of financial education in South Africa
 - It is proposed the FSB play a secretariat role to this CCC



RETIREMENT FUNDS

- E Learning for Trustees
- Pension Fund Surplus Apportionment

PENSION FUND SURPLUS APPORTIONMENT



Surplus
apportionments

Status	Standalone	Umbrella	Total
Approved	1 019	516	1 535
Pended	186	154	340
Not completed	26	4	30
Total	1 231	674	1 905

Nil - returns

Status	Standalone	Umbrella	Total
Approved	6 344	12 641	18 985
Rejected	21	7	28
Pended	287	707	994
Not completed	19	4	23
Total	6 671	13 359	20 030

FSB - HOSTING OF INTERNATIONAL MEETINGS



IOSCO

- The FSB will host the Annual Conference of the International Organisation of Securities Commissions in Cape Town from 17-21 April 2011

OECD/IOPS

- The FSB will be **hosting the OECD/FSB International Conference** and meetings on Financial Education in Cape Town between 24 and 28 October 2011
- Back-to-back with this the FSB will be **hosting the OECD/IOPS/FSB Global Forum** and meetings at the same venue



FINANCIAL SERVICES BOARD

Review of Financial Information for the Year
Ended 31 March 2010

ABRIDGED STATEMENT OF THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2010



STATEMENT OF FINANCIAL PERFORMANCE	2010				2009	
	Audited	Budget	Act vs Bud Variance		Audited	Y-on-Y Var
	R'000	R'000	R'000	%	R'000	%
Income	339,420	338,600	820	0%	282,039	20%
Levies	316,791	318,147	(1,356)	0%	250,696	26%
Fees and service charges	17,704	16,326	1,378	8%	18,206	-3%
Inspection cost recoveries	320	0	320		3,235	-90%
Other income	4,605	4,127	478	12%	9,902	-53%
Operating expenditure	367,125	362,785	4,339	1%	319,554	15%
Staff expenses	207,642	210,729	(3,087)	-1%	186,526	11%
Contribution towards expenses of the Offices of the PFA and the FAIS Ombud	60,856	60,856	-	0%	52,652	16%
General Expenses	98,627	91,200	7,426	8%	80,377	23%
Operating (deficit)/surplus	(27,705)	(24,185)	(3,520)	-15%	(37,515)	-26%
Income from investments	13,069	16,900	(3,831)	-23%	22,663	-42%
Finance costs	(7)	-	(7)		(1)	600%
Net deficit/surplus for the year	(14,643)	(7,285)	(7,358)	-101%	(14,853)	-1%

ABRIDGED STATEMENT OF THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2010



INCOME	2010				2009	
	Audited	Budget	Act vs Bud Variance		Audited	Y-on-Y Var
	R'000	R'000	R'000	%	R'000	%
Levies	316,791	318,147	(1,356)	0%	250,696	26%
FSB	265,193	266,372	(1,179)	0%	229,031	16%
Levy Rebates	-	-	-		(24,261)	-100%
PFA	30,025	29,514	511	2%	26,269	14%
Fais Ombud	21,573	22,261	(688)	-3%	19,657	10%
Fees	17,704	16,326	1,378	8%	18,206	-3%
Other Income	4,925	4,127	798	19%	13,137	-63%
Fines & Penalties	2,348		2,348		5,799	-60%
Inspection cost recoveries	320	-	320		3,235	-90%
Legal & other cost recoveries	1,160	4,127	(2,967)	-72%	2,952	-61%
Discount Received	78	-	78		-	
Profit on disposal of assets	-	-	-		7	-100%
Sundry income	1,019	-	1,019		1,144	-11%
	339,420	338,600	820	0%	282,039	20%
Income from investments	13,069	16,900	(3,831)	-23%	22,663	-42%
Interest	12,848	16,900	(4,052)	-24%	22,242	-42%
Other Income from Investments	221		221		421	-48%
	352,489	355,500	(3,011)	-1%	304,702	16%

ABRIDGED STATEMENT OF THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2010



EXPENDITURE	2010				2009	
	Audited	Budget	Act vs Bud Variance		Audited	Y-on-Y Var
	R'000	R'000	R'000	%	R'000	%
Staff Expenses	207,642	210,729	(3,087)	-1%	186,526	11%
Executive management remuneration	15,117	16,372	(1,256)	-8%	14,511	4%
Other staff expenses	192,526	194,357	(1,831)		172,015	12%
Contribution towards expenses of the Office of the PFA	37,924	37,924	-	0%	33,399	14%
Contribution towards expenses of the Office of the FAIS Ombud	22,932	22,932	-	0%	19,253	19%
Other general expenses	98,627	91,200	7,426	8%	80,377	23%
	367,125	362,785	4,339	1%	319,554	15%

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010



	2010 R'000	2009 R'000
ASSETS		
Non-current assets	58,450	31,541
Property, plant and equipment	27,359	7,863
Intangible assets	1,136	1,153
Non-current investments	29,954	22,525
Current Assets	163,295	175,408
Accounts receivable	28,958	36,246
Repayments	864	2,487
Cash and cash equivalents	133,310	136,321
Inventories	163	354
TOTAL ASSETS	221,745	206,949

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010



	2010 R'000	2009 R'000
RESERVES AND LIABILITIES		
Funds and Reserves	138,475	146,270
Accumulated funds	83,659	104,130
Contingency Reserves	33,449	29,316
Fair Value Reserve	8,250	1,402
Discretionary reserve	13,117	11,421
Non-current liabilities	20,675	21,937
Post retirement Medical Aid (PRMA)	20,675	18,250
Pension Fund plan obligation	0	3,687
Current Liabilities	62,594	38,743
Accounts Payable	52,271	26,932
Provision for legal fees	1,200	1,200
Levies and fees received in advance	9,123	10,611
TOTAL	221,745	206,949

ANALYSIS OF ACCUMULATED FUNDS PER INDUSTRY



INDUSTRY	Accum surplus/ (deficit)	Income	Expenditure	Net surplus for the year	Transfer to Discretionary reserve	Transfer to Contingency reserve	Prior year adjustment due to change in acc policy	Accum surplus/ (deficit)
	2009	2010						
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Insurance	26,331	66,694	65,671	1,023	(331)	(260)	(232)	26,531
Retirement Funds and Friendly Societies	56,660	127,222	128,480	(1,258)	(420)	(331)	(295)	54,356
Capital Markets	6,720	8,807	10,118	(1,311)	(474)	(373)	(332)	4,230
Collective Investment Schemes	13,386	15,013	16,040	(1,027)	(368)	(289)	(258)	11,444
Market Abuse	10,752	8,893	9,342	(449)	(193)	(152)	(135)	9,823
FAIS	(2,474)	134,542	146,162	(11,620)	(3,469)	(2,728)	(2,434)	(22,725)
	111,375	361,171	375,813	(14,642)	(5,255)	(4,133)	(3,686)	83,659

CONTACT DETAILS



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